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 FINAL RESULTS

The Board (the "Board") of Directors (the "Directors") of Kiu Hung Energy Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December** **2008** *HK$'000*	2007 *HK$'000*
TURNOVER	*3*	**133,357**	111,189
Cost of sales		**(91,760)**	(78,391)
GROSS PROFIT		**41,597**	32,798
Other income	*3*	**155,514**	8,070
Selling and distribution costs		**(18,000)**	(12,237)
Administrative expenses		**(31,361)**	(30,220)
Other operating expenses		**(295,049)**	(1,551)
LOSS FROM OPERATIONS		**(147,299)**	(3,140)
Finance costs	*4*	**(18,705)**	(3,773)
Share of profit/(loss) of a jointly – controlled entity		**449**	(99)
LOSS BEFORE TAX		**(165,555)**	(7,012)
Income tax credit/(expense)	*5*	**7,375**	(1,408)
LOSS FOR THE YEAR	*6*	**(158,180)**	(8,420)
ATTRIBUTABLE TO:			
Equity holders of the Company		**(158,549)**	(8,216)
Minority interests		**369**	(204)
		(158,180)	(8,420)
LOSS PER SHARE	*7*		
– Basic		**HK(4.09) cents**	HK(0.26) cent
– Diluted		**HK(7.07) cents**	N/A

CONSOLIDATED BALANCE SHEET

	Notes	**As at 31 December 2008** *HK$'000*	As at 31 December 2007 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**63,768**	57,990
Prepaid land lease payments		**4,742**	6,299
Investment properties		**3,440**	400
Goodwill	*9*	**658,405**	303,590
Exploration and evaluation assets	*10*	**53,484**	38,346
Mining rights	*11*	**–**	–
Other intangible assets		**1,129**	1,789
Interest in a jointly – controlled entity		**1,743**	524
Deposit		**–**	3,000
		786,711	411,938
CURRENT ASSETS			
Inventories		**9,329**	9,860
Trade receivables	*12*	**5,014**	9,108
Prepayments, deposits and other receivables		**2,833**	9,548
Due from a jointly-controlled entity		**3,256**	3,443
Prepaid land lease payments		**98**	151
Current tax assets		**218**	85
Financial assets at fair value through profit or loss		**286**	286
Bank and cash balances		**69,019**	70,557
		90,053	103,038
CURRENT LIABILITIES			
Trade and bills payables	*13*	**10,165**	9,256
Accruals and other payables		**21,585**	17,864
Due to a shareholder		**211**	282
Current tax liabilities		**398**	1,051
Borrowings		**38,673**	31,981
Derivative financial instruments	*14*	**1,059**	–
Promissory notes	*15*	**95,416**	–
		167,507	60,434
NET CURRENT (LIABILITIES)/ASSETS		**(77,454)**	42,604
TOTAL ASSETS LESS CURRENT LIABILITIES		**709,257**	454,542
NON-CURRENT LIABILITIES			
Borrowings		**18,376**	1,284
Deferred tax liabilities		**3,920**	4,163
Convertible notes	*14*	**234,128**	–
		256,424	5,447
NET ASSETS		**452,833**	449,095
CAPITAL AND RESERVES			
Share capital		**82,315**	68,132
Reserves		**368,567**	379,381
TOTAL EQUITY ATTRIBUTABLE EQUITY HOLDERS OF THE COMPANY		**450,882**	447,513
Minority interests		**1,951**	1,582
TOTAL EQUITY		**452,833**	449,095

NOTES:

1. GENERAL INFORMATION

Kiu Hung Energy Holdings Limited (the "Company") is a limited liability company incorporated 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 Company is an investment holding Company. The principal activities of its subsidiaries are manufacture and sales of toys and gift items and the exploration and mining of natural resources.

2. BASIS OF PREPARATION

The Group incurred a loss of approximately HK$158,549,000 attributable to equity holders of the Company and as at 31 December 2008 the Group had net current liabilities of approximately HK$77,454,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's attainment of profitable and positive cash flow operations and the Group's successful fund raising activities to obtain necessary funds at a level sufficient to finance the working capital requirements of the Group. The directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION

	2008	2007
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**133,357**	111,189
Other income		
Fair value gain on derivative component of convertible notes *(Note 14)*	**146,040**	–
Fair value gain on investment properties	**334**	–
Gain on disposal of subsidiaries	**7,018**	1,322
Interest income	**540**	824
Net foreign exchange gain	**–**	2,494
Rental income	**209**	421
Reversal of revaluation deficit previously charged to income statement	**–**	661
Sale of moulds	**235**	1,288
Others	**1,138**	1,060
	155,514	8,070

Segment information

The Group's operating businesses 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 returns that are different from those of other business segments.

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

(a) Primary reporting format – business segment

The Group has two main business segments:

(i) the manufacturing of toys and gifts items; and

(ii) the exploration and mining of natural resources.

	Exploration and mining		Toys and gifts items		Unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**–**	–	**133,357**	111,189	**–**	–	**133,357**	111,189
Other revenue	**–**	–	**235**	1,288	**–**	–	**235**	1,288
Total segment revenue	**–**	–	**133,592**	112,477	**–**	–	**133,592**	112,477
Segment results	**(164,886)**	(3,166)	**(1,089)**	(1,464)	**–**	–	**(165,975)**	(4,630)
Interest, rental income and unallocated other income							**9,239**	6,782
Unallocated expenses							**(5,152)**	(5,292)
Loss from operations							**(161,888)**	(3,140)
Finance costs							**(4,116)**	(3,773)
Share of profit/(loss) of a jointly – controlled entity			**449**	(99)			**449**	(99)
Loss before tax							**(165,555)**	(7,012)
Income tax credit/(expense)							**7,375**	(1,408)
Loss for the year							**(158,180)**	(8,420)
Segment assets	**735,465**	346,362	**126,530**	136,997	**13,026**	31,093	**875,021**	514,452
Interest in a jointly – controlled entity	**–**	–	**1,743**	524	**–**	–	**1,743**	524
Total assets							**876,764**	514,976
Segment liabilities	**372,804**	24,534	**20,076**	32,942	**31,051**	8,405	**423,931**	65,881
Total liabilities							**423,931**	65,881
Other information:								
Capital expenditure	**68,323**	37,869	**1,248**	2,202	**–**	–	**69,571**	40,071
Depreciation and amortisation	**212**	76	**6,284**	6,577	**292**	619	**6,788**	7,272
Impairment loss on goodwill	**256,349**	–	**–**	–	**–**	–	**256,349**	–
Impairment loss on mining rights	**35,493**	–	**–**	–	**–**	–	**35,493**	–
Bad debt written off	**–**	–	**847**	114	**–**	32	**847**	146

(b) Secondary reporting format – geographic segment

No geographical information of segment assets and capital expenditure is presented as over 90% of the Group's assets are located in the PRC. The Group's revenue is derived from location of customers.

	PRC (including Hong Kong)		North America[1]		European Union[2]		Others[3]		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**9,565**	5,901	**104,538**	82,783	**11,764**	16,939	**7,490**	5,566	**133,357**	111,189
Other revenue	**235**	1,288	**–**	–	**–**	–	**–**	–	**235**	1,288
Total segment revenue	**9,800**	7,189	**104,538**	82,783	**11,764**	16,939	**7,490**	5,566	**133,592**	112,477

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. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest expenses on:		
Bank loans	**2,314**	1,913
Trust receipts loans	**369**	325
Liability component of convertible notes wholly repayable within 5 years *(note 14)*	**11,477**	–
Loan from a shareholder wholly repayable within 5 years	–	44
Other loans wholly repayable within 5 years	**2,743**	1,491
Others	**1,802**	–
	18,705	3,773

5. INCOME TAX (CREDIT)/EXPENSE

	2008	2007
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax		
Provision for the year	**885**	896
Over-provision in prior years	**(17)**	–
	868	896
Deferred tax	**(8,243)**	512
	(7,375)	1,408

Hong Kong Profits Tax is provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the respective jurisdictions in which the subsidiaries of the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. LOSS FOR THE YEAR

The Group's loss for the year is stated at after charging the following:

	2008	2007
	HK$'000	*HK$'000*
Allowance for inventories	**3,022**	1,662
Amortisation of other intangible assets	**660**	635
Auditor's remuneration	**750**	1,900
Bad debts written off	**847**	146
Cost of inventories sold	**91,760**	78,391
Depreciation	**5,977**	6,478
Impairment loss on goodwill* *(note 9)*	**256,349**	–
Impairment loss on mining rights* *(note 11)*	**35,493**	–
Loss on disposals of property, plant and equipment*	**87**	7
Minimum lease payments under operating leases in respect of land and buildings	**573**	416
Net foreign exchange loss*	**2,342**	–
Research and development expenditure	**713**	1,015
Directors' remuneration	**5,139**	4,149
Staff costs (excluding directors' remuneration)		
Salaries, bonus and allowance	**21,014**	16,182
Retirement benefits scheme contributions	**932**	750
Share-based payment expenses	**1,152**	3,361
	23,098	20,293

* *Included in other operating expenses*

7. LOSS PER SHARE

The calculations of basic and diluted loss per share is based on the following:

	2008 *HK$'000*	2007 *HK$'000*
Loss		
Loss for the purpose of calculating basic earnings per share	**158,549**	8,216
Finance costs saving on conversion of convertible notes outstanding	**(11,477)**	–
Fair value gain on derivative financial instruments of convertible notes	**146,040**	–
Loss for the purpose of calculating diluted loss per share	**293,112**	8,216
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**3,872,395,894**	3,190,638,419
Effect of dilutive potential ordinary shares arising from convertible notes outstanding	**275,683,154**	–
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	**4,148,079,048**	3,190,638,419

For the year ended 31 December 2008, there was no dilutive effect in relation to the outstanding share options (granted in 2007) as the average market price of ordinary shares was below the exercise price of the share options; and there was anti-dilutive effect in relation to the outstanding share options (granted in 2006).

Diluted loss per share was not presented for the year ended 31 December 2007 as there was anti-dilutive effect in relation to the outstanding share options.

8. FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year (2007: Nil) .

9. GOODWILL

	HK$'000
Cost	
At 1 January 2007	–
Acquisition of subsidiaries	303,590
At 31 December 2007 and 1 January 2008	303,590
Acquisition of subsidiaries	611,164
At 31 December 2008	914,754
Accumulated amortisation and impairment losses	
At 1 January 2007, 31 December 2007 and 1 January 2008	–
Impairment loss *(note 6)*	256,349
At 31 December 2008	256,349
Carrying amount	
At 31 December 2008	658,405
At 31 December 2007	303,590

Goodwill is allocated, at acquisition, to the cash-generating units ("CGU") that are expected to benefit from that business combination. The carrying amount of goodwill at year end have been allocated as follows:

	2008 *HK$'000*	2007 *HK$'000*
Exploration and mining		
– Guerbanhada Coal Mine	**189,169**	303,590
– Bayanhushuo Coal Field	**469,236**	–
	658,405	303,590

During the year ended 31 December 2007, the Group acquired Inner Mongolia Mingrunfeng Energy Co., Ltd. ("Mingrunfeng") which holds an exploration rights certificate in Guerbanhada Coal Mine ("GCM") located in the Inner Mongolia Autonomous Region ("Inner Mongolia") of the People's Republic of China ("PRC"). The exploration rights certificate has a exploration period from 26 October 2007 to 31 October 2009.

During the year ended 31 December 2008, the Group acquired Lucky Dragon Resources Limited and its subsidiary, Tongliao City Heng Yuan Mining Co., Ltd. ("Heng Yuan") (collectively referred to as the "Lucky Dragon Group"). Heng Yuan holds an exploration rights certificate in Bayanhushuo Coalfield ("BCF") located in Inner Mongolia. The exploration rights certificate has a exploration period from 5 July 2007 to 4 July 2010 (latest renewed period is from August 2008 to August 2011). Heng Yuan also holds a mining rights certificate of Huanghaushan Coal Mine ("HCM") located in the Inner Mongolia. The mining rights certificate has a mining period from November 2007 to November 2010 (latest renewed period is from August 2008 to August 2011).

On or before the expiry of the exploration rights certificate, the Group is entitled to either apply for an extension of the exploration rights certificate or to apply for a mining rights certificate should the Group be able to achieve certain capital and equipment conditions as required by the The Ministry of Land and Resources, the PRC. The Group has engaged technical consultants for the necessary exploration works and have been in the process to raise necessary capital in order to achieve to satisfy the required conditions for the application of the mining rights certificates for GCM and BCF.

The carrying amounts of the goodwill arising from the acquisition of Lucky Dragon Group and Mingrunfeng together with the carrying amounts of exploration and evaluation assets (note 10) are allocated to exploration and mining CGU which are directly attributable to the potential mining rights of GCM and BCF respectively. The directors considered that the goodwill arising from acquisition of HCM was immaterial since the potential mining values (in terms of coal reserve) of HCM is substantially less than that of BCF.

The directors assessed the carrying amounts of goodwill and exploration and evaluation assets based on the recoverable amounts of GCM and BCF which are estimated at fair value less cost to sell by reference to the market value as at 31 December 2008 issued by Grant Sherman Appraisal Limited, an independent firm of professional valuers. The fair value less costs to sell were developed through the application of the market approach which relied on Guideline Transaction method with reference to the historical market transaction prices for acquisition of coal mine with similar exploration rights. The directors firstly allocated the impairment loss to goodwill and then to exploration and evaluation assets. Impairment loss of approximately HK$256,349,000 was provided for the carrying amount of goodwill as at 31 December 2008.

10. EXPLORATION AND EVALUATION ASSETS

	HK$'000
Cost	
At 1 January 2007	–
Acquisition of subsidiaries	36,826
Exchange difference	1,520
At 31 December 2007 and 1 January 2008	38,346
Acquisition of subsidiaries	12,246
Exchange difference	2,892
At 31 December 2008	53,484
Accumulated amortisation and impairment loss	
At 1 January 2007, 31 December 2007 and 1 January 2008	–
Impairment loss	–
At 31 December 2008	–
Carrying amount	
At 31 December 2008	53,484
At 31 December 2007	38,346

The exploration and evaluation assets are attributable to GCM and BCF as explained in note 9.

11. MINING RIGHTS

	HK$'000
Cost	
At 1 January 2008	–
Acquisition of subsidiaries	34,704
Exchange difference	789
At 31 December 2008	35,493
Accumulated amortisation and impairment loss	
At 1 January 2008	–
Impairment loss *(note 6)*	35,493
At 31 December 2008	35,493
Carrying amount	
At 31 December 2008	–

The mining rights are attributable to the HCM. The directors considered that the discounted future cash flows derived from HCM is not significant to the Group, hence an impairment loss of HK$35,493,000 was provided as at 31 December 2008.

12. TRADE RECEIVABLES

The ageing analysis of trade receivables as at the balance sheet date, based on invoice dates, is as follows:

	As at 31 December 2008 ***HK$'000***	As at 31 December 2007 *HK$'000*
Within 30 days	**4,280**	6,408
31 days to 90 days	**552**	2,254
91 days to 180 days	**130**	309
181 days to 360 days	**52**	137
	5,014	9,108

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 extending up to 90 days. 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.

13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the balance sheet date, based on the invoice dates, is as follows:

	As at 31 December 2008	As at 31 December 2007
	HK$'000	*HK$'000*
Within 30 days	**3,740**	3,582
31 days to 90 days	**2,751**	3,878
91 days to 180 days	**2,646**	1,315
181 days to 360 days	**733**	281
Over 360 days	**295**	200
	10,165	9,256

14. CONVERTIBLE NOTES

On 28 March 2008, the convertible notes ("CN") of nominal value of HK$254,065,000 were issued as part of the consideration for an acquisition of the Lucky Dragon Group. 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 fair value of the CN has been split between the liability component and derivative component as follows:

	Liability component	**Derivative component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 28 March 2008	222,651	147,099	369,750
Interest expense *(note 4)*	11,477	–	11,477
Fair value gain on derivative component of CN *(note 3)*	–	(146,040)	(146,040)
At 31 December 2008	234,128	1,059	235,187

15. PROMISSORY NOTES

The promissory notes were issued as part of the consideration for the acquisition of the Lucky Dragon Group. 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 note holder once the Company has sufficient funds for repayment.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial highlights

For the financial year ended 31 December 2008 (the "Year"), the Group recorded a turnover of approximately HK$133.4 million (2007: HK$111.2 million), representing an increase of approximately 20% as compared with the preceding year. The Group's loss attributable to shareholders for the Year was approximately HK$158.5 million (2007: HK$8.2 million). Basic loss per share for the Year was HK4.09 cents (2007: HK0.26 cent).

Business and operational review

During the Year, the Group continued to engage in the design, manufacture and sale of toys and gifts products and the mining and exploration of natural resources. During the Year, the Group has experienced improved sales performance for its toys and gifts business as a result of the increase in the sales of decorative flags and garden products through the "Toland" brand name and the increased sale orders secured from a number of prestigious customers. Gross profit ratio also increased from 29.5% in 2007 to 31.2% in 2008 as a result of the cost control measures adopted by the Group. The mining and exploration business has not yet commenced any commercial production for the Year.

The Group has made a goodwill impairment loss of approximately HK$256.3 million and mining rights impairment loss of approximately HK$35.5 million for the Year in respect of the Group's coal mine investments in Inner Mongolia Mingrunfeng Energy Co., Ltd. and Tongliao City Heng Yuan Mining Co., Ltd. ("Heng Yuan"). In addition, the Group has recorded a fair value gain on derivative component of convertible notes in the amount of approximately HK$146.0 million and interest expenses on the liability component of convertible notes of approximately HK$11.5 million. These were non-cash items and were not expected to have material adverse effects on the Group's cash flow.

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 People's Republic of China ("PRC"). The Group had cash and bank balances of approximately HK$69.0 million (2007: HK$70.6 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 93% (2007: 89%) bore interest at fixed lending rate. At 31 December 2008, the Group's bank and other borrowings amounted to approximately HK$57.0 million (2007: HK$33.3 million), out of which approximately 68% (2007: 96%) was repayable within one year. In addition, the Group also has promissory notes of approximately HK$95.4 million due on 28 September 2009 and convertible notes with face value of approximately HK$254.1 million due on 28 March 2010 which were issued in relation to the Group's acquisitions of Lucky Dragon Resources Limited and Heng Yuan. The debt/equity ratio of the Group calculated as a ratio of total bank and other borrowings (including promissory notes and convertible notes) to total equity was approximately 86% as at 31 December 2008 (2007: 7%). Net current liabilities as at 31 December 2008 was approximately HK$77.5 million (2007: net current assets of HK$42.6 million) and the current ratio was approximately 54% (2007: 170%). 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 2008, certain leasehold land and buildings held by the Group with carrying values of approximately HK$9.3 million, were pledged to secure general banking facilities granted to the Group.

As at 31 December 2008, the Group did not have any significant capital commitment or contingent liabilities.

Material acquisitions

During the Year, the Group has completed the acquisition of 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 which are located in the Inner Mongolia Autonomous Region of the PRC. Details of the Acquisition were set out in the Company's circular dated 31 January 2008.

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. As the Group has an aggregate amount of coal resources of over 570 million tons, we will be able to 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.

Issue of shares and use of proceeds

During the Year, 600,000,000 new shares have been issued by the Company as consideration shares for the acquisition of Hang Yuan. Further details of the acquisition were set out in the Company's circular dated 31 January 2008. In addition, 107,000,000 new shares have been issued by the Company at a placing price of HK$0.27 per share upon completion of a share placement in December 2008. The net proceeds of the placement amounted to approximately HK$28 million and has been applied as general working capital for the Group's coal energy business in accordance with the proposed application set out in the Company's announcements dated 30 November 2008. Further details of the share placement were set out in the Company's announcements dated 30 November 2008, 11 December 2008 and 15 December 2008, respectively.

Pursuant to the Company's announcement dated 3 July 2008, the Board has resolved to change the application of i) the unapplied balance of the net proceeds of the 2006 open offer of approximately HK$2 million and ii) the unapplied balance of the net proceeds raised from the 2001 new issue and placing of shares of approximately HK$5 million to be used for the development and construction of the Group's coal mining facilities. These net proceeds remained unused as at the date of this report and the Group has placed such unused funding with licensed banks in Hong Kong and the PRC. These deposits have been receiving reasonable and steady interest income which preserves the best interests of the Group and its shareholders.

Employment, training and development

As at 31 December 2008, the Group had a total of 837 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 compiled 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 23 June 2009 to 30 June 2009, 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 30 June 2009, 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 22 June 2009.

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 2008 have been agreed by the Group's auditor, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Nelson Wheeler 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 HKICPA and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

The Directors would like to draw your attention to the fact that the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2008 contains the following basis for disclaimer of opinion.

"Basis of disclaimer of opinion

(a) As set out in note 2 to the financial statements, the Group incurred a loss of approximately HK$158,549,000 attributable to equity holders of the Company and as at 31 December 2008 the Group had net current liabilities of approximately HK$77,454,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's attainment of profitable and positive cash flow operations and the Group's successful fund raising activities to obtain necessary funds at a level sufficient to finance the working capital requirements of the Group. We have not been provided with sufficient evidence to satisfy ourselves that the Group might successfully adopt the going concern basis.

    Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

(b) Included in the balance sheet is goodwill with carrying amount of approximately HK$658,405,000 as at 31 December 2008. The goodwill is attributable to the exploration and evaluation of Guerbanhada Coal Mine ("GCM") and Bayanhushuo Coalfield ("BCF"), located in the Inner Mongolia Autonomous Region of the People's Republic of China.

As set out in note 15 to the financial statements, the directors assessed the carrying amount of goodwill based on the recoverable amounts of GCM and BCF which are estimated at fair value less cost to sell by reference to the market value as at 31 December 2008. Impairment loss of approximately HK$256,349,000 was provided for the carrying amount of goodwill as at 31 December 2008. We have not been provided with sufficient evidence regarding the value in use of the goodwill and accordingly we have been unable to satisfy ourselves as to the recoverable amount of the goodwill. There are no other satisfactory audit procedures that we could adopt to determine whether the carrying amount of goodwill of approximately HK$658,405,000 was fairly stated as at 31 December 2008.

(c) Included in property, plant and equipment as set out in note 12 to the financial statements are other mining assets with carrying amounts of approximately HK$21,834,000 as at 31 December 2008 which are attributable to Huanghuashan Coal Mine located in the Inner Mongolia Autonomous Region. We have not been provided with sufficient evidence to satisfy ourselves as to the recoverability of these mining assets. There are no other satisfactory audit procedures that we could adopt to determine whether any provision for impairment should be made in the financial statements.

Any adjustments to the above figures might have a significant consequential effect on the Group's results for the year ended 31 December 2008 and net assets of the Group as at 31 December 2008.

Disclaimer of opinion: disclaimer on view given by financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of the affairs of the Group as at 31 December 2008 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

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 27 April 2009.

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 2008 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, 27 April 2009

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