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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 2011 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 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	5	68,731	45,746
Cost of sales		(54,859)	(32,968)
Gross profit		13,872	12,778
Other income		1,081	929
Selling and distribution costs		(9,380)	(10,223)
Administrative expenses		(27,938)	(33,061)
Other gain/(losses)		13,593	(6,932)
Operating loss		(8,772)	(36,509)
Finance costs		(1,055)	(2,170)
Share of profit of a jointly controlled entity		103	467
Loss before income tax		(9,724)	(38,212)
Income tax expense	6	(694)	(100)
Loss for the period	7	(10,418)	(38,312)
Loss attributable to:			
– equity holders of the Company		(10,352)	(37,957)
– non-controlling interests		(66)	(355)
		(10,418)	(38,312)
		HK cents	HK cents
Loss per share attributable to the equity holders of the Company			
– basic and diluted	9	(0.18)	(0.81)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(10,418)	(38,312)
Other comprehensive income:		
Exchange difference arising from translation of foreign operations	13,553	1,689
Adjustment on revaluation of properties	549	—
Deferred tax arising on adjustment on revaluation of properties	(92)	—
Total comprehensive income/(loss) for the period	<u>3,592</u>	<u>(36,623)</u>
Total comprehensive income/(loss) attributable to:		
– equity holders of the Company	3,658	(36,268)
– non-controlling interests	(66)	(355)
	<u>3,592</u>	<u>(36,623)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	10	90,367	85,584
Prepaid land lease payments		4,690	4,639
Investment properties		8,686	8,500
Exploration and evaluation assets	11	768,269	750,843
Other intangible asset		1,099	1,105
Interest in a jointly controlled entity		1,527	1,423
Deferred tax assets		—	280
		<u>874,638</u>	<u>852,374</u>
Current assets			
Inventories		34,537	18,287
Trade receivables	12	17,465	13,977
Prepayment, deposits and other receivables		11,897	10,190
Due from a jointly controlled entity		7,506	6,509
Tax recoverable		118	116
Bank and cash balances		22,387	49,699
		<u>93,910</u>	<u>98,778</u>
Total assets		<u>968,548</u>	<u>951,152</u>
Current liabilities			
Trade payables	13	27,593	17,893
Accruals and other payables		20,050	20,015
Tax payable		749	1,275
Borrowings		49,747	38,300
		<u>98,139</u>	<u>77,483</u>
Net current (liabilities)/assets		<u>(4,229)</u>	<u>21,295</u>

		As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
	<i>Note</i>		
Total assets less current liabilities		870,409	873,669
		<hr/>	<hr/>
Non-current liabilities			
Financial liabilities at fair value through profit or loss	14	–	245,285
Deferred tax liabilities		181,668	177,550
		<hr/>	<hr/>
		181,668	422,835
		<hr/>	<hr/>
Net assets		688,741	450,834
		<hr/>	<hr/>
Equity			
Share capital	15	115,386	100,289
Reserves		573,130	350,254
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		688,516	450,543
Non-controlling interests		225	291
		<hr/>	<hr/>
Total equity		688,741	450,834
		<hr/>	<hr/>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

These unaudited condensed consolidated interim financial statements are presented in HK dollars, unless otherwise stated. These unaudited condensed consolidated interim financial statements were approved by the board of directors for issue on 26 August 2011.

2 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with HKAS 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

3 ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the financial year ended 31 December 2010, except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2011. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group. In addition, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4 ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2010.

5 SEGMENT INFORMATION

The Group has two reportable segments as follows:

Exploration and mining – Exploration and mining of natural resources

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

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

Segment results do not include gain or loss on change in fair value of convertible notes, corporate finance costs and other corporate income and expenses. Segment assets do not include property, plant and equipment, bank and cash balances and prepayments, deposits and other receivables at corporate level.

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

	Exploration and mining <i>HK\$'000</i>	Toys and gifts items <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2011 (unaudited):			
Revenue from external customers	–	68,731	68,731
Segment loss	<u>(6,033)</u>	<u>(7,064)</u>	<u>(13,097)</u>
Six months ended 30 June 2010 (unaudited):			
Revenue from external customers	3,607	42,139	45,746
Segment loss	<u>(5,711)</u>	<u>(7,868)</u>	<u>(13,579)</u>
Total assets:			
30 June 2011 (unaudited)	<u>808,362</u>	<u>154,428</u>	<u>962,790</u>
31 December 2010 (audited)	<u>795,704</u>	<u>133,905</u>	<u>929,609</u>

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Reconciliation of segment results:		
Total loss of reportable segments	(13,097)	(13,579)
Unallocated amounts:		
Gain/(loss) on change in fair value of convertible notes (<i>note 7</i>)	11,321	(7,289)
Corporate finance costs	–	(123)
Other corporate income and expenses	(8,642)	(17,321)
	<u>(10,418)</u>	<u>(38,312)</u>
Loss for the period	<u>(10,418)</u>	<u>(38,312)</u>
	As at	As at
	30 June	31 December
	2011	2010
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Reconciliation of segment assets:		
Total assets of reportable segments	962,790	929,609
	<u>962,790</u>	<u>929,609</u>
Unallocated corporate assets:		
Property, plant and equipment	475	679
Bank and cash balances	4,612	20,372
Prepayments, deposits and other receivables	671	492
	<u>5,758</u>	<u>21,543</u>
	<u>5,758</u>	<u>21,543</u>
Total assets	<u>968,548</u>	<u>951,152</u>

6 INCOME TAX EXPENSE

Hong Kong profits tax is provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong for the period. Taxes on profits have been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax		
Under-provision for prior year	–	94
The People's Republic of China (the "PRC")		
Provision for the period	414	6
	<u>414</u>	<u>6</u>
Total current tax	<u>414</u>	<u>100</u>
Deferred tax	<u>280</u>	<u>–</u>
Income tax expense	<u>694</u>	<u>100</u>

7 LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	3,293	2,796
Amortisation of prepaid land lease payments	54	49
Amortisation of license rights	6	6
(Gain)/loss on change in fair value of convertible notes (<i>note 5</i>)	(11,321)	7,289
Staff costs (including directors' emoluments):		
Wages and salaries	19,301	13,998
Retirement benefits scheme contributions	964	354
Share-based payment expenses	336	6,892
Write-back of provision for impairment of amount due from a jointly controlled entity	(1,697)	(1,369)
Interest expenses on bank loans wholly repayable within 5 years	<u>1,055</u>	<u>2,170</u>

8 DIVIDEND

The Board has resolved not to pay any interim dividend for the period (2010: Nil).

9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company for the period of approximately HK\$10,352,000 (2010: HK\$37,957,000) and the weighted average of 5,669,109,455 (2010: 4,679,681,500) ordinary shares in issue during the period.

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

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

10 PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group has acquired property, plant and equipment of approximately HK\$6,295,000 (2010: HK\$3,697,000).

11 EXPLORATION AND EVALUATION ASSETS

During the reporting period, exchange gain of approximately HK\$17,426,000 has been recognised as a result of the translation of foreign operations in the PRC (2010: HK\$609,000).

During the six months ended 30 June 2010, the Group has performed further exploration work in Bayanhushuo Coal Field amounted to approximately HK\$14,315,000.

12 TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

At 30 June 2011 and 31 December 2010, the ageing analysis of trade receivables based on invoice date, net of provision, were as follows:

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Within 30 days	12,923	11,470
31 days to 90 days	3,462	2,201
91 days to 180 days	250	232
181 days to 360 days	820	47
Over 360 days	10	27
	<u>17,465</u>	<u>13,977</u>

13 TRADE PAYABLES

At 30 June 2011 and 31 December 2010, the ageing analysis of trade payables based on invoice date were as follows:

	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Within 30 days	7,094	7,198
31 days to 90 days	14,477	7,008
91 days to 180 days	4,033	2,675
181 days to 360 days	1,912	842
Over 360 days	77	170
	<u>27,593</u>	<u>17,893</u>

14 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The management has designated the convertible notes of the Company as “financial liabilities at fair value through profit or loss”.

The fair value of financial liabilities at fair value through profit or loss were made with reference to the Company's share price at the end of each reporting period.

During the reporting period, convertible notes with principal amount of HK\$188,680,468 were converted into 754,721,872 ordinary shares at the conversion price of HK\$0.25 per share. The movements in the fair value of the convertible notes were as follows:

	<i>HK\$'000</i>
At 1 January 2010 (audited)	445,800
Converted into ordinary shares of the Company during the year	(149,184)
Fair value gain	<u>(51,331)</u>
At 31 December 2010 (audited)	245,285
Converted into ordinary shares of the Company during the period	(233,964)
Fair value gain	<u>(11,321)</u>
At 30 June 2011 (unaudited)	<u><u>—</u></u>

15 SHARE CAPITAL

	<i>Note</i>	Number of shares		Ordinary share capital	
		As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Authorised:					
Ordinary shares of HK\$0.02 each		<u>10,000,000,000</u>	<u>10,000,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:					
At beginning of period/year		5,014,426,800	4,427,306,800	100,289	88,546
Issue of shares on:					
– Exercise of share options	(a)	156,000	3,920,000	3	79
– Conversion of convertible notes	(b)	754,721,872	403,200,000	15,094	8,064
– On placement		<u>–</u>	<u>180,000,000</u>	<u>–</u>	<u>3,600</u>
At end of period/year		<u>5,769,304,672</u>	<u>5,014,426,800</u>	<u>115,386</u>	<u>100,289</u>

Notes:

- (a) During the reporting period, the Company issued 156,000 (2010: 3,920,000) ordinary shares of HK\$0.02 each in relation to the exercise of the share options at an exercise price of HK\$0.1016 per share (2010: HK\$0.1016). The difference between the exercise price and par value of approximately HK\$12,000 (2010: HK\$320,000) was credited to the Company's share premium account. In addition, the portion of share-based payment reserve in relation to the share options exercised during the period of approximately HK\$11,000 (2010: HK\$279,000) was transferred to the Company's share premium account.
- (b) During the reporting period, the Company issued 754,721,872 (2010: 403,200,000) ordinary shares of HK\$0.02 each in relation to the conversion of the convertible notes at the conversion price of HK\$0.25 per share. The difference between the market price of the conversion shares and par value of the issued ordinary shares of approximately HK\$218,870,000 (2010: HK\$141,120,000) was credited to the Company's share premium account.

16 RELATED PARTY TRANSACTIONS

		Six months ended 30 June	
		2011	2010
	Note	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Sales of goods to a jointly-controlled entity	(a)	3,833	3,350
Product development, sale and marketing services fee paid to a related company	(b)	915	788
Interest expenses paid to a shareholder	(c)	<u>–</u>	<u>51</u>

Notes:

- (a) A shareholder of the jointly-controlled entity is also the beneficial owner of 30% equity interest in the Company's subsidiary making the sales.
- (b) The sole owner of the related company is also the director and beneficial owner of 49% (2010: 49%) equity interest in the Company's subsidiary paying for the services.
- (c) Interest was charged at 11% per annum on the principal amount of loan receivable from a shareholder.

17 CAPITAL COMMITMENTS

The Group did not have any significant capital commitment at the end of reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 30 June 2011 (the “Period”), the Group recorded turnover of approximately HK\$68.7 million (2010: HK\$45.7 million), representing an increase of approximately 50.3% as compared with the same period last year. The Group’s loss attributable to equity holders of the Company for the Period was approximately HK\$10.4 million (2010: HK\$38.0 million). The significant decrease in loss attributable to equity holders of the Company for the Period was mainly attributable to (i) an increase in turnover of the Group; (ii) a gain arising on changes in fair value of the Company’s financial liabilities at fair value through profit or loss; and (iii) a decrease in share option expenses. Basic loss per share for the Period was HK\$0.18 cents (2010: HK\$0.81 cents). The Board has resolved not to pay any interim dividend for the Period (2010: Nil).

Business and Operational Review

Segmental information analysis

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

Manufacturing and trading of toys and gifts items

Turnover from toys and gifts business was approximately HK\$68.7 million for the Period (2010: HK\$42.1million). The increase in turnover by approximately 63.2% was mainly due to some sales orders of the same period last year were shipped in the second half of last year and the sales orders of new products launched during the Period. Gross profit margin for the Period was 20.4% (2010: 29.3%). The decrease in gross profit margin was mainly due to the increase in price of raw materials and labor costs during the Period. The segment loss of the manufacturing and trading of toys and gifts items of approximately HK\$7.1 million (2010: HK\$7.9 million) decreased by approximately 10.1%.

Exploration and mining of natural resources

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

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

HCM had officially commenced production in December 2009. During the Period, HCM has been under construction to further upgrade its mining structure in order to boost its production capacity. As such, there was no revenue contributed from HCM during the Period (For the six months ended 30 June 2010: HK\$3.6 million).

GCM is located in Xilinguolemeng of Inner Mongolia, the PRC and is close to highways and railways. Pursuant to an independent technical assessment report issued by Steffen Robertson and Kirsten (Australasia) Pty Ltd. (“SRK Consulting”) on 30 March 2007, GCM has estimated coal resources of approximately 106 million tonnes of high quality thermal coal and has an excellent potential to be developed into an economic open cut coal mine servicing the domestic thermal coal market. The master planning (總體規劃) of GCM has been agreed by Inner Mongolia Autonomous Region Development and Reform Commission (內蒙古自治區發展和改革委員會) and has been submitted to National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and National Energy Commission of the PRC (中華人民共和國國家能源局) for their approvals during 2010. The licence period of the exploration right of GCM is from 22 September 2009 to 22 September 2011 and is subject to renewal. In order to expedite the application process of the mining licence of GCM, the Group has been closely following up the application in its best endeavour. The directors of the Company are very confident and determined to obtain the approval for the master planning of GCM from National Development and Reform Commission of the PRC and National Energy Commission of the PRC successfully.

BCF is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by SRK China on 31 January 2008, BCF has estimated coal resources of approximately 394 million tonnes of high quality thermal coal. During the Period, the design of the master planning of BCF has been recently commenced.

Selling and distribution expenses

Selling and distribution expenses for the Period decreased by approximately 7.8% to approximately HK\$9.4 million as compared to approximately HK\$10.2 million in the same period last year. The decrease was mainly due to the decrease in commission expenses of approximately HK\$0.6 million.

Administrative expenses

Administrative expenses for the Period decreased by approximately 15.7% to approximately HK\$27.9 million as compared to approximately HK\$33.1 million in the same period last year. The decrease was mainly attributable to a decrease in share option expenses of approximately HK\$6.6 million.

Other gain/(losses)

Other gain for the Period was approximately HK\$13.6 million. It was mainly attributable to the fair value gain on financial liabilities at fair value through profit or loss of approximately HK\$11.3 million. Other losses in the same period last year mainly represented a net effect of the fair value loss on financial liabilities at fair value through profit or loss of approximately HK\$7.3 million and the reversal of provision for impairment of amount due from a jointly controlled entity of approximately HK\$1.4 million.

Finance costs

Finance costs for the Period decreased by approximately 50.0% to approximately HK\$1.1 million when compared to approximately HK\$2.2 million in the same period last year. The decrease was mainly due to a decrease in borrowings during the Period as compared to the same period last year.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in Hong Kong and in the PRC. As at 30 June 2011, the Group had bank and cash balances of approximately HK\$22.4 million (31 December 2010: HK\$49.7 million). The Group's bank and cash balances were mostly held in Hong Kong dollars and Renminbi.

As at 30 June 2011, the Group's borrowings amounted to approximately HK\$49.7 million (31 December 2010: HK\$38.3 million). The Group's borrowings were denominated in Hong Kong dollars and Renminbi, of which approximately 12.1% (31 December 2010: 63.6%) bore interest at fixed lending rate.

The Group had financial liabilities at fair value through profit or loss of approximately HK\$245.3 million as at 31 December 2010. All such financial liabilities had been fully converted into 754,721,872 ordinary shares of the Company during the Period.

The gearing ratio of the Group calculated as the Group's net debts (comprising trade payables, accruals and other payables, tax payable, borrowings less bank and cash balances) over its total equity was approximately 11.0% as at 30 June 2011 (31 December 2010: 6.16%).

As the majority of the Group's transactions and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate fluctuation was relatively insignificant. As such, the Group had not used any financial instruments for hedging during the Period.

As at 30 June 2011, certain property, plant and equipment, prepared land lease payments, investment properties and trade receivables held by the Group with aggregate carrying values of approximately HK\$39.2 million (31 December 2010: 55.7 million) were pledged to secure general banking facilities granted to the Group.

As at 30 June 2011, the Group did not have any significant capital commitment or contingent liabilities (31 December 2010: Nil).

Business Prospects and Future Plan

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

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

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

Employment, Training and Development

As at 30 June 2011, the Group had a total of 849 employees (2010: 790 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a periodical basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The audit committee of the Company comprises Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. Jin Peihuang, the independent non-executive directors of the Company. The audit committee has reviewed the unaudited condensed consolidated interim financial statements and the interim report of the Group for the six months ended 30 June 2011.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.381energy.com). The 2011 interim report of the Company will be dispatched to the Company’s shareholders and published on the same websites in due course.

APPRECIATION

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

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

Hong Kong, 26 August 2011

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