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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Continuing operations			
Turnover	4	**169,910**	192,803
Cost of sales		**(120,637)**	(133,285)
Gross profit		**49,273**	59,518
Other income	4	**1,916**	1,881
Selling and distribution costs		**(24,672)**	(24,404)
Administrative expenses		**(53,567)**	(60,467)
Provision for impairment of exploration and evaluation assets	10	**(38,252)**	(603,888)
Other (losses)/gains, net	7	**(2,031)**	3,080
Operating loss		**(67,333)**	(624,280)
Finance costs	5	**(6,338)**	(5,154)
Loss before income tax		**(73,671)**	(629,434)
Income tax credit	6	**3,921**	149,945
Loss for the year from continuing operations	7	**(69,750)**	(479,489)
Discontinued operation			
Loss for the year from discontinued operation		**–**	(25,447)
Loss for the year		**(69,750)**	(504,936)

	Note	2013 HK$'000	2012 HK$'000
(Loss)/profit attributable to:			
Equity holders of the Company		**(71,826)**	(508,859)
Non-controlling interests		**2,076**	3,923
		(69,750)	(504,936)
Loss attributable to equity holders of the Company arises from:			
Continuing operations		**(71,826)**	(483,412)
Discontinued operation		**–**	(25,447)
		(71,826)	(508,859)
		HK cents	*HK cents*
Loss per share from continuing and discontinued operations attributable to the equity holders of the Company	*8*		
Basic and diluted loss per share			
From continuing operations		**(6.02)**	(40.65)
From discontinued operation		**–**	(2.14)
From loss for the year		**(6.02)**	(42.79)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	**(69,750)**	(504,936)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of properties	**2,609**	12,631
Deferred income tax arising on revaluation of properties	**411**	(1,903)
Items that may be reclassified to profit or loss:		
Exchange difference arising from translation of foreign operations	**5,176**	(2,601)
Other comprehensive income for the year, net of tax	**8,196**	8,127
Total comprehensive loss for the year	**(61,554)**	(496,809)
Total comprehensive (loss)/income attributable to:		
— Equity holders of the Company	**(63,630)**	(500,732)
— Non-controlling interests	**2,076**	3,923
	(61,554)	(496,809)
Total comprehensive loss attributable to equity holders of the Company arises from:		
Continuing operations	**(63,630)**	(475,315)
Discontinued operation	**–**	(25,417)
	(63,630)	(500,732)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**67,283**	71,994
Prepaid land lease payments		**4,659**	4,635
Investment properties		**10,100**	9,850
Exploration and evaluation assets	*10*	**148,312**	180,904
Mining right		**–**	–
Other intangible asset		**1,070**	1,082
Deferred income tax assets		**353**	411
		231,777	268,876
Current assets			
Inventories		**22,885**	18,831
Trade receivables	*11*	**18,510**	17,049
Prepayments, deposits and other receivables		**8,870**	10,407
Tax recoverable		**332**	118
Bank and cash balances		**18,710**	23,418
		69,307	69,823
Assets classified as held for sale		**–**	38,234
		69,307	108,057
Total assets		**301,084**	376,933

	Note	2013 HK$'000	2012 HK$'000
Current liabilities			
Trade payables	*12*	**14,337**	9,978
Accruals and other payables		**39,344**	71,889
Tax payable		**366**	379
Borrowings		**76,157**	56,705
		130,204	138,951
Net current liabilities		**(60,897)**	(30,894)
Total assets less current liabilities		**170,880**	237,982
Non-current liabilities			
Deferred income tax liabilities		**31,422**	36,970
		31,422	36,970
Net assets		**139,458**	201,012
Equity			
Share capital		**119,386**	119,386
Reserves		**11,989**	75,619
Equity attributable to equity holders of the Company		**131,375**	195,005
Non-controlling interests		**8,083**	6,007
Total equity		**139,458**	201,012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to equity holders of the Company										
	Share capital	Share premium	Statutory surplus	Contributed surplus	Foreign currency translation reserve	Share-based payment reserve	Property revaluation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	115,386	976,947	3,191	303	101,736	12,302	25,254	(555,736)	679,383	2,084	681,467
Total comprehensive (loss)/ income for the year	–	–	–	–	(2,601)	–	10,728	(508,859)	(500,732)	3,923	(496,809)
Transaction with equity holders											
Issue of shares on placement	4,000	8,000	–	–	–	–	–	–	12,000	–	12,000
Release on expiry/ forfeiture of share options	–	–	–	–	–	(9,086)	–	9,086	–	–	–
Recognition of share-based payment	–	–	–	–	–	4,354	–	–	4,354	–	4,354
Transfer to reserve	–	–	129	–	–	–	–	(129)	–	–	–
Total transactions with equity holders	4,000	8,000	129	–	–	(4,732)	–	8,957	16,354	–	16,354
At 31 December 2012	119,386	984,947	3,320	303	99,135	7,570	35,982	(1,055,638)	195,005	6,007	201,012
At 1 January 2013	**119,386**	**984,947**	**3,320**	**303**	**99,135**	**7,570**	**35,982**	**(1,055,638)**	**195,005**	**6,007**	**201,012**
Total comprehensive (loss)/ income for the year	**–**	**–**	**–**	**–**	**5,176**	**–**	**3,020**	**(71,826)**	**(63,630)**	**2,076**	**(61,554)**
Transaction with equity holders											
Release on forfeiture of share options	**–**	**–**	**–**	**–**	**–**	**(177)**	**–**	**177**	**–**	**–**	**–**
Transfer to reserve	**–**	**–**	**1,051**	**–**	**–**	**–**	**–**	**(1,051)**	**–**	**–**	**–**
Total transactions with equity holders	**–**	**–**	**1,051**	**–**	**–**	**(177)**	**–**	**(874)**	**–**	**–**	**–**
At 31 December 2013	**119,386**	**984,947**	**4,371**	**303**	**104,311**	**7,393**	**39,002**	**(1,128,338)**	**131,375**	**8,083**	**139,458**

NOTES:

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 and gifts and the exploration of natural resources.

These financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. Theses financial statements have been approved for issue by the Board of Directors on 31 March 2014.

2. BASIS OF PREPARATION

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

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain buildings and investment properties which are carried at their fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise its judgement in the process of applying the Group's accounting policies.

Going Concern

At 31 December 2013, the Group's current liabilities exceeded its current assets by approximately HK$60,897,000 and the Group recorded a loss of approximately HK$69,750,000 and a net operating cash outflow of approximately HK$22,494,000 during the year ended 31 December 2013. 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 and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the Directors have been implementing various measures as follows:

(1) At 18 March 2014, the Group raised net proceeds of HK$23,100,000 through placing and subscription of the Company's shares (note 15(ii));

(2) The Group is in negotiation with financial institutions to obtain new borrowings and to extend existing borrowings upon their due dates;

(3) The Group is in negotiation with its creditors to extend payment due dates;

(4) The Group is pursuing to dispose of its exploration and evaluation assets for cash; and

(5) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible note.

The Directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2013. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

The following amendments to standards and interpretations are mandatory for the Group's accounting year beginning on 1 January 2013:

HKAS 1 (Revised) (Amendment)	Presentation of financial statements — Presentation of items of other comprehensive income
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKFRS 1 (Amendment)	First-time adoption of government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosures of interests in other entities
HKFRS 13	Fair value measurement
HKFRSs (Amendment)	Annual improvements to HKFRSs 2009–2011 cycle
HK (IFRIC)-Int 20	Stripping costs in the production phase of a surface mine

Other than HKFRS 12 and HKFRS 13 which require more disclosure, the adoption of these new/revised standards, amendments and interpretations to existing standards do not result in any substantial changes to the Group's accounting policy nor any impact on the consolidated financial statements.

(b) **The following amendments to standards and interpretations are not yet effective and have not been early adopted by the Group:**

		Effective for accounting year beginning on or after
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment entities	1 January 2014
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting	1 January 2014
HK(IFRIC) Int 21	Levies	1 January 2014
HKFRSs (Amendment)	Annual improvements to HKFRSs 2010 – 2012 cycle	1 July 2014
HKFRSs (Amendment)	Annual improvements to HKFRSs 2011 – 2013 cycle	1 July 2014
HKFRS 7 and HKFRS 9 (Amendment)	Financial instruments: Disclosures — Mandatory effective date of HKFRS 9 and transition disclosures	#
HKFRS 9	Financial instruments	#
Additions to HKFRS 9	Financial instruments — financial liabilities	#

The Group intends to adopt this new standard when the effective date is determined.

4. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION

	2013	2012
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**169,910**	192,803
Other income		
Fair value gain on investment properties	**–**	491
Moulds income	**337**	68
Interest income	**22**	2
Rental income	**989**	979
Others	**568**	341
	1,916	1,881

Segment information

The Group has two reportable segments as follows:

Exploration — Exploration of natural resources

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

The Group's reportable segments are strategic business units in its continuing operations that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Segment results exclude those from discontinued operation.

During the year ended 31 December 2012, the Group entered into an agreement to sell the assets of Huanghuashan Coal Mine ("**HCM**") to an independent third party and the results of HCM have been separately presented as discontinued operation.

Segment results do not include corporate finance costs and other corporate income and expenses. Segment assets do not include bank and cash balances, prepayments, deposits and other receivables at corporate level, and assets classified as held for sale. Segment liabilities do not include borrowings, accruals and other payables at corporate level.

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

	Exploration		**Toys and gift items**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Year ended 31 December						
Revenue from external customers	**–**	–	**169,910**	192,803	**169,910**	192,803
Segment results	**(33,916)**	(454,116)	**(16,681)**	(1,427)	**(50,597)**	(455,543)
Depreciation and amortisation	**(8)**	(222)	**(8,902)**	(6,467)	**(8,910)**	(6,689)
Provision for impairment of exploration and evaluation assets	**(38,252)**	(603,888)	**–**	–	**(38,252)**	(603,888)
Interest income	**21**	1	**1**	1	**22**	2
Interest expenses	**–**	–	**(2,781)**	(3,531)	**(2,781)**	(3,531)
Income tax credit/(expenses)	**7,977**	150,972	**(4,056)**	(1,027)	**3,921**	149,945
At 31 December						
Segment assets	**151,436**	189,704	**149,411**	148,263	**300,847**	337,967
Segment liabilities	**(19,818)**	(65,983)	**(98,304)**	(85,466)	**(118,122)**	(151,449)
Additions to segment non-current assets	**–**	–	**2,046**	1,137	**2,046**	1,137

(b) Reconciliation of reportable segment results, segment assets and segment liabilities:

	2013	2012
	HK$'000	*HK$'000*
Reconciliation of segment results:		
Total loss of reportable segments	**(50,597)**	(455,543)
Unallocated amount:		
Corporate finance costs	**(3,557)**	(1,623)
Other corporate income and expenses	**(15,596)**	(22,323)
Loss for the year from continuing operations	**(69,750)**	(479,489)
Reconciliation of segment assets:		
Total assets of reportable segments	**300,847**	337,967
Unallocated corporate assets		
Bank and cash balances	**28**	32
Prepayments, deposits and other receivables	**209**	700
	237	732
Assets classified as held for sale	**–**	38,234
Total assets	**301,084**	376,933
Reconciliation of segment liabilities:		
Total liabilities of reportable segments	**118,122**	151,449
Unallocated corporate liabilities		
Borrowings	**18,300**	5,500
Accruals and other payables	**25,204**	18,972
	43,504	24,472
Total liabilities	**161,626**	175,921

(c) Analysis of revenue by geographical location of customers:

	2013	2012
	HK$'000	*HK$'000*
The People's Republic of China (the "**PRC**") (including Hong Kong)	**2,840**	1,940
North America[1]	**152,885**	172,514
European Union[2]	**9,232**	11,608
Others[3]	**4,953**	6,741
	169,910	192,803

[1] North America includes the United States of America (the "**USA**") and Canada.

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

[3] Others include Middle East, South America and Southeast Asia.

Revenue from two customers each accounted for more than 10% of the Group's total revenue for the year and represented approximately 35% and 17% of the total revenue for the year ended 31 December 2013, respectively (2012: 40% and 17%).

(d) Analysis of revenue by category:

	2013	2012
	HK$'000	*HK$'000*
Sales of toys and gifts items	**169,910**	192,803

(e) Analysis of non-current assets by geographical locations:

	2013	2012
	HK$'000	*HK$'000*
The PRC (including Hong Kong)	**229,763**	267,572
USA	**1,661**	1,304
	231,424	268,876

5. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest expenses on:		
Bank borrowings and overdrafts	**2,622**	2,736
Other loans	**3,557**	2,344
Trust receipt loans	**159**	74
	6,338	5,154

6. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxations on overseas profits have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	2013	2012
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax		
Provision for the year	**1,082**	55
Under/(over)-provision of prior years	**49**	(42)
	1,131	13
Overseas		
Provision for the year	**691**	1,613
Under-provision of prior years	**254**	–
	945	1,613
Total current tax	**2,076**	1,626
Deferred income tax	**(5,997)**	(151,571)
Income tax credit	**(3,921)**	(149,945)

7. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's loss for the year from continuing operations is stated after charging/(crediting) the following:

	2013	2012
	HK$'000	*HK$'000*
Amortisation of other intangible asset	**12**	11
Auditor's remuneration	**2,000**	2,000
Provision for impairment of trade receivables	**11**	–
Provision for impairment of other receivables[1]	**403**	–
Provision/(write-back of provision) for inventories obsolescence	**393**	(338)
Cost of inventories sold	**85,051**	92,833
Forfeiture of deposit[1]	**–**	(1,227)
Depreciation of property, plant and equipment	**8,779**	6,832
Amortisation of prepaid land lease payments	**119**	116
Fair value loss on investment properties[1]	**36**	–
Write-off and loss on disposals of property, plant and equipment[1]	**1,485**	71
Minimum lease payments under operating leases in respect of leasehold land and buildings	**5,633**	5,447
Net foreign exchange loss/(gain)[1]	**107**	(1,924)
Research and development expenditure	**2,635**	2,984
Staff costs (excluding directors' remuneration)		
Salaries, bonus and allowance	**34,524**	33,685
Retirement benefits scheme contributions	**1,703**	1,381
Share-based payment expenses	**–**	1,158
	36,227	36,224

[1] Included in other (losses)/gains, net

8. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company, if any.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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

	2013	2012
	HK$'000	*HK$'000*
Loss attributable to the equity holders of the Company		
Loss from continuing operations for the purpose of calculating basic and diluted loss per share	**(71,826)**	(483,412)
Loss from discontinued operation attributable to equity holders of the Company	**–**	(25,447)
	(71,826)	(508,859)

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**1,193,860,934**	5,945,744,672
— Effect on share consolidation subsequent to the end of the reporting period	**–**	(4,756,595,738)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**1,193,860,934**	1,189,148,934

For the year ended 31 December 2012, the calculations of basic loss per share and diluted loss per share have taken into account the effect of share consolidation, which became effective after the end of the reporting period ended 31 December 2012 but before these consolidated financial statements were authorised for issue. Accordingly, the calculations of weighted average numbers of ordinary shares for the purpose of calculating basic loss per share and diluted loss per share were on the basis that every five issued and unissued shares of HK$0.02 each in the share capital of the Company be consolidated into one consolidated share of HK$0.1 each.

For the years ended 31 December 2013 and 31 December 2012, the average market price of the Company's ordinary shares was below the exercise price of the outstanding share options. Accordingly, the weighted average number of ordinary shares was not adjusted to compute the diluted loss per share for the effect of the share options.

9. FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2013 (2012: Nil).

10. EXPLORATION AND EVALUATION ASSETS

	Group
	HK$'000
Cost	
At 1 January 2012	1,372,456
Exchange difference	(112)
At 31 December 2012	1,372,344
Exchange difference	42,940
At 31 December 2013	1,415,284
Accumulated impairment loss	
At 1 January 2012	584,381
Impairment loss	603,888
Exchange difference	3,171
At 31 December 2012	1,191,440
Impairment loss	38,252
Exchange difference	37,280
At 31 December 2013	1,266,972
Carrying amount	
At 31 December 2013	148,312
At 31 December 2012	180,904

The exploration and evaluation assets are attributable to Bayanhushuo Coal Field ("**BCF**") and Guerbanhada Coal Mine ("**GCM**"). At 31 December 2013, the carrying amount is attributable to BCF of approximately HK$108,813,000 (2012: HK$134,612,000) and GCM of approximately HK$39,499,000 (2012: HK$46,292,000).

The current licence period of the exploration right of BCF and GCM is from 4 July 2012 to 4 July 2014 and from 23 September 2013 to 22 September 2015, respectively. The Group will apply for the renewal of the licence period of the exploration right of BCF during the six months period ending 30 June 2014 and the Directors are confident that such renewal will be approved.

On 18 April 2012, the Development and Reform Commission of Inner Mongolia Autonomous Region (內蒙古自治區發展和改革委員會) circulated a consultation paper (內發改能源函[2012]176號 — 關於徵求《內蒙古自治區人民政府關於完善煤炭資源管理的通知》(《徵求意見稿》)意見的函) (the "**Consultation Paper**") among various governmental departments of Inner Mongolia Autonomous Region of the PRC (the "**Consultation**"), with an objective to adjust and enhance the government policy in managing the coal resources in Inner Mongolia Autonomous Region of the PRC. It is expected that the Group may take longer time to get the approval from the governments of Inner Mongolia Autonomous Region of the PRC and the PRC in applying the mining licences in the future. In addition, company unable to transfer its exploration right into mining right may be entitled to return the exploration right to the government for receiving a compensation equivalent to two times of its incurred exploration expenditures. Currently, the Consultation Paper has yet to become legally effective and the Group will closely monitor the development of the Consultation and assess the impact to the Group.

The carrying values of the exploration and evaluation assets were tested for impairment as at 31 December 2013 using the fair value less costs to sell model. The recoverable amounts of the exploration and evaluation assets as valued by Grant Sherman, an independent firm of professional valuer, were significantly lower than their carrying values, and accordingly, an impairment loss of approximately HK$38,252,000 has been charged in the consolidated income statement for the year ended 31 December 2013 (2012: HK$603,888,000).

The fair values were developed primarily through the application of a market valuation methodology, where comparable acquisition of exploration and evaluation assets were identified and analysed to determine the approximate value of the Group's assets.

To derive the fair value, such approximate value was then adjusted to reflect (i) the estimated difference in coal quality and coal type among the identified comparable transactions and the mines owned by the Group; and (ii) the estimated time difference between the comparable transactions and the valuation date; and (iii) the estimated likelihood that the mines would be sold in open market or returned to the government pursuant to the terms of the Consultation Paper.

The resulting fair value indicates an impairment loss of HK$38,252,000 was required in the current year. The impairment loss was made mainly due to (i) the slower than originally expected progress in getting the approval on the master planning (總體規劃) of BCF and GCM from the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and the National Energy Commission of the PRC (中華人民共和國國家能源局); (ii) the expectation that it may take longer time to get the approval from the governments of Inner Mongolia Autonomous Region of the PRC and the PRC in applying for the mining licences in the future as a result of the Consultation; and (iii) the decrease in coal price in the PRC market during the year ended 31 December 2013.

11. TRADE RECEIVABLES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**18,521**	17,049
Less: provision for impairment	**(11)**	–
Trade receivables, net	**18,510**	17,049

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.

The ageing analysis of trade receivables as at the end of reporting period, based on invoice dates, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**11,776**	10,165
31 days to 90 days	**5,658**	5,256
91 days to 180 days	**985**	1,075
181 days to 360 days	**49**	368
Over 360 days	**42**	185
	18,510	17,049

12. TRADE PAYABLES

The ageing analysis of trade payables as at the end of reporting period, based on invoice dates, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**9,690**	6,221
31 days to 90 days	**1,596**	2,027
91 days to 180 days	**2,109**	1,258
181 days to 360 days	**626**	121
Over 360 days	**316**	351
	14,337	9,978

13. CONTINGENT LIABILITIES

At 31 December 2013 and 2012, the Group had no contingent liability respectively.

14. CAPITAL COMMITMENTS

At 31 December 2013 and 2012, the Group had no capital commitments respectively.

15. EVENTS AFTER THE REPORTING PERIOD

(i) MOU with Delight Grace

On 8 March 2014, Joint Hero Holdings Limited ("**Joint Hero**"), a wholly owned subsidiary of the Company entered into a non-legally binding memorandum of understanding ("**MOU with Delight Grace**") with Delight Grace Limited ("**Delight Grace**"), an independent third party, regarding a possible acquisition of certain equity interests of Multijoy Developments Limited (the "**Target Company**"), in which its subsidiary is a owner of a land situated at Jiangxi province of the PRC with a total area of approximately 2,265 mu after reorganisation to be carried out by Delight Grace and the Target Company. The consideration for this possible acquisition shall be subject to further negotiation between Joint Hero and Delight Grace and shall be settled by cash or such other methods agreed between Joint Hero and Delight Grace.

(ii) Placing and Subscription

On 18 March 2014, the Company entered into a conditional placing and subscription agreement with Legend Win Profits Limited, Grand Field Capital Investment Limited (collectively, the "**Subscribers**") and a placing agent for (i) the placing of up to an aggregate of 135,000,000 ordinary shares of HK$0.10 each of the Company at the placing price of HK$0.175 per share at the best effort basis; and (ii) the subscription of up to 135,000,000 new ordinary shares of HK$0.10 each of the Company to the Subscribers at the subscription price of HK$0.175 per share (together, the "**Placing and Subscription**").

The Placing and Subscription was completed on 31 March 2014. The net proceeds of the Placing and Subscription (after deducting expenses of the Placing and Subscription) amounted to approximately HK$23,100,000.

(iii) MOU of GCM

On 28 March 2013, 28 June 2013 and 2 October 2013, Bright Asset Investments Limited, First Choice Resources Limited, Jumplex Investments Limited and Wise House Limited, (collectively the "**Vendors**"), all of which being indirectly wholly-owned subsidiaries of the Company, entered into a non-legally binding memorandum of understanding (the "**MOU of GCM**"), the supplemental MOU of GCM and the second supplemental MOU of GCM with Xilinguolemeng Wulagai River Mineral Company Limited, an independent third party ("**Wulagai River**"), and Inner Mongolia Mingrunfeng Energy Co., Ltd. ("**Mingrunfeng**"), an indirectly wholly-owned subsidiary of the Company, in relation to the possible sale by the Vendors of the entire equity interest in Mingrunfeng to Wulagai River at a consideration of RMB50,000,000 (equivalent to approximately HK$64,000,000). Mingrunfeng is the holder of the exploration right of GCM, which is the principal asset of Mingrunfeng. The validity period of the MOU of GCM is before 31 March 2014.

As no formal sale and purchase agreement has been entered into between the Vendors and Wulagai River before 31 March 2014 nor there be an agreement reached in extending the date of entering into the formal sale and purchase agreement, the MOU of GCM has automatically lapsed immediately after 30 March 2014. Save for certain legally binding provisions including those relating to confidentiality obligations, each of the Vendors, Wulagai River and Mingrunfeng is released from the MOU of GCM.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

During the financial year ended 31 December 2013 (the "**Year**"), the Group recorded a turnover of approximately HK$169.9 million (2012: approximately HK$192.8 million), representing a decrease of approximately 11.9% as compared to the previous year. The Group's loss attributable to shareholders for the Year was approximately HK$71.8 million (2012: approximately HK$508.9 million). Basic loss per share for the Year was approximately 6.02 HK cents (2012: approximately 42.79 HK cents).

The Group's impairment loss of the exploration and evaluation assets for the Year was approximately HK$38.3 million (2012: approximately HK$603.9 million). The decrease in (i) the Group's loss attributable to shareholders; and (ii) the basic loss per share for the Year, of approximately HK$437.1 million and approximately 36.77 HK cents, respectively, was mainly attributable to the net impact of the significant decrease in impairment loss of the exploration and evaluation assets of the Group of approximately HK$565.6 million (2012: an increase in impairment loss of approximately HK$603.9 million) and its related significant decrease in the deferred tax credit of approximately HK$143.0 million (2012: an increase in the deferred tax credit of approximately HK$151.0 million) during the Year. Neither the impairment loss nor the deferred tax credit has any impact to the cash flow of the Group.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2012: Nil).

BUSINESS AND OPERATIONAL REVIEW

Segmental Information Analysis

During the Year, the Group continued to engage in the design, manufacture and sale of toys and gifts products and the exploration of natural resources. The Group has two reportable segments, namely, "Manufacturing and trading of toys and gifts items" and "Exploration of natural resources".

Manufacturing and trading of toys and gifts items

Turnover from toys and gifts business for the Year was approximately HK$169.9 million (2012: approximately HK$192.8 million), representing a decrease of approximately 11.9% as compared to the previous year. The decrease in turnover from toys and gifts business was mainly due to certain confirmed sales orders of the Year being shipped to its customers in January 2014.

The gross profit ratio of the toys and gifts business was approximately 29.0% for the Year (2012: approximately 30.9%).

Exploration of natural resources

The Group owns the exploration rights of Bayanhushuo Coal Field and Guerbanhada Coal Mine, all located in Inner Mongolia Autonomous Region (the "**Inner Mongolia**"), the PRC with total estimated coal resources of approximately 500.05 million tonnes under the JORC Code as follows:

	Inferred Resources *(Million tonnes)*
Bayanhushuo Coal Field ("**BCF**")	394.05
Guerbanhada Coal Mine ("**GCM**")	106.00
Total	500.05

BCF is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by SRK Consulting China Ltd. on 31 January 2008, BCF has estimated coal resources of approximately 394.05 million tonnes of high quality thermal coal. In order to fulfill the requirement of the PRC government before submitting the master planning of BCF, the Group submitted a resources report of BCF to the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) in 2011. Such resources report of BCF was prepared by Inner Mongolia Long Wang Geographic Exploration Co. Ltd. (內蒙古龍旺地質勘探有限責任公司), which indicates that BCF has estimated coal resources of approximately 384.69 million tonnes under the Chinese resources standard promulgated by the Ministry of Land and Resources of the PRC. Save as above, there is no material change in the estimated coal resources of BCF as at the date of this announcement. The current licence period of the exploration right of BCF is from 4 July 2012 to 4 July 2014. The Group will apply for the renewal of the licence period of the exploration right of BCF during the six months ending 30 June 2014 and the Directors are confident that such renewal will be approved.

GCM is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by Steffen Robertson and Kirsten (Australasia) Pty Ltd. on 30 March 2007, GCM has estimated coal resources of approximately 106 million tonnes of high quality thermal coal. There is no material change in the estimated coal resources of GCM as at the date of this announcement. The licence period of the exploration right of GCM was from 23 September 2011 to 22 September 2013. The Group successfully renewed such licence period during the Year and the current licence period of the exploration right of GCM is from 23 September 2013 to 22 September 2015.

On 18 April 2012, the Development and Reform Commission of Inner Mongolia (內蒙古自治區發展和改革委員會) has circulated a consultation paper (內發改能源函[2012]176號—關於徵求《內蒙古自治區人民政府關於完善煤炭資源管理的通知》(《徵求意見稿》)意見的函) (the "**Consultation Paper**") among various governmental departments of Inner Mongolia (the "**Consultation**"), with an objective to adjust and enhance the government policy in managing the coal resources in Inner Mongolia. The consultation paper has not become legally effective yet as at the date of this announcement. The Group will closely monitor the development of the Consultation from time to time and assess the impact to the Group, if any.

As disclosed in the 2012 annual consolidated results announcement of the Company dated 28 March 2013, the mining licence application process of BCF and GCM was much slower than expected. As at the date of this announcement, the Group is still waiting for the approval of the master planning (總體規劃) of both BCF and GCM from the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and the National Energy Commission of the PRC (中華人民共和國國家能源局), which is one of the pre-conditions for the application of the mining licence of BCF and GCM.

On 28 March 2013, 28 June 2013 and 2 October 2013, Bright Asset Investments Limited, First Choice Resources Limited, Jumplex Investments Limited and Wise House Limited, (collectively the "**Vendors**"), all of which being companies incorporated in the British Virgin Islands ("**BVI**") with limited liability and indirectly wholly-owned subsidiaries of the Company, entered into a non-legally binding memorandum of understanding (the "**MOU of GCM**"), the supplemental MOU of GCM and the second supplemental MOU of GCM with Xilinguolemeng Wulagai River Mineral Company Limited* (錫林郭勒盟烏拉蓋河礦業有限公司), an independent third party ("**Wulagai River**"), and Inner Mongolia Mingrunfeng Energy Co., Ltd.* ("**Mingrunfeng**"), an indirectly wholly-owned subsidiary of the Company, in relation to the possible sale by the Vendors of the entire equity interest in Mingrunfeng to Wulagai River at a consideration of RMB50,000,000 (equivalent to approximately HK$64,000,000). Mingrunfeng is the holder of the exploration right of GCM, which is the principal asset of Mingrunfeng. The validity period of the MOU of GCM is before 31 March 2014.

As no formal sale and purchase agreement has been entered into between the Vendors and Wulagai River before 31 March 2014 nor there be an agreement reached in extending the date of entering into the formal sale and purchase agreement, the MOU of GCM has automatically lapsed immediately after 30 March 2014. Save for certain legally binding provisions including those relating to confidentiality obligations, each of the Vendors, Wulagai River and Mingrunfeng is released from the MOU of GCM.

For details, please refer to the Company's announcements dated 28 March 2013, 28 June 2013, 2 October 2013 and 31 March 2014.

GEOGRAPHICAL INFORMATION

During the Year, revenue in the North America (includes the USA and Canada) amounted to approximately HK$152.9 million compared to approximately HK$172.5 million last year and represented approximately 90.0% (2012: approximately 89.5%) of the Group's total revenue. Revenue in the European Union (includes Spain, Italy, France and the United Kingdom) recorded a revenue of approximately HK$9.2 million for the Year compared to approximately HK$11.6 million last year and represented approximately 5.4% (2012: approximately 6.0%) of the Group's total revenue.

SELLING AND DISTRIBUTION COSTS

The amount of the selling and distribution expenses for the Year was approximately HK$24.7 million (2012: approximately HK$24.4 million). There was no material change in the selling and distribution costs for the Year as compared to the previous year.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Year decreased by approximately 11.4% to approximately HK$53.6 million as compared to approximately HK$60.5 million in the previous year. The decrease in administrative expenses was mainly due to the decrease in the share-based payment expenses of approximately HK$4.4 million during the Year.

PROVISION FOR IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

The impairment loss of the exploration and evaluation assets of BCF and GCM amounted to approximately HK$38.3 million for the Year (2012: approximately HK$603.9 million). The carrying values of the exploration and evaluation assets of BCF and GCM were tested for impairment as at 31 December 2013. The amount of the aggregate fair value of the exploration and evaluation assets of BCF and GCM, which was valued by an independent firm of professional valuer, of which the estimates, assumptions and judgements relating to the impairment tests are in note 10 to the consolidated financial statements for the Year of this announcement, was lower than its carrying value, and accordingly, an impairment loss of approximately HK$38.3 million has been charged to the consolidated income statement for the Year (2012: approximately HK$603.9 million). The impairment loss has no impact to the cash flow of the Group.

The Company believes that the estimates and assumptions applied in the assessment of fair value which was valued by an independent firm of professional valuer are reasonable. However, such estimates and assumptions are subject to significant uncertainties and judgements. The Company has made its best estimate of all relevant factors to be included in the valuation model based on current conditions. However, it is possible that the underlying estimates and assumptions can be changed significantly and further impairment charges/ reversal of impairment charges may be required in the future period.

FINANCE COSTS

Finance costs for the Year increased by approximately 21.2% to approximately HK$6.3 million as compared to approximately HK$5.2 million in the previous year. The increase in finance costs was mainly due to the increase in interest expenses on other loans of approximately HK$1.2 million.

INCOME TAX CREDIT

The Group recorded an income tax credit of approximately HK$3.9 million during the Year (2012: approximately HK$149.9 million). The significant decrease in income tax credit was mainly due to the deferred tax credit of HK$151.0 million recorded in the previous year as a result of the impairment loss of approximately HK$603.9 million in relation to the exploration and evaluation assets of BCF and GCM recorded in the previous year.

DISCONTINUED OPERATION

On 14 November 2012, Inner Mongolia Run Heng Mining Company Limited* (內蒙古潤恒礦業有限公司), formerly known as "Tongliao City Heng Yuan Mining Company Limited*" ("**Run Heng**"), an indirectly wholly-owned subsidiary of the Company, entered into an agreement (the "**Agreement**") to sell the assets of Huanghuashan Coal Mine ("**HCM**") to an independent third party (the "**Purchaser**"). The results of HCM were separately presented as discontinued operation for the year ended 31 December 2012. Pursuant to the Agreement, (i) the Purchaser took all the financial and operational control of HCM since 1 January 2013; and (ii) the legal title, the mining licence and safety production licence of HCM had been transferred to the Purchaser during the Year. In accordance with the Agreement, the sale of the assets of HCM by Run Heng to the Purchaser had been completed during the Year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities provided by its principal bankers in Hong Kong and in the PRC. The Group had cash and bank balances of approximately HK$18.7 million at 31 December 2013 (2012: approximately HK$23.4 million). The Group's cash and bank balances were mostly held in Hong Kong dollars and Renminbi.

At 31 December 2013, the Group's borrowings amounted to approximately HK$76.2 million (2012: approximately HK$56.7 million).

The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi, of which approximately 77.6% (2012: approximately 74.7%) bore interest at fixed lending rates.

The gearing ratio of the Group calculated as the Group's borrowings less bank and cash balances over its total equity was approximately 41.2% at 31 December 2013 (2012: approximately 16.6%).

Net current liabilities of the Group at 31 December 2013 was approximately HK$60.9 million (2012: approximately HK$30.9 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was approximately 0.53 (2012: approximately 0.78).

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.

At 31 December 2013, certain property, plant and equipment, prepaid land lease payments and investment properties held by the Group with aggregate carrying value of approximately HK$71.0 million (2012: approximately HK$73.9 million), were pledged to secure general banking facilities granted to the Group.

The Group had no capital commitments as at 31 December 2013 (2012: Nil).

The Group had no contingent liabilities as at 31 December 2013 (2012: Nil).

LAPSE OF MOU WITH PRECIOUS STARS

On 10 June 2013, Joint Hero Holdings Limited ("**Joint Hero**"), a company incorporated in the BVI with limited liability, the entire equity interest of which is owned by the Company, entered into a non-legally binding memorandum of understanding (the "**MOU with Precious Stars**") with Precious Stars Developments Limited ("**Precious Stars**"), a company incorporated in the BVI with limited liability in relation to the possible acquisition of Million Union Holdings Limited ("**Million Union**"), a company incorporated in the BVI with limited liability, the entire equity interest of which is owned by Precious Stars, to be carried out by Joint Hero as contemplated under the MOU with Precious Stars.

As no formal sale and purchase agreement was entered into between Joint Hero and Precious Stars on or before 9 December 2013 nor there be an agreement reached in extending the date of entering into the formal sale and purchase agreement, the MOU with Precious Stars was automatically lapsed immediately after 9 December 2013. Save for certain legally binding provisions including those relating to confidentiality obligations, each of Joint Hero and Precious Stars was released from the MOU with Precious Stars.

For details, please refer to the Company's announcements dated 10 June 2013 and 10 December 2013, respectively.

BUSINESS PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

On 8 March 2014, Joint Hero entered into a non-legally binding memorandum of understanding (the "**MOU with Delight Grace**") with Delight Grace Limited ("**Delight Grace**"), a company incorporated in BVI with limited liability, the entire equity interest of which is owned by Buer Gude, a citizen of the PRC, in relation to the possible acquisition of certain equity interest in Multijoy Developments Limited (the "**Target Company**"), a company incorporated in BVI with limited liability, the entire equity interest of which is owned by Buer Gude, and part of the shareholder's loan to be owed by the Target Company to the Delight Grace, to be carried out by Joint Hero as contemplated under the MOU with Delight Grace (the "**Possible Acquisition**").

As advised by Delight Grace and upon completion of the reorganisation to be carried out by Delight Grace and the Target Company, Delight Grace will hold the entire equity interest in the Target Company and the Target Company will hold the entire equity interest in a PRC Company (the "**PRC Company**").

The PRC Company is principally engaged in investment holding and is the owner of a land situated at Jiangxi province of the PRC with a total area of approximately 2,265 mu.

The consideration for the Possible Acquisition shall be subject to further negotiation between Joint Hero and Delight Grace and shall be settled by cash or such other methods agreed between Joint Hero and Delight Grace.

Joint Hero and Delight Grace will proceed with further negotiation for the entering into of the formal sale and purchase agreement (the "**Formal Agreement**") in relation to the Possible Acquisition as soon as possible and in any event within 90 days from the date of the MOU with Delight Grace (or such other date to be agreed by the parties thereto).

For details, please refer to the Company's announcement dated 8 March 2014.

Going forward, the Group will review its current operations from time to time and will continue to explore other investment opportunities that have earning potentials in order to expand its existing operations and to diversify its business to maximize the interests of the Group and our shareholders as a whole.

CAPITAL STRUCTURE

At 31 December 2013, the capital structure of the Company is constituted of 1,193,860,934 ordinary shares of HK$0.1 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include share options to subscribe for the Company's shares.

On 18 March 2014, the Company entered into a conditional placing and subscription agreement with Legend Win Profits Limited, Grand Field Capital Investments Limited (collectively, the "**Subscribers**") and a placing agent for (i) the placing of up to an aggregate of 135,000,000 ordinary shares of HK$0.10 each of the Company at the placing price of HK$0.175 per share at the best effort basis; and (ii) the subscription of up to 135,000,000 new ordinary shares of HK$0.10 each of the Company to the Subscribers at the subscription price of HK$0.175 per share (together, the ("**Placing and Subscription**")). The net proceeds of approximately HK$23.1 million would be used as the general working capital and future investment opportunity purposes of the Group. The Placing and Subscription was completed on 31 March 2014 and the Company's issued ordinary shares have been increased from 1,193,860,934 ordinary shares to 1,328,860,934 ordinary shares. For details, please refer to the Company's announcement dated 18 March 2014.

At 31 December 2013, 41,796,120 share options remained outstanding (2012: 43,615,720 share options).

EMPLOYMENT, TRAINING AND DEVELOPMENT

At 31 December 2013, the Group had a total of 499 employees (2012: 491 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.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 Engagement issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT OPINION

The auditor of the Group will issue an opinion with emphasis of matter on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "**EXTRACT OF THE AUDITOR'S REPORT**" below.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

We draw attention to note 2.1 to the consolidated financial statements, which states that the Group incurred a net loss of approximately HK$69,750,000 and had a net operating cash outflow of approximately HK$22,494,000 during the year ended 31 December 2013 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$60,897,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to obtain sufficient new borrowings, extend its existing borrowings upon their maturities, raise capital from existing and new investors, and derive adequate cash flows from its operating and investing activities. These conditions, along with other matters as described in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the directors, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules during the year ended 31 December 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") as set out in Appendix 10 "Model Code for Securities Transactions by Directors of Listed Issuers" to the Listing Rules as its own code of conduct regarding the securities transactions by the Directors. Specific enquiries have been made by the Company to confirm that all Directors have compiled with the Model Code during the year ended 31 December 2013.

AUDIT COMMITTEE

The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control system and provide advice and comments to the Board. The audit committee members have reviewed the Company's consolidated financial statements for the year ended 31 December 2013 and the accounting principles and practices adopted, and discussed auditing, internal controls, and financial reporting matters with management and the Company's external auditors.

PUBLICATION OF RESULTS

This announcement of results has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.381energy.com). The annual report of the Company for the year ended 31 December 2013 containing all the information required by Appendix 16 "Disclosure of Financial Information" to the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders, customers, suppliers, business partners, banks, professional parties and employees of the Group for their continuous support.

* *For identification purposes only*

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

Hong Kong, 31 March 2014

As at the date of this announcement, the Board comprises three executive Directors, Mr. Hui Kee Fung, Mr. Yu Won Kong, Dennis and Mr. Cheung Kai Fung, one non-executive Director, Mr. Lam Kit Sun and three independent non-executive Directors, Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. So Chun Pong, Ricky.