

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2013 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 2013.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		(Restated)
Continuing operations			
Turnover	5	59,825	67,363
Cost of sales		<u>(42,516)</u>	<u>(54,083)</u>
Gross profit		17,309	13,280
Other income		726	564
Selling and distribution costs		(10,213)	(10,344)
Administrative expenses		(25,926)	(30,965)
Other gain		<u>–</u>	<u>454</u>
Operating loss		(18,104)	(27,011)
Finance costs		<u>(3,039)</u>	<u>(2,638)</u>
Loss before income tax		(21,143)	(29,649)
Income tax expense	6	<u>(2,741)</u>	<u>(496)</u>

		Six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		(Restated)
Loss for the period from continuing operations	7	(23,884)	(30,145)
Discontinued operation			
Loss for the period from discontinued operation		<u>—</u>	<u>(6,914)</u>
Loss for the period		<u>(23,884)</u>	<u>(37,059)</u>
Loss attributable to:			
— equity holders of the Company		(24,559)	(39,276)
— non-controlling interests		<u>675</u>	<u>2,217</u>
		<u>(23,884)</u>	<u>(37,059)</u>
Loss attributable to equity holders of the Company arises from:			
— continuing operations		(24,559)	(32,362)
— discontinued operation		<u>—</u>	<u>(6,914)</u>
		<u>(24,559)</u>	<u>(39,276)</u>
		HK cents	HK cents
			(Restated)
Loss per share from continuing and discontinued operations attributable to the equity holders of the Company	9		
Basic and diluted loss per share			
— from continuing operations		(2.06)	(2.73)
— from discontinued operation		<u>—</u>	<u>(0.59)</u>
		<u>(2.06)</u>	<u>(3.32)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(23,884)	(37,059)
Other comprehensive income:		
Exchange difference arising from translation of foreign operations	2,967	(3,576)
Adjustment on revaluation of properties	1,358	1,092
Deferred tax arising on adjustment on revaluation of properties	(92)	(90)
Total comprehensive loss for the period	(19,651)	(39,633)
Total comprehensive loss attributable to:		
— equity holders of the Company	(20,326)	(41,850)
— non-controlling interests	675	2,217
	(19,651)	(39,633)
Total comprehensive loss attributable to equity holders of the Company arises from:		
— continuing operations	(20,326)	(41,628)
— discontinued operation	—	(222)
	(20,326)	(41,850)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	10	72,255	71,994
Prepaid land lease payments		4,658	4,635
Investment properties		10,014	9,850
Exploration and evaluation assets	11	184,129	180,904
Mining right		–	–
Other intangible asset		1,076	1,082
Deferred tax assets		306	411
		<u>272,438</u>	<u>268,876</u>
Current assets			
Inventories		29,268	18,831
Trade receivables	12	13,510	17,049
Prepayments, deposits and other receivables		8,587	10,407
Tax recoverable		79	118
Bank and cash balances		10,533	23,418
		<u>61,977</u>	<u>69,823</u>
Assets classified as held for sale		<u>38,915</u>	<u>38,234</u>
		<u>100,892</u>	<u>108,057</u>
Total assets		<u>373,330</u>	<u>376,933</u>
Current liabilities			
Trade payables	13	12,769	9,978
Accruals and other payables		70,153	71,889
Tax payable		661	379
Borrowings		68,888	56,705
		<u>152,471</u>	<u>138,951</u>
Net current liabilities		<u>(51,579)</u>	<u>(30,894)</u>
Total assets less current liabilities		<u>220,859</u>	<u>237,982</u>

		As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Deferred tax liabilities		<u>39,498</u>	<u>36,970</u>
		<u>39,498</u>	<u>36,970</u>
Net assets		<u>181,361</u>	<u>201,012</u>
Equity			
Share capital	14	119,386	119,386
Reserves		<u>55,293</u>	<u>75,619</u>
Equity attributable to equity holders of the Company		174,679	195,005
Non-controlling interests		<u>6,682</u>	<u>6,007</u>
Total equity		<u>181,361</u>	<u>201,012</u>

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 for issue on 23 August 2013.

2 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

Going Concern

At 30 June 2013, the Group's current liabilities exceeded its current assets by approximately HK\$51,579,000 and the Group recorded a loss of approximately HK\$23,884,000 and a net operating cash outflow of approximately HK\$27,517,000 during the period ended 30 June 2013. These conditions indicate the existence of a material uncertainty which may cast 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 of the Company have been implementing various operational and financing measures as follows:

- 1) During the reporting period and up to the date of this announcement, the Company obtained new short term borrowings of HK\$15,000,000, which are secured by the personal guarantee from a director of the Company;
- 2) The Group is in negotiation with financial institutions/lenders 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; and
- 4) 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.

Taking into account the above-mentioned measures, the opinion of the directors of the Company with respect to sufficiency of the working capital of the Group remains as stated in the 2012 annual report dated 28 March 2013. Accordingly, the unaudited condensed consolidated interim 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 or complete the development of our mines. These conditions indicate the existence of 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 unaudited condensed consolidated interim financial statements do not include any of these adjustments.

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 2012, except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2013. 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

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these 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 consolidated financial statements for the year ended 31 December 2012.

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 exclude those from discontinued operation.

Segment results do not include corporate finance costs and other corporate income and expenses. Segment assets do not include current assets at corporate level and assets classified as held for sale.

On 14 November 2012, Tongliao City Heng Yuan Mining Company Limited* ("**Heng Yuan**"), 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. Accordingly, comparative figures of the Group's segment results for the period ended 30 June 2012 have been restated to present the discontinued operation separately.

Pursuant to the Agreement, the Purchaser took control of HCM since 1 January 2013 and all the financial and operational control of HCM had been handed over to the Purchaser. In addition, the legal title of HCM had been transferred to the Purchaser during the six months ended 30 June 2013. Except for the mining licence and safety production licence of HCM that Heng Yuan has been assisting the Purchaser to apply for in accordance with the Agreement, all the risk and reward of HCM had been transferred to the Purchaser during the six months ended 30 June 2013. Accordingly, the financial position and results of HCM were not consolidated into these unaudited condensed consolidated interim financial statements.

(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 2013 (unaudited):			
Revenue from external customers	–	59,825	59,825
Segment loss	(2,274)	(12,781)	(15,055)
Six months ended 30 June 2012 (unaudited and restated):			
Revenue from external customers	–	67,363	67,363
Segment loss	(1,135)	(14,693)	(15,828)
Total assets:			
30 June 2013 (unaudited)	188,844	144,764	333,608
31 December 2012 (audited)	189,704	148,263	337,967

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Reconciliation of segment results:		
Total loss of reportable segments	(15,055)	(15,828)
Unallocated amounts:		
Corporate finance costs	(1,556)	(757)
Other corporate income and expenses	(7,273)	(13,560)
Loss for the period from continuing operations	(23,884)	(30,145)

	As at 30 June 2013 (Unaudited) <i>HK\$'000</i>	As at 31 December 2012 (Audited) <i>HK\$'000</i>
Reconciliation of segment assets:		
Total assets of reportable segments	333,608	337,967
Unallocated corporate assets:		
Current assets	807	732
	807	732
Assets classified as held for sale	38,915	38,234
Total assets	373,330	376,933

6 INCOME TAX EXPENSE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2012: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Six months ended 30 June 2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Current tax:		
— Hong Kong	314	—
— The People's Republic of China (the "PRC")	399	219
— The United States of America	1	673
Total current tax	714	892
Deferred tax	2,027	(396)
Income tax expense	2,741	496

7 LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

The Group's loss for the period from continuing operations is arrived at after charging:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Depreciation of property, plant and equipment	3,146	3,276
Amortisation of prepaid land lease payments	59	58
Amortisation of license rights	6	5
Staff costs (including directors' emoluments):		
Wages and salaries	18,631	21,520
Retirement benefits scheme contributions	939	843
Share-based payment expenses	–	4,354
Interest expenses on borrowings wholly repayable within 5 years	3,039	2,638

8 DIVIDEND

The Board has resolved not to pay any interim dividend for the period (2012: 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\$24,559,000 (2012: HK\$39,276,000) and the weighted average of 1,193,860,934 (2012: 1,184,356,934) ordinary shares in issue during the period.

For the six months ended 30 June 2013 and 30 June 2012, 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, 2010 and 2012) 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\$1,555,000 (2012: HK\$9,650,000).

11 EXPLORATION AND EVALUATION ASSETS

During the reporting period, exchange gain of approximately HK\$3,225,000 has been recognised as a result of the translation of foreign operations in the PRC (2012: exchange loss of HK\$4,350,000).

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 2013 and 31 December 2012, the ageing analysis of trade receivables based on invoice date, net of provision, were as follows:

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Within 30 days	9,300	10,165
31 days to 90 days	3,635	5,256
91 days to 180 days	566	1,075
181 days to 360 days	9	368
Over 360 days	—	185
	<u>13,510</u>	<u>17,049</u>

13 TRADE PAYABLES

At 30 June 2013 and 31 December 2012, the ageing analysis of trade payables based on invoice date were as follows:

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Within 30 days	4,880	6,221
31 days to 90 days	5,668	2,027
91 days to 180 days	1,797	1,258
181 days to 360 days	308	121
Over 360 days	116	351
	<u>12,769</u>	<u>9,978</u>

14 SHARE CAPITAL

		Number of shares		Ordinary share capital	
		As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited and restated)	As at 30 June 2013 (Unaudited) <i>HK\$'000</i>	As at 31 December 2012 (Audited) <i>HK\$'000</i>
	<i>Note</i>				
Authorised:					
Ordinary shares of HK\$0.1 each	(a)	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:					
At beginning of period/year	(a)	<u>1,193,860,934</u>	1,153,860,934	<u>119,386</u>	115,386
Issue of shares on placement		<u>–</u>	<u>40,000,000</u>	<u>–</u>	<u>4,000</u>
At end of period/year	(a)	<u>1,193,860,934</u>	1,193,860,934	<u>119,386</u>	119,386

Note:

- (a) On 14 January 2013, the Board put forward to the shareholders of the Company (the “Shareholders”) a proposal of share consolidation (the “Share Consolidation”) 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. An ordinary resolution to approve the Share Consolidation was duly passed by the Shareholders by way of poll at the extraordinary general meeting of the Company held on 7 February 2013.

Adjustments in relation to share options

As a result of the Share Consolidation, adjustments were made to the exercise price of and the number of the outstanding share options under the share option scheme adopted by the Company on 28 May 2002 (the “Share Option Scheme”) in accordance with (i) Rule 17.03(13) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”); (ii) the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding adjustment of share options under Rule 17.03(13) of the Listing Rules; and (iii) the Share Option Scheme in the following manner with effect from 8 February 2013:

Date of grant	Before adjustment		After adjustment	
	Number of outstanding share options	Exercise price	Adjusted number of outstanding share options	Adjusted exercise price
19 June 2006	45,778,600	HK\$0.1016	9,155,720	HK\$0.5080
5 July 2007	3,300,000	HK\$0.7400	660,000	HK\$3.7000
29 March 2012	84,500,000	HK\$0.0644	16,900,000	HK\$0.3220
29 March 2012	84,500,000	HK\$0.0773	16,900,000	HK\$0.3865
	<u>218,078,600</u>		<u>43,615,720</u>	

Effects of the Share Consolidation

As at the 31 December 2012, the authorised share capital of the Company was HK\$200,000,000 divided into 10,000,000,000 shares of par value of HK\$0.02 each, of which 5,969,304,672 shares had been allotted and issued as fully paid or credited as fully paid. Upon the Share Consolidation becoming effective on 8 February 2013, the authorised share capital of the Company remained at HK\$200,000,000 but was divided into 2,000,000,000 consolidated shares of par value of HK\$0.1 each, of which 1,193,860,934 consolidated shares were in issue. Accordingly, the comparative figures of the number of shares of the Company for the year ended 31 December 2012 have taken into account the effect of the Share Consolidation.

All the consolidated shares rank *pari passu* in all respects with each other in accordance with the articles of association of the Company.

Save for any fractional consolidated shares to which Shareholders may be entitled, the implementation of the Share Consolidation did not alter the underlying assets, business operations, management or financial position of the Company or result in any change in the rights of the Shareholders.

15 RELATED PARTY TRANSACTIONS

		Six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Note		
Product development, sale and marketing services fee paid to a related company	(a)	<u>832</u>	<u>832</u>

Note:

- (a) The sole owner of the related company is also the director and beneficial owner of 49% (2012: 49%) equity interest in the Company's subsidiary paying for the services.

16 CAPITAL COMMITMENTS

The Group did not have any capital commitments at the end of the reporting period (2012: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 30 June 2013 (the “**Period**”), the Group recorded turnover of approximately HK\$59.8 million (2012: HK\$67.4 million), representing a decrease of approximately 11.3% 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\$24.6 million (2012: HK\$39.3 million). The decrease in loss attributable to equity holders of the Company for the Period was mainly attributable to (i) a decrease in share-based payment expenses; and (ii) the expenses reduction arising from the discontinued operation of Huanghuashan Coal Mine of the Group. Basic loss per share for the Period was 2.06 HK cents (2012: 3.32 HK cents). The Board has resolved not to pay any interim dividend for the Period (2012: 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\$59.8 million for the Period (2012: HK\$67.4 million). Gross profit ratio for the Period was 28.9% (2012: 19.7%). The increase in gross profit ratio is mainly due to the increase in the selling price of the products and the implementation of the cost control by the Group during the Period. The segment loss of the manufacturing and trading of toys and gifts items was approximately HK\$12.8 million (2012: HK\$14.7 million). The decrease in segment loss was mainly attributable to an increase in gross profit ratio.

Exploration and Mining 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 PRC with total estimated coal resources of approximately 500.05 million tonnes under the JORC Code as follows:

	Inferred Resources <i>(Million Tonnes)</i>
Bayanhushuo Coal Field (“ BCF ”)	394.05 [#]
Guerbanhada Coal Mine (“ GCM ”)	106.00
Total	<u>500.05</u>

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) during 2011. The resources report 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 BCF has an 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.

BCF is located in Xilinguolemeng of Inner Mongolia Autonomous Region, the PRC. Pursuant to an independent technical assessment report issued by SRK China on 31 January 2008, BCF has an estimated coal resources of approximately 394.05 million tonnes of high quality thermal coal. The current licence period of the exploration right of BCF is from 4 July 2012 to 4 July 2014.

On 3 May 2013, Growth Gain Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into a non legally-binding memorandum of understanding (the “**MOU of BCF**”) with Midbest Investments Limited in relation to the possible disposal (“**Possible Disposal**”) by Growth Gain Investments Limited of all the issued shares in its wholly-owned subsidiary, Lucky Dragon Resources Limited, which is the beneficial owner of all equity interest in Heng Yuan, which owns the exploration right of BCF.

As no legally binding agreement in relation to the Possible Disposal has been reached by and between Growth Gain Investments Limited and Midbest Investments Limited before 31 July 2013, the MOU of BCF has automatically lapsed immediately after 30 July 2013.

GCM is located in Xilinguolemeng of Inner Mongolia Autonomous Region, 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. The current licence period of the exploration right of GCM is from 23 September 2011 to 22 September 2013. As at the date of this announcement, the Group has been applying to renew the licence period of the exploration right of GCM.

On 28 March 2013, Bright Asset Investments Limited, First Choice Resources Limited, Jumphex 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**”) 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**”) in relation to the possible sale by the Vendors of the entire equity interest (“**Sale Interest**”) in Mingrunfeng to Wulagai River at a consideration of RMB50,000,000 (equivalent to approximately HK\$62,500,000) (the “**Possible Sale**”). Mingrunfeng is the holder of the exploration right of GCM, which is the principal asset of Mingrunfeng. On 28 June 2013, the Vendors entered into a supplemental memorandum of understanding with Wulagai River and Mingrunfeng in relation to the Possible Sale by the Vendors of the Sale Interest to Wulagai River. Pursuant to the supplemental memorandum of understanding, all the parties to the MOU of GCM confirmed in writing that (i) the validity period of the MOU of GCM has been extended from 30 June 2013 to 30 September 2013; and (ii) all the remaining terms of the MOU of GCM remains valid.

The Possible Sale is subject to the signing of the formal legally binding equity transfer agreement and the terms of the Possible Sale are subject to further negotiation between the parties to the MOU of GCM. As at the date of this announcement, no legally binding agreement in relation to the Possible Sale has been entered into. Further announcement in respect of the Possible Sale will be made by the Company as and when appropriate.

Administrative Expenses

Administrative expenses for the Period decreased by approximately 16.5% to approximately HK\$25.9 million as compared to approximately HK\$31.0 million in the same period last year. The decrease was mainly attributable to a decrease in share-based payment expenses of approximately HK\$4.4 million.

Discontinued Operation

On 14 November 2012, Heng Yuan entered into the Agreement to sell the assets of HCM to the Purchaser. The results of HCM were separately presented as discontinued operation for the year ended 31 December 2012. Accordingly, comparative figures of the Group's segment results for the period ended 30 June 2012 have been restated to present the discontinued operation separately.

Pursuant to the Agreement, the Purchaser took control of HCM since 1 January 2013 and all the financial and operational control of HCM had been handed over to the Purchaser. In addition, the legal title of HCM had been transferred to the Purchaser during the six months ended 30 June 2013. Except for the mining licence and safety production licence of HCM that Heng Yuan has been assisting the Purchaser to apply for in accordance with the Agreement, all the risk and reward of HCM had been transferred to the Purchaser during the six months ended 30 June 2013. Accordingly, the financial position and results of HCM were not consolidated into these unaudited condensed consolidated interim financial statements.

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 2013, the Group had bank and cash balances of approximately HK\$10.5 million (31 December 2012: HK\$23.4 million). The Group's bank and cash balances were mostly held in Hong Kong dollars and Renminbi.

As at 30 June 2013, the Group's borrowings amounted to approximately HK\$68.9 million (31 December 2012: HK\$56.7 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi, of which approximately 86.7% (31 December 2012: 74.7%) bore interest at fixed lending rate.

The gearing ratio of the Group calculated as the Group's borrowings less bank and cash balances over its total equity was approximately 32.2% as at 30 June 2013 (31 December 2012: 16.6%).

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 2013, certain property, plant and equipment, prepared land lease payments and investment properties held by the Group with aggregate carrying values of approximately HK\$70.9 million (31 December 2012: HK\$73.9 million) were pledged to secure general banking facilities granted to the Group.

As at 30 June 2013, the Group did not have any capital commitments (31 December 2012: Nil).

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

Business Prospects and Future Plan

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.

On 10 June 2013, Joint Hero Holdings Limited, a company incorporated in the British Virgin Islands with limited liability ("**Joint Hero**"), 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 Developments Limited, a company incorporated in the British Virgin Islands with limited liability ("**Precious Stars**") in relation to the possible acquisition of Million Union Holdings Limited (the "**Target Company**"), a company incorporated in the British Virgin Islands 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 (the "**Possible Acquisition**"). As advised by Precious Stars, the Target Company is conducting an acquisition plan as contemplated under the MOU pursuant to which the Target Company shall indirectly hold the entire equity interest in 上思香湖灣投資有限公司, a company incorporated in the PRC with limited liability (the "**PRC Company**"). The PRC Company is intended to acquire the land use right of a piece of land with a total area of approximately 130 mu (the "**Land**") in Shangsi County of Guangxi, the PRC. The Target Company plans to carry out a property development project on the Land. Pursuant to the MOU, Precious Stars and Joint Hero will negotiate in good faith the terms of the formal sale and purchase agreement relating to the Possible Acquisition to procure that such formal sale and purchase agreement be entered into within six calendar months from the date of the MOU or on such later date as Precious Stars and Joint Hero may agree.

The Board considers that the Possible Acquisition represents a good opportunity for the Group to diversify its business. If the formal sale and purchase agreement relating to the Possible Acquisition materializes, it is expected that the Possible Acquisition will constitute a notifiable transaction of the Company pursuant to the Listing Rules and thus the Company will comply with the relevant requirements under the Listing Rules as and when appropriate.

Employment, Training and Development

As at 30 June 2013, the Group had a total of 567 employees (31 December 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.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance. During the Period, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of 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. So Chun Pong, Ricky, 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 2013.

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 2013 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.

* *For identification purposes only*

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

Hong Kong, 23 August 2013

As at the date of this announcement, the Board comprises three executive directors, Mr. Hui Kee Fung, Mr. Yu Won Kong, Dennis, 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.