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Kiu Hung Energy Holdings Limited
僑雄能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00381)

**MEMORANDUM OF UNDERSTANDING
IN RESPECT OF THE POSSIBLE ACQUISITION
AND
RESUMPTION OF TRADING**

POSSIBLE ACQUISITION

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board announces that on 1 April 2010, the Purchaser, a wholly-owned subsidiary of the Company, entered into the MOU with the Vendor in relation to the Possible Acquisition. Other than those relating to exclusivity, confidentiality, notices, costs, termination and governing law, which are legally binding, the other provisions of the MOU are non-legally binding.

The Target is an investment holding company incorporated in the BVI. The Target Group, upon completion of the Reorganization, will hold one exploration licence and nine mining licences of the Mines. According to the Vendor, the Mines have coal reserves of approximately 690 million tonnes in aggregate. Under the MOU, it is proposed that the Purchaser will acquire the entire issued share capital of the Target from the Vendor (or its subsidiary).

The Board wishes to emphasize that the Possible Acquisition is subject to the signing of the Formal Agreement and the terms of the Possible Acquisition are subject to further negotiation between the parties. As such, the Possible Acquisition may or may not proceed. The Possible Acquisition, if materialized, may constitute a notifiable transaction of the Company pursuant to the Listing Rules. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made in accordance with all applicable requirements of the Listing Rules as and when appropriate.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on Thursday, 1 April 2010 pending the release of this announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on Wednesday, 7 April 2010.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

THE MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

The Board announces that on 1 April 2010, the Purchaser, a wholly-owned subsidiary of the Company, entered into the MOU with the Vendor in relation to the Possible Acquisition.

Other than those relating to exclusivity, confidentiality, notices, costs, termination and governing law, which are legally binding, the other provisions of the MOU are non-legally binding.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Major terms of the MOU

Under the MOU, it is proposed that the Purchaser will acquire the entire issued share capital of the Target from the Vendor (or its subsidiary).

The Target is an investment holding company incorporated in BVI. The Target Group, upon completion of the Reorganization, will hold one exploration licence and nine mining licences of the Mines. According to the Vendor, the Mines have coal reserves of approximately 690 million tonnes in aggregate. It is proposed in the MOU that the Purchaser and/or its advisers shall have the right to conduct due diligence review on the Target Group and the Mines, which shall include but not limited to financial statement, incorporation related documents, operational aspects of the Target and the reserves of the Mines and the Vendor shall provide such assistance as the Purchaser and/or its advisers may reasonably require.

The MOU shall be terminated on the earlier date of (i) the execution of the Formal Agreement; or (ii) 30 September 2010.

Possible Consideration

The consideration for the Possible Acquisition shall be not more than HK\$5.8 billion and not less than HK\$4.0 billion (the “Consideration”), and may be payable in the following manner:

- (i) HK\$500 million to be paid by the Purchaser to the Vendor in cash;
- (ii) part of the Consideration shall be paid by issuing new Shares (the “Consideration Shares”) at the issue price of HK\$0.4 per Share; and
- (iii) the remaining Consideration shall be paid by issuing convertible notes (the “Convertible Notes”) at the conversion price of HK\$0.4 per Share, carrying rights to convert into new Shares.

The definitive Consideration and payment methods are subject to further negotiation between the Vendor and the Purchaser.

Possible conditions precedent

Under the MOU, completion of the Possible Acquisition is expected to be subject to and conditional upon certain conditions to be agreed between the Vendor and the Purchaser, including but not limited to:

- (a) the Purchaser being satisfied with the results of due diligence review to be conducted by the Purchaser and/or its agents on each member of the Target Group and the Mines, which shall include but not limited to legal, financial, operational, incorporation, technical, geological, reserve, mining licences and exploration licence aspects of the Target Group and the Mines;
- (b) the Purchaser having obtained all necessary consents and approvals in relation to the Possible Acquisition, which include but not limited to the approval by the Stock Exchange and all necessary resolutions duly passed by the Shareholders (or the Independent Shareholders, as the case may be) at an duly convened shareholders’ meeting approving the Formal Agreement and the transactions contemplated thereunder;
- (c) the Vendor having obtained all necessary consents, authorization and approvals from governmental and other authorities in all applicable jurisdictions (including the PRC) in connection with the Possible Acquisition;
- (d) the granting of the approval by the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and such Shares which may fall to be issued under the Convertible Notes on the Stock Exchange and such approval not subsequently being revoked;
- (e) no indication being received from the Stock Exchange that the Possible Acquisition contemplated under the Formal Agreement will be treated or, as the case may be, ruled by the Stock Exchange as a reverse takeover under the Listing Rules;

- (f) the Purchaser having received a legal opinion issued by a qualified law firm in respect of the legality, validity and enforceability of the relevant assets and documents in connection with the Possible Acquisition, in form and substance acceptable to the Purchaser; and
- (g) completion of the Reorganization.

Profit Guarantee

The Formal Agreement will include a term to the effect that the Vendor will irrevocably warrant and guarantee to the Purchaser that the audited consolidated profits after tax of the Target Group for the financial year ending 31 December 2010 and 31 December 2011 will not be less than RMB200,000,000 and RMB400,000,000, respectively.

Exclusivity

The Purchaser has been granted an exclusive right for the negotiation of the terms and conditions of the Formal Agreement before 31 August 2010 from the date of the MOU.

Reasons for the Possible Acquisition

The Group is principally engaged in the design, manufacture, sale of a wide range of toys and decorative gift items and exploration and mining of natural resources. In order to diversify the businesses of the Group, the Company has been actively exploring new investment opportunities with profitable prospects. In view of the worldwide increasing demand for natural resources and the business expansion opportunities to be enlightened by the Possible Acquisition, the Directors consider that it will further create strategic values to the Group by increasing the amount of its coal reserves, broadening the variety of its coal reserves and enhancing its market position of its coal mining business.

GENERAL

The Board wishes to emphasize that the Possible Acquisition is subject to the signing of the Formal Agreement and the terms of the Possible Acquisition are subject to further negotiation between the parties. As such, the Possible Acquisition may or may not proceed. The Possible Acquisition, if materialized, may constitute a notifiable transaction of the Company pursuant to the Listing Rules. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made in accordance with all applicable requirements of the Listing Rules as and when appropriate.

RESUMPTION OF TRADING

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Kiu Hung Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement to be entered into between the Purchaser (or its nominee) and the Vendor (or its subsidiary) in relation to the Possible Acquisition
“Group”	the Company and its subsidiaries
“Independent Shareholders”	Shareholders other than the Vendor and its shareholders and those who are required to abstain from voting under the Listing Rules and their respective associates (if any)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mines”	ten mining sites owned by the Target Group which are located in Guizhou province, PRC
“MOU”	the memorandum of understanding entered into between the Purchaser and the Vendor on 1 April 2010 in respect of the Possible Acquisition
“Possible Acquisition”	the possible acquisition of the entire issued share capital of the Target by the Purchaser from the Vendor as contemplated under the MOU
“PRC”	the People’s Republic of China; for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Purchaser”	Lot Treasures Investments Limited (多寶投資有限公司), a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“Reorganization”	the reorganization of the Target Group undertaking by the Vendor prior to completion of the Possible Acquisition
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholders”	holders of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Sino View Group Limited (景華投資有限公司), a company incorporated in BVI with limited liability and owned as to 100% by the Vendor
“Target Group”	the Target and its subsidiaries
“Vendor”	Fast Glory Holdings Limited (迅譽控股有限公司), a company incorporated in BVI with limited liability

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

Hong Kong, 1 April 2010

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