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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)

**SECOND SUPPLEMENTAL AGREEMENT
IN RELATION TO A
VERY SUBSTANTIAL ACQUISITION
INVOLVING THE ISSUE OF CONSIDERATION SHARES
AND CONVERTIBLE NOTES
AND
DELAY IN DESPATCH OF THE CIRCULAR**

Financial adviser to the Company



KINGSTON CORPORATE FINANCE LTD.

SECOND SUPPLEMENTAL AGREEMENT

Reference is made to the announcements of the Company dated 1 April 2010 and 20 August 2010 in relation to the MOU and the Acquisition Agreement.

A Technical Adviser has been appointed by the Company as the Competent Person to prepare the Technical Reports on the estimated amounts of resources of the Mines. Due to the substantial amount of time required by the Technical Adviser to prepare the Technical Reports on the Mines, after further negotiations between the parties to the Acquisition Agreement, the Purchaser, the Vendor and the Company have agreed to enter into the Second Supplemental Agreement to vary certain terms and conditions of the Acquisition Agreement as set out in this announcement so as to expedite the progress of the Acquisition.

Pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement), the Acquisition will take place in three phases whereby the Purchaser will in sequence acquire (i) the Initial Consideration Assets, (ii) the Deferred Consideration I Assets and (iii) the Deferred Consideration II Assets respectively, instead of two phases pursuant to the Acquisition Agreement as set out in the announcement of the Company dated 20 August 2010.

The principal terms of the Second Supplemental Agreement are summarised as follows:

- a. the Consideration remains at an aggregate of not more than HK\$8,889,110,000 and will be satisfied as to: (i) HK\$2,230,330,000 for the acquisition of the Initial Consideration Assets by way of payment of cash and the issue of Consideration Shares, Convertible Note A and Convertible Note B; (ii) HK\$2,519,320,000 for the acquisition of the Deferred Consideration I Assets by way of payment of cash and the issue of Convertible Note C and Convertible Note E; and (iii) HK\$4,139,460,000 for the acquisition of the Deferred Consideration II Assets by way of the issue of the Convertible Note D. Further details are set out under paragraph A headed “Consideration” in this announcement;
- b. conditions precedent for the Acquisition are amended to reflect the changes of the acquisition structure, details of which are set out under paragraph B headed “Conditions precedent” in this announcement;
- c. the long stop dates for the completion of acquisition of: (i) the Initial Consideration Assets shall be on or before 31 May 2011; (ii) the Deferred Consideration I Assets shall be on or before 30 September 2011; and (iii) the Deferred Consideration II Assets shall be on or before 28 February 2012;
- d. the Vendor undertakes that the Initial Consideration Assets, Deferred Consideration I Assets and Deferred Consideration II Assets shall have an aggregate resources of anthracite coal of not less than 150.91 million tonnes, 173.14 million tonnes and 318.42 million tonnes respectively, of which Indicated Resources (together with resources with higher level of confidence) shall represent not less than 80% of the aggregate resources, which is approximately 120.73 million tonnes, 138.51 million tonnes and 254.74 million tonnes respectively, of anthracite coal based on the JORC Code;
- e. the Vendor further undertakes that the Net Profit of the Target Group (excluding Crystal Flash Series of Companies and Luo An Series of Companies) for the financial year ending 31 December 2010 shall not be less than RMB100,000,000 and the Net Profit of the Target Group (excluding Luo An Series of Companies) for the financial year ending 31 December 2011 shall not be less than RMB400,000,000; and
- f. in the event that the Technical Reports indicating the Mines have resources of anthracite coal of less than the amount of resources undertaken by the Vendor, the Consideration shall be adjusted downward accordingly. Details of which are set out under paragraph C2 in this announcement.

ADDITIONAL INFORMATION

Due to the substantial amount of time required by the Technical Adviser to prepare the Technical Reports on the Mines, the Technical Reports will be completed in various phases so as to facilitate the progress of the Acquisition. In other words, separate Technical Reports will be compiled by the Technical Adviser to cover the Initial Consideration Assets, Deferred Consideration I Assets and Deferred Consideration II Assets and the Company will convene separate general meetings during which the Shareholders will consider and approve, if thought fit, the three phases of Acquisition. To ensure that the Shareholders will have sufficient information to assess the Acquisition, circulars containing, among other things, (i) further details of the Acquisition under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement); (ii) information of the Target Group (as enlarged by the relevant assets to be acquired pursuant to the relevant phase of Acquisition); (iii) the accountants' report on the Target Group (as enlarged by the relevant assets to be acquired pursuant to the relevant phase of Acquisition); (iv) the pro forma financial information on the Group as enlarged by the Target Group (as enlarged by the relevant assets to be acquired pursuant to the relevant phase of Acquisition); (v) the relevant Technical Reports; and (vi) the relevant notice of the EGM will be separately despatched to the Shareholders as soon as practicable.

DELAY IN DESPATCH OF THE CIRCULAR

As additional time is required to compile the information to be included in the forthcoming circular, including but not limited to information regarding the Technical Report on the Initial Consideration Assets and the financial information of the Target Group (as enlarged by the Initial Consideration Assets), the date of the despatch of the forthcoming circular will be postponed to a date on or before 30 April 2011. Subsequent circular(s) containing, among other things, the Technical Reports on the Deferred Consideration I Assets and the Deferred Consideration II Assets will be separately despatched to the Shareholders as soon as practicable. Further announcements will be made by the Company in this regard in due course.

INTRODUCTION

Reference is made to the Announcements in relation to the MOU and the Acquisition Agreement. Unless defined otherwise under the paragraph headed "Definitions" in this announcement, terms used herein have the same meanings as defined to them in the Announcements.

On 1 April 2010, Lot Treasures Investments Limited, a wholly owned subsidiary of the Company (as Purchaser), and Fast Glory Holdings Limited (as Vendor) entered into the MOU in respect of the possible acquisition of the Sale Share. Subsequent to the MOU, the Purchaser, the Vendor and the Company entered into the Acquisition Agreement so as to formalise the proposed Acquisition.

Pursuant to the Acquisition Agreement, upon completion of the Reorganisation, the Target Company will directly or indirectly hold 100% legal and beneficial interests in the Mines. Upon Completion, the Company, through the Purchaser, will hold the Sale Share and the Sale Debt (if any) of the Target Company and the results of the Target Group will be consolidated into the financial statements of the Group.

A Technical Adviser has been appointed by the Company as the Competent Person to prepare the Technical Reports on the estimated amounts of resources of the Mines. Due to the substantial amount of time required by the Technical Adviser to prepare the Technical Reports on the Mines, after further negotiations between the parties to the Acquisition Agreement, the Purchaser, the Vendor and the Company have agreed to enter into the Second Supplemental Agreement to vary certain terms and conditions of the Acquisition Agreement so as to expedite the progress of the Acquisition.

Pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement), the Acquisition will take place in the following manner:

Coal mine(s)	Current license type	Current status	Expected operation commencement date	Estimated resources ('000 tonnes)
<i>Phase 1 - Initial Consideration Assets:</i>				
Huawo	Mining	In operation	–	35,000
Tiziyan	Mining	Under construction	First quarter 2011	31,350
Baiyanjiao	Mining	Under construction	Fourth quarter 2011	84,560
Sub-total				150,910
<i>Phase 2 - Deferred Consideration I Assets:</i>				
Chayuan	Mining	In operation	–	32,000
Gangjiachang	Mining	Under construction	First quarter 2011	32,000
Tiancheng	Mining	Under construction	Fourth quarter 2011	54,380
Guixing	Mining	Under construction	Fourth quarter 2011	54,760
Sub-total				173,140
<i>Phase 3 - Deferred Consideration II Assets:</i>				
Anluo Mine	Exploration	Carrying no operation	Fourth quarter 2013	318,420
	(Note)			
Sub-total				318,420
Total				642,470

Note: The acquisition of Anluo Mine is conditional upon, among the others, the conversion of the exploration license into the mining license.

SECOND SUPPLEMENTAL AGREEMENT

On 22 December 2010, the Purchaser, the Vendor and the Company entered into the Second Supplement Agreement, pursuant to which the parties agree to vary certain terms and conditions of the Acquisition Agreement, which principal changes are summarised as follows:

A. Consideration

- A1. The consideration for the Acquisition remains at an aggregate of not more than HK\$8,889,110,000; whereas the payment method and schedule are amended as detailed in the paragraphs below.
- A2. The Initial Consideration payable for the Initial Consideration Assets will be satisfied in the following manner:
- (i) as to HK\$150,000,000 (subject to adjustment(s)) by cashier order or cheque issued by a licensed bank in Hong Kong in cash within one month after the Initial Consideration Payment Date, or the date on which the Purchaser and the Vendor have confirmed whether or not any adjustment is required pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement), whichever is later;
 - (ii) as to HK\$481,000,000 (subject to adjustment(s)) by the issue of the Consideration Shares to the Vendor or its nominee(s) at the Issue Price within seven Business Days after the Initial Consideration Payment Date, or the date on which the Purchaser and the Vendor have confirmed whether or not any adjustment is required pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement), whichever is later;
 - (iii) as to HK\$991,330,000 (subject to adjustment(s)) by the issue of the Convertible Note A at its full face value to the Vendor or its nominee(s) within seven Business Days after the Initial Consideration Payment Date, or the date on which the Purchaser and the Vendor have confirmed whether or not any adjustment is required pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement), whichever is later; and
 - (iv) as to HK\$608,000,000 (subject to adjustment(s)) by the issue of the Convertible Note B at their full face values to the Vendor or its nominee(s) within (a) ten Business Days after the release of the Guarantee Proof in respect of the relevant financial year; or (b) seven Business Days after the Initial Consideration Payment Date; or (c) the date on which the Purchaser and the Vendor have confirmed whether or not any adjustment is required pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) (whichever is later), or such other date as may be agreed by the parties in writing.

- A3. The Deferred Consideration I payable for the Deferred Consideration I Assets will be satisfied in the following manner:
- (i) as to HK\$150,000,000 (subject to adjustment(s)) by cashier order or cheque issued by a licensed bank in Hong Kong in cash within one month after the Deferred Consideration I Payment Date, or the date on which the Purchaser and the Vendor have confirmed whether or not any adjustment is required pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement), whichever is later;
 - (ii) as to HK\$1,153,320,000 (subject to adjustment(s)) by the issue of the Convertible Note E at its full face value to the Vendor or its nominee(s) within seven Business Days after the Deferred Consideration I Payment Date, or the date on which the Purchaser and the Vendor have confirmed whether or not any adjustment is required pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement), whichever is later; and
 - (iii) as to HK\$1,216,000,000 (subject to adjustment(s)) by the issue of the Convertible Note C at their full face values to the Vendor or its nominee(s) within (a) ten Business Days after the release of the Guarantee Proof in respect of the relevant financial year; or (b) seven Business Days after the Deferred Consideration I Payment Date; or (c) the date on which the Purchaser and the Vendor have confirmed whether or not any adjustment is required pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) (whichever is later), or such other date as may be agreed by the parties in writing.
- A4. The Deferred Consideration II payable for the Deferred Consideration II Assets will be satisfied as to HK\$4,139,460,000 (subject to adjustment(s)) by the issue of the Convertible Note D at its full face value to the Vendor or its nominee(s) within ten Business Days after all of the conditions precedent set out under the paragraph headed “Conditions Precedent of the Deferred Consideration II Assets” in this announcement are fulfilled and/or if applicable, waived in whole or in part thereof (as the case may be), or the date on which the Purchaser and the Vendor have confirmed whether or not any adjustment is required pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) (whichever is later), or such other date as may be agreed by the parties in writing.
- A5. An additional convertible note, namely Convertible Note E, with a maximum principal amount of HK\$1,153,320,000 will be issued to satisfy part of the Consideration as described in paragraph A3(ii) above, pertaining substantially the same terms and conditions as the other Convertible Notes. Upon full conversion of the Convertible Note E, 2,883,300,000 new Shares (subject to adjustment(s)) will be allotted and issued.
- A6. In the event of any share consolidation or sub-division of the Company prior to the issue of the Consideration Shares and Convertible Notes, the number of Consideration Shares and the Conversion Price will be subject to adjustments pursuant to the terms of the Acquisition Agreement (as supplemented by the Second Supplemental Agreement).

B. Conditions precedent

Initial Consideration Assets

B1. Acquisition of the Initial Consideration Assets is subject to and conditional upon the satisfaction of the following conditions:

- (i) the Purchaser having obtained all requisite consents, approvals and authorisation required under all applicable laws and regulations in connection with the acquisition of Initial Consideration Assets contemplated under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and the implementation of these transactions and all other matters incidental thereto, including the relevant requirements under the Listing Rules and all relevant resolutions having been passed by the Shareholders (or independent Shareholders, if required) at a general meeting as required under the Listing Rules approving the acquisition of Initial Consideration Assets under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and the transactions contemplated thereunder, including the issue of the Convertible Note A and Convertible Note B and the issue and allotment of the relevant Conversion Shares and the Consideration Shares pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement);
- (ii) the Vendor having obtained all requisite authorisation and approvals including the approvals, consents and authorisation of all relevant authorities in the PRC (if so required under the relevant laws and regulations) in connection with acquisition of Initial Consideration Assets and the documents and conditions required under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and the transactions contemplated hereunder (including the representations, guarantees and the Vendor's Warranties made by the Vendor therein);
- (iii) the approval for the listing of, and permission to deal in, the Consideration Shares and the relevant Conversion Shares issuable under the Convertible Note A and Convertible Note B having been granted by the Stock Exchange and not having been revoked;
- (iv) no indication being received by the Company from the Stock Exchange that the transactions contemplated under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) will constitute or be deemed (as the case may be) by the Stock Exchange as a "reverse takeover" under the Listing Rules;
- (v) the transactions contemplated under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) will not trigger mandatory general offer obligations under the Takeovers Code;

- (vi) the Purchaser having completed, to its satisfaction, a due diligence review on the Target Group (excluding Crystal Flash Series of Companies and Luo An Series of Companies) and its assets (other than the Deferred Consideration I Assets and Deferred Consideration II Assets), which shall include but not limited to geological, technical, legal, restructuring, quality of resources owned, resources, exploration licenses, mining licenses, financial and operational aspects of the assets of the Target Group (other than the Deferred Consideration I Assets and Deferred Consideration II Assets);
- (vii) the Purchaser having received a reserve report and feasibility study report prepared at the cost of the Vendor on the Mines (excluding the Deferred Consideration I Assets and Deferred Consideration II Assets) in form and substance satisfactory to the Purchaser. In particular, the feasibility study report should cover a study on the comprehensive design, costing and capital expenditure in respect of the method(s) for the development of the Mines (other than the Deferred Consideration I Assets and Deferred Consideration II Assets) in which appropriate assessments have been made of realistically assumed geological, mining, metallurgical, economic, marketing, legal, environmental, social, governmental, engineering, operational and all other relevant factors, which are considered in enough detail to demonstrate at the time of reporting that extraction is reasonably justified and the factors reasonably serve as the basis for a final decision by a financial institution to finance the development of the relevant development project(s) and acceptable by the Stock Exchange;
- (viii) the Purchaser having received the Technical Report prepared at the cost of the Purchaser in respect of the Mines (excluding the Deferred Consideration I Assets and Deferred Consideration II Assets) in form and substance satisfactory to the Purchaser indicating that the Mines (excluding the Deferred Consideration I Assets and Deferred Consideration II Assets) have resources of anthracite coal of no less than 150.91 million tonnes in aggregate and Indicated Resources (together with resources with higher level of confidence) represent not less than 80% of the aggregate resources, which is approximately 120.73 million tonnes of anthracite coal based on the JORC Code and the standards as acceptable by the Stock Exchange. The Technical Report shall also indicate that the feasibility study report as mentioned in item (vii) above is true and correct, practicable and in compliance with the standards recognised by the Stock Exchange;
- (ix) the Purchaser having received a valuation report on the fair market value of the Mines (excluding the Deferred Consideration I Assets and Deferred Consideration II Assets) issued by an independent professional valuer in form and substance acceptable to the Purchaser showing the valuation of the Mines to be not less than the Initial Consideration;
- (x) the Reorganisation in relation to Initial Consideration Assets having been completed at the cost of the Vendor;

- (xi) the Purchaser having received an opinion issued by a PRC lawyer approved by the Purchaser in respect of (1) legality, validity and enforceability of relevant documents in relation to each member of the Target Group which is incorporated in the PRC (excluding the PRC subsidiaries of Crystal Flash and Luo An Company), and the Mines (excluding the Deferred Consideration I Assets and Deferred Consideration II Assets); and (2) all matters relating to the acquisition of the Initial Consideration Assets and the transactions contemplated under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) in form and substance satisfactory to the Purchaser;
 - (xii) all Vendor's Warranties under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) remaining true and accurate and not misleading in all material respect as if they are repeated at the Initial Consideration Payment Date by reference to the facts and circumstances subsisting at the Initial Consideration Payment Date;
 - (xiii) service agreements, subject to review and satisfaction of the Purchaser, having been entered into between any company within the Target Group as agreed by the parties and the key personnel related to the Initial Consideration Assets for at least 3-year service tenure after the completion of the acquisition of the Initial Consideration Assets; and
 - (xiv) all Purchaser's Warranties remaining true and accurate and not misleading in all material respect as if they are repeated at the Initial Consideration Payment Date by reference to the facts and circumstances subsisting at the Initial Consideration Payment Date.
- B2. In respect of the Initial Consideration Assets, the Purchaser shall be entitled at its discretion at any time by a notice in writing to the Vendor to waive any of the conditions (vi) to (xiii) as set out in paragraph B1 above in whole or in part. The Vendor shall be entitled at its discretion at any time by a notice in writing to the Purchaser to waive condition (xiv) as set out in paragraph B1 above either in whole or in part. If any of such conditions has not been satisfied or waived (as the case may be) by 31 May 2011 or such later date as agreed between the parties to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement), the Purchaser shall not be obliged to proceed with the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and that the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) will cease to be effective (save and except certain provisions in connection with confidentiality, notice, costs and governing laws and jurisdictions which will remain effective).

B3. The Vendor has agreed to deliver the Completion Accounts (other than Crystal Flash Completion Accounts and Luo An Completion Accounts) to the Purchaser within three Business Days after the date of completion of the acquisition of the Initial Consideration Assets, and the Initial Consideration shall be adjusted downward by deducting the relevant amount from the consideration amounts under the Initial Consideration in the sequence of parts (i) to (iv) under paragraph A2 above if:

- (i) the Target Group (excluding Crystal Flash Series of Companies and Luo An Series of Companies) has any bank loans or long-term liabilities (excluding the Sale Debt, if applicable) as shown in its Completion Accounts (other than Crystal Flash Completion Accounts and Luo An Completion Accounts);
- (ii) the current assets of the Target Group (excluding Crystal Flash Series of Companies and Luo An Series of Companies) are less than its current liabilities (including any account payables and any current liabilities and debts incurred in the ordinary and usual course of business of the Target Group (excluding Crystal Flash Series of Companies and Luo An Series of Companies)) as shown in the Group Management Accounts of 31 December 2009 (other than Crystal Flash 2009 Management Accounts); or
- (iii) the net current assets amount (i.e., current assets less current liabilities) of the Target Group (excluding Crystal Flash Series of Companies and Luo An Series of Companies) as shown in the Completion Accounts (other than Crystal Flash Completion Accounts and Luo An Completion Accounts) is less than the net current assets amount as at 31 December 2009 as shown in the Group Management Accounts of 31 December 2009 (other than Crystal Flash 2009 Management Accounts).

The Purchaser is entitled to review the “current assets” mentioned above to be shown in the Completion Accounts (other than Crystal Flash Completion Accounts and Luo An Completion Accounts) and the Group Management Accounts of 31 December 2009 (other than Crystal Flash 2009 Management Accounts), no full payment of Initial Consideration will be made to the Vendor until the Purchaser is satisfied with the quality, content and classification of the Completion Accounts (other than Crystal Flash Completion Accounts and Luo An Completion Accounts) and the Group Management Accounts of 31 December 2009 (other than Crystal Flash 2009 Management Accounts).

Deferred Consideration I Assets

B4. Acquisition of the Deferred Consideration I Assets is subject to and conditional upon the satisfaction of the following conditions:

- (i) the Purchaser having obtained all requisite consents, approvals and authorisation required under all applicable laws and regulations in connection with the acquisition of Deferred Consideration I Assets contemplated under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and the implementation

of these transactions and all other matters incidental thereto, including the relevant requirements under the Listing Rules and all relevant resolutions having been passed by the Shareholders (or independent Shareholders, if required) at a general meeting as required under the Listing Rules approving the acquisition of Deferred Consideration I Assets contemplated under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and the transactions contemplated thereunder, including the issue of the Convertible Note C and Convertible Note E and the issue and allotment of the relevant Conversion Shares pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement);

- (ii) the Vendor having obtained all requisite authorisation and approvals including the approvals, consents and authorisation of all relevant authorities in the PRC (if so required under the relevant laws and regulations) in connection with acquisition of Deferred Consideration I Assets and the documents and conditions required under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and the transactions contemplated hereunder (including the representations, guarantees and the Vendor's Warranties made by the Vendor therein);
- (iii) the approval for the listing of, and permission to deal in the Conversion Shares issuable under the Convertible Note C and Convertible Note E having been granted by the Stock Exchange and not having been revoked;
- (iv) no indication being received by the Company from the Stock Exchange that the transactions contemplated under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) will constitute or be deemed (as the case may be) by the Stock Exchange as a "reverse takeover" under the Listing Rules;
- (v) the transactions contemplated under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) will not trigger mandatory general offer obligations under the Takeovers Code;
- (vi) the Purchaser having completed, to its satisfaction, a due diligence review on Crystal Flash Series of Companies and the Deferred Consideration I Assets, which shall include but not limited to geological, technical, legal, restructuring, quality of resources owned, resources, exploration licenses, mining licenses, financial and operational aspects of the Deferred Consideration I Assets;
- (vii) the Purchaser having received a reserve report and feasibility study report prepared at the cost of the Vendor on the Deferred Consideration I Assets in form and substance satisfactory to the Purchaser. In particular, the feasibility study report should cover a study on the comprehensive design, costing and capital expenditure in respect of the method(s) for the development of the Deferred Consideration I Assets in which appropriate assessments have been made of realistically assumed geological, mining, metallurgical, economic, marketing, legal, environmental, social, governmental, engineering, operational and all other relevant factors, which are considered in enough

detail to demonstrate at the time of reporting that extraction is reasonably justified and the factors reasonably serve as the basis for a final decision by a financial institution to finance the development of the relevant development project(s) and acceptable by the Stock Exchange;

- (viii) the Purchaser having received the Technical Report prepared at the cost of the Purchaser in respect of the Deferred Consideration I Assets in form and substance satisfactory to the Purchaser indicating that the Deferred Consideration I Assets have resources of anthracite coal of not less than 173.14 million tonnes in aggregate and Indicated Resources (together with resources with higher level of confidence) represent not less than 80% of the aggregate resources, which is approximately 138.51 million tonnes of anthracite coal based on the JORC Code and the standards as acceptable by the Stock Exchange. The Technical Report shall also indicate that the feasibility study report as mentioned in item (vii) above is true and correct, practicable and in compliance with the standards recognised by the Stock Exchange;
- (ix) the Purchaser having received a valuation report on the fair market value of the Deferred Consideration I Assets issued by an independent professional valuer in form and substance acceptable to the Purchaser showing the valuation of the Deferred Consideration I Assets to be not less than the Deferred Consideration I;
- (x) the Reorganisation in relation to Deferred Consideration I Assets having been completed at the cost of the Vendor;
- (xi) the Purchaser having received an opinion issued by a PRC lawyer approved by the Purchaser in respect of (1) legality, validity and enforceability of relevant documents in relation to the PRC subsidiaries of Crystal Flash and the Deferred Consideration I Assets; and (2) all matters relating to the acquisition of the Deferred Consideration I Assets and the transactions contemplated under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) in form and substance satisfactory to the Purchaser;
- (xii) all Vendor's Warranties under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) remaining true and accurate and not misleading in all material respect as if they are repeated at the Deferred Consideration I Payment Date by reference to the facts and circumstances subsisting at the Deferred Consideration I Payment Date;
- (xiii) service agreements, subject to review and satisfaction of the Purchaser, having been entered into between any company within the Target Group as agreed by the parties and the key personnel related to the Deferred Consideration I Assets for at least 3-year service tenure after the completion of the acquisition of the Deferred Consideration I Assets; and

- (xiv) all Purchaser's Warranties remaining true and accurate and not misleading in all material respect as if they are repeated at the Deferred Consideration I Payment Date by reference to the facts and circumstances subsisting at the Deferred Consideration I Payment Date.
- B5. In respect of the Deferred Consideration I Assets, the Purchaser shall be entitled at its discretion at any time by a notice in writing to the Vendor to waive any of the conditions (vi) to (xiii) as set out in paragraph B4 above in whole or in part. The Vendor shall be entitled at its discretion at any time by a notice in writing to the Purchaser to waive condition (xiv) as set out in paragraph B4 above either in whole or in part. If any of such conditions has not been satisfied or waived (as the case may be) by 30 September 2011 or such later date as agreed between the parties to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement), the Purchaser shall not be obliged to proceed with the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and pay the Deferred Consideration I.
- B6. The Vendor has agreed to deliver the Crystal Flash Completion Accounts to the Purchaser within three Business Days after all of the conditions precedent relating to the acquisition of the Deferred Consideration I Assets above have been fulfilled or waived in whole or in part (as the case may be), and the Deferred Consideration I shall be adjusted downward by deducting the relevant amount from the consideration amounts under the Deferred Consideration I in the sequence of parts (i) to (iii) under paragraph A3 above if:
- (i) the Crystal Flash Series of Companies have any bank loans or long-term liabilities (excluding the Sale Debt, if applicable) as at the Deferred Consideration I Payment Date as shown in the Crystal Flash Completion Accounts;
 - (ii) the current assets of Crystal Flash Series of Companies are less than their current liabilities (including any account payables and any current liabilities and debts incurred in the ordinary and usual course of business of Crystal Flash Series of Companies) as shown in the Crystal Flash 2009 Management Accounts; or
 - (iii) the net current assets amount (i.e., current assets less current liabilities) of Crystal Flash Series of Companies as shown in the Crystal Flash Completion Accounts is less than the net current assets amount as at 31 December 2009 as shown in the Crystal Flash 2009 Management Accounts.

The Purchaser is entitled to review the "current assets" mentioned above to be shown in the Crystal Flash Completion Accounts and the Crystal Flash 2009 Management Accounts, no full payment of Deferred Consideration I will be made to the Vendor until the Purchaser is satisfied with the quality, content and classification of the Crystal Flash Completion Accounts and the Crystal Flash 2009 Management Accounts.

Deferred Consideration II Assets

B7. Acquisition of the Deferred Consideration II Assets is subject to and conditional upon the satisfaction of the following conditions:

- (i) the Vendor having procured the Luo An Company to convert the exploration license of the Anluo Mine into the mining license with an annual production of not less than 2.4 million tonnes (the “**Conversion**”) and the Luo An Company owns 100% of such mining license and has acquired the relevant production safety licence;
- (ii) the Vendor having procured the shareholder(s) of the Luo An Company to transfer its or their entire equity interests in the Luo An Company to First Gain after the Conversion;
- (iii) all fees and expenses incurred or to be incurred (including but not limited to resources fee) in relation to the Conversion and the share transfer of the Luo An Company having been paid by the Vendor;
- (iv) the Purchaser having obtained all requisite consents, approvals and authorisation required under all applicable laws and regulations in connection with the acquisition of Deferred Consideration II Assets contemplated under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and the implementation of these transactions and all other matters incidental thereto, including the relevant requirements under the Listing Rules and all relevant resolutions having been passed by the Shareholders (or independent Shareholders, if required) at a general meeting as required under the Listing Rules approving the acquisition of Deferred Consideration II Assets contemplated under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and the transactions contemplated thereunder, including the issue of the Convertible Note D and the issue and allotment of the relevant Conversion Shares pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement);
- (v) the Vendor having obtained all requisite authorisation and approvals including the approvals, consents and authorisation of all relevant authorities in the PRC (if so required under the relevant laws and regulations) in connection with acquisition of Deferred Consideration II Assets and the documents and conditions required under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and the transactions contemplated hereunder (including the representations, guarantees and the Vendor’s Warranties made by the Vendor therein);
- (vi) the approval for the listing of, and permission to deal in the Conversion Shares issuable under the Convertible Note D having been granted by the Stock Exchange and not having been revoked;

- (vii) no indication being received by the Company from the Stock Exchange that the transactions contemplated under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) will constitute or be deemed (as the case may be) by the Stock Exchange as a “reverse takeover” under the Listing Rules;
- (viii) the transactions contemplated under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) will not trigger mandatory general offer obligations under the Takeovers Code;
- (ix) the Purchaser having completed, to its satisfaction, a due diligence review on the Luo An Company and the Anluo Mine, which shall include but not limited to geological, technical, legal, restructuring, quality of resources owned, resources, exploration licenses, mining licenses, financial and operational aspects of the Luo An Company and the Anluo Mine;
- (x) the Purchaser having received a reserve report and feasibility study report prepared at the cost of the Vendor on the Anluo Mine in form and substance satisfactory to the Purchaser. In particular, the feasibility study report should cover a study on the comprehensive design, costing and capital expenditure in respect of the method(s) for the development of the Anluo Mine in which appropriate assessments have been made of realistically assumed geological, mining, metallurgical, economic, marketing, legal, environmental, social, governmental, engineering, operational and all other relevant factors, which are considered in enough detail to demonstrate at the time of reporting that extraction is reasonably justified and the factors reasonably serve as the basis for a final decision by a financial institution to finance the development of the relevant development project(s) and acceptable by the Stock Exchange;
- (xi) the Purchaser having received the Technical Report prepared at the cost of the Purchaser in respect of the Anluo Mine in form and substance satisfactory to the Purchaser indicating that the Anluo Mine have resources of anthracite coal of not less than 318.42 million tonnes in aggregate and Indicated Resources (together with resources with higher level of confidence) represent not less than 80% of the aggregate resources, which is approximately 254.74 million tonnes of anthracite coal based on the JORC Code and the standards as acceptable by the Stock Exchange. The Technical Report shall also indicate that the feasibility study report as mentioned in item (x) above is true and correct, practicable and in compliance with the standards recognised by the Stock Exchange;
- (xii) the Purchaser having received a valuation report on the fair market value of the Anluo Mine issued by an independent professional valuer in form and substance acceptable to the Purchaser showing the valuation of the Anluo Mine to be not less than the Deferred Consideration II;

- (xiii) the Purchaser having received an opinion issued by a PRC lawyer approved by the Purchaser in respect of (1) legality, validity and enforceability of relevant documents in relation to the Luo An Company and the Anluo Mine; and (2) all matters relating to the Luo An Acquisition and the transactions contemplated thereunder (including but not limited to the legality, validity and enforceability of the share transfer of the Luo An Company and obtaining the mining license of the Anluo Mine) in form and substance satisfactory to the Purchaser;
 - (xiv) all Vendor's Warranties in respect of the Anluo Mine remaining true and accurate and not misleading in all material respect as if they are repeated at the Deferred Consideration II Payment Date by reference to the facts and circumstances subsisting at the Deferred Consideration II Payment Date; and
 - (xv) service agreements, subject to review and satisfaction of the Purchaser, having been entered into between any company within the Target Group as agreed by the parties and the key personnel related to the Deferred Consideration II Assets for at least 3-year service tenure after the completion of the acquisition of the Deferred Consideration II Assets.
- B8. In respect of the Deferred Consideration II Assets, the Purchaser shall be entitled at its discretion at any time by a notice in writing to the Vendor to waive any of the conditions (i) to (iii) and (ix) to (xv) as set out in paragraph B7 above in whole or in part. If any of the above conditions has not been satisfied (or waived by the Purchaser, as the case may be) by 28 February 2012 or such later date as agreed between the parties to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement), the Purchaser shall not be obliged to proceed with the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and pay the Deferred Consideration II.
- B9. The Vendor has agreed to deliver the Luo An Completion Accounts to the Purchaser within three Business Days after all of the conditions precedent relating to the acquisition of the Deferred Consideration II Assets above have been fulfilled or waived by the Purchaser in whole or in part (as the case may be), and the Deferred Consideration II shall be adjusted downward by deducting the relevant amount from the consideration amount under Deferred Consideration II as set out in paragraph A4 above if:
- (i) the Luo An Series of Companies have any bank loans or long-term liabilities (excluding the Sale Debt, if applicable) as at the Deferred Consideration II Payment Date as shown in the Luo An Completion Accounts; or
 - (ii) the current assets of Luo An Series of Companies are less than its current liabilities (including any account payables and any current liabilities and debts incurred in the ordinary and usual course of business of Luo An Series of Companies) as at the Deferred Consideration II Payment Date as shown in the Luo An Completion Accounts.

The Purchaser is entitled to review the “current assets” mentioned above to be shown in the Luo An Completion Accounts, Convertible Note D will not be issued to the Vendor until the Purchaser is satisfied with the quality, content and classification of the Luo An Completion Accounts.

C. Consideration adjustments

Based on resources

C1. The Vendor irrevocably undertakes to the Purchaser that:

- (i) the Initial Consideration Assets shall have an aggregate resources of anthracite coal of not less than 150.91 million tonnes; of which Indicated Resources (together with resources with higher level of confidence) shall represent not less than 80% of the aggregate resources, which is approximately 120.73 million tonnes of anthracite coal based on the JORC Code and the standards as acceptable by the Stock Exchange;
- (ii) the Deferred Consideration I Assets shall have an aggregate resources of anthracite coal of not less than 173.14 million tonnes; of which Indicated Resources (together with resources with higher level of confidence) shall represent not less than 80% of the aggregate resources, which is approximately 138.51 million tonnes of anthracite coal based on the JORC Code and the standards as acceptable by the Stock Exchange; and
- (iii) the Deferred Consideration II Assets shall have an aggregate resources of anthracite coal of not less than 318.42 million tonnes; of which Indicated Resources (together with resources with higher level of confidence) shall represent not less than 80% of the aggregate resources, which is approximately 254.74 million tonnes of anthracite coal based on the JORC Code and the standards as acceptable by the Stock Exchange.

C2. For the sake of clarity, based on the above, in the event the Technical Reports indicating the Mines have resources of anthracite coal of less than the amount of resources undertaken by the Vendor, the Consideration shall be adjusted downward in accordance with the following formulas:

- (i) Where there is any shortfall of resources in respect of the Initial Consideration Assets, the Initial Consideration shall be adjusted downward in the sequence of parts (iii), (ii), (i) and (iv) under paragraph A2 above by the shortfall amount (“**First Shortfall Amount**”):

First Shortfall Amount equals to the higher of:

- a. 150.91 million tonnes – actual amount of the aggregate resources of the Initial Consideration Assets as indicated in the Technical Report x HK\$13 per tonne; and

- b. 120.73 million tonnes – actual amount of Indicated Resources of the Initial Consideration Assets as indicated in the Technical Report x HK\$13 per tonne.
- (ii) Where there is any shortfall of resources in respect of the Deferred Consideration I Assets, the Deferred Consideration I shall be adjusted downward in the sequence of parts (ii), (i) and (iii) under paragraph A3 above by the shortfall amount (“**Second Shortfall Amount**”):

Second Shortfall Amount equals to the higher of:

- a. 173.14 million tonnes – actual amount of the aggregate resources of the Deferred Consideration I Assets as indicated in the Technical Report x HK\$13 per tonne; and
 - b. 138.51 million tonnes – actual amount of Indicated Resources of the Deferred Consideration I Assets as indicated in the Technical Report x HK\$13 per tonne.
- (iii) Where there is any shortfall of resources in respect of the Deferred Consideration II Assets, the Deferred Consideration II shall be adjusted downward by the shortfall amount (“**Third Shortfall Amount**”):

Third Shortfall Amount equals to the higher of:

- a. 318.42 million tonnes – actual amount of the aggregate resources of the Deferred Consideration II Assets as indicated in the Technical Report x HK\$13 per tonne; and
 - b. 254.74 million tonnes – actual amount of Indicated Resources of the Deferred Consideration II Assets as indicated in the Technical Report x HK\$13 per tonne.
- C3. For the avoidance of doubt, no upward adjustment to the Consideration shall be required if the actual amounts of the aggregate resources and/or the Indicated Resources (together with resources with higher level of confidence) of the Mines as indicated in the Technical Reports are more than the stated amounts of the aggregate resources and/or the Indicated Resources as undertaken by the Vendor (as the case may be).

Based on profits

- C4. The Vendor irrevocably undertakes to the Purchaser that, subject to the terms of the Acquisition Agreement (as supplemented by the Second Supplemental Agreement), the Net Profit of the Target Group (excluding Crystal Flash Series of Companies and Luo An Series of Companies) for the financial year ending 31 December 2010 shall not be less than

RMB100,000,000 (equivalent to approximately HK\$114,000,000) (the “**2010 Expected Profit**”); and the Net Profit of the Target Group (excluding Luo An Series of Companies) for the financial year ending 31 December 2011 shall not be less than RMB400,000,000 (equivalent to approximately HK\$456,000,000) (the “**2011 Expected Profit**”).

For the avoidance of doubt, the 2010 Expected Profit and 2011 Expected Profit shall not be affected by the valuation on the fair values of the Initial Consideration Assets and the Deferred Consideration I Assets respectively by the relevant independent professional valuer.

- C5. Pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement), the face value of Convertible Note B is subject to downward adjustment if the Net Profit of the Target Group (excluding Crystal Flash Series of Companies and Luo An Series of Companies) for the year ending 31 December 2010 (the “**2010 Actual Profit**”) is less than the 2010 Expected Profit in accordance with the formula below:

$$\begin{array}{l} \text{Adjusted face value of} \\ \text{Convertible Note B (in HK\$)} \end{array} = \frac{\text{2010 Actual Profit (in RMB)}}{\text{2010 Expected Profit (in RMB)}} \times \text{HK\$608,000,000}$$

Pursuant to the Acquisition Agreement, the face value of the Convertible Note C is subject to downward adjustment if the Net Profit of the Target Group (excluding Luo An Series of Companies) for the year ending 31 December 2011 (the “**2011 Actual Profit**”) is less than the 2011 Expected Profit in accordance with the formula below:

$$\begin{array}{l} \text{Adjusted face value of} \\ \text{Convertible Note C (in HK\$)} \end{array} = \frac{\text{2011 Actual Profit (in RMB)}}{\text{2011 Expected Profit (in RMB)}} \times \text{HK\$1,216,000,000}$$

For the avoidance of doubt, no adjustment to the face value of the Convertible Note B shall be required if the 2010 Actual Profit is equal to or more than the 2010 Expected Profit and no adjustment to the face value of the Convertible Note C shall be required if the 2011 Actual Profit is equal to or more than the 2011 Expected Profit.

Any adjustment to the face value of the Convertible Note B based on 2010 Expected Profit shall relate only to the Initial Consideration for the acquisition of the Initial Consideration Assets; whereas any adjustment to the face value of the Convertible Note C based on 2011 Expected Profit shall relate only to the Deferred Consideration I for the acquisition of the Deferred Consideration I Assets and is not relevant to the Initial Consideration. Therefore, the Initial Consideration will not be subject to (i) whether the acquisition of the Deferred Consideration I Assets obtains the required Shareholders’ approval or (ii) any adjustment based on the 2011 Expected Profit.

In the event that the Target Group (excluding Crystal Flash Series of Companies and Luo An Series of Companies) records a loss for the financial year ending 31 December 2010, the Convertible Note B will not be issued to the Vendor or its nominee(s) and the Consideration will be adjusted downward accordingly regardless of whether the 2011 Actual Profit reaches

or exceeds the 2011 Expected Profit. Likewise, in the event that the Target Group (excluding Luo An Series of Companies) records a loss for the financial year ending 31 December 2011, the Convertible Note C will not be issued to the Vendor or its nominee(s) and the Consideration will be adjusted downward accordingly regardless of whether the 2010 Actual Profit reaches or exceeds the 2010 Expected Profit.

D. Payment of the deferred considerations

- D1. Payment of the Deferred Consideration I is subject to, among other things, the satisfaction of the conditions precedent relating to the acquisition of the Deferred Consideration I Assets or the waiver thereof, and on the Deferred Consideration I Payment Date, the provision by the Vendor to the Purchaser all requisite documents in relation to the acquisition of the Deferred Consideration I Assets pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement).
- D2. Payment of the Deferred Consideration II is subject to, among other things, the satisfaction of the conditions precedent relating to the acquisition of the Deferred Consideration II Assets or the waiver thereof, and on the Deferred Consideration II Payment Date, the provision by the Vendor to the Purchaser all requisite documents in relation to the acquisition of the Deferred Consideration II Assets pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement).

REASONS FOR THE SECOND SUPPLEMENTAL AGREEMENT

Due to the substantial amount of time required for preparing the Technical Reports on the Mines, the Directors are of the view that it would be in the interests of the Company and Shareholders as a whole to enter into the Second Supplemental Agreement so as to expedite the progress of the Acquisition.

Shareholders and potential investors should note that the Acquisition is subject to the fulfillment of various conditions under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and therefore it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

Due to the substantial amount of time required by the Technical Adviser to prepare the Technical Reports on the Mines, the Technical Reports will be completed in various phases so as to facilitate the progress of the Acquisition. In other words, separate Technical Reports will be compiled by the Technical Adviser to cover the Initial Consideration Assets, Deferred Consideration I Assets and Deferred Consideration II Assets and the Company will convene separate general meetings during which the Shareholders will consider and approve, if thought fit, the three phases of Acquisition. To ensure that the Shareholders will have sufficient information to assess the Acquisition, circulars containing, among other things, (i) further details of the Acquisition under the Acquisition Agreement (as supplemented by the Second Supplemental Agreement); (ii) information of the Target Group (as

enlarged by the relevant assets to be acquired pursuant to the relevant phase of Acquisition); (iii) the accountants' report on the Target Group (as enlarged by the relevant assets to be acquired pursuant to the relevant phase of Acquisition); (iv) the pro forma financial information on the Group as enlarged by the Target Group (as enlarged by the relevant assets to be acquired pursuant to the relevant phase of Acquisition); (v) the relevant Technical Reports; and (vi) the relevant notice of the EGM will be separately despatched to the Shareholders as soon as practicable.

DELAY IN DESPATCH OF THE CIRCULAR

As additional time is required to compile the information to be included in the forthcoming circular, including but not limited to information regarding the Technical Report on the Initial Consideration Assets and the financial information of the Target Group (as enlarged by the Initial Consideration Assets), the date of the despatch of the forthcoming circular will be postponed to a date on or before 30 April 2011. Subsequent circular(s) containing, among other things, the Technical Reports on the Deferred Consideration I Assets and the Deferred Consideration II Assets will be separately despatched to the Shareholders as soon as practicable. Further announcements will be made by the Company in this regard in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings.

“Acquisition”	the proposed acquisition of the Sale Share, Sale Debt (if any) and the Mines by the Company through the Purchaser pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement) and the transactions contemplated thereunder
“Acquisition Agreement”	the conditional sale and purchase agreement dated 8 July 2010 (as supplemented by a supplemental agreement dated 20 August 2010) entered into between the Purchaser, the Vendor and the Company in relation to the Acquisition
“Announcements”	announcements of the Company dated 1 April 2010 and 20 August 2010 respectively in relation to the MOU and the Acquisition Agreement
“Company”	Kiu Hung Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Competent Person”	has the same meaning as ascribed to it under the Listing Rules

“Consideration Shares”	up to 1,202,500,000 new Shares (subject to adjustment) to be allotted and issued by the Company to the Vendor or its nominee(s) at the Issue Price to satisfy part of the Consideration pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement)
“Convertible Note A”	the zero coupon convertible note in a principal amount of HK\$991,330,000 (subject to adjustment(s)) to be issued by the Company to the Vendor or its nominee(s) to satisfy part of the Consideration pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement)
“Convertible Note E”	the zero coupon convertible note in a principal amount of HK\$1,153,320,000 (subject to adjustment(s)) to be issued by the Company to the Vendor or its nominee(s) to satisfy part of the Consideration pursuant to the Acquisition Agreement (as supplemented by the Second Supplemental Agreement)
“Convertible Notes”	collectively the Convertible Note A, Convertible Note B, Convertible Note C, Convertible Note D and Convertible Note E
“Crystal Flash”	Crystal Flash Limited, a company incorporated in the BVI with limited liability that indirectly owns the Deferred Consideration I Assets upon completion of the acquisition of the Deferred Consideration I Assets
“Crystal Flash 2009 Management Accounts”	the unaudited balance sheet and income statement of Crystal Flash Series of Companies for the year ended on 31 December 2009 and all the relevant notes to the financial statement
“Crystal Flash Completion Accounts”	the unaudited balance sheet and income statement of the Crystal Flash Series of Companies as at the Deferred Consideration I Payment Date and all the relevant notes to the financial statements
“Crystal Flash Series of Companies”	Crystal Flash and its subsidiaries
“Deferred Consideration I”	HK\$2,519,320,000, being the portion of the Consideration that relates to the acquisition of the Deferred Consideration I Assets as set out under the section headed “Consideration” in this announcement

“Deferred Consideration I Assets”	means four of the Mines namely, Chayuan, Gangjiachang, Tiancheng and Guixing coal mines
“Deferred Consideration I Payment Date”	the third Business Day after the conditions set out in the section headed “Conditions Precedent of the Deferred Consideration I Assets” have been fulfilled or waived either in whole or in part (as the case may be) (or such other date as may be agreed by the parties in writing)
“Deferred Consideration II”	HK\$4,139,460,000, being the portion of the Consideration that relates to the acquisition of the Deferred Consideration II Assets as set out under the section headed “Consideration” in this announcement
“Deferred Consideration II Assets”	Anluo Mine
“Deferred Consideration II Payment Date”	the third Business Day after the conditions set out in the section headed “Conditions Precedent of the Deferred Consideration II Assets” have been fulfilled or waived either in whole or in part (as the case may be) (or such other date as may be agreed by the parties in writing)
“Initial Consideration”	HK\$2,230,330,000, being the portion of the Consideration that relates to the acquisition of the Initial Consideration Assets as set out under the section headed “Consideration” in this announcement
“Initial Consideration Assets”	means three of the Mines namely Huawo, Tiziyan and Baiyanjiao coal mines
“Initial Consideration Payment Date”	the third Business Day after the conditions set out in the section headed “Conditions Precedent of the Initial Consideration Assets” have been fulfilled or waived either in whole or in part (as the case may be) (or such other date as may be agreed by the parties in writing)
“Luo An Completion Accounts”	the unaudited balance sheet and income statement of the Luo An Series of Companies as at the Deferred Consideration II Payment Date and all the relevant notes to the financial statements
“MOU”	the memorandum of understanding entered into between the Purchaser and the Vendor on 1 April 2010 in respect of the possible acquisition of Sale Share

“Net Profit”	the combined net profit after tax and extraordinary items of the Target Group (as enlarged by the relevant assets to be acquired pursuant to the relevant phase of Acquisition) which excludes the upward or downward adjustment of the face value based on the assets valuation as to be shown in its audited pro forma combined accounts for the financial year ending 31 December 2010 or 31 December 2011 (as the case may be) to be prepared by a qualified accounting firm according to the accounting standards in Hong Kong
“Sale Debt”	all obligations, liabilities and debts owing or incurred by the Target Group to the Vendor as at (i) Initial Consideration Payment Date (in respect of the Initial Consideration Assets), (ii) Deferred Consideration I Payment Date (in respect of the Deferred Consideration I Assets) and (iii) Deferred Consideration II Payment Date (in respect of the Deferred Consideration II Assets)
“Sale Share”	the entire issued share capital of the Target Company
“Second Supplemental Agreement”	the supplemental agreement dated 22 December 2010 entered into between the Purchaser, the Vendor and the Company to vary certain terms and conditions of the Acquisition Agreement
“Target Group”	the Target Company and its respective subsidiaries upon Reorganisation

For the purpose of illustration only, translation of RMB into HK\$ is made in this announcement at the rate of HK\$1 = RMB1.14. No representation is made that any amounts in HK\$ and RMB could have been or could be converted at the above rate and at any other rates or at all.

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

Hong Kong, 22 December 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.