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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)

DISCLOSEABLE TRANSACTION
AND
RESUMPTION OF TRADING

THE DISPOSAL

The Board announced that on 17 October 2012 (after trading hours), Heng Yuan, an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement pursuant to which Heng Yuan, as vendor, agreed to sell and the Purchasers agreed to acquire the Disposal Assets for the Consideration of RMB32,000,000 (approximately HK\$39,654,000).

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Purchasers are Independent Third Parties.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

At the request of the Company, trading of the Shares was suspended from 9:00 a.m. on 18 October 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares with effect from 1:00 p.m. on 19 October 2012.

DISPOSAL AGREEMENT

On 17 October 2012 (after trading hours), Heng Yuan, an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement pursuant to which Heng Yuan, as vendor, agreed to sell and the Purchasers agreed to acquire the Disposal Assets for the Consideration of RMB32,000,000 (approximately HK\$39,654,000).

The Purchasers are merchants in the PRC. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Purchasers are Independent Third Parties.

Disposal Assets

Before completion of the Disposal, Heng Yuan owns 100% interest in Huanghuashan Coal Mine* (黃花山煤礦) ("HCM") in Tongliao City of Inner Mongolia Autonomous Region, the PRC.

The Disposal Assets include all the tangible assets and intangible assets of HCM with inferred coal resources of 7.85 million tonnes under the JORC Code. The tangible assets of HCM include, among others, the rights under the land lease agreement, property and production facilities, inventory and equipment of HCM, and safety and environmental deposit paid to the relevant government authorities in relation to the HCM. The intangible assets of HCM include, among others, technical data, mining right and relevant future interest of Heng Yuan in a new company to be established by, among others, Heng Yuan, in respect of mines restructuring in accordance with the requirements of the local governmental authorities.

The following table summarises the unaudited financial information of the Disposal Assets under the relevant period below:

	For the six months ended 30 June 2012 HK\$'000	For the year ended 31 December 2011 HK\$'000	For the year ended 31 December 2010 HK\$'000
Turnover attributable to the Disposal Assets	1,788	nil	11,126
Net loss (both before and after extraordinary items) attributable to the assets the Disposal Assets	8,889	7,609	9,170

The unaudited net book value of the Disposal Assets as at 30 June 2012 was approximately HK\$45,710,000.

The above unaudited financial information in relation to the Disposal Assets is prepared in accordance with Hong Kong Financial Reporting Standards.

Consideration

The Consideration for the Disposal Assets is RMB32,000,000 (approximately HK\$39,654,000) which shall be paid by the Purchasers to Heng Yuan in cash as follows:

- (1) RMB1,000,000 (approximately HK\$1,239,000) shall be paid by the Purchasers as deposit upon signing of the Disposal Agreement; and
- (2) RMB31,000,000 (approximately HK\$38,415,000) shall be paid by the Purchasers before 22 October 2012.

The Company confirms that the said deposit had been received by Heng Yuan as at the date of this announcement.

In the event that the remaining balance of the Consideration in the amount of RMB31,000,000 (approximately HK\$38,415,000) has not been settled by the Purchasers before 22 October 2012, Heng Yuan is entitled to rescind the Disposal Agreement and forfeit the said deposit.

Upon full payment of the Consideration, Heng Yuan will transfer the Disposal Assets to the Purchasers in accordance with the terms of the Disposal Agreement.

The Consideration was arrived at after arm's length negotiations between the parties to the Disposal Agreement after taking into consideration of various factors, in particular, the net book value of the Disposal Assets, the terms of the Disposal Agreement and the reasons for the Disposal as discussed in the paragraph headed "Reasons and Benefits for the Disposal" below.

REASONS AND BENEFITS FOR THE DISPOSAL

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

The Directors have from time to time reviewed the business operations and financial position of the Group with a view to achieving the best interests of the Company and the Shareholders as a whole. As at 30 June 2012, the Group's current liabilities exceeded its current assets by approximately HK\$61,016,000 and the net loss (both before and after extraordinary items) attributable to the Disposal Assets was approximately HK\$8,889,000 for the six months ended 30 June 2012. In addition, the Economic and Information Committee Office of Inner Mongolia Autonomous Region, the PRC has issued a consultation paper in May 2012 to propose not to renew after 1 January 2013 any mining licenses with annual production capacity less than 450,000 tonnes. The current annual production capacity of the mining license of HCM is 300,000 tonnes. Shall the consultation paper become legally effective, the Group may need to invest further in HCM to increase the annual production capacity to 450,000 tonnes. In order to improve the financial position of the Group, the Directors consider the Disposal is in the interests of the Company and the Shareholders as a whole.

As a result of the Disposal, the Directors expect that the Group would record an unaudited loss on the Disposal of approximately HK\$8,089,000, being the difference between the estimated net proceeds from the Disposal of approximately HK\$37,621,000 (after deducting all relevant fees and expenses) and the net book value of Disposal Assets as at 30 June 2012. Such calculation is only an estimate provided for illustrative purposes and the accounting treatment of the Disposal will be further discussed with auditor of the Company.

The net proceeds from the Disposal will be used as the general working capital of the Group.

Based on the above, the Directors consider that the terms and conditions of the Disposal are fair and reasonable and on normal commercial terms and are in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

At the request of the Company, trading of the Shares was suspended from 9:00 a.m. on 18 October 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares with effect from 1:00 p.m. on 19 October 2012.

DEFINITIONS

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

“Board”	the board of Directors
“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
“Consideration”	the consideration of RMB32,000,000 (approximately HK\$39,654,000) to be paid by the Purchasers for the acquisition of the Disposal Assets
“Directors”	directors of the Company
“Disposal”	the transactions contemplated under the Disposal Agreement

“Disposal Agreement”	the agreement dated 17 October 2012 and entered into between Heng Yuan and the Purchasers in relation to the Disposal
“Disposal Assets”	the assets to be disposed of under the Disposal Agreement as described under the section headed “Disposal Assets” above
“Group”	the Company and its subsidiaries
“Heng Yuan”	Tongliao City Heng Yuan Mining Company Limited* (通遼市恆源礦業有限責任公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	third parties independent of and not connected with the Company and any of its connected persons (as defined under the Listing Rules)
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China but excluding, for the purposes of this Announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchasers”	Li Zhangyi*(李長義) and Han Baoyin* (韓寶銀)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.02 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

In this announcement, if there is any inconsistency between the Chinese names of any PRC individual or any entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with “” is for identification purpose only.*

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at RMB1 = HK\$1.2392

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

Hong Kong, 19 October 2012

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