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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)

**TERMINATION OF DISPOSAL BY A SUBSIDIARY  
AND  
DISCLOSEABLE TRANSACTION**

**TERMINATION OF DISPOSAL**

The Board has been informed by Heng Yuan that as the Original Purchasers failed to settle the remaining balance of the consideration in the amount of RMB31,000,000 before 22 October 2012 in accordance with the terms of the Disposal Agreement, Heng Yuan issued a termination notice to the Original Purchasers on 14 November 2012 to terminate the Disposal Agreement and forfeit the deposit paid by the Original Purchasers in the amount of RMB1,000,000. As the full payment of the consideration under the Disposal Agreement has not been made by the Original Purchasers, Heng Yuan has not commenced transfer of the Disposal Assets to the Original Purchasers.

**NEW DISPOSAL**

The Board announced that on 14 November 2012 (after trading hours), Heng Yuan entered into the New Disposal Agreement pursuant to which Heng Yuan, as vendor, agreed to sell and the New Purchaser agreed to acquire the Disposal Assets for the Consideration of RMB31,000,000 (approximately HK\$38,588,000).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the New Purchaser is an Independent Third Party.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the New Disposal are more than 5% but less than 25%, the New 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.

## **TERMINATION OF DISPOSAL**

References are made to the announcements of the Company dated 19 October 2012 and 24 October 2012 respectively in relation to, among other matters, the Disposal.

The Board has been informed by Heng Yuan that as the Original Purchasers failed to settle the remaining balance of the consideration in the amount of RMB31,000,000 before 22 October 2012 in accordance with the terms of the Disposal Agreement, Heng Yuan issued a termination notice to the Original Purchasers on 14 November 2012 to terminate the Disposal Agreement and forfeit the deposit paid by the Original Purchasers in the amount of RMB1,000,000. As the full payment of the consideration under the Disposal Agreement has not been made by the Original Purchasers, Heng Yuan has not commenced transfer of the Disposal Assets to the Original Purchasers.

The Board considers that termination of the Disposal Agreement has no material adverse impact on the existing business and operations of the Group.

## **THE NEW DISPOSAL AGREEMENT**

On 14 November 2012 (after trading hours), Heng Yuan, an indirect wholly-owned subsidiary of the Company, entered into the New Disposal Agreement pursuant to which Heng Yuan, as vendor, agreed to sell and the New Purchaser agreed to acquire the Disposal Assets (as defined below) for the Consideration of RMB31,000,000 (approximately HK\$38,588,000).

The New Purchaser is a merchant in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the New Purchaser is an Independent Third Party.

### **Disposal Assets**

Before completion of the New 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:

	<b>For the six months ended 30 June 2012 HK\$'000</b>	<b>For the year ended 31 December 2011 HK\$'000</b>	<b>For the year ended 31 December 2010 HK\$'000</b>
Turnover attributable to the Disposal Assets	1,788	nil	11,126
Net loss (both before and after extraordinary items) attributable to 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 is RMB31,000,000 (approximately HK\$38,588,000) which shall be paid by the New Purchaser to Heng Yuan in cash as follows:

- (1) RMB20,000,000 (approximately HK\$24,896,000) shall be paid by the New Purchaser as deposit on or before 19 November 2012; and
- (2) RMB11,000,000 (approximately HK\$13,692,000) shall be paid by the New Purchaser before 30 December 2012.

In the event that the Consideration has not been fully settled by the New Purchaser before 30 December 2012, Heng Yuan is entitled to rescind the New Disposal Agreement and forfeit the said deposit.

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

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

## **REASONS AND BENEFITS FOR THE NEW 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 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 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 licenses of HCM is 300,000 tonnes. Should 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 New Disposal is in the interests of the Company and the Shareholders as a whole.

As the result of the New Disposal, the Directors expect that the Group would record an unaudited loss on the New Disposal of approximately HK\$9,155,000, being the difference between the estimated net proceeds from the New Disposal of HK\$36,555,000 (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 New Disposal will be further discussed with the auditor of the Company.

The net proceeds from the New 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 New 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 New Disposal are more than 5% but less than 25%, the New 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.

## 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 of Hong Kong Limited
“Consideration”	the consideration of RMB31,000,000 (approximately HK\$38,588,000) to be paid by the New Purchaser under the New Disposal Agreement
“Directors”	directors of the Company
“Disposal”	the transactions under the Disposal Agreement
“Disposal Agreement”	the agreement dated 17 October 2012 and entered into between Heng Yuan and the Original Purchasers in relation to the disposal of the Disposal Assets
“Group”	the Company and its subsidiaries
“Heng Yuan”	Tongliao City Heng Yuan Mining Company* (通遼市恆源礦業有限公司), a company established in 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 Party(ies)”	third party(ies) 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
“New Disposal”	the transactions under the New Disposal Agreement
“New Disposal Agreement”	the agreement dated 14 November 2012 and entered into between Heng Yuan and the New Purchaser in relation to the disposal of the Disposal Assets
“New Purchaser”	Cheng Fulin* (程福林), the purchaser under the New Disposal Agreement
“Original Purchasers”	Li Zhangyi* (李長義) and Han Baoyin* (韓寶銀), the purchasers under the Disposal Agreement
“PRC”	the People’s Republic of China but excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of 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

*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\$1.2448*

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

Hong Kong, 14 November 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.*