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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)

**(I) ALTERATION OF TERMS OF CONVERTIBLE NOTES;
(II) EXTENSION AND REPAYMENT OF PROMISSORY NOTES;
(III) ISSUE OF NEW CONVERTIBLE NOTES;
(IV) CONNECTED TRANSACTIONS;
AND
(V) RESUMPTION OF TRADING**

ALTERATION OF TERMS OF CONVERTIBLE NOTES

On 2 October 2009, the Company and the Vendor entered into the Deed to vary certain terms of the Convertible Notes.

The Company and the Vendor propose to alter the terms of the Convertible Notes such that:

- (i) the Conversion Price be amended from HK\$0.70 (subject to adjustments) to HK\$0.25 (subject to adjustments);
- (ii) the date of maturity of the Convertible Notes be extended from 28 March 2010 to 30 September 2021;

- (iii) unless previously converted or redeemed, the holder(s) of the Convertible Notes shall be deemed to have served on the Company at 4:30 p.m. on the First Maturity Exercise Date a conversion notice to exercise the rights to convert such principal amount of the Convertible Notes outstanding as at the First Maturity Exercise Date into Adjusted Conversion Shares at the New Conversion Price to the maximum possible extent such that the conversion will not result in an insufficiency of public float of Shares as required by the Listing Rules or the holder of the Adjusted Conversion Shares and parties acting in concert with it, in aggregate, do not hold more than 28% of the entire issued share capital of the Company, unless the holder of the Convertible Notes has served on the Company a notice in writing on any date falling not more than three Business Days immediately preceding the First Maturity Exercise Date stating its intention to request to extend the maturity date of the Convertible Notes from the First Maturity Date to the Second Maturity Date in which event the maturity date of the Convertible Notes shall be extended to the Second Maturity Date. Unless previously converted or redeemed, the holder(s) of the Convertible Notes shall be deemed to have served on the Company at 4:30 p.m. on the Second Maturity Date and each anniversary thereafter until and including the Final Maturity Date (or if such date is a non-Business Day, on the immediately preceding Business Day thereof) a conversion notice to exercise the rights to convert, such principal amount of the Convertible Notes outstanding as at such date into Adjusted Conversion Shares at the New Conversion Price to the maximum possible extent such that the conversion will not result in an insufficiency of public float of Shares as required by the Listing Rules or the holder of the Adjusted Conversion Shares and parties acting in concert with it, in aggregate, do not hold more than 28% of the entire issued share capital of the Company; and
- (iv) any Convertible Notes which remains outstanding at the Final Maturity Date will be redeemed by the Company at 100% of its outstanding principal amount.

EXTENSION AND REPAYMENT OF PROMISSORY NOTES AND ISSUE OF NEW CONVERTIBLE NOTES

On 29 September 2009, the Vendor has agreed in writing to extend the date of repayment of the remaining Promissory Note in the principal amount of HK\$60,000,000 to on or before 30 November 2009. As at the date of this announcement, the Promissory Notes in the aggregate principal amount of HK\$60,000,000 was repaid by the Company.

On 2 October 2009, the Vendor and the Company entered into a deed to extend the maturity date of the outstanding Promissory Note in the principal amount of HK\$35,415,633 which was not redeemed by the Company to the earlier of (a) the date of completion of the Subscription Agreement; and (b) 31 December 2009.

On 2 October 2009, the Company entered into the Subscription Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to subscribe for or procure subscription by its nominee(s) convertible notes in the principal amount of HK\$35,415,633 with the rights to convert into 141,662,532 New Conversion Shares at initial conversion price of HK\$0.25 (subject to adjustments) per New Conversion Share. The subscription price payable by the Vendor or procured by the Vendor to be payable by its nominee(s) under the Subscription Agreement will be satisfied by capitalising the outstanding principal amount of the Promissory Note of HK\$35,415,633.

LISTING RULES IMPLICATIONS

As the Vendor and its shareholders are substantial Shareholders and connected persons of the Company, each of the Proposed Alterations and the issue of the New Convertible Notes constitute a non-exempted connected transaction on the part of the Company under the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirement.

GENERAL

As at the date of this announcement, the Vendor and its shareholders hold an aggregate of 918,030,000 Shares, representing approximately 22.31% of the entire issued share capital of the Company. Pursuant to Chapter 14A of the Listing Rules, the Vendor, its shareholders and their respective associates are required to abstain from voting on the resolution at the general meeting of the Company to approve the Proposed Alterations and the issue of the New Convertible Notes.

The Independent Board Committee comprising all the independent non-executive Directors, will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Proposed Alterations and the issue of the New Convertible Notes. An independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

A circular containing, among other matters, further information on the Proposed Alterations and the issue of the New Convertible Notes, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee to the Independent Shareholders, will be despatched to the Shareholders within 21 days after the publication of this announcement.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the issued Shares on the Stock Exchange was suspended from 9:30 a.m. on 29 September 2009 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the issued Shares with effect from 9:30 a.m. on 6 October 2009.

Reference is made to the announcements of the Company dated 4 September 2007, 26 March 2008 and 24 April 2008 and the circular of the Company dated 31 January 2008.

(1) ALTERATION OF TERMS OF CONVERTIBLE NOTES

THE ACQUISITION

On 4 September 2007, the Board announced that the Purchaser, being a wholly-owned subsidiary of the Company, and the Vendor had entered into the Acquisition Agreement on 16 August 2007 (with letter of amendment dated 4 September 2007) pursuant to which the Purchaser had conditionally agreed to acquire and the Vendor had conditionally agreed to dispose of the Sale Share, being the entire issued share capital of Lucky Dragon and the Indebtedness at a total consideration of HK\$840,000,000 (subject to adjustments).

The Vendor is principally engaged in investment holding.

THE CONVERTIBLE NOTES

The initial conversion price of the Convertible Notes was set at HK\$0.70 per Conversion Share. The Conversion Price is subject to adjustments as provided for in the terms and conditions of the Convertible Notes.

The conversion rights attaching to the Convertible Notes shall only be exercisable to the extent that such conversion will not result in (i) insufficiency of public float of Shares as required by the Listing Rules; or (ii) the holder of the Conversion Shares and parties acting in concert with it, in aggregate, holding more than 28% of the entire issued share capital of the Company.

Any Convertible Notes which remains outstanding will be redeemed by the Company at 100% of its outstanding principal amount on the maturity date of the Convertible Notes.

The approval for the listing of, and the permission to deal in, the Conversion Shares on the full conversion of the Convertible Notes at the initial Conversion Price of HK\$0.70 was granted by the Listing Committee of the Stock Exchange on 19 March 2008.

On 28 March 2008, all the conditions under the Acquisition Agreement had been fulfilled and Completion took place. The Convertible Notes in the principal amount of HK\$254,064,835 with the rights to convert into 362,949,764 Shares at the initial Conversion Price of HK\$0.70 per Conversion Share were issued by the Company to the Vendor.

As at the date of this announcement, (i) the Vendor and its shareholders are the beneficial owners of 918,030,000 Shares; (ii) the Vendor is the holder of the Convertible Notes; and (iii) none of the conversion rights attached to the Convertible Notes have been exercised.

THE DEED

On 2 October 2009, the Company and the Vendor entered into the Deed to vary certain terms of the Convertible Notes.

The Company and the Vendor propose to alter the terms of the Convertible Notes such that:

- (i) the Conversion Price be amended from HK\$0.70 (subject to adjustments) to HK\$0.25 (subject to adjustments);
- (ii) the date of maturity of the Convertible Notes be extended from 28 March 2010 to 30 September 2021;
- (iii) unless previously converted or redeemed, the holder(s) of the Convertible Notes shall be deemed to have served on the Company at 4:30 p.m. on the First Maturity Exercise Date a conversion notice to exercise the rights to convert such principal amount of the Convertible Notes outstanding as at the First Maturity Exercise Date into Adjusted Conversion Shares at the New Conversion Price to the maximum possible extent such that the conversion will not result in an insufficiency of public float of Shares as required by the Listing Rules or the holder of the Adjusted Conversion Shares and parties acting in concert with it, in aggregate, do not hold more than 28% of the entire issued share capital of the Company, unless the holder of the Convertible Notes has served on the Company a notice in writing on any date falling not more than three Business Days immediately preceding the First Maturity Exercise Date stating its intention to request to extend the maturity date of the Convertible Notes from the First Maturity Date to the Second Maturity Date in which event the maturity date of the Convertible Notes shall be extended to the Second Maturity Date. Unless previously converted or redeemed, the holder(s) of the Convertible Notes shall be deemed to have served on the Company at 4:30 p.m. on the Second Maturity Date and each anniversary thereafter until and including the Final Maturity Date (or if such date is a non-Business Day, on the immediately preceding Business Day thereof) a conversion notice to exercise the rights to convert, such principal amount of the Convertible Notes outstanding as at such date into Adjusted Conversion Shares at the New Conversion Price to the maximum possible extent such that the conversion will not result in an insufficiency of public float of Shares as required by the Listing Rules or the holder of the Adjusted Conversion Shares and parties acting in concert with it, in aggregate, do not hold more than 28% of the entire issued share capital of the Company; and
- (iv) any Convertible Notes which remains outstanding at the Final Maturity Date will be redeemed by the Company at 100% of its outstanding principal amount.

Conditions precedent

The Proposed Alterations are subject to:

- (i) if necessary, the passing by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at an extraordinary general meeting of the Company to be convened and held, of the necessary resolutions to approve the Proposed Alterations and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Adjusted Conversion Shares to the holder(s) of the Convertible Notes);

- (ii) all necessary consents and approvals required to be obtained on the part of the Company and the Vendor in respect of the Proposed Alterations and the transactions contemplated thereunder having been obtained; and
- (iii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Adjusted Conversion Shares.

If any of the above conditions are not fulfilled on or before 31 December 2009 or such other date as the Company and the Vendor may agree, the Deed shall cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Deed save in respect of any antecedent breach of any obligation under the Deed.

Completion

Completion will take place on the day falling on the third Business Day after the conditions of the Subscription Agreement are fulfilled.

Apart from the Proposed Alterations, the remaining terms and conditions of the Convertible Notes remain intact and unchanged.

The Adjusted Conversion Shares

The New Conversion Price of the HK\$0.25 per Adjusted Conversion Share, which is subject to adjustment for, among other matters, sub-division or consolidation or reclassification of new Shares, issue of Shares by way of capitalisation of profit or reserves; capital distribution, issue Shares for cash or issue consideration Shares at a price which is less than 80% of the market price, bonus issues, rights issues and other dilutive events and repurchase of any Shares by the Company.

Upon full conversion of the Convertible Notes in the principal amount of HK\$254,064,835 by the holder(s) of the Convertible Notes at the New Conversion Price, a maximum of 1,016,259,340 Adjusted Conversion Shares will be issued. The Adjusted Conversion Shares will represent: (i) approximately 24.69% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 19.80% of the issued share capital of the Company as enlarged by the allotment and issue of the Adjusted Conversion Shares.

As the approval for the listing of, and the permission to deal in, the Conversion Shares only extends to a maximum number of 362,949,764 Conversion Shares, the Company will apply to the Listing Committee of the Stock Exchange for a new listing approval which covers a maximum number of 1,016,259,340 Adjusted Conversion Shares.

Also, the Company proposes to seek a specific mandate from the Independent Shareholders for the allotment and issue of the Adjusted Conversion Shares.

RELEVANT LISTING RULES

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities.

REASONS FOR THE PROPOSED ALTERATIONS

The Group is principally engaged in design, manufacture, sale of a wide range of toys and decorative gift items and exploration and mining of natural resources.

The Proposed Alterations were arrived at after arm's length negotiations between the Company and the Vendor.

Given the effect of the financial tsunami and the relatively weak global financial performance, the trading price of the Shares has been decreased drastically for the past year. The average trading price of the Shares for August 2009 as quoted on the Stock Exchange was approximately HK\$0.234 per Share. The average closing price of approximately HK\$0.221 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including 28 September 2009, the last trading date before this announcement. The average closing price of approximately HK\$0.220 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 28 September 2009, the last trading date before this announcement. Based on such recent trading statistics, both the Company and the Vendor believe that the New Conversion Price will be more realistic and more attractive to the holder(s) of the Convertible Notes thereby making it easier for the holder(s) of the Convertible Notes to convert the Convertible Notes into the Shares during the term of the Convertible Notes.

The Board considers that that the extension of the date of maturity of the Convertible Notes will provide more flexibility for the Group to plan its working capital requirements.

The compulsory conversion of the Convertible Notes into Shares until the Final Maturity Date to the maximum possible extent such that the conversion will not result in an insufficiency of public float as required by the Listing Rules or the holder of the Conversion Shares and parties acting in concert with it, in aggregate, do not hold more than 28% of the entire issued share capital of the Issuer will improve the financial position of the Company by reducing its debt and enlarging its share capital.

Based on the above, the Board considers that Proposed Alterations will be in the interests of the Company and the Shareholders.

(2) EXTENSION AND REPAYMENT OF PROMISSORY NOTES AND ISSUE OF NEW CONVERTIBLE NOTES

THE PROMISSORY NOTES

On 20 March 2008, the Purchaser entered into a letter of amendment with the Vendor, pursuant to which the Vendor agreed to accept promissory notes in the amount of HK\$157,000,000 (subject to adjustments) to be issued by the Company upon Completion in lieu of the settlement of the cash portion of the Consideration. The parties agreed that the Promissory Notes shall be repaid by the Company to the Vendor on or before 28 September 2008. The principal amount of the Promissory Notes after adjustments was HK\$95,415,633. On 22 April 2008, the Company and the Vendor had agreed that the repayment date of the Promissory Notes was to be extended to 28 September 2009. The Promissory Notes do not bear any interest.

EXTENSION AND REPAYMENT OF PROMISSORY NOTES

On 29 September 2009, the Vendor has agreed in writing to extend the date of repayment of the Promissory Note in the amount of HK\$60,000,000 to on or before 30 November 2009. As at the date of this announcement, the Promissory Notes in the aggregate principal amount of HK\$60,000,000 was repaid by the Company.

THE DEED

On 2 October 2009, the Vendor and the Company entered into a deed to extend the maturity date of the outstanding Promissory Note in the principal amount of HK\$35,415,633 which was not redeemed by the Company to the earlier of (a) the date of completion of the Subscription Agreement; and (b) 31 December 2009.

THE SUBSCRIPTION AGREEMENT

On 2 October 2009, the Company entered into the Subscription Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to subscribe or procure subscription by its nominee(s) for convertible notes in the principal amount of HK\$35,415,633 with the rights to convert into 141,662,532 New Conversion Shares at initial conversion price of HK\$0.25 (subject to adjustments) per New Conversion Share. The subscription price payable by the Vendor or procured by the Vendor to be payable its nominee(s) under the Subscription Agreement will be satisfied by capitalising the outstanding principal amount of the Promissory Note of HK\$35,415,633.

The New Convertible Notes

The terms of the New Convertible Notes have been negotiated on arm's length basis and the principal terms of which are summarised below:

Principal amount

HK\$35,415,633

Interest

No interest in the principal amount

Maturity

30 September 2021

Denomination

In multiple of HK\$700,000

Form

Registered form only

Conversion price

HK\$0.25 per New Conversion Share, which is subject to adjustment for, among other matters, sub-division or consolidation or reclassification of new Shares, issue of Shares by way of capitalisation of profit or reserves; capital distribution, issue Shares for cash or issue consideration Shares at a price which is less than 80% of the market price, bonus issues, rights issues and other dilutive events and repurchase of any Shares by the Company.

The overriding principle as set out in the Stock Exchange's letter dated 5 September 2005 is that no adjustment to the exercise price or number of shares should be to the advantage of share option scheme participants without prior shareholders' approval. The adjustment that will be made to the conversion price if and only if in the event of, among other things, sub-division or consolidation of new Shares, bonus issues, rights issues and other dilutive events. Nevertheless, the Directors believe that the adjustment considerations set out in the New Convertible Notes in general accord with the overriding principle.

Conversion

The holder(s) of the New Convertible Notes has/have the rights to convert the whole or any part of the principal amount of the New Convertible Notes into New Conversion Shares from time to time following the issue of the New Convertible Notes at the conversion price of HK\$0.25 per New Conversion Share at integral multiple of HK\$700,000 save that if the outstanding principal amount of the relevant New Convertible Note is less than HK\$700,000, the whole (but not part only) of the outstanding principal amount of the relevant New Convertible Notes must be converted.

The conversion rights attaching to the New Convertible Notes shall only be exercisable to the extent that such conversion will not result in (i) an insufficiency of public float of Shares as required by the Listing Rules or (ii) the holder of the Conversion Shares and parties acting in concert with it, in aggregate, holding more than 28% of the entire issued share capital of the Company.

Unless previously converted or redeemed, the holder(s) of the New Convertible Notes shall be deemed to have served on the Company at 4:30 p.m. on the First Maturity Exercise Date a conversion notice to exercise the rights to convert, such principal amount of the New Convertible Notes outstanding as at the First Maturity Exercise Date into New Conversion Shares at the New Conversion Price to the maximum possible extent such that the conversion will not result in an insufficiency of public float of Shares as required by the Listing Rules or the holder of the New Conversion Shares and parties acting in concert with it, in aggregate, do not hold more than 28% of the entire issued share capital of the Company, unless the holder of the New Convertible Notes has served on the Company a notice in writing on any date falling not more than three Business Days immediately preceding the First Maturity Exercise Date stating its intention to request to extend the maturity date of the New Convertible Notes from the First Maturity Date to the Second Maturity Date in which event the maturity date of the New Convertible Notes shall be extended to the Second Maturity Date.

Unless previously converted or redeemed, the holder(s) of the New Convertible Notes shall be deemed to have served on the Company at 4:30 p.m. on the Second Maturity Date and each anniversary thereafter until and including the Final Maturity Date (or if such date is a non-Business Day, on the immediately preceding Business Day thereof) a conversion notice to exercise the rights to convert, such principal amount of the New Convertible Notes outstanding as at such date into New Conversion Shares at the New Conversion Price to the maximum possible extent such that the conversion will not result in an insufficiency of public float of Shares as required by the Listing Rules or the holder of the New Conversion Shares and parties acting in concert with it, in aggregate, do not hold more than 28% of the entire issued share capital of the Company.

Ranking

The New Conversion Shares upon issue will rank *pari passu* in all respects among themselves and with all other Shares in issue on the date of such allotment and issue.

Redemption

The New Convertible Notes are not redeemable by the Company up to the maturity date of the New Convertible Notes. Any New Convertible Notes which remains outstanding will be redeemed by the Company at 100% of its outstanding principal amount on the maturity date of the New Convertible Notes.

Transferability

The New Convertible Notes may be transferred or assigned to any third party with minimum amount of HK\$700,000 for each transfer or assignment with prior written consent of the Company and prior approval of the Stock Exchange, if so required. The Company shall give notice to the Stock Exchange for any transfer of the New Convertible Notes and shall state whether any connected person of the Company is involved.

Voting

The holder(s) of the New Convertible Notes will not be entitled to attend or vote at any meetings of the Company by reason only of being the holder(s) of the New Convertible Notes.

Events of default

All New Convertible Notes contain an event of default provision which provides that on the occurrence of certain events of default (e.g. repayment overdue, insolvency and liquidation) specified in the New Convertible Notes and the holder(s) of the New Convertible Notes holding more than 51% in the principal amount of the New Convertible Notes then outstanding giving a notice to the Company, each of the holders of the New Convertible Notes shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant New Convertible Notes.

The New Conversion Shares

Upon full conversion of the New Convertible Notes in the principal amount of HK\$35,415,633 by the holder(s) of the New Convertible Notes at the New Conversion Price, a maximum of 141,662,532 New Conversion Shares will be issued. The New Conversion Shares will represent: (i) approximately 3.44% of the issued share capital of the Company as at the date of this submission; and (ii) approximately 3.33% of the issued share capital of the Company as enlarged by the allotment and issue of the New Conversion Shares. The New Conversion Price is determined between the Company and the Vendor after arm's length negotiations.

No application will be made for listing of, or permission to deal in, the New Convertible Notes on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the New Conversion Shares.

The Company will seek a specific mandate from the Independent Shareholders for the allotment and issue of the New Conversion Shares. In this regard, an extraordinary general meeting of the Company will be convened and held to pass the necessary resolutions to approve the Subscription Agreement and the transactions contemplated thereunder.

Conditions precedent

Completion of the Subscription Agreement is conditional upon the fulfillment of the following conditions precedent:

- (i) if necessary, the passing by the Independent Shareholders at an extraordinary general meeting of the Company to be convened and held, of the necessary resolutions to approve the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the New Conversion Shares to the holder(s) of the New Convertible Notes);
- (ii) all necessary consents and approvals required to be obtained on the part of the Company and the Vendor in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained; and
- (iii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the New Conversion Shares.

If any of the above conditions are not fulfilled on or before 31 December 2009 or such other date as the Company and the Vendor may agree, the Subscription Agreement shall cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Subscription Agreement save in respect of any antecedent breach of any obligation under the Subscription Agreement.

Completion

Completion will take place on the day falling on the third Business Day after the conditions of the Subscription Agreement are fulfilled.

REASON FOR THE ISSUE OF NEW CONVERTIBLE NOTES

The Directors are of the view that the issue of the New Convertible Notes to the Vendor under the Subscription Agreement represents an opportunity for the Company to improve the financial position of the Company by reducing its debt and enlarging its share capital.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Vendor, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITY IN PAST 12 MONTHS

The following is the equity fund raising activities conducted by the Group in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
30 November 2008	Top-up placing of 32,000,000 Shares	HK\$8.3 million	As general working capital for the Group's coal energy business	As general working capital for the Group's coal energy business
30 November 2008	Top-up placing of 38,000,000 Shares	HK\$9.9 million	As general working capital for the Group's coal energy business	As general working capital for the Group's coal energy business
30 November 2008	Placing of 37,000,000 new Shares	HK\$9.9 million	As general working capital for the Group's coal energy business	As general working capital for the Group's coal energy business

(3) CHANGES OF SHAREHOLDING

The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after full conversion of the Convertible Notes but assuming no conversion of the New Convertible Notes; (iii) immediately after full conversion of the New Convertible Notes but assuming no conversion of the Convertible Notes; and (iv) immediately after full conversion of the Convertible Notes and the New Convertible Notes are as follows:

Name of Shareholders	As at the date of this announcement		Immediately after full conversion of the Convertible Notes but assuming no conversion of the New Convertible Notes (Note 2)		Immediately after the full conversion of the New Convertible Notes but assuming no conversion of the Convertible Notes		Immediately after the full conversion of the Convertible Notes and the New Convertible Notes (Note 2)	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
The Vendor and its shareholders	918,030,000	22.31%	1,934,289,340	37.69%	1,059,692,532	24.89%	2,075,951,872	39.37%
Legend Win Profits Limited (Note 1)	767,500,000	18.64%	767,500,000	14.95%	767,500,000	18.03%	767,500,000	14.55%
Ruan Yuan	530,000,000	12.88%	530,000,000	10.33%	530,000,000	12.45%	530,000,000	10.05%
Other public shareholders	1,900,229,800	46.17%	1,900,229,800	37.03%	1,900,229,800	44.63%	1,900,229,800	36.03%
Total	<u>4,115,759,800</u>	<u>100%</u>	<u>5,132,019,140</u>	<u>100%</u>	<u>4,257,422,332</u>	<u>100%</u>	<u>5,273,681,672</u>	<u>100%</u>

Notes:

- (1) The issued share capital of Legend Win Profits Limited is beneficially owned by Hui Kee Fung, Hui Ki Yau and Hui Hung Tan, Teresa and Hui's K. K. Foundation Limited as to 38.95%, 32.63%, 23.16% and 5.26%, respectively. Hui's K. K. Foundation Limited is a company incorporated in Hong Kong, limited by guarantee and does not have a share capital. Hui Kee Fung, Hui Ki Yau and Hui Hung Tan, Teresa are the registered members and directors of Hui's K. K. Foundation Limited. Hui Kee Fung, Hui Ki Yau and Hui Hung Tan, Teresa are all executive directors of the Company as at the date of this announcement.
- (2) For illustrative purposes only.

(4) LISTING RULES IMPLICATIONS

As the Vendor and its shareholders are substantial Shareholders and connected persons of the Company, each of the Proposed Alterations and the issue of the New Convertible Notes constitute a non-exempted connected transaction on the part of the Company under the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirement.

(5) GENERAL

As at the date of this announcement, the Vendor and its shareholders hold an aggregate of 918,030,000 Shares, representing approximately 22.31% of the entire issued share capital of the Company. Pursuant to Chapter 14A of the Listing Rules, the Vendor, its shareholders and their respective associates are required to abstain from voting on the resolution at the general meeting of the Company to approve the Proposed Alterations and the issue of the New Convertible Notes.

The Independent Board Committee comprising all the independent non-executive Directors, will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Proposed Alterations and the issue of the New Convertible Notes. An independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

A circular containing, among other matters, further information on the Proposed Alterations and the issue of the New Convertible Notes, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee to the Independent Shareholders, will be despatched to the Shareholders within 21 days after the publication of this announcement.

(6) SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the issued Shares on the Stock Exchange was suspended from 9:30 a.m. on 29 September 2009 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the issued Shares with effect from 9:30 a.m. on 6 October 2009.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Acquisition”	the acquisition of the Sale Share and the Indebtedness by the Purchaser from the Vendor pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 16 August 2007 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Adjusted Conversion Shares”	new Share(s) to be allotted and issued to the holder of the Convertible Notes upon completion of the Proposed Alterations and exercise of the conversion rights attaching to the Convertible Notes
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Kiu Hung Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration of HK\$840,000,000 (subject to adjustments) for the Acquisition
“Conversion Price”	the initial conversion price of HK\$0.70 (subject to adjustments) of the Convertible Notes
“Conversion Share(s)”	new Share(s) to be allotted and issued to the holder of the Convertible Notes upon exercise of the conversion rights attaching to the Convertible Notes

“Convertible Notes”	the zero coupon convertible notes with a two-year term in the principal amount of HK\$254,064,835 issued as part of the Consideration
“Deed”	the deed dated 2 October 2009 entered into between the Company and the Vendor to vary certain terms of the Convertible Notes
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for considering and, if though fit, approving, among other matters, the Proposed Alterations, the issue of the New Convertible Notes and the transactions contemplated thereunder
“Final Maturity Date”	30 September 2021, being the date falling on the 10th anniversary of the Second Maturity Date
“First Maturity Date”	31 March 2011, being the first maturity date of the Convertible Notes or the New Convertible Notes, as the case may be
“First Maturity Exercise Date”	First Maturity Date (or if the First Maturity Date is a non-Business Day, the immediate proceeding Business Day thereof)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Indebtedness”	the outstanding indebtedness of Lucky Dragon owed to the Vendor at Completion
“Independent Board Committee”	a board comprising all the independent non-executive Directors to advise the Independent Shareholders as to the terms of the Proposed Alterations, the issue of the New Convertible Notes and transactions contemplated thereunder
“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

“Lucky Dragon”	Lucky Dragon Resources Limited, a company incorporated in the British Virgin Islands
“New Conversion Price”	the initial conversion price of HK\$0.25 (subject to adjustments) of the Convertible Notes or the New Convertible Notes, as the case may be
“New Conversion Shares”	new Share(s) to be allotted and issued to the holder of the New Convertible Notes upon exercise of the conversion rights attaching to the New Convertible Notes
“New Convertible Notes”	the zero coupon convertible notes with a two-year term in the principal amount of HK\$35,415,633 to be issued pursuant to the Subscription Agreement
“Promissory Notes”	the zero coupon promissory notes in the principal amount of HK\$95,415,633 issued as part of the Consideration
“Proposed Alterations”	the proposed alterations of the terms of the Convertible Notes
“Purchaser”	Growth Gain Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, being the purchaser under the Acquisition Agreement
“Sale Share”	one share of US1.00 in Lucky Dragon, representing the entire issued share capital of Lucky Dragon
“Second Maturity Date”	30 September 2011, being the second maturity date of the Convertible Notes or the New Convertible Notes, as the case may be
“Shareholders”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 2 October entered into between the Company and the Vendor in respect of the subscription of the New Convertible Notes
“substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Vendor”	Gold Dynasty Investments Limited, a company incorporated in the British Virgin Islands with limited liability, being the vendor under the Acquisition Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 5 October 2009

As at the date of this announcement, the Board comprises three executive directors, Mr. Hui Kee Fung, Mr. Hui Ki Yau and Madam Hui Hung Tan, Teresa and three independent non-executive directors, Mr. Peng Guanghui, Mr. Kung King Ching, Conrad and Mr. Tang Rongzu.