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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)

SUBSCRIPTION OF NON-LISTED WARRANTS

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The Directors are pleased to announce that on 20 October 2009, the Company as issuer had entered into the conditional Warrant Subscription Agreements with the Subscribers as subscribers in relation to the subscription of a total of 200,000,000 Warrants by the Subscribers, at the Warrant Issue Price of HK\$0.0025.

The Warrants entitle the Subscribers to subscribe for the New Shares at the Subscription Price of HK\$0.50 per New Share for a period of twelve months commencing from the date of issue of the Warrants. Each Warrant carries the right to subscribe for one New Share.

Completion is subject to the fulfillment of the conditions stated in the section headed “Conditions of the Warrant Subscription” in this announcement.

It is intended that the net proceeds from the Warrant Subscription of approximately HK\$400,000 will be applied as general working capital of the Group.

The New Shares will be issued under the General Mandate.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

(I) SUBSCRIPTION OF NON-LISTED WARRANTS

THE WARRANT SUBSCRIPTION AGREEMENTS

Date: 20 October 2009

Parties: (i) Issuer: the Company

(ii) Subscribers: the Subscribers

Information on the Subscribers

The five Subscribers are Chan Shuk Ling, Cheng Mei Ying Michelle, Cheng Wing On Alan, Cheung Mau Hung and Wong Chun Chau. Each of the Subscribers has agreed to subscribe for 40,000,000 Warrants at the Warrant Issue Price.

To the best of the knowledge, information and belief of the Directors having made all reasonably enquiry, each of the Subscribers is an Independent Third Party. As at the date of this announcement, none of the Subscribers has any interests in or business dealings/transactions with the Group.

Number of Warrants

Pursuant to the Warrant Subscription Agreements, the Subscribers have agreed to subscribe for and the Company has agreed to issue, a total of 200,000,000 Warrants.

Warrant Issue Price

The Warrant Issue Price is HK\$0.0025. Taking into account, among other fees, legal fees, printing expenses and the fees for the application of listing of the New Shares, the net Warrant Issue Price is approximately HK\$0.002 per Warrant. It is intended that the net proceeds from the Warrant Subscription of approximately HK\$400,000 will be applied as general working capital of the Group.

Subscription Price

The Subscription Price is HK\$0.50 per New Share, which is subject to adjustment based on the prescribed formulas as set out in the instrument creating the Warrants for the happening of the following events:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;

- (ii) an issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution in cash or in specie other than out of distributable profits of the Company being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such);
- (iv) a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (v) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe for new Shares, at a price which is less than 80 per cent. of the average market price of one Share for the five consecutive dealings days ending on such last dealing day immediately preceding the day on which the market price is to be ascertained (the “**market price**”) being made by the Shareholders (in their capacity as such);
- (vi) an issue wholly for cash being made by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share is less than 80 per cent. of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration is less than 80 per cent. of such market price;
- (vii) an issue of Shares being made wholly for cash at a price less than 80 per cent. of the market price; and
- (viii) the purchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange or any recognised stock exchange, being a stock exchange recognised for this purpose by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

Every adjustment to the Subscription Price shall be certified either (at the option of the Company) by the auditors of the Company or by an approved merchant bank.

It is intended that the net proceeds from the exercise of Warrants will be approximately HK\$100 million, of which approximately HK\$69 million will be applied as capital expenditure for its coal energy business, approximately HK\$22 million will be applied for repayment of the Group’s borrowings and the remaining balance of approximately HK\$9 million will be applied as general working capital of the Group.

The Subscription Price represents:

- (i) a premium of approximately 42.86% over the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on 20 October 2009, being the date of entering into the Warrant Subscription Agreements;
- (ii) a premium of approximately 51.98% over the average closing price of HK\$0.329 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to 20 October 2009;
- (iii) a premium of approximately 64.74% over the average closing price of HK\$0.3035 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to 20 October 2009; and
- (iv) a premium of approximately 354.55% over the latest published audited net asset value per Share of approximately HK\$0.11 as shown in the Group' audited consolidated financial statements for the financial year ended 31 December 2008 (on the basis of 4,116,036,800 total existing issued Shares as at the date of this announcement).

The aggregate of the Warrant Issue Price and the Subscription Price represents:

- (i) a premium of approximately 43.57% over the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on 20 October 2009, being the date of entering into the Warrant Subscription Agreements;
- (ii) a premium of approximately 52.74% over the average closing price of HK\$0.329 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to 20 October 2009;
- (iii) a premium of approximately 65.57% over the average closing price of HK\$0.3035 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to 20 October 2009; and
- (iv) a premium of approximately 356.82% over the latest published audited net asset value per Share of approximately HK\$0.11 as shown in the Group' audited consolidated financial statements for the financial year ended 31 December 2008 (on the basis of 4,116,036,800 total existing issued Shares as at the date of this announcement).

Having considered there is a premium of the aggregate of the Warrant Issue Price and Subscription Price over (i) the current market price; and (ii) the net asset value per Share as at 31 December 2008 based on a total of 4,116,036,800 issued Shares as at the date of this announcement, the Board considers that both the Subscription Price and the aggregate of it with the Warrant Issue Price are fair and reasonable, which were determined after arm's length negotiations among the Company and the Subscribers, and are in the interests of the Company and the Shareholders as a whole.

Transferability

The Warrants are transferable only to third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company, in integral multiples of 20,000,000 Warrants (or if at the time of transfer, the outstanding number of Warrants are less than 20,000,000 Warrants, the whole but not part of the outstanding Warrants). Apart from the aforesaid, there are no restrictions on the transfer of the Warrants from the Subscriber to other parties, and no consent from the Company is required before such transfer is to take place.

Completion Date

Completion will take place within three Business Days after the fulfillment of the conditions referred to in the section headed “Conditions of the Warrant Subscription” below. HK\$500,000, being the aggregate Warrant Issue Price for 200,000,000 Warrants, shall be payable by the Subscribers at Completion in proportion to the amount of Warrants being subscribed for by each of them. The Subscription Price shall be payable by holder(s) of Warrants upon the exercise of the subscription rights attaching to the Warrants.

Information of the Warrants

The Warrants will be issued to the Subscribers upon Completion in registered form and constituted by a deed poll. The Warrants will rank pari passu in all respects among themselves.

Each Warrant carries the right to subscribe for one New Share at the Subscription Price and is issued at the Warrant Issue Price.

The subscription rights attaching to the Warrants may be exercised at any time during a period of twelve months commencing from the date of issue of the Warrants at integral multiples of 20,000,000 Warrants. Where the number of the outstanding Warrants is less than 20,000,000 Warrants, the Subscriber shall have the right to exercise the whole but not in part of the outstanding number of Warrants to subscribe for the New Shares in cash at the Subscription Price per New Share. The New Shares, when fully paid and allotted, will rank pari passu in all respects with the issued Shares in issue of the date of allotment and issue of such New Shares. The integral multiples of 20,000,000 Warrants for the transfer of and exercise of the subscription rights under the Warrants was arrived at by the parties to the Warrant Subscription Agreements after taking into consideration of the costs and expenses for transferring or exercising the subscription rights under the Warrants.

Any subscription rights attaching to the Warrants which have not been exercised upon the expiration of the twelve-month subscription period shall lapse.

A total of 200,000,000 Warrants are proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants, a total of 200,000,000 New Shares (in aggregate nominal value of HK\$4,000,000) will be issued, representing (i) approximately 4.86% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.63% of the issued share capital of the Company as enlarged by the New Shares which may fall to be allotted and issued upon the full exercise of the subscription rights attaching to the Warrants. Based on the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on 20 October 2009, being the Last Trading Day, the market value of the New Shares is approximately HK\$70,000,000.

Apart from the restriction on Warrant transfer as set out under the heading “Transferability” above, subject to the relevant provisions under the Listing Rules, there are no other prohibitions on the Company to issue further securities nor are there any limitation on the Subscriber to transfer the New Shares in the Warrant Subscription Agreements.

Conditions of the Warrant Subscription

Completion shall be subject to and conditional upon, among other things, the following:

- (1) (if required) the Listing Committee of the Stock Exchange shall have approved the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Subscribers shall reasonably object and the satisfaction of such conditions; and
- (2) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the New Shares.

If the conditions of the Warrant Subscription Agreements are not fulfilled on or before 5:00 p.m. on or before 6 November 2009 (or such later date as may be agreed between the Company and the Subscribers), the Warrant Subscription Agreements will terminate and cease to have any effect and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

Voting rights of the Warrants

The holders of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holders of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Mandate to issue the New Shares

The General Mandate was granted to the Directors at the annual general meeting of the Company held on 30 June 2009, subject to the limit up to 823,151,960 Shares (representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date).

The General Mandate has not been previously utilised prior to the date of this announcement.

The New Shares will be allotted and issued under the General Mandate. The 200,000,000 New Shares to be allotted and issued will utilise approximately 24.30% of the General Mandate.

In the event that following any adjustments of the Subscription Price made in accordance with the terms and conditions of the Warrants, the number of the new Shares (the “**Excess New Shares**”) which may fall to be allotted and issued pursuant to the exercise of the subscription rights attaching to the Warrants will exceed the authorisation under the General Mandate, the Company shall (i) convene and hold as soon as reasonably practicable and in any event, within 30 days from the date of the notification to the holders of the Warrants of such adjustment of the Subscription Price (the “**Approval Period**”) an extraordinary general meeting (the “**EGM**”) of the Shareholders to approve the grant of a specific mandate (the “**Specific Mandate**”) to the Directors to allot and issue the Excess New Shares; (ii) apply to the Stock Exchange for the approval of the listing of and permission to deal in, the Excess New Shares as soon as reasonably practicable and in any event within three days from the date of the notice of the EGM; and (iii) procure that the listing of and permission to deal in, the Excess New Shares be granted by the Stock Exchange within the Approval Period. In the event that the last date of the Approval Period shall fall on a date beyond the twelve-month subscription period, the subscription period shall be extended by the corresponding number of days by which such last date of the Approval Period shall fall beyond the subscription period.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

REASONS FOR THE WARRANT SUBSCRIPTION

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 Board considers that the Warrant Subscription represents an opportunity to raise additional funds for the Company while broadening the Shareholder and capital base of the Company. The net proceeds from the Warrant Subscription, after the deduction of related expenses, are estimated to be approximately HK\$400,000, representing a net issue price of approximately HK\$0.002 per Warrant. The net proceeds will be applied by the Company as the general working capital of the Group.

The Directors consider that the Warrant Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms of the Warrant Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(II) 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

(III) CHANGES OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 4,116,036,800 Shares in issue. The shareholding structure of the Company before and after the full exercise of the subscription rights attaching to the Warrants are as follows:

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the exercise of the subscription rights attaching to the Warrants in full before and after the Completion is as follows:

Name of Shareholders	As at the date of this announcement		Immediately after the exercise of the subscription rights attaching to the Warrants in full	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Legend Win	767,500,000	18.65%	767,500,000	17.78%
Ruan Yuan	530,000,000	12.88%	530,000,000	12.28%
Yu Won Kong, Dennis	479,500,000	11.65%	479,500,000	11.11%
Kau Man Wai, Leslie	261,870,000	6.36%	261,870,000	6.07%
<i>Public shareholders</i>				
The Subscribers	–	–	200,000,000	4.63%
Other public shareholders	<u>2,077,166,800</u>	<u>50.46%</u>	<u>2,077,166,800</u>	<u>48.13%</u>
Total	<u>4,116,036,800</u>	<u>100%</u>	<u>4,316,036,800</u>	<u>100%</u>

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, Sunday and public or statutory holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Kiu Hung Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Warrant Subscription in accordance with the terms and conditions of the Warrant Subscription Agreements
“connected persons”	has the meanings as ascribed thereto under the Listing Rules
“Directors”	the directors of the Company

“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 30 June 2009, pursuant to which a maximum of 823,151,960 new Shares might fall to be allotted and issued
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third parties who are not connected person(s) (as defined in the Listing Rules) of the Company and are independent of and not connected with the Company and directors, chief executive, management shareholders, significant shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Last Trading Day”	20 October 2009, being the last trading day for the Shares prior to this announcement
“Legend Win”	Legend Win Profits Limited, a company incorporated in the British Virgin Islands and a substantial shareholder (as defined under the Listing Rules) of the Company, which is interested in approximately 18.65% of the entire issued share capital of the Company and the issued shares of which is owned as to 38.95%, 32.63%, 23.16% and 5.26% by Hui Kee Fung, Hui Ki Yau and Hui Hung Tan, Teresa (all being executive Directors) and Hui’s K.K. Foundation Limited respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	new Share(s) which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Warrant(s)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the capital of the Company
“Shareholders”	holders of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the subscribers of an aggregate of 200,000,000 Warrants pursuant to the Warrant Subscription Agreements

“Subscription Price”	an initial subscription price of HK\$0.5 per New Share (subject to adjustment) at which holder of the Warrants may subscribe for New Shares
“Warrant(s)”	200,000,000 non-listed warrants to be issued by the Company at the Warrant Issue Price, each entitles the holder thereof to subscribe for one New Share at the Subscription Price of HK\$0.50 (subject to adjustment) at any time during a period of twelve months commencing from the date of issue of the Warrants
“Warrant Issue Price”	HK\$0.0025 per unit of Warrant to be issued pursuant to the Warrant Subscription
“Warrant Subscription”	a subscription of the Warrants at the Warrant Issue Price pursuant to the Warrant Subscription Agreements
“Warrant Subscription Agreements”	the five conditional subscription agreements dated 20 October 2009 and entered into between (i) the Company and (ii) the Subscribers in relation to the subscription of an aggregate of 200,000,000 Warrants by the Subscribers
“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, 20 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.