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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
VERY SUBSTANTIAL ACQUISITION
INVOLVING THE ISSUE OF CONSIDERATION SHARES
AND CONVERTIBLE NOTES**

TERMINATION AGREEMENT

Reference is made to the Announcements.

The Board announces that on 31 May 2011, the Purchaser, the Vendor and the Company entered into the Termination Agreement to terminate the Acquisition with effect from the date thereof. Pursuant to the Termination Agreement, the parties' respective rights, obligations and legal responsibilities under the Acquisition Agreement (as supplemented by the supplemental agreements dated 20 August 2010 and 22 December 2010 respectively) shall be released and discharged and shall have no further force and effect.

The Board considers that the termination of the Acquisition will not have any material adverse impact on the existing business, operation and financial position of the Group. The Board will continue exploring viable investment opportunities in order to enhance the return on equity of the Shareholders.

INTRODUCTION

Reference is made to the announcements of the Company dated 1 April 2010, 20 August 2010 and 22 December 2010 in relation to the MOU, the Acquisition Agreement and the Second Supplemental Agreement; and the announcement of the Company dated 28 April 2011 in relation to the further delay in despatch of the circular relating to the Initial Consideration Assets (collectively, the “**Announcements**”). Unless defined otherwise in this announcement, terms used herein shall have the same meanings as defined in the Announcements.

TERMINATION AGREEMENT

The Board announces that on 31 May 2011, the Purchaser, the Vendor and the Company entered into a termination agreement to terminate the Acquisition with effect from the date thereof (the “**Termination Agreement**”). Pursuant to the Termination Agreement, the parties’ respective rights, obligations and legal responsibilities under the Acquisition Agreement (as supplemented by the supplemental agreements dated 20 August 2010 and 22 December 2010 respectively) and shall be released and discharged and shall have no further force and effect.

REASONS FOR THE TERMINATION AGREEMENT

Subsequent to the announcement of the Company dated 28 April 2011, the Board was further informed by the Technical Adviser that additional exploration work and time are required to prepare the Technical Reports on the Mines. As there is no definite schedule as to when the additional exploration work can be done, the Purchaser, the Vendor and the Company considered that it would not be in their common interests to proceed with the Acquisition. The Purchaser, the Vendor and the Company therefore mutually agreed not to proceed with the Acquisition.

The Board considers that the termination of the Acquisition will not have any material adverse impact on the existing business, operation and financial position of the Group. The Board will continue exploring viable investment opportunities in order to enhance the return on equity of the Shareholders.

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

Hong Kong, 31 May 2011

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. Jin Peihuang.