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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)

CONTINUING CONNECTED TRANSACTIONS

THE TOLAND TRANSACTIONS

Toland entered into an agreement with KH Industries, an indirect wholly owned subsidiary of the Company, for the Toland Transactions on 21 October 2009 for a term of three years from 1 January 2009 to 31 December 2011, which specified that Toland shall make annual purchases of flags, home accessories, garden products and home decorative gifts of not more than HK\$15 million from KH Industries for each of the three years ending 31 December 2011. KH Industries has sold products in the amount of approximately HK\$5.4 million to Toland for the period from 1 January 2009 to 30 September 2009.

The annual cap for each of the three years ending 31 December 2011 is estimated by the Directors after taking into account (i) the future business prospect of Toland; and (ii) the potential orders to be placed by Marketing Resource to Toland, which is estimated based on the actual purchases of such goods by Marketing Resource in the previous two years and the discussion with potential customers of Marketing Resource by the management of Marketing Resource.

Since Toland is an indirect non-wholly owned subsidiary of the Company and its director Mr. Solly is the beneficial owner of 30% of the issued share capital of Toland. Toland, being an associate of Mr. Solly, is a connected person of the Company. The Toland Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules.

THE ADMINISTRATIVE TRANSACTIONS

On 21 October 2009, Toland entered into an agreement with KH Industries, an indirect wholly owned subsidiary of the Company, for the provision by KH Industries to Toland a showroom with an area of approximately 100 square metres and the administrative services for a term of three years from 1 January 2009 to 31 December 2011. The showroom is located in the Company's head office and principal place of business in Hong Kong at 14th Floor, Yale Industrial Centre, 61-63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong and owned by Newgary Development Limited, a wholly owned subsidiary of the Company.

The consideration for the Administrative Transactions to be provided by KH Industries amounted to US\$6,000 (equivalent to approximately HK\$46,000) per month. The total annual amount payable by Toland to KH Industries is US\$72,000 (equivalent to approximately HK\$554,000) for the each of the three years ending 31 December 2011.

Since Toland is an indirect non-wholly owned subsidiary of the Company and its director Mr. Solly is the beneficial owner of 30% of the issued share capital of Toland. Toland, being an associate of Mr. Solly, is a connected person of the Company. The Administrative Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules.

THE MARKETING RESOURCE TRANSACTIONS

On 21 October 2009, Marketing Resource, an indirect non-wholly owned subsidiary of the Company, entered into the Marketing Resource Agreement with Toland for the sale and purchase of flags, home accessories, garden products and home decorative gifts for the period from 1 January 2009 to 31 December 2011, which specified that Marketing Resource shall make purchases of not more than the annual cap of HK\$15 million from Toland during each of the three years ending 31 December 2011. Toland has sold products in the amount of approximately HK\$3.7 million to Marketing Resource for the period from 1 January 2009 to 30 September 2009.

The annual cap for each of the three years ending 31 December 2011 is estimated by the Directors after taking into account (i) the future business prospect of Marketing Resource; and (ii) the potential orders to be received by Marketing Resource, which is estimated based on the actual purchases of such goods by Marketing Resource in the previous two years and the discussion with potential customers of Marketing Resource by the management of Marketing Resource.

Mr. Solly is a director of Marketing Resource and is the beneficial owner of 50% of the issued share capital of Marketing Resource. Marketing Resource, being an associate of Mr. Solly, is a connected person of the Company. The Marketing Resource Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules

THE SERVICE TRANSACTIONS

On 21 October 2009, Miracles USA entered into an agreement with Better Sourcing, an indirect wholly owned subsidiary of the Company, for the provision of (i) marketing and promotion and (ii) research and development of toys and gift products for a term of three years from 1 January 2009 to 31 December 2011.

The consideration for the Service Transactions to be provided by Miracles USA shall not exceed US\$20,000 (equivalent to approximately HK\$156,000) per month and the exact service fee payable to Miracles USA shall be determined by Miracles USA and Better Sourcing on a monthly basis based on the costs to be incurred by Miracles USA for the provision of the services. Better Sourcing has paid service fees of approximately US\$109,000 (equivalent to approximately HK\$850,000) during the period from 1 January to 30 September 2009.

The annual cap in the amount of HK\$1,872,000 for each of the three years ending 31 December 2011 is estimated by the Directors after taking into account the estimated amount of services to be provided by Miracles USA during the first nine months ended 30 September 2009 and the maximum amount of US\$20,000 monthly fee payable under the Service Agreement.

As the entire issued share capital of Miracles USA is beneficially owned by Mr. Sanders, Miracles USA is an associate of Mr. Sanders. Miracles USA is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The Service Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules.

THE BETTER SOURCING TRANSACTIONS

On 21 October 2009, Better Sourcing entered into an agreement with KH Industries for the sale and purchase of toy and gift products for a term of three years from 1 January 2009 to 31 December 2011, which specified that Better Sourcing shall make annual purchases of not more than HK\$15 million from KH Industries during the term of the agreement. KH Industries has sold products in the amount of approximately HK\$4.9 million to Better Sourcing for the period from 1 January 2009 to 30 September 2009.

The annual cap for each of the three years ending 31 December 2011 is estimated by the Directors after taking into account (i) the future business prospect of Better Sourcing; and (ii) the potential orders to be received by Better Sourcing, which is estimated based on the actual purchases of such goods by Better Sourcing in the previous two years and the discussion with potential customers of Better Sourcing by the management of Better Sourcing.

As Mr. Sanders is a director of Better Sourcing and 44% of the issued share capital of Better Sourcing is beneficially owned by Mr. Sanders, Better Sourcing is an associate of Mr. Sanders. Better Sourcing is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The Better Sourcing Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules.

GENERAL

The Toland Transactions, the Administrative Transactions, Marketing Resource Transactions, the Service Transaction and the Better Sourcing Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules which are subject to reporting, announcement and Independent Shareholders' approval requirements.

The Independent Board Committee comprising Mr. Peng Guanghui, Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. Mohammed Ibrahim Munshi, all being the independent non-executive Directors, will be formed to advise the Shareholders as to the fairness and reasonableness of the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transaction and the Better Sourcing Transactions. The 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 Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions, 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.

I THE TOLAND TRANSACTIONS

THE TOLAND AGREEMENT

Date: 21 October 2009

Parties:

(1) Vendor	:	KH Industries, an indirect wholly owned subsidiary of the Company
(2) Purchaser	:	Toland, an indirect non-wholly owned subsidiary of the Company

KH Industries is principally engaged in the trading of toys and gift items. Toland is principally engaged in the trading of flags, home accessories, garden gifts and home decorative gifts products.

Subject of the Toland Transactions

Pursuant to the Toland Agreement, Toland agreed with KH Industries for the Toland Transactions for a term of three years from 1 January 2009 to 31 December 2011, which specified that Toland shall purchase flags, home accessories, garden products and home decorative gifts from KH Industries. KH Industries has sold products in the amount of approximately HK\$5.4 million to Toland for the period from 1 January 2009 to 30 September 2009.

Annual cap

Pursuant to the Toland Agreement, Toland shall make purchases of not more than the annual cap of HK\$15 million during each of the three years ending 31 December 2011.

During each of the two years ended 31 December 2008, Toland has purchased flags, home accessories, garden products and home decorative gifts in the amount of approximately HK\$3.6 million and approximately HK\$11.3 million respectively from KH Industries.

The annual cap for each of the three years ending 31 December 2011 is estimated by the Directors after taking into account (i) the future business prospect of Toland; and (ii) the potential orders to be placed by Marketing Resource to Toland, which is estimated based on the actual purchases of such goods by Marketing Resource in the previous two years and the discussion with potential customers of Marketing Resource by the management of Marketing Resource.

Should the aggregate annual purchases to be made by Toland from KH Industries exceed HK\$15 million for each of the three years ending 31 December 2011 respectively, Toland will enter into a separate sales agreement with KH Industries for those purchases which exceed the above amounts and the Company will make a separate announcement and will comply with all relevant requirements under the Listing Rules.

The price of the products for the Toland Transactions will be determined with reference to the price of similar products sold to other Independent Third Parties and on terms no less favourable to the Group than terms available to Independent Third Parties.

Condition precedent

The Toland Agreement is subject to, if necessary, the approval by Independent Shareholders by poll at an extraordinary general meeting of the Company to be convened and held of an ordinary resolution to approve the Toland Transactions. If the condition has not been satisfied on or before 31 January 2010 or such later date as the parties may agree, the Toland Agreement shall cease and determine and neither party shall have any obligations and liabilities save for antecedent breaches of the terms thereof.

REASONS FOR THE TOLAND TRANSACTIONS

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 Toland Agreement was entered into in the usual and ordinary course of business of the Group, was arrived at after arm's length negotiation between the parties with reference to the price of the products sold to Independent Third Parties, on normal commercial terms and on terms no less favourable to the Group than terms available from Independent Third Parties.

The Directors consider that the Toland Transactions will allow Toland to purchase products from KH Industries as opposed to other manufacturers, which will enhance the profitability of the Group.

As such, the Directors consider that the Toland Transactions (including the consideration payable thereunder) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Solly is a director of Toland and is the beneficial owner of 30% of the issued share capital of Toland. Pursuant to Chapter 14A of the Listing Rules, Toland, being an associate of Mr. Solly, is a connected person of the Company. As such, the Toland Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules which are subject to reporting, announcement and Independent Shareholders' approval requirements.

II THE ADMINISTRATIVE TRANSACTIONS

THE ADMINISTRATIVE AGREEMENT

Date: 21 October 2009

Parties:

(1) Service provider	:	KH Industries, an indirect wholly owned subsidiary of the Company
(2) Purchaser	:	Toland, an indirect non-wholly owned subsidiary of the Company

KH Industries is principally engaged in the trading of toys and gift items.

Subject of the Administrative Transactions

Pursuant to the Administrative Agreement, KH Industries agreed with Toland for the provision a showroom with an area of approximately 100 square metres and the administrative services by KH Industries to Toland for a term of three years from 1 January 2009 to 31 December 2011. The showroom is located in the Company's head office and principal place of business in Hong Kong at 14th Floor, Yale Industrial Centre, 61-63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong and owned by Newgary Development Limited, a wholly owned subsidiary of the Company. Administrative services provided by KH Industries to Toland include the handling of sales and purchase orders, bookkeeping and accounting service and the handling of other miscellaneous administrative works.

Annual cap

The consideration for the Administrative Transactions to be provided by KH Industries amounted to US\$6,000 (equivalent to approximately HK\$46,000) per month. The total annual amount payable by Toland to KH Industries is US\$72,000 (equivalent to approximately HK\$554,000) for the each of the three years ending 31 December 2011.

The consideration payable to KH Industries under the Administrative Transactions was arrived at after arm's length negotiation between the parties with reference to the costs to be incurred by KH Industries in the provision of such services as estimated by the Group and the market rental value of a similar area in Fo Tan.

Condition precedent

The Administrative Agreement is subject to, if necessary, the approval by Independent Shareholders by poll at an extraordinary general meeting of the Company to be convened and held of an ordinary resolution to approve the Administrative Transactions. If the condition has not been satisfied on or before 31 January 2010 or such later date as the parties may agree, the Administrative Agreement shall cease and determine and neither party shall have any obligations and liabilities save for antecedent breaches of the terms thereof.

REASONS FOR THE ADMINISTRATIVE TRANSACTIONS

The Administrative Agreement was entered into in the usual and ordinary course of business of the Group, on normal commercial terms and on terms no less favourable to the Group than terms available from Independent Third Parties.

The Directors consider that the Administrative Transactions will facilitate the management of Toland by the Group, as Toland will be operated in the same premises just as other companies of the Group in Hong Kong.

As such, the Directors consider that the Administrative Transactions (including the consideration payable thereunder) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Solly is a director of Toland and is the beneficial owner of 30% of the issued share capital of Toland. Pursuant to Chapter 14A of the Listing Rules, Toland, being an associate of Mr. Solly, is a connected person of the Company. As such, the Administrative Transactions when aggregated with the Toland Transactions and the Marketing Resource Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules which are subject to reporting, announcement and Independent Shareholders' approval requirements.

III THE MARKETING RESOURCE TRANSACTIONS

THE MARKETING RESOURCE AGREEMENT

Date: 21 October 2009

Parties:

(1) Vendor	:	Toland, an indirect non-wholly owned subsidiary of the Company
(2) Purchaser	:	Marketing Resource, a jointly controlled entity, 50% of the shares of which are indirectly owned by the Company

Marketing Resource is principally engaged in the trading of flags, home accessories, garden gifts and home decorative gifts products.

Subject of the Marketing Resource Transactions

Pursuant to the Marketing Resource Agreement, Toland agreed to supply and Marketing Resource has agreed to acquire flags, home accessories, garden products and home decorative gifts for the period from 1 January 2009 to 31 December 2011. Toland has sold products in the amount of approximately HK\$3.7 million to Marketing Resource for the period from 1 January 2009 to 30 September 2009.

The products to be purchased by Toland from KH Industries under the Toland Transactions and the products to be sold to Marketing Resources by Toland under the Marketing Resources Transactions are the same type of products. As Toland is situated in Hong Kong and mainly specialised in the sales of flags and garden products, the Directors consider that is more efficient and convenience for Toland to purchase such products from KH Industries and other suppliers from Hong Kong and the PRC and subsequently sell such products to different customers in North America, including Marketing Resources.

The price of the products for the Marketing Resource Transactions will be higher than the price of the products for the Toland Transactions.

Annual cap

Pursuant to the Marketing Resource Agreement, Marketing Resource shall make purchases of not more than the annual cap of HK\$15 million during each of the three years ending 31 December 2011.

During each of the two years ended 31 December 2008, Toland has sold flags, home accessories, garden gifts and home decorative gifts products in the amount of approximately HK\$6.7 million and approximately HK\$7.2 million respectively to Marketing Resource.

The annual cap for each of the three years ending 31 December 2011 is estimated by the Directors after taking into account (i) the future business prospect of Marketing Resource; and (ii) the potential orders to be received by Marketing Resource, which is estimated based on the actual purchases of such goods by Marketing Resource in the previous two years and the discussion with potential customers of Marketing Resource by the management of Marketing Resource.

Should the aggregate annual purchases made by Marketing Resource from Toland exceed HK\$15 million for each of the three years ending 31 December 2011, Marketing Resource will enter into a separate sales agreement with Toland for those purchases which exceed such amount and the Company will make a separate announcement and will comply with all relevant requirements under the Listing Rules.

Although the price of the products for the Marketing Resource Transactions will be higher than the price of the products for the Toland Transactions, the price of the products for the Marketing Resource Transactions will also be determined with reference to the price of similar products sold to other Independent Third Parties and on terms no less favourable to the Group than terms available to Independent Third Parties.

Condition precedent

The Marketing Resource Agreement are subject to, if necessary, the approval by Independent Shareholders by poll at an extraordinary general meeting of the Company to be convened and held of an ordinary resolution to approve the Marketing Resource Transactions. If the condition has not been satisfied on or before 31 January 2010 or such later date as the parties may agree, the Marketing Resource Agreement shall cease and determine and neither party shall have any obligations and liabilities save for antecedent breaches of the terms thereof.

REASONS FOR THE MARKETING RESOURCE TRANSACTIONS

The Marketing Resource Agreement was entered into in the usual and ordinary course of business of the Group, was arrived at after arm's length negotiation between the parties with reference to the price of the products sold to Independent Third Parties, on normal commercial terms and on terms no less favourable to the Group than terms available from Independent Third Parties.

The Directors consider that the Marketing Resource Transactions will allow Marketing Resource to purchase products from Toland as opposed to other manufacturers, which will enhance the profitability of the Group.

As such, the Directors consider that the Marketing Resource Transactions (including the consideration payable thereunder) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Solly is a director of Marketing Resource and is the beneficial owner of 50% of the issued share capital of Marketing Resource. Pursuant to Chapter 14A of the Listing Rules, Marketing Resource, being an associate of Mr. Solly, is a connected person of the Company. As such, the Marketing Resource Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules which are subject to reporting, announcement and Independent Shareholders' approval requirements.

IV THE SERVICE TRANSACTIONS

THE SERVICE AGREEMENT

Date: 21 October 2009

Parties:

- (1) Service provider : Miracles USA, a US company which is beneficially owned by Mr. Sanders
- (2) Purchaser : Better Sourcing, an indirect non-wholly owned subsidiary of the Company

Better Sourcing is principally engaged in the trading of toys and gift items. Miracles USA is principally engaged in the provision of the services relating to (i) marketing and promotion and (ii) research and development of toys and gift products for Better Sourcing.

Subject of the Service Transactions

Pursuant to the Service Agreement, Miracles USA agreed to perform (i) marketing and promotion and (ii) research and development of toys and gift products for Better Sourcing for a term of three years from 1 January 2009 to 31 December 2011. The consideration for the Service Transactions to be provided by Miracles USA shall not exceed US\$20,000 (equivalent to approximately HK\$156,000) per month and the exact service fee payable to Miracles USA shall be determined by Miracles USA and Better Sourcing on a monthly basis based on the costs to be incurred by Miracles USA for the provision of such services. Better Sourcing has paid service fees of approximately US\$109,000 (equivalent to approximately HK\$850,000) during the period from 1 January to 30 September 2009.

Annual cap

The consideration for the Service Transactions to be provided by Miracles USA to Better Sourcing shall not exceed US\$20,000 (equivalent to approximately HK\$156,000) per month. The total annual amount payable by Better Sourcing to Miracles USA shall not exceed US\$240,000 (equivalent to approximately HK\$1.9 million) for the each of the three years ending 31 December 2011.

The annual cap in the amount of HK\$1,872,000 for each of the three years ending 31 December 2011 is estimated by the Directors after taking into account the estimated amount of services to be provided by Miracles USA during the first nine months ended 30 September 2009 and the maximum amount of US\$20,000 (equivalent to approximately HK\$156,000) monthly fee payable under the Service Agreement.

The consideration for the Service Transactions was arrived at after arm's length negotiation between the parties with reference to the costs incurred by Miracles USA for provision of such services.

Condition precedent

The Service Agreement is subject to, if necessary, the approval by Independent Shareholders by poll at an extraordinary general meeting of the Company to be convened and held of an ordinary resolution to approve the Service Transactions. If the condition has not been satisfied on or before 31 January 2010 or such later date as the parties may agree, the Service Agreement shall cease and determine and neither party shall have any obligations and liabilities save for antecedent breaches of the terms thereof.

REASONS FOR THE SERVICE TRANSACTIONS

Mr. Sanders has over 20 years of experience in (i) the marketing and promotion and (ii) research and development of toys and gift products mainly targeted for overseas customers. With the services offered by Mr. Sanders through Miracles USA, Better Sourcing will be able to design new products which suit the requirements of overseas customers so as to increase its revenue and profitability.

The Service Agreement was entered into in the usual and ordinary course of business of the Group, on normal commercial terms and on terms no less favourable to the Group than terms available from Independent Third Parties.

The Directors consider that the Service Transactions will facilitate the (i) marketing and promotion and (ii) research and development of the products of Better Sourcing.

As such, the Directors consider that the Service Transactions (including the consideration payable thereunder) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Miracles USA is beneficially owned by Mr. Sanders which is a director of Better Sourcing and is the beneficial owner of 44% of the issued share capital of Better Sourcing. Pursuant to Chapter 14A of the Listing Rules, Better Sourcing, being an associate of Mr. Sanders, is a connected person of the Company. As such, the Service Transactions when aggregated with the Better Sourcing Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules which are subject to reporting, announcement and Independent Shareholders' approval requirements.

V THE BETTER SOURCING TRANSACTIONS

THE BETTER SOURCING AGREEMENT

Date: 21 October 2009

Parties:

(1) Vendor	:	KH Industries, an indirect non-wholly owned subsidiary of the Company
(2) Purchaser	:	Better Sourcing, an indirect non-wholly owned subsidiary of the Company

Better Sourcing is principally engaged in the trading of toys and gifts.

Subject of the Better Sourcing Transactions

Pursuant to the Better Sourcing Agreement, KH Industries agreed to supply and Better Sourcing has agreed to acquire toys and gifts products for the period from 1 January 2009 to 31 December 2011. KH Industries has sold products in the amount of approximately HK\$4.9 million to Better Sourcing for the period from 1 January 2009 to 30 September 2009.

Annual cap

Pursuant to the Better Sourcing Agreement, Better Sourcing shall make purchases of not more than the annual cap of HK\$15 million during each of the three years ending 31 December 2011.

During each of the two years ended 31 December 2008, KH Industries has toys and gifts in the amount of approximately HK\$4.9 million and approximately HK\$3.5 million respectively to Better Sourcing.

The annual cap for each of the three years ending 31 December 2011 is estimated by the Directors after taking into account (i) the future business prospect of Better Sourcing; and (ii) the potential orders to be received by Better Sourcing, which is estimated based on the actual purchases of such goods by Better Sourcing in the previous two years and the discussion with potential customers of Better Sourcing by the management of Better Sourcing.

Should the aggregate annual purchases made by Better Sourcing from KH Industries exceed HK\$15 million for each of the three years ending 31 December 2011, Better Sourcing will enter into a separate sales agreement with KH Industries for those purchases which exceed such amount and the Company will make a separate announcement and will comply with all relevant requirements under the Listing Rules.

The price of the products for the Better Sourcing Transactions will be determined with reference to the price of similar products sold to Independent Third Parties and on terms no less favourable to the Group than terms available to Independent Third Parties.

Condition precedent

The Better Sourcing Agreement are subject to, if necessary, the approval by Independent Shareholders by poll at an extraordinary general meeting of the Company to be convened and held of an ordinary resolution to approve the Better Sourcing Transactions. If the condition has not been satisfied on or before 31 January 2010 or such later date as the parties may agree, the Better Sourcing Agreement shall cease and determine and neither party shall have any obligations and liabilities save for antecedent breaches of the terms thereof.

REASONS FOR THE BETTER SOURCING TRANSACTIONS

The Better Sourcing Agreement was entered into in the usual and ordinary course of business of the Group, was arrived at after arm's length negotiation between the parties with reference to the price of the products sold to Independent Third Parties, on normal commercial terms and on terms no less favourable to the Group than terms available from Independent Third Parties.

The Directors consider that the Better Sourcing Transactions will allow Better Sourcing to purchase products from KH Industries as opposed to other manufacturers, which will enhance the profitability of the Group.

As such, the Directors consider that the Better Sourcing Transactions (including the consideration payable thereunder) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Sanders is a director of Better Sourcing and is the beneficial owner of 44% of the issued share capital of Better Sourcing. Pursuant to Chapter 14A of the Listing Rules, Better Sourcing, being an associate of Mr. Sanders, is a connected person of the Company. As such, the Better Sourcing Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules which are subject to reporting, announcement and Independent Shareholders' approval requirements.

VI GENERAL

The Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules which are subject to reporting, announcement and Independent Shareholders' approval requirements.

Mr. Solly and his associates are required to abstain from voting for the relevant resolutions in the extraordinary general meeting of the Company to approve the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions. Mr. Sanders and his associates are required to abstain from voting for the relevant resolutions in the extraordinary general meeting of the Company to approve the Service Transactions and the Better Sourcing Transactions. As at the date of this announcement, Mr. Solly, Mr. Sanders and their respective associates are not interested in any Share.

The Independent Board Committee comprising Mr. Peng Guanghui, Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. Mohammed Ibrahim Munshi, all being the independent non-executive Directors, will be formed to advise the Shareholders as to the fairness and reasonableness of the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions. The 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 Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions, 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.

DEFINITIONS

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

“Administrative Agreement”	the agreement entered into between KH Industries and Toland on 21 October 2009 for the provision of a showroom with an area of approximately 100 square metres and the administrative services by KH Industries to Toland
“Administrative Transactions”	the transactions entered into between KH Industries and Toland for the provision of a showroom with an area of approximately 100 square metres and the administrative services by KH Industries to Toland
“associate”	has the meaning ascribed to it in the Listing Rules
“Better Sourcing”	Better Sourcing Worldwide Limited, an indirectly wholly-owned subsidiary of the Company
“Better Sourcing Agreement”	the agreement entered into between Better Sourcing and KH Industries on 21 October 2009 for the sale and purchase of toys and gifts items from time to time
“Better Sourcing Transactions”	the transactions entered into between KH Industries and Better Sourcing for the sale and purchase of toys and gifts products from time to time
“Board”	the board of Directors
“Company”	Kiu Hung Energy Holdings Limited, a company incorporated in the Cayman Islands and the Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“Independent Board Committee”	the independent committee of the Board, comprising the independent non-executive Directors Mr. Peng Guanghui, Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. Mohammed Ibrahim Munshi, formed for the purpose of advising Independent Shareholders in relation to the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions
“Independent Shareholders”	Shareholders which are not required to abstain from voting at the general meeting to approve a connected transaction
“Independent Third Parties”	third parties independent of the Company and its connected persons
“KH Industries”	Kiu Hung Industries Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Marketing Resource”	Marketing Resource Group, Inc., a company incorporated in the US with limited liability, and is a 50%-owned jointly controlled entity of the Company and an associate of Mr. Solly
“Marketing Resource Agreement”	the agreement entered into between Marketing Resource and Toland on 21 October 2009 for the sale and purchase of flags, home accessories, garden products and home decorative gifts from time to time
“Marketing Resource Transactions”	the transactions entered into between Toland and Marketing Resource for the sale and purchase of flags, home accessories, garden gifts and home decorative gifts products from time to time
“Miracles USA”	Miracles For Fun USA Inc., a US company which is beneficially owned by Mr. Sanders
“Mr. Sanders”	Mr. Gregg Sanders, a director of Better Sourcing who is interested in 44% of the issued share capital of Better Sourcing and is a connected person of the Company

“Mr. Solly”	Mr. Bruce Warren Solly, a director of Toland and Marketing Resource who is interested in 30% and 50% of the issued share capital of Toland and Marketing Resource respectively and is a connected person of the Company
“PRC”	the People’s Republic of China
“Service Agreement”	the agreement entered into between Miracles USA and Better Sourcing on 21 October 2009 for the provision of (i) marketing and promotion and (ii) research and development services by Miracles USA to Better Sourcing
“Service Transactions”	the transactions entered into between Miracles USA and Better Sourcing under the Service Agreement
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.02 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Toland”	Toland International Limited, a company incorporated in Hong Kong with limited liability, and is a 70% indirect non-wholly owned subsidiary of the Company and an associate of Mr. Solly
“Toland Agreement”	the agreement entered into between KH Industries and Toland on 21 October 2009 for the sale and purchase of flags, home accessories, garden products and home decorative gifts from time to time
“Toland Transactions”	the transactions entered into between KH Industries and Toland for the sale and purchase of flags, home accessories, garden gifts and home decorative gifts products from time to time
“US”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“US\$” United States dollars, the lawful currency of the US

“%” per cent.

Exchange rate used in this announcement between Hong Kong dollars and US dollars is HK\$7.7 = US\$1.

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

Hong Kong, 2 November 2009

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 four independent non-executive Directors, Mr. Peng Guanghui, Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. Mohammed Ibrahim Munshi.