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If you have sold or transferred all your shares in Kiu Hung Energy Holdings Limited (the “**Company**”), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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

**Independent financial adviser to the Independent Shareholders and
the Independent Board Committee**



A notice convening an extraordinary general meeting (the “**EGM**”) of the Company to be held on Monday, 21 December 2009 at 9:30 a.m. at Kellett Room 3, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong is set out on pages 40 to 43 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

23 November 2009

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“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 non-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
“Cinda International”	Cinda International Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions
“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

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened on Monday, 21 December 2009 at 9:30 a.m. for considering and, if though fit, approving, among other matters, the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions, the Better Sourcing Transactions and the transactions contemplated thereunder
“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
“Latest Practicable Date”	20 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 Toland and Marketing Resource on 21 October 2009 for the sale and purchase of flags, home accessories, garden products and home decorative gifts from time to time

DEFINITIONS

“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
“SFO”	Security Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“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

DEFINITIONS

“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 circular between Hong Kong dollars and US dollars is HK\$7.7 = US\$1.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Hui Kee Fung (*Chairman*)

Mr. Yu Won Kong, Dennis

Mr. Guo Tianjue

Mr. Lam Kit Sun

Independent non-executive Directors:

Mr. Peng Guanghui

Mr. Lam Siu Lun, Simon

Mr. Zhang Xianmin

Mr. Mohammed Ibrahim Munshi

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

14th Floor

Yale Industrial Centre

61-63 Au Pui Wan Street

Fo Tan, Shatin

Hong Kong

23 November 2009

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

(I) INTRODUCTION

On 2 November 2009, the Board announced that on 21 October 2009, Toland entered into the Toland Agreement with KH Industries, 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.

The Board announced that on 21 October 2009, Toland entered into an agreement with KH Industries 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.

LETTER FROM THE BOARD

The Board announced that on 21 October 2009, Marketing Resource entered into the Marketing Resource Agreement with Toland, which specified that Marketing Resource shall make purchases of flags, home accessories, garden products and home decorative gifts of not more than the annual cap of HK\$15 million from Toland during each of the three years ending 31 December 2011.

The Board announced that on 21 October 2009, Miracles USA entered into an agreement with Better Sourcing 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 Board also announced that on 21 October 2009, Better Sourcing entered into an agreement with KH Industries, which specified that Better Sourcing shall make purchases of toy and gift products of not more than the annual cap of HK\$15 million from KH Industries during each of the three years ending 31 December 2011.

The purpose of this circular is to provide you with details of the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions, the recommendation of the Independent Board Committee, the advice from Cinda International to the Independent Board Committee and the Independent Shareholders in relation to the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions and to provide you the notice of EGM.

(II) 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

(III) 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.

LETTER FROM THE BOARD

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.

(IV) 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.

LETTER FROM THE BOARD

The products to be purchased by Toland from KH Industries under the Toland Transactions and the products to be sold to Marketing Resource 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 Resource.

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.

LETTER FROM THE BOARD

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.

(V) 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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

(VI) THE BETTER SOURCING TRANSACTIONS

THE BETTER SOURCING AGREEMENT

Date: 21 October 2009

Parties: (1) Vendor : KH Industries, an indirect 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.

LETTER FROM THE BOARD

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.

(VII) 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, each of (i) the Toland Transactions; (ii) the Administrative Transactions when aggregated with the Toland Transactions and the Marketing Resource Transactions; and (iii) 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.

LETTER FROM THE BOARD

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.

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.

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 EGM 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 EGM to approve the Service Transactions and the Better Sourcing Transactions. As at the Latest Practicable Date, Mr. Solly, Mr. Sanders and their respective associates are not interested in any Share.

Pursuant to the Listing Rules, the resolutions proposed at the EGM will be taken by way of poll and an announcement will be made after the EGM on the results of the EGM.

(VIII) INDEPENDENT BOARD COMMITTEE

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, has been formed to advise the Independent 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. Cinda International has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

(IX) EGM

A notice convening the EGM to be held at Kellett Room 3, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Monday, 21 December 2009 at 9:30 a.m. is set out on pages 40 to 43 of this circular.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby its has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

(X) RECOMMENDATION

The Board considers that the terms of the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions as set out in the notice of EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 18 to 19 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions; and (ii) the letter from Cinda International, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from Cinda International is set out on pages 20 to 35 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of Cinda International, considers that the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions are entered into on normal commercial terms, and in the ordinary and usual course of business of the Group and that the terms of the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions are fair and reasonable and in the interests of the Group so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions.

(XI) GENERAL

Your attention is drawn to the general information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Kiu Hung Energy Holdings Limited
Hui Kee Fung
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

23 November 2009

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 23 November 2009 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you the terms of the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions whether such terms are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and how to vote on resolutions regarding the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions.

Cinda International has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Independent Shareholders as a whole and how to vote on resolutions regarding the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 20 to 35 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 17 of the Circular and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions and the advice of Cinda International, we are of the opinion that the terms of the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions.

Yours faithfully,

For and on behalf of
the Independent Board Committee of
Kiu Hung Energy Holdings Limited

Peng Guanghui

Independent non-executive Director

Zhang Xianmin

Independent non-executive Director

Lam Siu Lun, Simon

Independent non-executive Director

Mohammed Ibrahim Munshi

Independent non-executive Director

LETTER FROM CINDA INTERNATIONAL

The following is the text of a letter prepared by Cinda International for the purposes of inclusion in this circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions (including their respective annual caps).



信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

23 November 2009

*To the Independent Board Committee and the Independent Shareholders of
Kiu Hung Energy Holdings Limited*

Dear Sirs and Madams,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, the Service Transactions and the Better Sourcing Transactions (collectively, the “**Continuing Connected Transactions**”) and their respective annual caps for the three years ending 31 December 2011 for each of the said transactions, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 23 November 2009, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

On 2 November 2009, the Company announced, amongst other things, that (a) Toland entered into the Toland Agreement with KH Industries, an indirect wholly owned subsidiary of the Company, for the Toland Transactions on 21 October 2009 regarding the purchase of flags, home accessories, garden products and home decorative gifts by Toland from KH Industries; (b) Toland entered into the Administrative Agreement with KH Industries for the Administrative Transactions on 21 October 2009 regarding the provision of a showroom and the administrative services by KH Industries to Toland; (c) Marketing Resource entered into the Marketing Resource Agreement with Toland for the Marketing Resource Transactions on 21 October 2009 regarding the purchase of flags, home accessories, garden products and home decorative gifts by Marketing Resource from Toland; (d) Miracles USA entered into the Service Agreement with Better Sourcing, an indirect wholly owned subsidiary of the Company, for the Service Transactions on 21 October 2009 regarding the provision of (i) marketing and promotion and (ii) research and development of toys and gifts products by Miracles USA to Better Sourcing; and (e) Better Sourcing entered into the Better Sourcing Transactions with KH Industries for the Better Sourcing Transactions on 21 October 2009 regarding the purchase of toy and gift products by Better Sourcing from KH Industries.

LETTER FROM CINDA INTERNATIONAL

Toland is beneficially owned as to 30% by Mr. Solly, who is also a director of Toland, and indirectly owned as to 70% by the Company. Pursuant to Chapter 14A of the Listing Rules, Toland, being an associate of Mr. Solly, is a connected person of the Company. Marketing Resource is beneficially owned as to 50% by Mr. Solly, who is also a director of Marketing Resource, and indirectly owned as to 50% by the Company. Pursuant to Chapter 14A of the Listing Rules, Marketing Resource, being an associate of Mr. Solly, is a connected person of the Company. Better Sourcing is beneficially owned as to 44% by Mr. Sanders, who is also a director of Better Sourcing and the beneficial owner of Miracles USA, and indirectly owned as to 56% by the Company. 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 Continuing Connected Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules.

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 Latest Practicable Date, Mr. Solly, Mr. Sanders and their respective associates are not interested in any Shares.

The Independent Board Committee comprising Mr. Peng Guanghui, Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. Mohammed Ibrahim Munshi, all being independent non-executive Directors, has been formed to advise the Independent Shareholders as to (i) whether the Continuing Connected Transactions (and their respective annual caps) are in the ordinary and usual course of business of the Company and on normal commercial terms; and (ii) whether their respective terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

LETTER FROM CINDA INTERNATIONAL

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial position or the future prospects of the Group and the parties involved in the Toland Agreement, the Administrative Agreement, the Marketing Resource Agreement, the Service Agreement and the Better Sourcing Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions (including their respective annual caps), we have taken the following principal factors and reasons into consideration:

Information on the Group

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

Set out below is the summary of the financial highlights for the six months ended 30 June 2009 as extracted from the Group's interim report 2009 (the "2009 Interim Report"):

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover	50,664	63,006
Gross profit	17,268	24,062
Loss attributable to equity holders	17,807	3,536

LETTER FROM CINDA INTERNATIONAL

	As at 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total assets	896,927	876,764
Total liabilities	461,697	423,931
Net assets	435,230	452,833

As illustrated above, the Group recorded a turnover of approximately HK\$50.7 million for the six month ended 30 June 2009, representing an approximately 20% decrease when compared with the turnover of approximately HK\$63.0 million recorded during the six months ended 30 June 2008. Gross profit margin also decreased from approximately 38.2% for the first half of 2008 to approximately 34.1% for the first half of 2009. As stated in the 2009 Interim Report, the decrease in turnover and gross profit margin is a direct result of the economic downturn caused by the recent global economic crisis. As at 30 June 2009, the total assets of the Group amounted to approximately HK\$896.9 million and the total liabilities of the Group amounted to approximately HK\$461.7 million. We note from the 2009 Interim Report that the unaudited consolidated turnover of approximately HK\$50.7 million for the six months ended 2009 was all generated from the toys and gifts business segment of the Group.

(I) The Toland Transactions

1. Background and reasons for the Toland Transactions

KH Industries, an indirect wholly owned subsidiary of the Company, is principally engaged in the trading of toys and gift items. Toland, an indirect non-wholly owned subsidiary of the Company, is principally engaged in the trading of flags, home accessories, garden gifts and home decorative gifts products. As advised by the Company, Toland (a company beneficially owned as to 30% by Mr. Solly and indirectly owned as to 70% by the Group) which is incorporated and located in Hong Kong is responsible for handling the overseas sales orders from Marketing Resource.

On 21 October 2009, Toland entered into the Toland Agreement with KH Industries 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.

As stated in the Letter from the Board, the Toland Agreement was entered into 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. Furthermore, 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.

LETTER FROM CINDA INTERNATIONAL

Taken into account that (i) the transactions under the Toland Agreement are in line with the principal business of the Company; and (ii) the entering into the Toland Agreement can enhance the profitability of the Group, we concur with the view of the Directors that the entering to the Toland Agreement is in the ordinary and usual course of business of the Group and is in the interest of the Group and the Shareholders as a whole.

2. *Principal terms of the Toland Transactions*

As stated in the Letter from the Board, 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. For reference purpose, we have requested the Company to provide a list of orders regarding sales of flags, home accessories, garden gifts and home decorative gifts products in the recent two years, and we have reviewed more than 6 sample sales invoices randomly selected under following criteria: (i) sales of similar products by the Group to Independent Third Parties in 2008 and 2009; and (ii) sales of similar products by the Group to Toland under the Toland Agreement in 2008 and 2009. We noted from the sample invoices that the selling prices of similar products sold to Toland were generally comparable with those offered to the Independent Third Parties for the financial year 2008 and up to the Latest Practicable Date. Accordingly, we consider that the Toland Agreement is on normal commercial terms and on terms no less favourable to the Group than terms available from Independent Third Parties.

In addition, we have also reviewed the Toland Agreement and sample contracts of similar sales transactions entered into between KH Industries and Toland and Independent Third Parties respectively and noted that the credit terms offered by KH Industries to Toland and the Independent Third Parties are similar. Furthermore, we noted from the Letter from the Board that the Toland Agreement was negotiated on arm's length basis under normal commercial terms. Having considered the above factors and reasons, we consider that the terms of the Toland Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. *Annual cap of the Toland Transactions*

As set out in the Letter from the Board, the annual cap of the Toland Transactions for each of the three years ending 31 December 2011 is HK\$15 million pursuant to the Toland Agreement.

Set out below are the actual amount in respect of the products under the Toland Agreement that KH Industries has sold to Toland for the two years ended 31 December 2008 and the nine months ended 30 September 2009:

	For the financial year ended		For the nine months ended
	31 December 2007	31 December 2008	30 September 2009
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Actual amount (Approximate)	3,600,000	11,300,000	5,400,000

LETTER FROM CINDA INTERNATIONAL

In assessing the fairness and reasonableness of the proposed annual cap under the Toland Agreement, we have discussed with the management of the Company and understood that the proposed annual caps of HK\$15 million for the three years ending 31 December 2011 have been determined based on: (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.

In this regard, we have reviewed the management's projections for the sales to Toland for the three years ending 31 December 2011 and we are advised that the projected sales to be made by the customers of Toland (including Marketing Resources) will gradually increase from approximately HK\$14.6 million in 2009 to approximately HK\$28.2 million in 2011 which are determined principally based on:

- (i) the historical transactions amounts in respect of the products sold to Toland for the two years ended 31 December 2008 and the nine months ended 30 September 2009;
- (ii) the historical annual sales made by Toland to Marketing Resource of approximately HK\$1.1 million, HK\$6.7 million and HK\$7.2 million for the three years ended 2008 respectively;
- (iii) the expected increase of purchase from Marketing Resource which accounts for an average of approximately 46% of the total sales of Toland for the three years ending 31 December 2011;
- (iv) the expected business growth of the Group for the three years ending 31 December 2011 as a result of the anticipated recovery and improvement of the global and the US economy; and
- (v) the expected increase in sales from new customers of Toland and Marketing Resource.

We noted that the historical transactions amounts in respect of the products sold by the Group to Toland has increased over 200% from approximately HK\$3.6 million for the year ended 31 December 2007 to approximately HK\$11.3 million for the year ended 31 December 2008, and the historical annual sales made by Toland to Marketing Resource for the three years ended 31 December 2008 represents a compound annual growth rate of approximately 256%. The management believes that the decrease in sales to Toland in 2009 and the sales made by Toland to Marketing Resource grew slow for 2008 were mainly due to the global economic crisis. As the world economic recovery taking place, the management estimated that the growth rate of the sales of Marketing Resource will pick up and the purchase made by Marketing Resource from Toland will increase from approximately HK\$7 million from 2009 to approximately HK\$13.5 million in 2011, representing a compound annual growth rate of approximately 39%. The management believes such estimated growth rate of approximately 39% is prudent as compared with the historical annual growth rate of approximately 256% during the period from 2006 to 2008.

LETTER FROM CINDA INTERNATIONAL

Having considered that the proposed annual caps are determined with reference to (i) the historical transactions amounts in respect of the products sold by the Group to Toland for the two years ended 31 December 2008 and the nine months ended 30 September 2009; (ii) the historical annual sales made by Toland to Marketing Resource of approximately HK\$1.1 million, HK\$6.7 million and HK\$7.2 million for the three years ended 2008 respectively, which represents a compound annual growth rate of approximately 256%; and (iii) the expected increase in purchase from Toland and Marketing Resource which have taken into account of the anticipated recovery of the global economy, the business growth of the Group and sales from new customers of Toland and Marketing Resource, we are of the view that the basis for determining the annual caps under the Toland Agreement for the three years ending 31 December 2011 are fair and reasonable so far as the Company and the Independent Shareholders are concerned. In addition, such continuing connected transactions under the Toland Agreement are subject to annual review by the independent non-executive Directors and the Company's auditors, and we consider such annual review shall further safeguard the interests of the Independent Shareholders.

(II) The Administrative Transactions

1. Background and reasons for the Administrative Transactions

Toland entered into the Administrative Agreement with KH Industries, an indirectly wholly-owned subsidiary of the Company, 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. The administrative services provided by KH Industries to Toland under the Administrative Agreement include the handling of sales and purchase orders, bookkeeping and accounting service and the handling of other miscellaneous administrative works.

As stated in the Letter from the Board, 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.

Taken into account that (i) as Toland is a 70% indirectly non-wholly owned subsidiary of the Company which is intended to be used by the Group for handling the overseas orders from Marketing Resource in Hong Kong as mentioned above; and (ii) the entering into the Administrative Agreement can facilitate the management of Toland by the Group, we consider that the entering into of the Administrative Agreement is reasonable, in the ordinary and usual course of business of the Group and in the interest of the Group and the Shareholders as a whole.

LETTER FROM CINDA INTERNATIONAL

2. *Annual cap of the Administrative Transactions*

As set out in the Letter from the Board, the consideration for the Administrative Transactions amounted to US\$6,000 (equivalent to approximately HK\$46,000) per month pursuant to the Administrative Agreement. 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. As advised by the Directors, the consideration was arrived at after arm's length negotiation between the parties with reference to the costs to be incurred by KH Industries in (i) the provision of administrative services which comprised of the remuneration of two supporting staff estimated by the Group of approximately HK\$29,000 per month and (ii) the market rental value of a similar area in Fo Tan of approximately HK\$9,000 per month. Accordingly, the Directors consider that the monthly administration fee of HK\$46,000 charged to Toland is fair and reasonable as compared with the total costs of approximately HK\$38,000 (i.e. HK\$9,000 + HK\$29,000) incurred by KH Industries.

We have reviewed the past rental transaction records released from Centaline (C.I.S.) Property Agency (中原(工商舖)) (www.centaline-cis.com) in October 2009 and found that the average rental prices of the industrial & office premises in Fo Tan, Shatin, Hong Kong was approximately HK\$90 per square metre. Based on the average rental price of the industrial & office premises in Fo Tan from Centraline (C.I.S.) Property Agency in October 2009, we noted that the monthly rental price of the showroom provided by KH Industries to Toland for the three years ending 31 December 2011 is approximately the same as the average rental price of a similar area in Fo Tan from Centraline (C.I.S.) Property Agency. In view of the above, we are of the view that the monthly rental amount payable by Toland to KH Industries is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Taken into account that the market rental value of a similar area in Fo Tan and the estimated costs to be incurred by KH Industries in the provision of administrative services to Toland, we consider that the Administrative Transactions (including the annual caps) is on normal commercial terms and fair and reasonable.

(III) The Marketing Resource Transactions

1. *Background and reasons for the Marketing Resource Transactions*

Marketing Resource, a 50% owned jointly controlled entity of the Company and an associate of Mr. Solly, is principally engaged in the trading flags, home accessories, garden gifts and home decorative gifts products.

On 21 October 2009, Marketing Resource entered into the Marketing Resource Agreement with Toland for a term of three years from 1 January 2009 to 31 December 2011, which specified that Marketing Resource shall make annual purchases of flags, home accessories, garden products and home decorative gifts of not more than HK\$15 million from Toland for each of the three years ending 31 December 2011.

LETTER FROM CINDA INTERNATIONAL

With reference to the Letter from the Board, the products to be purchased by Toland from KH Industries under the Toland Transactions and the products to be sold to Marketing Resource by Toland under the Marketing Resource Transactions are the same type of products. As Toland is situated in Hong Kong and mainly specialized in the sales of flags and garden products, the Directors consider that it 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 Resource. As advised by the Company, KH Industries does not have customer base for the flags and garden products in overseas market and the Directors expect that a majority part of the products to be sold by Toland to Marketing Resource will be purchased from KH Industries.

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 advised by the Company, the Group cooperated with Mr. Solly for the establishment of Marketing Resource, a company incorporated in the US, with the purpose of providing a platform for the Group to tap the US market for the sale of flags and garden products. It is also the mutual intention of the Group and Mr. Solly that Marketing Resource shall act as marketing and product development agent of the Group's flags and garden products business. Mr. Solly has substantive experience and network in the US market in the flags and garden products field. As such, the Company believes that Marketing Resource would be able to leverage on Mr. Solly's experience and customer network in the US market for the sale of the Group's flags and garden products. As advised by the Company, the existing potential customers of Marketing Resource are mainly solicited by Mr. Solly and the sales team of Marketing Resource in the US. Moreover, through Toland, the Group can obtain more market information and better understand the market conditions and customers' needs in overseas regions which can help to increase the competitive edge of the Group.

Taken into consideration that (i) KH Industries does not have customer base for the flags and garden products in overseas market including the US; (ii) Toland is mainly specialized in the sales of flags and garden products and is responsible for handling the overseas sales orders from Marketing Resource; and (iii) the sales and marketing capability of Marketing Resource which is essential for the Group in exploring the US market and Marketing Resource is a 50%-owned jointly controlled entity of the Group, we are of the opinion that the arrangement in which the Group through Toland sells its product to Marketing Resource is commercially justifiable.

According to Hong Kong Trade Development Council, the US was the largest market for Hong Kong's giftware exporters in 2007, amounted to approximately 33% of the entire Hong Kong export market in giftware products, followed by European Union and Japan. Moreover, the US market ranked 2nd largest market for Hong Kong's giftware exporters in 2008 which accounted for approximately 29.6% of Hong Kong's total giftware exporters to the world, and it was slightly behind the European Union market which accounted for approximately 29.9% of Hong Kong's total giftware exporters to the world. Taking into account that the business

LETTER FROM CINDA INTERNATIONAL

opportunity in the US giftware market, we are of the view that the Marketing Resource Transactions would facilitate the sale of the Group's flags and garden products in the US market, and hence enhancing the profitability of the Group. Based on the above, we consider that the Marketing Resources Transactions is in the usual and ordinary course of business of the Group and in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the Marketing Resource Transactions

As stated in the Letter from the Board, the price of the products for the Marketing Resource Transactions will be higher than the price of the products for the Toland Transactions. We understand from the management of the Company that the higher price of the products for the Marketing Resource Transactions as compared to the price of the products under the Toland Transactions, to certain extent, represents (i) the relevant administrative and transportation costs incurred by Toland; and (ii) a slight markup as revenue of Toland during the sales transactions under the Marketing Resource Agreement. We also noted that KH Industries, Toland and Marketing Resource are worked as a partnership where KH Industries principally responsible for supplying of the products; Toland principally responsible for trading of the products to overseas customers; and Marketing Resource is a major customer of Toland and also served as an marketing agent to promote the Group's products in overseas market, in particular, North America. Considering the trading business nature of Toland and its middleman's role between KH Industries and other customers (including Marketing Resource), we consider the price difference between the Toland Transactions and the Marketing Resource Transactions is reasonable. In addition, as advised by the Company, although the price of the products for the Marketing Resource Transactions is 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. Similar to the Toland Transactions, for reference purpose, we have also randomly selected from the order list of the Group and reviewed more than 3 sample invoices in relation to (i) sales of similar products by the Group to Independent Third Parties in 2008 and 2009; (ii) and sales of similar products by the Group to Marketing Resource under the Marketing Resource Agreement in 2008 and 2009. We noted that from the sample invoices that those transactions conducted with Marketing Resource and with Independent Third Parties were made at comparable prices. Furthermore, we have also reviewed the credit terms of the Group between Toland and Marketing Resource and Independent Third Parties respectively and noted that the credit terms offered by Toland to Marketing Resource and the Independent Third Parties are similar. In light of the above, we are of the view that the Marketing Resource Agreement is on normal commercial terms and on terms no less favourable to the Group than terms available from Independent Third Parties.

LETTER FROM CINDA INTERNATIONAL

3. Annual cap of the Marketing Resource Transactions

As set out in the Letter from the Board, the annual cap of the Marketing Resource Transactions for each of the three years ending 31 December 2011 is HK\$15 million pursuant to the Marketing Resource Agreement.

Set out below are the actual amount in respect of the products under the Marketing Resource Agreement that Toland has sold to Marketing Resource for the two years ended 31 December 2008 and the nine months ended 30 September 2009:

	For the financial year ended		For the nine months ended
	31 December 2007	31 December 2008	30 September 2009
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Actual amount (Approximate)	6,700,000	7,200,000	3,700,000

In assessing the fairness and reasonableness of the proposed annual cap under the Marketing Resource Agreement, we have discussed with the management of the Company and understood that in arriving the annual cap of the Marketing Resource Transactions, they have taken into consideration: (i) the future business prospect of Marketing Resource; and (ii) the potential orders to be placed 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.

As mentioned above under the section “Annual cap of the Toland Transactions”, it states that the annual sales made by Toland to Marketing Resource for the three years ended 31 December 2008 recorded a compound annual growth rate of approximately 256%. As the world economic recovery taking place, the management estimated that the growth rate of the sales of Marketing Resource will pick up and the purchase made by Marketing Resource from Toland will increase from approximately HK\$7 million from 2009 to approximately HK\$13.5 million in 2011, representing a compound annual growth rate of approximately 39%. The management believes such estimated growth rate of approximately 39% is prudent as compared with the historical annual growth rate of approximately 256% during the period from 2006 to 2008.

Taking into account that (i) the expected compound annual growth rate of approximately 39% for the three years ending 31 December 2011; (ii) the historical compound annual growth rate of approximately 256% for the three years ended 31 December 2008; and (iii) the expected increase in purchase from Marketing Resource which have taken into account of the anticipated recovery of the US economy and potential sales from new customers of Marketing Resource, we are of the view that the basis for determining the annual caps under the Marketing Resource Agreement for the three years ending 31 December 2011 are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM CINDA INTERNATIONAL

(IV) The Service Transactions

1. Background and reasons for the Service Transactions

Better Sourcing, an indirect non-wholly owned subsidiary of the Company, is principally engaged in the trading of toys and gift items. Miracles USA, a US company which is beneficially owned by Mr. Sanders, 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.

On 21 October 2009, Miracles USA entered into the Service Agreement with Better Sourcing, 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.

As set out in the Letter from the Board, 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 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 advised by the Company, 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.

Taken into account that (i) the transaction under the Service Agreement is in line with the principal business of the Company; (ii) Mr. Sanders' knowledge and experience in the marketing, research and development of toys and gift products to overseas customers; (iii) the entering into the Service Agreement would facilitate the (a) marketing and promotion and (b) research and development of the products of Better Sourcing and hence to increase its revenue and profitability of the Group through the introduction of new inflatable toy products in the coming years as mentioned below; and (iv) the Group can obtain more market and research information, better understand the customers' needs and relevant technologies in overseas regions through Miracles USA, which could assist the Group to increase its competitive edges, we therefore concur with the view of the Directors that the entering to the Service Agreement is in the ordinary and usual course of business of the Group, and the arrangements between Miracles USA and Better Sourcing is commercially justifiable and in the interest of the Group and the Shareholders as a whole.

LETTER FROM CINDA INTERNATIONAL

2. *Annual cap of the Service Transactions*

With reference to the Letter from the Board, 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. 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.

We note that the proposed annual cap for the Service Transactions for the three years ending 31 December 2011 remains steady at US\$24,000 (equivalent to approximately HK\$1.9 million). We understand from the Company that the proposed annual cap is determined primarily based on (i) the estimated amount of services to be provided by Miracles USA during the first nine months ended 30 September 2009 and (ii) the maximum amount of US\$20,000 (equivalent to approximately HK\$156,000) monthly fee payable under the Service Agreement. The total amount payable by Better Sourcing to Miracles USA is approximately US\$109,000 (equivalent to approximately HK\$850,000) during the period from 1 January to 30 September 2009.

As disclosed in the section under “Annual cap of the Better Sourcing Transactions” below, the management of the Company estimated that the projected sales to be made by Better Sourcing will increase from approximately HK\$4.7 million in 2008 to approximately HK\$16.2 million in 2009 mainly due to the introduction of new inflatable toy products. Moreover, it will further increase the annual sales to approximately HK\$27.5 million in 2011 due to the introduction of other different types of toys products to the market. Accordingly, under reasonable estimation, it is expected that the amount of monthly service fee payable by Better Sourcing to Miracles USA may increase proportionately for the three years ending 31 December 2011.

In view of the above, we are of the view that the basis for determining the annual caps under the Service Agreement for the three years ending 31 December 2011 are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(V) The Better Sourcing Transactions

1. *Background and reasons for the Better Sourcing Transactions*

On 21 October 2009, Better Sourcing entered into an agreement with KH Industries, an indirect wholly owned subsidiary of the Company, 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.

LETTER FROM CINDA INTERNATIONAL

As stated in the Letter from the Board, the Better Sourcing Agreement was entered into 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. Furthermore, 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.

Taken into account that (i) the transactions under the Better Sourcing Agreement are in line with the principal business of the Company; and (ii) the entering into the Better Sourcing Agreement can enhance the profitability of the Group, we concur with the view of the Directors that the entering to the Better Sourcing Agreement is in the ordinary and usual course of business of the Group and is in the interest of the Group and the Shareholders as a whole.

2. Principal terms of the Better Sourcing Transactions

As stated in the Letter from the Board, the price of the products for the Better Sourcing 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. For reference purpose, we have randomly selected from the order list of the Group and reviewed more than 4 sample sales invoices in relation to (i) sales of similar products by the Group to Independent Third Parties in 2008 and 2009; and (ii) sales of similar products by the Group to Better Sourcing under the Better Sourcing Agreement in 2008 and 2009. We noted from the sample invoices that the selling prices of similar products sold to Better Sourcing were generally comparable with those offered to the Independent Third Parties for the financial year 2008 and up to the Latest Practicable Date. Accordingly, we consider that the Better Sourcing Agreement is on normal commercial terms and on terms no less favourable to the Group than terms available from Independent Third Parties.

In addition, we have also reviewed the Better Sourcing Agreement and sample contracts of similar sales transactions entered into between KH Industries and Better Sourcing and Independent Third Parties respectively and noted that the credit terms offered by KH Industries to Better Sourcing and the Independent Third Parties are similar. Furthermore, we noted from the Letter from the Board that the Better Sourcing Agreement was negotiated on arm's length basis under normal commercial terms. Having considered the above factors and reasons, we consider that the terms of the Better Sourcing Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Annual cap of the Better Sourcing Transactions

As set out in the Letter from the Board, the annual cap of the Better Sourcing Transactions for each of the three years ending 31 December 2011 is HK\$15 million pursuant to the Better Sourcing Agreement.

LETTER FROM CINDA INTERNATIONAL

Set out below are the actual amount in respect of the products under the Better Sourcing Agreement that KH Industries has sold to Better Sourcing for the two years ended 31 December 2008 and the nine months ended 30 September 2009:

	For the financial year ended		For the nine months ended
	31 December 2007	31 December 2008	30 September 2009
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Actual amount (Approximate)	4,900,000	3,500,000	4,900,000

In assessing the fairness and reasonableness of the proposed annual cap under the Better Sourcing Agreement, we have discussed with the management of the Company and understood that in arriving the annual cap of the Better Sourcing Transactions, they have taken into consideration: (i) the future business prospect of Better Sourcing; and (ii) the potential orders to be placed 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.

We understand from the management of the Company that the projected sales to be made by Better Sourcing will increase from approximately HK\$4.7 million in 2008 to approximately HK\$16.2 million in 2009 primarily due to the introduction of the new inflatable toy products that will be sold to a major customer, which accounts for approximately 65% of the total sales of Better Sourcing for the three years ending 31 December 2011. The management of the Company estimated that the sales of the inflatable toy products will further increase the annual sales to approximately HK\$23 million in 2010 and approximately HK\$27.5 million in 2011 due to the introduction of other different types of inflatable toy products to the market.

We also noted from the management of the Company that the percentage of purchase that Better Sourcing made from KH Industries for the nine months ended 30 September 2009 was approximately 36% and will further increase to approximately 43% for the year 2009. Moreover, the production of the abovementioned inflatable toy products is currently manufactured by third party factories. The management estimated that the percentage of purchase made by Better Sourcing from KH Industries will gradually increase from approximately 43% in 2009 to approximately 55% in 2011 as the Company will gradually shift the production of such inflatable toy products from third party factories to the factories operated by the Group.

In view of the above, we are of the view that the bases for determining the annual caps under the Better Sourcing Agreement for the three years ending 31 December 2011 are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM CINDA INTERNATIONAL

RECOMMENDATIONS

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the Continuing Connected Transactions (including their respective annual caps) are in the interests of the Company and the Shareholders as a whole, in the ordinary course of business of the Group and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Continuing Connected Transaction.

Yours faithfully,
For and on behalf of
Cinda International Capital Limited
Robert Siu
Executive Director

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests of the Directors and their associates in the Shares and underlying shares and debenture of the Company and its associated corporation as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of Director	Number or attributable	Interest of corporation	Capacity		Approximate percentage or attributable percentage of shareholdings (%)
	number of Shares held or short positions		Family interest	Beneficial owner	
Yu Won Kong, Dennis (Note 1)	1,637,421,872 (L)	1,157,921,872 (L)	14,500,000 (L)	465,000,000 (L)	38.82%
Hui Kee Fung (Note 2)	767,500,000 (L)	767,500,000 (L)	-	-	18.20%
Lam Siu Lun, Simon	6,000,000 (L)	-	-	6,000,000 (L)	0.14%
Zhang Xianmin	6,000,000 (L)	-	-	6,000,000 (L)	0.14%
Mohammed Ibrahim Munshi	6,000,000 (L)	-	-	6,000,000 (L)	0.14%

L: Long positions

Notes:

- The entire issued share capital of Gold Dynasty Investments Limited is beneficially owned as to 45% by Top Advance Group Limited. The entire issued share capital of Top Advance Group Limited is beneficially owned as to 50% by Strong Choice Investments (Holdings) Ltd., the entire issued share capital of which is beneficially owned by Yu Won Kong, Dennis.

2. Legend Win Profits Limited is a company incorporated in the British Virgin Islands. 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.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

Mr. Hui Kee Fung, an executive Director and chairman of the Board, has entered into a service agreement with the Company for an initial term of three years from 1 July 2009 renewable automatically for successive term of one year.

Save as disclosed above, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation) as at the Latest Practicable Date.

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or, any other conflicts of interest within the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Board confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2008 (being the date to which the latest published audited consolidated accounts of the Group were made up).

6. EXPERT AND CONSENT

The following are the qualification of the expert who have given opinions or advice which are contained in this circular:

Name	Qualifications
Cinda International	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO

Cinda International has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which it appears as at the Latest Practicable Date.

As at the Latest Practicable Date, Cinda International does not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Cinda International and the Directors does not have any direct or indirect interests in any assets which had been since 31 December 2008, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, any members of the Group.

7. MISCELLANEOUS

- (a) There is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.
- (b) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (c) The head office and principal place of business of the Company in Hong Kong is located at 14th Floor, Yale Industrial Centre, 61-63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong.
- (d) The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Cayman) Limited, Butterfield House, 68 Fort Street, P.O. Box 705, George Town, Grand Cayman, KY1-1107, Cayman Islands.
- (e) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- (f) The secretary of the Company is Mr. Chan Kwok Yuen, Elvis until 23 November 2009. With effect from 23 November 2009, Mr. Lam Kit Sun will be the secretary of the Company.
- (g) The English test of this circular shall prevail over their respective Chinese texts in case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at 14th Floor, Yale Industrial Centre, 61-63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the Toland Agreement;
- (c) the Administrative Agreement;
- (d) the Marketing Resource Agreement;
- (e) the Service Agreement;
- (f) the Better Sourcing Agreement;
- (g) the service contract referred to in the paragraph headed “Directors service contracts” in this appendix;
- (h) the letter from the Independent Board Committee, the text of which is set out on pages 18 to 19 in this circular; and
- (i) the letter from Cinda International to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 to 35 in this circular.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Kiu Hung Energy Holdings Limited (the “**Company**”) will be held at Kellett Room 3, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Monday, 21 December 2009 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the agreement (the “**Toland Agreement**”) (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) dated 21 October 2009 and entered into between Kiu Hung Industries Limited (“**KH Industries**”) and Toland International Limited (“**Toland**”) in relation to the sale and purchase of flags, home accessories, garden products and home decorative gifts from time to time and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the annual caps for the three years ending 31 December 2011 in relation to the sale of flags, home accessories, garden products and home decorative gifts by KH Industries to Toland as more particularly set out in the circular (the “**Circular**”) of the Company dated 23 November 2009 (a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) be and are hereby approved; and
- (c) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Toland Agreement and the transactions contemplated thereunder.”

NOTICE OF EGM

2. **“THAT**

- (a) the agreement (the **“Administrative Agreement”**) (a copy of which has been produced to the EGM marked “C” and signed by the chairman of the EGM for the purpose of identification) dated 21 October 2009 and entered into between KH Industries and Toland in relation to the provision of a showroom with an area of approximately 100 square metres and the administrative services by KH Industries to Toland and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the annual caps for the three years ending 31 December 2011 in relation to the provision of a showroom with an area of approximately 100 square metres and the administrative services by KH Industries to Toland as more particularly set out in the Circular be and are hereby approved; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Administrative Agreement and the transactions contemplated thereunder.”

3. **“THAT**

- (a) the agreement (the **“Marketing Resource Agreement”**) (a copy of which has been produced to the EGM marked “D” and signed by the chairman of the EGM for the purpose of identification) dated 21 October 2009 and entered into between Toland and Marketing Resource Group, Inc. (**“Marketing Resource”**) in relation to the sale and purchase of flags, home accessories, garden products and home decorative gifts from time to time and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the annual caps for the three years ending 31 December 2011 in relation to the sale of flags, home accessories, garden products and home decorative gifts by Toland to Marketing Resource as more particularly set out in the Circular be and are hereby approved; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Marketing Resource Agreement and the transactions contemplated thereunder.”

NOTICE OF EGM

4. **“THAT**

- (a) the agreement (the **“Service Agreement”**) (a copy of which has been produced to the EGM marked “E” and signed by the chairman of the EGM for the purpose of identification) dated 21 October 2009 and entered into between Miracles For Fun USA Inc. (**“Miracles USA”**) and Better Sourcing Worldwide Limited (**“Better Sourcing”**) in relation to the provision of (i) marketing and promotion and (ii) research and development services by Miracles USA to Better Sourcing and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the annual caps for the three years ending 31 December 2011 in relation to the provision of (i) marketing and promotion and (ii) research and development services by Miracles USA to Better Sourcing as more particularly set out in the Circular be and are hereby approved; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Service Agreement and the transactions contemplated thereunder.”

5. **“THAT**

- (a) the agreement (the **“Better Sourcing Agreement”**) (a copy of which has been produced to the EGM marked “F” and signed by the chairman of the EGM for the purpose of identification) dated 21 October 2009 and entered into between Better Sourcing and KH Industries in relation to the sale and purchase of toys and gifts items from time to time and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the annual caps for the three years ending 31 December 2011 in relation to the sale of toys and gifts by KH Industries to Better Sourcing as more particularly set out in the Circular be and are hereby approved; and

NOTICE OF EGM

- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Better Sourcing Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 23 November 2009

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*
14th Floor
Yale Industrial Centre
61-63 Au Pui Wan Street
Fo Tan, Shatin
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.