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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Kiu Hung Energy Holdings Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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)

- (1) REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES;  
(2) REFRESHMENT OF SCHEME MANDATE LIMIT; AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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A letter from the Independent Board Committee is set out on page 12 of this circular. A letter from VC Capital Limited is set out on pages 13 to 20 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 30th Floor, 30 Queen's Road Central, Hong Kong on Monday, 15 March 2010 at 9:30 a.m. is set out on pages 21 to 24 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch registrar of the Company, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

23 February 2010

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## DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 30 June 2009 for the Shareholders to approve the Current General Mandate
“Articles” or “Articles of Association”	the articles of association of the Company
“associates”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors from time to time
“Company”	Kiu Hung Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Current General Mandate”	the general mandate approved at the AGM authorising the Directors to allot and issue Shares of up to 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution
“Directors”	the directors of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be convened and held on Monday, 15 March 2010 at 9:30 a.m. to consider and, if thought fit, to approve, among other things, the New General Mandate and the Refreshment of Scheme Mandate Limit
“Eligible Participant(s)”	means: <ul style="list-style-type: none"><li>(i) any employee or proposed employee (whether full time or part time) of the Company, any of its subsidiaries or any Invested Entity, including any executive director of the Company, any of such subsidiaries or any Invested Entity; or</li><li>(ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; or</li><li>(iii) any supplier of goods or services to any member of the Group or any Invested Entity; or</li></ul>

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## DEFINITIONS

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	(iv) any customer of the Group or any Invested Entity; or
	(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; or
	(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity
“Group”	the Company and all of its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the granting and extension of the New General Mandate, the voting at the EGM and whether the granting and extension of the New General Mandate are in the interests of the Company and the Shareholders as a whole
“Independent Shareholder(s)”	Shareholder(s) other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Invested Entity”	any entity in which any member of the Group holds any equity interest
“Latest Practicable Date”	18 February 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New General Mandate”	the general mandate proposed to be granted to the Directors at the EGM to allot, issue and otherwise deal with additional Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM and any additional Shares repurchased by the Company pursuant to the general repurchase mandate granted to the Directors at the AGM
“Options”	the options granted under the Share Option Scheme to subscribe for Shares in accordance with the Share Option Scheme

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## DEFINITIONS

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“Refreshment of Scheme Mandate Limit”	the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme
“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon the exercise of all Options which initially shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme and thereafter, if refreshed, shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	the share option scheme of the Company adopted pursuant to an ordinary resolution of the Company passed on 28 May 2002 replacing the Terminated Scheme
“Share(s)”	ordinary share(s) of par value of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Terminated Scheme”	the share option scheme of the Company adopted pursuant to an ordinary resolution in writing passed by all shareholders of the Company on 19 December 2000 and terminated by an ordinary resolution of the Company passed on 28 May 2002
“VC Capital”	VC Capital Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the grant of the New General Mandate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Hui Kee Fung (*Chairman*)  
Mr. Yu Won Kong, Dennis (*Chief Executive Officer*)  
Mr. Guo Tianjue  
Mr. Lam Kit Sun

*Independent non-executive Directors:*

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 February 2010

*To the Shareholders and, for information  
only, the holders of the Options*

Dear Sir or Madam,

- (1) REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES;  
(2) REFRESHMENT OF SCHEME MANDATE LIMIT; AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The Board proposes to refresh (i) the general mandate to allot and issue Shares and (ii) the Scheme Mandate Limit so that the total number of Shares which may be allotted and issued upon the exercise of all Options to be granted under the Share Option Scheme or any other share option schemes of the Company on or after the date of the EGM will not exceed 10% of the issued share capital of the Company as at the date of passing of the resolutions approving the New General Mandate and the Refreshment of Scheme Mandate Limit.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with the information relating to (i) the proposed granting and extension of the New General Mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders on the proposed granting and extension of the New General Mandate; (iii) the recommendation from VC Capital to the Independent Board Committee and the Independent Shareholders on the proposed granting and extension of the New General Mandate; (iv) the Refreshment of Scheme Mandate Limit; and (v) the notice of the EGM at which the necessary ordinary resolutions will be proposed to consider and, if thought fit, to approve the granting and extension of the New General Mandate and Refreshment of Scheme Mandate Limit.

### **CURRENT GENERAL MANDATE**

At the AGM, the Shareholders approved, among other things, an ordinary resolution for granting to the Directors the Current General Mandate to allot and issue not more than 823,151,960 Shares, being 20% of the entire issued share capital of the Company of 4,115,759,800 Shares as at the date of passing of the resolution. During the period from the granting of the Current General Mandate to the Latest Practicable Date, the Current General Mandate had been utilised as to 680,000,000 Shares, being approximately 82.62% of the aggregate number of Shares which may be allotted and issued under the Current General Mandate. For further details in relation to the use of the Current General Mandate since the AGM, please refer to the section headed “Reasons for the New General Mandate” below.

### **PROPOSED GRANT OF NEW GENERAL MANDATE**

The Company will convene the EGM at which ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the general mandate granted to the Directors at the AGM.

As at the Latest Practicable Date, the Company had an aggregate of 4,708,306,800 Shares in issue. Subject to the passing of the ordinary resolutions for the approval of the New General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company would be allowed under the New General Mandate to allot and issue up to 941,661,360 Shares, being 20% of the total number of Shares in issue as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### REASONS FOR THE NEW GENERAL MANDATE

The Company is an investment holding company. The Group is principally engaged in the design, manufacturing, sale of a wide range of toys and decorative gift items and exploration and mining of natural resources.

As explained in the above paragraph headed “Current General Mandate”, the Current General Mandate had been utilised as to 680,000,000 Shares, representing approximately 82.62% of the aggregate number of Shares which may be allotted and issued under the Current General Mandate.

The Board believes that the granting of the New General Mandate is in the interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group’s future business development. The Board considers equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group. In appropriate circumstances, the Group will also consider other financing methods such as debt financing or utilisation of internal cash resources to fund its future business development. While the Board considers that there is no immediate funding needs for the Group’s current operations and that there is currently no concrete proposal presented by potential investors for investment in the Shares, the Board is now proposing to seek the approval of Independent Shareholders at the EGM of the New General Mandate such that should future funding needs arise or attractive terms for investment in the Shares become available from potential investors, the Board will be able to respond to the market promptly.

There has not been any refreshment of the Current General Mandate since the AGM. The following table summarises the use of the Current General Mandate since the AGM:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds as announced</b>	<b>Actual use of proceeds as at the Latest Practicable Date</b>
20 October 2009	Issue of 200,000,000 non-listed warrants	HK\$400,000	As general working capital for the Group	As general working capital for the Group
22 October 2009	Top-up placing of 100,000,000 Shares	HK\$27 million	Approximately HK\$16 million for repayment of the Group’s borrowings, approximately HK\$3 million as capital expenditure for the Group’s coal energy business and approximately HK\$8 million as working capital of the Group	Approximately HK\$16 million for repayment of the Group’s borrowings, approximately HK\$3.4 million as working capital of the Group and approximately HK\$7.6 million was held in bank account(s) of the Group to be used as intended



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## LETTER FROM THE BOARD

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Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds as at the Latest Practicable Date
9 November 2009	Top-up placing of 100,000,000 Shares	HK\$35 million	Approximately HK\$24 million for repayment of the Group's borrowings, approximately HK\$7 million as capital expenditure for the Group's coal energy business and approximately HK\$4 million as general working capital of the Group	Approximately HK\$21.3 million for repayment of the Group's borrowings and approximately HK\$13.7 million was held in bank account(s) of the Group to be used as intended
11 December 2009	Top-up placing of 100,000,000 Shares	HK\$40.4 million	Approximately HK\$6 million for repayment of the Group's borrowings and approximately HK\$34.4 million as capital expenditure for the Group's coal energy business and as general working capital of the Group	Approximately HK\$6 million for repayment of the Group's borrowings and approximately HK\$34.4 million was held in bank account(s) of the Group to be used as intended
18 January 2010	Top-up placing of 180,000,000 Shares	HK\$59.3 million	Approximately HK\$15 million for repayment of the Group's borrowings and approximately HK\$44.3 million as capital expenditure for the Group's coal energy business and as general working capital of the Group	Approximately HK\$59.3 million was held in bank account(s) of the Group to be used as intended

As set out in the announcement dated 11 December 2009, the intended use of proceeds was approximately HK\$6 million for repayment of the Group's borrowings and approximately HK\$34.4 million as capital expenditure for the Group's coal energy business and as general working capital of the Group. A further breakdown of the intended use is approximately HK\$6 million for repayment of the Group's borrowings, approximately HK\$25.4 million as capital expenditure for the Group's coal energy business and approximately HK\$9 million as general working capital of the Group.

As set out in the announcement dated 18 January 2010, the intended use of proceeds was approximately HK\$15 million for repayment of the Group's borrowings and approximately HK\$44.3 million as capital expenditure for the Group's coal energy business and as general working capital of the Group. A further breakdown of the intended use is approximately HK\$15 million for repayment of the Group's borrowings, approximately HK\$36.3 million as capital expenditure for the Group's coal energy business and approximately HK\$8 million as general working capital of the Group.

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## LETTER FROM THE BOARD

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The Group intends to repay approximately HK\$24 million of the Group's borrowings in the first half of 2010 which will exceed the unutilised amount of fund raised intended for such purpose. In addition, in view of the business plan of the Group's coal energy business located in the Inner Mongolia Autonomous Region of the People's Republic of China, including the commencement of coal mining in the Huanghuashan Coal Mine in late 2009 and an application for the mining licence of Guerbanhada Coal Mine during 2010, the Group is expected to require extensive capital for capital expenditure and general working capital of the Group which would be in excess of the unutilised amount of the fund raised intended for such purpose.

The Board will exercise due and careful consideration when choosing the best method for financing the business development and/or investment opportunity of the Group, with reference to factors such as the Group's then financial position, capital structure, cost of funding and the then market conditions. The Board will also consider various financing alternatives, including utilisation of internal cash resources, debt financing and equity financing, depending on the requirements of each development plan and/or investment opportunity and the Group's then financial position.

In view of the recent high volatility of the capital market in Hong Kong, the Board considers it sensible to refresh the Current General Mandate in order to provide greater flexibility to the management of the Company to consider and decide on an optimal financing method for the business development and/or investment opportunity of the Group, as the grant of the New General Mandate would provide an option to the management of the Company to allot and issue new Shares in a timely manner when funding needs arise. As such, the Board considers that if the Company can have the flexibility of reacting to the capital market if and when the opportunity arises, the Company can maximise its resources to raise fund before the next AGM.

### **REFRESHMENT OF SCHEME MANDATE LIMIT**

#### **The Share Option Scheme**

Pursuant to an ordinary resolution passed on 28 May 2002, the then Shareholders approved and adopted by an ordinary resolution the Share Option Scheme whereby the Directors were authorised to grant options to, among others, Eligible Participant(s). The Scheme Mandate Limit was initially set at 10% of the Shares in issue as at the date of adoption of the Share Option Scheme, i.e. 220,283,600 Shares, which represents a maximum number of new Shares that may be issued upon the exercise of all Options under the Share Option Scheme. 219,260,000 Options under the Share Option Scheme were granted to certain Eligible Participants in year 2006, 2007, 2009 and 2010 of which 69,849,800 Options had been exercised, 491,600 Options had been cancelled and 148,918,600 Options remain outstanding and unexercised as at the Latest Practicable Date.

#### **Information on Options granted under the Share Option Scheme and Terminated Scheme**

As at the Latest Practicable Date, 148,918,600 Options remain outstanding and unexercised, representing approximately 3.16% of the total issued share capital of the Company. Among these 148,918,600 outstanding Options, 148,918,600 Options remain outstanding and unexercised under the Share Option Scheme and no Option remains outstanding and unexercised under the Terminated Scheme.

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## LETTER FROM THE BOARD

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### **The Refreshed Scheme Mandate Limit**

Based on 4,708,306,800 Shares in issue as at the Latest Practicable Date and assuming there will not be any issue or repurchase of Shares prior to the EGM, the current Scheme Mandate Limit will be refreshed to the extent that the total number of new Shares, which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other scheme under the Scheme Mandate Limit as refreshed, will not exceed 470,830,680 Shares, representing 10% of the Shares in issue as at the date of the EGM. Options previously granted under the Share Option Scheme before the date of the EGM (including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

The Board resolved to put forward a proposal to the Shareholders to refresh the current Scheme Mandate Limit under the Share Option Scheme at the EGM to provide more flexibility to grant further Options to Eligible Participant(s) under the Share Option Scheme so as to provide opportunities and incentives to them to work towards enhancing the values of the Company and Shares for the benefit of the Company and Shareholders as a whole. As at the Latest Practicable Date, the Board has no immediate plan to grant share options after the refreshment of the Scheme Mandate Limit.

The new Shares falling to be issued upon exercise of all of the Options granted and any other options granted under the Share Option Scheme and any other schemes may not exceed 30% of the issued share capital of the Company. Save as disclosed above, there are no other options granted or remaining outstanding as at the Latest Practicable Date.

### **Conditions of the Refreshment of Scheme Mandate Limit**

The Refreshment of Scheme Mandate Limit is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Refreshment of Scheme Mandate Limit; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares to be issued pursuant to the exercise of the Options to be granted under the refreshed Scheme Mandate Limit.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Options to be granted under the refreshed Scheme Mandate Limit.

### **EGM**

Pursuant to Rule 13.36(4)(a) of the Listing Rules, the New General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions. As there is no controlling Shareholder, Mr.

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## LETTER FROM THE BOARD

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Hui Kee Fung and Mr. Yu Won Kong, Dennis and their respective associates are required to abstain from voting in favour of the relevant resolutions at the EGM. In such an event, the Board was advised by Mr. Hui Kee Fung and Mr. Yu Won Kong, Dennis that they have no intention to vote against the relevant resolutions. The resolutions proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

A notice convening the EGM to be held at 30th Floor, 30 Queen's Road Central, Hong Kong on Monday, 15 March 2010 at 9:30 a.m. is set out on pages 21 to 24 of this circular. At the EGM, ordinary resolutions will be proposed to approve the granting and extension of the New General Mandate and the Refreshment of Scheme Mandate Limit.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee which comprises Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. Mohammed Ibrahim Munshi, all being the independent non-executive Directors, has been established to advise the Independent Shareholders on the granting and extension of the New General Mandate.

VC Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the granting and extension of the New General Mandate.

The Independent Board Committee and the Directors, having taken into account the advice of VC Capital, consider that the granting and extension of the New General Mandate are in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions which will be proposed at the EGM for approving the granting and extension of the New General Mandate.

The text of the letter from the Independent Board Committee is set out on page 12 of this circular and the text of the letter from VC Capital containing its advice is set out on pages 13 to 20 of this circular.

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## LETTER FROM THE BOARD

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### GENERAL INFORMATION

Your attention is drawn to the letter from VC Capital set out on pages 13 to 20 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the granting and extension of the New General Mandate and the letter from the Independent Board Committee set out on page 12 of this circular which contains its recommendation to the Independent Shareholders in relation to the granting and extension of the New General Mandate. The Independent Board Committee, having taken into account the advice of VC Capital in relation to the granting and extension of New General Mandate, is of the opinion that the granting and extension of the New General Mandate are in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

### RESPONSIBILITY STATEMENT

This circular 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 circular and confirm, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

### RECOMMENDATION

The Directors consider the granting and extension of the New General Mandate and the Refreshment of Scheme Mandate Limit are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

Yours faithfully  
For and on behalf of  
the board of directors of  
**Kiu Hung Energy Holdings Limited**  
**Hui Kee Fung**  
*Chairman*

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LETTER FROM INDEPENDENT BOARD COMMITTEE

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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)

23 February 2010

*To the Independent Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES**

We refer to the circular of the Company dated 23 February 2010 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the proposed granting and extension of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned. VC Capital has been appointed as the independent financial adviser to advise us in this respect.

Having considered the principal reasons and factors considered by, and the advice of, VC Capital as set out in its letter of advice to us on pages 13 to 20 of the Circular, we are of the opinion that the granting and extension of the New General Mandate are in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the granting and extension of the New General Mandate.

Yours faithfully

For and on behalf of the Independent Board Committee

**Mr. Lam Siu Lun, Simon**

*Independent non-executive  
Director*

**Mr. Zhang Xianmin**

*Independent non-executive  
Director*

**Mr. Mohammed Ibrahim Munshi**

*Independent non-executive  
Director*

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## LETTER FROM VC CAPITAL

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*The following is the text of a letter prepared by VC Capital for the purpose of inclusion in this circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders in relation to the Grant of the New General Mandate.*



23 February 2010

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

Dear Sir or Madam,

### **REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed granting and extension of the New General Mandate of the Company (the “**Grant of the New General Mandate**”), details of which are set out in “Letter from the Board” as contained in the circular of the Company dated 23 February 2010 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, the Company had 4,708,306,800 Shares in issue. Pursuant to Rule 13.36(4)(a) of the Listing Rules, the Grant of the New General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions. Since there is no controlling Shareholder, Mr. Hui Kee Fung and Mr. Yu Won Kong, Dennis, being the Directors who have interests in the Shares, and their respective associates are required to abstain from voting in favour of the relevant resolutions at the EGM. The proposed resolutions to be approved at the EGM will be taken by poll.

The Independent Board Committee, comprising Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. Mohammed Ibrahim Munshi, being all the independent non-executive Directors, has been established to advise on the fairness and reasonableness of the Grant of the New General Mandate so far as the Independent Shareholders are concerned and as to whether it is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM VC CAPITAL

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In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether the Grant of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole.

VC Capital Limited (“**VC Capital**”) is not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Grant of the New General Mandate. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied and the opinions expressed by the executive Directors and senior management of the Group. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were prepared or made and will continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations made to us by the executive Directors and senior management of the Group. We have also been advised by the executive Directors that no material facts have been omitted from the Circular and the information provided to us.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in this letter and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

All the executive Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.



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## LETTER FROM VC CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the Grant of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned, and whether it is in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors and reasons:

**1. The Current General Mandate and reasons for the Grant of the New General Mandate**

At the AGM, the Directors were granted the Current General Mandate by the then Shareholders to allot and issue up to 823,151,960 new Shares, being 20% of the entire issued share capital of the Company of 4,115,759,800 Shares as at the date of passing of the relevant resolution at the AGM. During the period from the granting of the Current General Mandate to the Latest Practicable Date, the Company has conducted the following fund raising activities (collectively known as the “Fund Raising Activities”):

<b>Date of announcement</b>	<b>Event</b>	<b>Approx. % of the Current General Mandate utilised</b>
20 October 2009	Issue of 200,000,000 unlisted warrants (the “Warrants”) entitling the holder of the Warrants to subscribe for an aggregate of 200,000,000 Shares ( <i>Note</i> )	24.30
22 October 2009	Top-up placing of 100,000,000 Shares	12.15
9 November 2009	Top-up placing of 100,000,000 Shares	12.15
11 December 2009	Top-up placing of 100,000,000 Shares	12.15
18 January 2010	Top-up placing of 180,000,000 Shares	21.87
<b>Total</b>		<b>82.62</b>

*Note:* As at the Latest Practicable Date, none of the Warrants have been exercised by the holders of the Warrants. Should the subscription rights attached to the Warrants be exercised in full, 200,000,000 new Shares would be allotted and issued, thus utilising approximately 24.30% of the Current General Mandate.

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## LETTER FROM VC CAPITAL

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As could be seen from the above table, following the aforesaid series of fund raising activities, as at the Latest Practicable Date, the Company has utilised approximately 58.32% of the Current General Mandate. If the subscription rights attached to the Warrants are exercised in full, the Company would have utilised approximately 82.62% of the Current General Mandate in aggregate.

In order to maintain financial flexibility and provide discretion to the Directors to allot and issue new Shares in the future as and when equity financing is considered necessary for the Group's business development and investment, the Directors propose to seek the approval of the Independent Shareholders for the Grant of the New General Mandate such that the Directors can exercise the power of the Company to allot and issue new Shares up to 20% of the issued share capital of the Company as at the date of the EGM.

As at the Latest Practicable Date, the Company had an aggregate of 4,708,306,800 Shares in issue. Subject to the passing of the proposed ordinary resolutions to approve the Grant of the New General Mandate and on the basis that no Shares will be issued and/or repurchased by the Company from the Latest Practicable Date up to and including the date of the EGM, the Company would be allowed under the New General Mandate to allot and issue up to 941,661,360 Shares, representing 20% of the total number of Shares in issue as at the date of passing of the relevant resolutions at the EGM.

### **2. Current financial position and capital expenditure plan of the Company**

With reference to the latest interim report of the Company for the six months ended 30 June 2009, the Group had bank and cash balances of approximately HK\$83.6 million and total borrowings of approximately HK\$78.1 million. The Company had been loss-making for the two consecutive years ended 31 December 2008 and for the six months ended 30 June 2009. The Company had a net asset value per Share of approximately HK\$0.11 (calculated based on the net assets of the Company of approximately HK\$435.2 million and a total of 4,115,759,800 Shares as at 30 June 2009).

As stated on pages 6 to 7 of the Letter from the Board of the Circular, approximately HK\$29.4 million, approximately HK\$61.0 million and approximately HK\$71.7 million from the proceeds of the Fund Raising Activities are intended to be used as general working capital, for repayment of the Group's borrowings and as capital expenditure for the Group's coal energy business respectively. As informed by the Directors, out of the HK\$29.4 million from the Fund Raising Activities earmarked to be used as general working capital of the Group, approximately HK\$3.8 million has already been utilised by the Company and it is expected that approximately HK\$26.7 million or more will be required by the Company as general working capital for the first half of 2010. Also, we understand from the Directors that out of the HK\$61.0 million from the Fund Raising Activities earmarked to be used for repayment of borrowings of the Group, approximately HK\$43.3 million has already been utilised by the Company and approximately HK\$24.0 million will be required by the Group for repayment of its borrowings in the first half of 2010. In addition, we understand from the Directors that the development of the Group's coal energy business is expected to require extensive capital which could be in excess of the HK\$71.7 million from the Fund Raising Activities intended for such purpose.

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## LETTER FROM VC CAPITAL

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Given (i) the financial position, the schedule for repayment of borrowings and the capital expenditure plan of the Group; (ii) that the net proceeds from the Fund Raising Activities in the amount of approximately HK\$90.4 million which has been earmarked for repayment of the Group's borrowings and as general working capital, is expected to be fully utilised for such purposes by the first half of 2010; and (iii) the Group's coal energy projects are expected to require extensive capital, we are of the view that the Grant of the New General Mandate would provide an option to the Company for its funding needs, and therefore is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

### **3. Equity financing as compared with other financing alternatives**

As stated on page 6 of the Letter from the Board of the Circular, there has not been any refreshment of general mandate of the Company since the AGM, and the Company has conducted the Fund Raising Activities and utilised approximately 82.62% of the Current General Mandate (on the basis of the exercise in full of the subscription rights attached to the Warrants).

We understood from the management of the Company that when there is a need for financing its business development and investment opportunity, they will consider various financing alternatives, including utilisation of internal cash resources, debt financing and equity financing, including equity financing on a pro-rata basis such as a rights issue or an open offer, and equity financing that requires the seeking of a specific mandate to issue shares from the Shareholders, depending on the requirements of each development plan or investment opportunity and the Group's then financial position.

When compared with equity financing, debt financing incurs interest expenses on the Group and the Group may be subject to lengthy due diligence and negotiations with banks based on the Group's then financial position and capital structure. Taking into consideration the loss-making position of the Group in prior years and the fact that coal mining is a capital-intensive business and its benefits are not likely to be realised immediately, the Directors consider that debt financing may be difficult to obtain in the short run and, even if bank financing could be obtained, the Company may be subject to more stringent terms. In addition, the potential interest costs to be incurred as a result of debt financing would further increase the financial burden of the Company, which the Directors consider not to be in the best interests of the Company and the Shareholders as a whole.

When compared with equity financing under a general mandate, equity financing under a specific mandate requires shareholders' approval which would involve a more lengthy process. Pro-rata equity financing such as rights issue or open offer is also more time-consuming than the placing of shares under a general mandate, and the subscription price of shares in a rights issue or an open offer often attracts a steeper discount to its then market price than in a share placing. As the Grant of the New General Mandate would provide an option to the management of the Company to allot and issue new Shares in a timely manner when funding needs arise, we consider it sensible to refresh the Current General Mandate in order to provide greater flexibility to the management of the Group to consider and decide an optimal financing method for its business development or investment opportunity.

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## LETTER FROM VC CAPITAL

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In view of the recent high volatility of the capital market in Hong Kong, the Board considers it sensible to refresh the Current General Mandate in order to provide greater flexibility to the management of the Company to consider and decide on an optimal financing method for the business development and/or investment opportunities of the Group, as the Grant of the New General Mandate would provide an option to the management of the Company to allot and issue new Shares in a timely manner when funding needs arise. As such, the Board considers that if the Company can have the flexibility of reacting to the capital market if and when the opportunity arises, the Company can maximize its resources to raise funds before the next AGM. The executive Directors have confirmed that they would exercise due and careful consideration when choosing the best method for financing the business development and/or investment opportunity of the Group, with reference to factors such as the Group's then financial position and capital structure, cost of funding and the then market conditions.

Taking into account that the Grant of the New General Mandate can (i) provide the Company with an alternative to raise additional funds to finance its future business development and/or possible investment opportunities should they arise; (ii) provide the Directors with greater autonomy and flexibility in choosing the best financing method in a timely manner to respond to the competitive and rapidly changing capital and credit markets; and (iii) provide the Group with an opportunity to strengthen its cash position and capital reserves, and that the placing of shares under a general mandate is generally more time and cost efficient than other methods of financing such as debt financing and equity financing by way of rights issue, open offer or by the placing of shares under a specific mandate, in particular when the market is volatile or turbulent, we consider that the Grant of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and its Shareholders as a whole.

#### **4. Potential dilution to shareholdings of the Independent Shareholders**

As at the Latest Practicable Date, the Company had an aggregate of 4,708,306,800 Shares in issue. Subject to passing of the proposed ordinary resolutions to approve the Grant of the New General Mandate at the EGM and on the basis that no other Shares will be issued and/or repurchased by the Company from the Latest Practicable Date up to and including the date of the EGM, the Company would be allowed under the New General Mandate to allot and issue up to 941,661,360 Shares, representing 20% of the total number of Shares in issue as at the date of passing of the relevant resolutions at the EGM.

Set out below is a table showing the shareholding structure of the Company as at the Latest Practicable Date and, for illustrative purpose only, the potential dilution effect on the shareholding interest of the Independent Shareholders upon full utilisation of the New General Mandate, assuming that no other Shares will be issued and/or repurchased during the period from the Latest Practicable Date up to and including the date of the EGM:

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## LETTER FROM VC CAPITAL

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	As at the		Upon full	
	Latest Practicable Date		utilisation of the	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Yu Won Kong, Dennis ("Mr. Yu") (Note 1)	479,500,000	10.18	479,500,000	8.49
Hui Kee Fung ("Mr. Hui") (Note 2)	767,500,000	16.30	767,500,000	13.58
Independent Shareholders	3,461,306,800	73.52	3,461,306,800	61.26
Shares to be issued under the New General Mandate	—	—	941,661,360	16.67
<b>Total</b>	<b><u>4,708,306,800</u></b>	<b><u>100.00</u></b>	<b><u>5,649,968,160</u></b>	<b><u>100.00</u></b>

*Notes:*

1. Mr. Yu is deemed to be interested in (i) the 14,500,000 Shares held by Ms. Ho Siu Lan, Sandy, the spouse of Mr. Yu; and (ii) the 465,000,000 Shares held by Mr. Yu in person.
2. The Shares are held by Legend Win Profits Limited ("Legend Win"), a company incorporated in the British Virgin Islands. The issued share capital of Legend Win is beneficially owned by Mr. Hui, Hui Ki Yau, 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. Mr. Hui, Hui Ki Yau and Hui Hung Tan, Teresa are the registered members and directors of Hui's K. K. Foundation Limited.

As illustrated in the table above, the existing aggregate shareholding of the Independent Shareholders will decrease from approximately 73.52% as at the Latest Practicable Date to approximately 61.26% upon full utilisation of the New General Mandate. Nevertheless, the shareholding of all Shareholders will be diluted proportionately upon any issue of new Shares under the New General Mandate.

Taking into account (i) the Grant of the New General Mandate would allow the Company to raise capital by the allotment and issue of new Shares before the next annual general meeting of the Company if such need arises; (ii) the New General Mandate provides more flexibility in terms of financing alternatives to the Company; and (iii) the fact that the shareholdings of all Shareholders will be diluted in proportion to their respective shareholdings upon any utilisation of the New General Mandate, we consider such dilution or potential dilution to shareholdings of the Independent Shareholders acceptable.

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## LETTER FROM VC CAPITAL

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### RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, we are of the view that the Grant of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and that it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed ordinary resolutions to approve the Grant of the New General Mandate at the EGM. However, Independent Shareholders are advised to take note of the possible dilution effect on their shareholdings in the Company if and when the New General Mandate is utilised.

Yours faithfully  
For and on behalf of  
**VC Capital Limited**

**Lou Ming**  
*Executive Director*

**Hui Yee Ching, Felicia**  
*Director*

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## NOTICE OF EGM

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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)

#### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Kiu Hung Energy Holdings Limited (the “**Company**”) will be held at 30th Floor, 30 Queen’s Road Central, Hong Kong on Monday, 15 March 2010 at 9:30 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions:

#### **ORDINARY RESOLUTIONS**

1. “**THAT**, to the extent not already exercised, the mandate to allot and issue shares of the Company given to the directors (the “**Directors**”) of the Company at the annual general meeting (the “**AGM**”) of the Company held on 30 June 2009 be and is hereby revoked and replaced by the mandate **THAT**:
  - (a) subject to paragraph (c) below, pursuant to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares of HK\$0.02 each (the “**Shares**”) in the share capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
  - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the Directors pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance

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## NOTICE OF EGM

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with the articles of association (the “**Articles**”) of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:

- (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
- (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of such resolution),

and the authority pursuant to paragraph (a) above shall be limited accordingly; and

- (d) for the purpose of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles, the Companies Law of the Cayman Islands or any other applicable law of the Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in a general meeting revoking or varying the authority given to the Directors by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”



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## NOTICE OF EGM

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2. “**THAT** conditional upon the passing of resolution no. 1 above, the mandate granted to the Directors at the AGM to extend the general mandate to allot and issue Shares to Shares repurchased by the Company be and is hereby revoked and replaced by the mandate **THAT** the Directors be and are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 1 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.”
3. “**THAT** subject to and conditional upon the granting by the Listing Committee of the Stock Exchange the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of option to be granted under the refreshed scheme mandate limit (the “**Scheme Mandate Limit**”) under the share option scheme of the Company adopted on 28 May 2002, which entitles the Directors to grant options after the listing of Shares on the Stock Exchange, in the manner as set out in paragraph (a) of this resolution,
- (a) the refreshment of the Scheme Mandate Limit of up to 10 per cent. of the Shares in issue as at the date of passing of this resolution be and is hereby approved; and
- (b) the Directors be and are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable as they consider necessary or expedient to give effect to the foregoing arrangement.”

Yours faithfully  
For and on behalf of  
the board of directors of  
**Kiu Hung Energy Holdings Limited**  
**Hui Kee Fung**  
*Chairman*

Hong Kong, 23 February 2010

*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

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## NOTICE OF EGM

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*Notes:*

1. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company.
2. A form of proxy for use at the meeting is enclosed. To be valid, the proxy form, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar 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, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
3. Where there are joint holders of any share, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such share as if he were solely entitled to vote, but if more than one of such joint holders be present at the meeting in person or by proxy, the person so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect of it. Completion and return of the form of proxy will not preclude a member from attending the EGM and voting in person at the meeting or any adjourned meeting if he so desires. If a member attends the EGM after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.