THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

KH ENERGY

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)

MAJOR TRANSACTION
INVOLVING AN ACQUISITION OF 28% EQUITY INTEREST IN MULTIJOY DEVELOPMENTS LIMITED;
THE ISSUE OF CONSIDERATION SHARES AND CONVERSION SHARES UNDER THE SPECIFIC MANDATE;
INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

A notice convening the extraordinary general meeting to be held at Lily Room, 3rd Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong on Monday, 8 September 2014 at 10:30 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-3 of 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 share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, 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.

22 August 2014

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 16 April 2014 entered into by the Purchaser and the Vendor in relation to the Acquisition as supplemented by the Supplemental Agreement and the Extension Letter
"associates"	the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	any day(s) except Saturday, Sunday or other day on which licensed banks in Hong Kong are open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	Kiu Hung Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 00381)
"Completion"	completion of the Acquisition pursuant to the terms and conditions contained in the Acquisition Agreement
"Completion Date"	the 5th Business Day following the date on which all conditions precedent of the Acquisition Agreement are satisfied (or waived, as the case may be)
"connected persons"	has the meaning ascribed to it under the Listing Rules
"Consideration"	HK$196 million, being the aggregate consideration to be satisfied by the Purchaser to the Vendor for the Acquisition, which is subject to adjustment, pursuant to the terms of the Acquisition Agreement
"Consideration Shares"	a total of 400,000,000 new Shares to be allotted and issued by the Company to the Vendor pursuant to the Acquisition Agreement to settle part of the aggregate consideration at an issue price of HK$0.15 per Share
"Conversion Shares"	the Shares to be issued by the Company upon the exercise of the conversion rights attaching to the Convertible Bonds

"Convertible Bonds"	the convertible bonds in the principal amount of HK$136 million to be issued by the Company to settle part of the aggregate consideration of the Sale Shares
"Cooperation Agreement"	an agreement entered into between the PRC Company and the Cooperator on 26 March 2013 and supplemented on 28 March 2013 in relation to the appointment of the Cooperator for the operations of the tangerine plantation business on the Forest Land
"Cooperator"	上海中福企業投資發展有限公司 (Shanghai Zhongfu Enterprise Investment Development Co., Ltd.*), the cooperator appointed by the PRC Company for the operation of plantation business of tangerine on the Forest Land
"Deposits"	the First Deposit and the Second Deposit
"Director(s)"	director(s) of the Company
"Ease City"	Ease City Investments Limited, a company incorporated in Samoa with limited liability
"EGM"	the extraordinary general meeting of the Company to be convened and held on Monday, 8 September 2014 at 10:30 a.m. for the Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder and the increase in authorised share capital of the Company, the notice of which is set out at the end of this circular
"Enlarged Group"	the Group as enlarged by the Acquisition immediately after the Completion
"Extension Letter"	the letter of extension entered into between the Purchaser and the Vendor on 19 August 2014 in relation to the extension of the long stop date under the Acquisition Agreement
"First Deposit"	the first deposit of HK$10 million which was paid by the Company to the Vendor on 9 April 2014 pursuant to the Acquisition Agreement
"Forestry Concession Rights"	the forestry concession rights in Qiawan Town, Nanfeng County, Fuzhou City, Jiangxi Province, the PRC owned by the PRC Company

"Forest Land"	the forest land in Qiawan Town, Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 mu possessed by the PRC Company under the Forestry Concession Rights
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKAS(s)"	Hong Kong Accounting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Last Trading Day"	15 April 2014, being the last trading day of the Shares before the signing of the Acquisition Agreement
"Latest Practicable Date"	20 August 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MOU"	memorandum of understanding entered into between the Vendor and the Purchaser on 8 March 2014 and supplemented on 8 April 2014 in relation to the Acquisition
"Mr. Buer"	Mr. Buer Gude, the sole and ultimate beneficial owner of the Vendor, the Target Company, Ease City and the PRC Company
"mu"	Chinese Mu, one of which equals approximately 667 square meters
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Company"	江西雅欣果業有限公司 (Jiang Xi Yaxin Fruit Industry Company Limited*), formerly known as 江西安發達果業有限公司, a company established in the PRC with limited liability
"PRC Legal Adviser"	Dacheng Law Offices, the legal adviser of the Company as to the PRC laws for the matter of the Acquisition

"Purchaser"	Joint Hero Holdings Limited, a company incorporated in the BVI with limited liability and is an indirect wholly-owned subsidiary of the Company
"Reorganisation"	the reorganisation of the Target Group pursuant to the Acquisition Agreement whereby the Target Company will hold the entire equity interest in Ease City and Ease City will hold the entire equity interest in the PRC Company upon completion of the reorganisation thereof
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	28 shares of the Target Company of a par value of US$1.00 each, representing 28% issued share capital of the Target Company
"Second Deposit"	the second deposit of HK$4 million which was paid by the Company to the Vendor in two tranches of HK$2 million each on 23 April 2014 and 5 May 2014, respectively pursuant to the Acquisition Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	holders of the Shares
"Shareholders' Agreement"	the shareholders' agreement to be executed by the Target Company, the Purchaser and the Vendor upon Completion to regulate the respective rights of the Purchaser and the Vendor in the Target Group
"Share(s)"	ordinary share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement to the Acquisition Agreement dated 27 June 2014 entered into between the Purchaser and the Vendor to amend certain terms of the Acquisition Agreement, including but not limited to, the execution of the Shareholders' Agreement upon Completion
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Target Company"	Multijoy Developments Limited, a company incorporated in the BVI with limited liability, the entire equity interest of which is wholly-owned by the Vendor as at the Latest Practicable Date

"Target Group"	the Target Company, Ease City and the PRC Company
"US$"	United States dollars, the lawful currency of the United States of America
"Valuer"	Witz International Consultants Group Limited, an independent professional valuer
"Vendor"	Delight Grace Limited, a company incorporated in the BVI with limited liability, the entire equity interest of which is wholly-owned by Mr. Buer as at the Latest Practicable Date
"%"	per cent.

* *For identification purpose only*

For the purpose of this circular, unless otherwise specified, all amounts denominated in Renminbi have been translated into Hong Kong dollars at an exchange rate of RMB1 = HK$1.25.

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
Mr. Yu Won Kong, Dennis
Mr. Cheung Kai Fung

Non-executive Director:
Mr. Lam Kit Sun

Independent non-executive Directors:
Mr. Lam Siu Lun, Simon
Mr. Zhang Xianmin
Mr. So Chun Pong, Ricky

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:
20th Floor
Hong Kong Diamond Exchange Building
8–10 Duddell Street
Central
Hong Kong

22 August 2014

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
INVOLVING AN ACQUISITION OF 28% EQUITY INTEREST IN
MULTIJOY DEVELOPMENTS LIMITED;
THE ISSUE OF CONSIDERATION SHARES AND
CONVERSION SHARES UNDER THE SPECIFIC MANDATE;
INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Company's announcements dated 8 March 2014, 8 April 2014, 17 April 2014 and 19 August 2014 in which the Board announced that, the Purchaser (being an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the

Vendor has conditionally agreed to sell the Sale Shares for an aggregate consideration of up to HK$196 million (subject to adjustment). The Sale Shares represent 28% of the issued share capital of the Target Company as at the date of the Acquisition Agreement.

Reference is also made to the announcement of the Company on 27 June 2014. The Purchaser and the Vendor entered into the Supplemental Agreement on 27 June 2014 to amend certain terms of the Acquisition Agreement, including but not limited to, the execution of the Shareholders' Agreement upon Completion.

The purpose of this circular is to provide you with further information regarding (i) details of the Acquisition; (ii) the accountants' report of each members of the Target Group; (iii) the pro forma statement of assets and liabilities of the Enlarged Group; (iv) the valuation report of the Forestry Concession Rights; (v) the notice convening the EGM; and (vi) other information required to be disclosed under the Listing Rules.

THE ACQUISITION AGREEMENT

The material terms of the Acquisition Agreement are summarised below:

Date: 16 April 2014 (after trading hours), supplemented by the Supplemental Agreement on 27 June 2014 and the Extension Letter on 19 August 2014

Parties: (i) Purchaser: Joint Hero Holdings Limited, an indirect wholly-owned subsidiary of the Company; and

(ii) Vendor: Delight Grace Limited

The Vendor is an investment holding company incorporated in the BVI and is wholly-owned directly by Mr. Buer. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be acquired

The Sale Shares represents 28% of the entire issued share capital of the Target Company as at the Latest Practicable Date. Upon completion of the Reorganisation, the Target Company will hold 100% equity interest in Ease City, which will in turn hold 100% equity interest in the PRC Company.

Consideration

The Consideration for the Sale Shares shall be HK$196 million (subject to adjustment) and shall be satisfied by the Purchaser to the Vendor upon Completion in the following manner:

(i) as to HK$60 million to be satisfied by the issue and allotment of 400,000,000 Consideration Shares to the Vendor at an issue price of HK$0.15 per Consideration Share; and

(ii) as to HK$136 million to be satisfied by the issue of the Convertible Bonds to the Vendor up to an aggregate principal amount of HK$136 million.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the preliminary valuation of the Forestry Concession Rights of approximately HK$700 million as prepared by the Valuer based on market comparables approach adjusted by the 28% equity interest in the Target Company to be acquired by the Company. Apart from the preliminary valuation, the Directors had also taken into account the 100% fixed dividend payout ratio of the Target Group and also the non-controlling feature of the Sale Shares.

In the event that the finalised valuation of the Forestry Concession Rights falls short of HK$700 million, the Consideration shall be adjusted downward through the principal amount of the Convertible Bonds to be issued in the following manner pursuant to the Acquisition Agreement:

Adjustment	=	(HK$700 million less finalised valuation of the Forestry Concession Rights) x 28%
Adjusted consideration	=	HK$196 million less adjustment as determined above

As set out in the valuation report of the Forestry Concession Rights in Appendix VI to this circular, the finalised valuation of the Forestry Concession Rights as at 30 June 2014 is HK$700 million. Therefore, no adjustment is to be made on the Consideration.

The Deposits

Pursuant to the Acquisition Agreement and as at the Latest Practicable Date, the First Deposit and the Second Deposit have been paid by the Purchaser to the Vendor. The Deposits of HK$14 million shall be returned to the Purchaser on the Completion Date pursuant to the Acquisition Agreement.

The Consideration Shares

Pursuant to the Acquisition Agreement, part of the Consideration will be satisfied by the allotment and issue of the Consideration Shares to the Vendor.

The issue price of the Consideration Shares at HK$0.15 per Consideration Share was determined with reference to the prevailing market price of the Shares at the time the MOU dated 8 March 2014 was entered into between the Purchaser and the Vendor and the consolidated net assets value per Share of the Company as at 31 December 2013, and represents:

(i) a discount of approximately 21.05% to the closing price of HK$0.19 per Share as quoted on the Stock Exchange on 15 April 2014, being the Last Trading Day of the Shares prior to the date of the Acquisition Agreement;

(ii) a discount of approximately 22.28% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive full trading days up to and including the Last Trading Day of HK$0.193 per Share;

(iii) a discount of approximately 23.86% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 consecutive full trading days up to and including Last Trading Day of HK$0.197 per Share;

(iv) a discount of approximately 52.38% to the closing price of HK$0.315 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a premium of approximately 42.86% over the net assets value per Share of approximately HK$0.105 based on the audited consolidated net assets value attributable to the Shareholders as at 31 December 2013 and the number of issued Shares as at the Last Trading Day.

The Consideration Shares represent (i) approximately 28.48% of the existing issued share capital of the Company; (ii) approximately 22.17% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; and (iii) approximately 14.75% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares. The issue of the Consideration Shares will not result in a change of control of the Company.

The Consideration Shares shall at all times rank pari passu among themselves and with the Shares in issue as at the date of issue of the Consideration Shares. The Consideration Shares and the Conversion Shares will be issued pursuant to a specific mandate to be sought at the EGM. The Company will make application to the Stock Exchange for the listing of and permission to deal in the Consideration Shares and the Conversion Shares.

The Convertible Bonds

Pursuant to the Acquisition Agreement, part of the Consideration will be satisfied by the issue of the Convertible Bonds to the Vendor. Set out below are the principal terms of the Convertible Bonds:

Issuer:	The Company
Aggregate principal amount:	Up to HK$136 million
Initial conversion price:	HK$0.15 per Conversion Share, subject to adjustments as set out below
Conversion Shares:	An aggregate of 906,666,666 Conversion Shares to be issued upon full conversion of the Convertible Bonds (assuming no adjustment has to be made to the Consideration). The Conversion Shares represent: (i) approximately 64.56% of the existing issued share capital of the Company; (ii) approximately 39.23% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares; and (iii) approximately 33.44% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares. The Conversion Shares, when allotted and issued, will rank pari passu in all respect with the then existing issued Shares. The Conversion Shares will be issued under the specific mandate to be sought at the EGM.
Interest:	Nil
Conversion period:	The period commencing from the date of issue of the Convertible Bonds up to 4:00 p.m. on the maturity date of the Convertible Bonds.

Maturity date:	The third anniversary of the date of issue of the Convertible Bonds. Any amount of the Convertible Bonds which remains outstanding on the maturity date shall be, subject to the conversion restriction as described below, converted. In the event that the outstanding principal amount cannot be converted due to the conversion restriction as described below, such amount shall be redeemed at its then outstanding principal amount.
Early redemption:	For the purpose of setting off and indemnifying the Purchaser of any claim (in whole or in part) for the breach of warranty under the Acquisition Agreement by the Vendor, provided that the Vendor is the then holder of the Convertible Bonds, the Vendor may at any time after the date of issue of the Convertible Bonds to the maturity date of the Convertible Bonds require the Company to redeem the Convertible Bonds (in whole or in part) at 100% of the principal amount of the Convertible Bonds provided that it is in compliance with the requirements under the Listing Rules. Pursuant to the Acquisition Agreement, the Vendor shall indemnify the Purchaser for the Purchaser's damages and losses in connection of breach of warranties of the Vendor and the Vendor is entitled to pay for such indemnity by way of setting off the principal amount of any Convertible Bonds owned by it, subject to compliance with the Listing Rules. The early redemption clause was made to provide for such arrangement in the event that the Vendor prefers to pay the damages or losses by offsetting the Convertible Bonds owned by it rather than paying cash to the Purchaser. The Board takes the view that such arrangement is in the interest of the Company as it adds flexibility by providing alternative means of payment of indemnity by the Vendor and helps to reduce the amount of outstanding Convertible Bonds, i.e. liability of the Group. Save for the aforesaid setting off and indemnifying the Purchaser of any claim (in whole or in part) for the breach of warranty under the Acquisition Agreement by the Vendor, the Company and the holder(s) of the Convertible Bonds cannot redeem the Convertible Bonds before the maturity date.
Ranking:	The Convertible Bonds will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

Transferability: The Convertible Bonds are freely transferrable to any transferee (other than a connected person of the Company as defined in the Listing Rules).

Conversion restriction: The holder(s) of the Convertible Bonds shall not exercise its conversion rights conferred upon the Convertible Bonds if:

(i) upon conversion of the Convertible Bonds, the holder of the Convertible Bonds together with parties acting in concert with it (as defined under the Takeovers Code) and/or its associates (as defined under the Takeovers Code), will be interested in 30% or more of the voting rights of the Company, or will trigger the obligation to make a mandatory offer by the holder and the parties acting in concert with it pursuant to Rule 26 of the Takeovers Code; or

(ii) upon conversion of the Convertible Bonds, the minimum percentage of the issued share capital of the Company held by the public (as defined under the Listing Rules) falls below 25% or other percentage as prescribed under the Listing Rules.

Adjustments to the conversion price: The conversion price will be adjusted upon occurrence of, any of the following events: (i) consolidation or subdivision; (ii) capitalisation of profits or reserves; (iii) capital distributions; (iv) issue of rights or options or warrants to subscribe for new Shares (at less than 80% of the market price); (v) issue of rights convertible into or exchangeable into new Shares (at less than 80% of the market price) or the modification of rights such that the rights are convertible into or exchangeable into new Shares (at less than 80% of the market price); or (vi) issues of Shares for wholly for cash at less than 80% of the market price.

Save as disclosed above, no adjustment shall be made to the conversion price of the Convertible Bonds.

Listing: No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares.

Voting:	The holder(s) of the Convertible Bonds will not be entitled to receive notices of, attend or vote at any meeting of the Company by reason only of it/them being the holder(s) of the Convertible Bonds.

Conditions precedent

Completion of the Acquisition Agreement is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

(i) the Purchaser being reasonably satisfied with the results of the due diligence review on the Target Group, including but not limited to the assets, indebtedness, operation and financial aspect of the Target Group;

(ii) the passing by the Shareholders at the EGM of the ordinary resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares and the Consideration Shares;

(iii) the Vendor and the Target Company having obtained all necessary consent and approval relating to the Acquisition;

(iv) the Purchaser having obtained all necessary consent and approval relating to the Acquisition;

(v) the Reorganisation having been completed;

(vi) a legal opinion having been issued by a PRC legal adviser appointed by the Purchaser in the form and substance to the satisfaction of the Purchaser, on the matters relating to the Acquisition including but not limited to confirming that the Cooperation Agreement is valid, subsisting, binding, and enforceable under the PRC laws;

(vii) a valuation report of the Forestry Concession Rights having been issued by the Valuer appointed by the Purchaser in the form and substance to the satisfaction of the Purchaser and the valuation of the Forestry Concession Rights being not less than HK$600 million;

(viii) the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares and the Consideration Shares;

(ix) the warranties remaining true and accurate and not misleading from the date of the Acquisition Agreement until the Completion Date;

(x) the Purchaser being satisfied that (save for that arising from the Reorganisation) there being no material adverse change to the members of the Target Group; and

(xi) all the outstanding liabilities, debts or obligations owing by the Vendor to the PRC Company, whether incurred, will be incurred, have been due or will become due, having been settled.

The HK$600 million threshold under condition (vii) was determined with reference to the preliminary valuation of the Forestry Concession Rights of approximately HK$700 million adjusted by HK$100 million which is the maximum adjustment on the valuation of the Forestry Concession Rights that can be accepted by the Vendor for the Acquisition. The Board considered this buffer reasonable after taking into account of the adjustment clause of the Consideration, which is subject to the finalised valuation of the Forestry Concession Rights, and also the interests of the Company and the Shareholders on the Acquisition.

The Purchaser is entitled to waive conditions (i), (ix) and (x) set out above by written notice. The Company considers it should be entitled to reserve to itself at the outset of the lawful right to waive immaterial breaches and irregularities to complete the Acquisition. Any waiver, if ever granted, would still entitle the Purchaser to recover damages for warranty claims from the Vendor after the Completion. The Company and the Purchaser will only consider waiving the condition(s) if the causes of the non-fulfilment of the condition(s) could be compensated by the Vendor by way of damages under the warranties as provided under the Acquisition Agreement before it will consider waiving the condition(s). In granting any waiver, the Board will ensure that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole. As at the Latest Practicable Date, the Company and the Purchaser have no intention to waive any of the three conditions precedent above. Other conditions precedent are not capable of being waived by either party. In the event that the above conditions are not fulfilled or waived (as the case may be) on or before 30 September 2014 (or such other date that may be agreed by both parties in writing), the Acquisition Agreement shall lapse and the Vendor shall return the Deposits to the Purchaser within 10 Business Days. Thereafter, there shall be no further liability on the parties to the Acquisition Agreement (save for any antecedent breach).

Completion

Completion shall take place on or before the fifth Business Day following the date on which all conditions are satisfied or waived (as the case may be). Pursuant to the Acquisition Agreement, the Target Company, the Purchaser and the Vendor shall execute the Shareholders' Agreement upon Completion. Details of the Shareholders' Agreement are set out in the paragraph headed "THE SHAREHOLDERS' AGREEMENT" below.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table summarised the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Consideration Shares; (iii) immediately after allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds without taking into account the conversion restriction of the Convertible Bonds, for illustrative purpose only; and (iv) immediately after allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds (assuming the holder of the Convertible Bonds converts the maximum number of the Convertible Bonds permissible under the conversion restriction of the Convertible Bonds):

	As at the Latest Practicable Date		**Immediately after the allotment and issue of the Consideration Shares**		**Immediately after the allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds (assuming full conversion of the Convertible Bonds without taking into account the conversion restriction)** *(Note 3)*		**Immediately after the allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds (assuming full conversion of the Convertible Bonds)**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Legend Win Profits Limited *(Note 1)*	153,500,000	10.93	153,500,000	8.51	153,500,000	5.66	153,500,000	5.66
Mr. Yu Won Kong, Dennis	103,007,364	7.33	103,007,364	5.71	103,007,364	3.80	103,007,364	3.80
Ms. Ho Siu Lan, Sandy *(Note 2)*	2,900,000	0.21	2,900,000	0.16	2,900,000	0.11	2,900,000	0.11
The Vendor	—	—	400,000,000	22.17	1,306,666,666	48.20	813,067,167	29.99
Other holders of the Convertible Bonds	—	—	—	—	—	—	493,599,499	18.21
Other public Shareholders	1,145,053,570	81.53	1,145,053,570	63.45	1,145,053,570	42.23	1,145,053,570	42.23
Total	**1,404,460,934**	**100.00**	**1,804,460,934**	**100.00**	**2,711,127,600**	**100.00**	**2,711,127,600**	**100.00**

Notes:

1. Legend Win Profits Limited is beneficially owned as to 38.95% by Mr. Hui Kee Fung, Chairman of the Company and executive Director, and as to 5.26% by Hui's K. K. Foundation Limited of which Mr. Hui Kee Fung is a registered member and director.

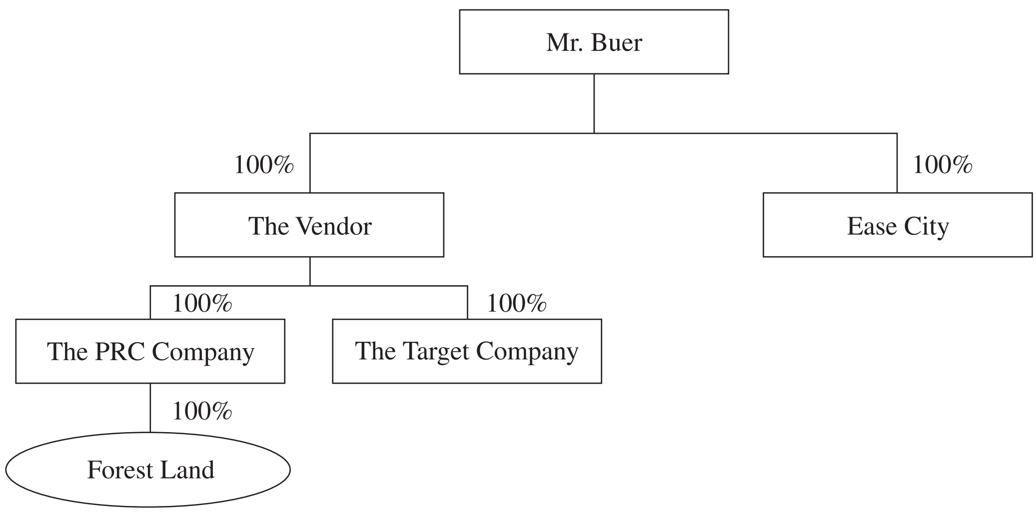
2. Ms. Ho Siu Lan, Sandy is the spouse of Mr. Yu Won Kong, Dennis, an executive Director.

3. The above shareholding table is for illustration purpose only as pursuant to the terms of the Convertible Bonds, there is a conversion restriction that the holder(s) of the Convertible Bonds shall not exercise its conversion rights conferred upon the Convertible Bonds if upon conversion of the Convertible Bonds, the holder of the Convertible Bonds together with parties acting in concert with it (as defined under the Takeovers Code) and/or its associates (as defined under the Takeovers Code), will be interested in 30% or more of the voting rights of the Company, or will trigger the obligation to make a mandatory offer by the holder and the parties acting in concert with it pursuant to Rule 26 of the Takeovers Code.

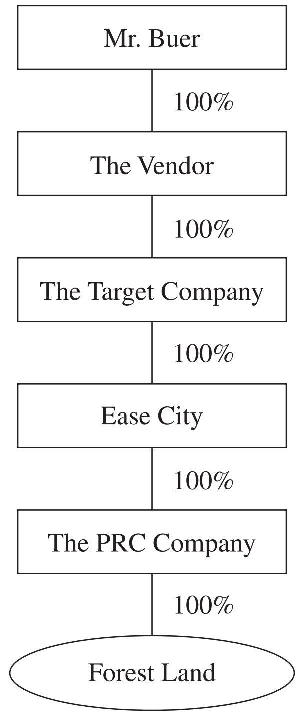
INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company. As at the Latest Practicable Date, Mr. Buer held the entire issued capital of the Vendor and Ease City directly while the PRC Company and the Target Company are wholly-owned directly by the Vendor. In order to facilitate the Acquisition, the Vendor is conducting the Reorganisation pursuant to the Acquisition Agreement. As at the Latest Practicable Date, the Reorganisation has not completed yet. Upon the completion of the Reorganisation, the Target Company will hold the entire issued share capital of Ease City, which in turn will hold the entire equity interests in the PRC Company. Set out below is the shareholding structure of the Target Group (i) immediately before the Reorganisation and the Completion; and (ii) upon completion of the Reorganisation and before the Completion:

Before the Reorganisation and the Completion



Upon completion of the Reorganisation and before the Completion



Principal business of the Target Group

The Target Company and Ease City are both investment holding companies with no business operations and the PRC Company is the only operating subsidiary of the Target Group up to the Latest Practicable Date.

The PRC Company is a wholly foreign-owned enterprise established in the PRC on 24 January 2005. It has registered paid-up capital of approximately RMB5.7 million as at 31 December 2013 and is principally engaged in the business of holding the Forestry Concession Rights.

Based on the PRC legal opinion dated 20 August 2014 prepared by the PRC Legal Adviser, the PRC Company has obtained all material requisite licences, permits and approvals for its operation, including but not limited to, (i) a business licence with an operating period from 24 January 2005 to 23 January 2025 with scope of business in fruit cultivation, and retail and wholesale of packaging food; and (ii) the Forestry Concession Rights certificates which are valid from 24 November 2011 to 31 December 2048.

The Forestry Concession Rights and the Forest Land

The Forestry Concession Rights is owned by the PRC Company under three Forestry Concession Rights certificates issued by the People's Government of Nanfeng County in November 2011 to the PRC Company for the Forest Land located at Qiawan Town, Nanfeng County, Fuzhou City, Jiangxi Province of the PRC. The Forest Land has an aggregate site area of approximately 1,765.53 mu. The three Forestry Concession Rights certificates cover different areas of the Forest Land (approximately 471.53 mu, 727.7 mu and 566.3 mu respectively and a total of approximately 1765.53 mu of the Forest Land). Pursuant to the Forestry Concession Rights certificates, the PRC Company has been granted (i) the ownership and right of use of the forest and the trees at the Forest Land; and (ii) the right of use of the woodland of the Forest Land for the plantation of Nanfeng tangerines, for a term up to 31 December 2048. Based on the PRC legal opinion dated 20 August 2014 prepared by the PRC Legal Adviser, the PRC Company has the rights to occupy, use and benefit from the woodland of the Forest Land and engage in foresting and agricultural industry and also has the right to transfer the above rights to another party, including lease as for this case. As such, the PRC Company is entitled to all economic benefits arising from the Forest Land until the expiry of the Forestry Concession Rights on 31 December 2048.

The Forest Land was being planted with Nanfeng tangerines (南豐蜜桔) before the PRC Company obtained such Forestry Concession Rights. Nanfeng tangerines is a specialty of Nanfeng County and is also a popular fruit in the PRC because of its superior quality over other varieties of orange products. According to the People's Government of Fuzhou, Nanfeng tangeries is the first type of tangeries awarded as "protected geographical identity products" ("原產地域保護標識") and certified as "grade A green food" ("綠色食品A級產品"). In 2013, the total area of production of tangeries in Nanfeng was approximately 700,000 mu with production of 3,000 million catty of tangerines. As set out in the valuation report of the Forestry Concession Rights prepared by the Valuer contained in Appendix VI to this circular, the valuation of the Forestry Concession Rights is HK$700 million as at 30 June 2014.

To the best knowledge of the Directors after exploring with business consultants and the PRC Legal Adviser, there are not any rights similar to the Forestry Concession Rights (comparable in size and location) available in the Nanfeng County or directly obtainable from the PRC Government of Nanfeng County at the material time of negotiation of the Acquisition.

Information of the Vendor and management of the Target Group

Mr. Buer, the beneficial sole shareholder of the Vendor, was the director, deputy general manager and assistant to chairman of 福建華盈集團有限公司 (Fujian Hua Ying Group Co., Ltd.*) from 2007 to 2011 and has extensive management experience. Fujian Hua Ying Group Co., Ltd. was incorporated in 1995 in the PRC, with 18 subsidiaries engaged in various businesses, including greening and horticulture business, hotels, tourism, property development, construction materials etc. Since 2011, Mr. Buer has been the director of the Vendor.

The Target Group will be managed by the board of directors of the Target Group and its business activities will be regulated by the Shareholders' Agreement after the Completion. The Target Group will have minimal support staff (for accounting and administration for collection of royalty income) and maintain operating expenses solely for its principal business in holding the Forestry Concession Rights for a fixed royalty income after the Completion. Pursuant to the Shareholders' Agreement, the board of directors of the Target Company shall comprise not more than three directors, in which one director will be appointed by the Purchaser and two directors will be appointed by the Vendor. All material changes on the operation of the Target

Group are subject to the unanimous consent of the shareholders' of the Target Group. Details of the Shareholders' Agreement are set out in the paragraph headed "THE SHAREHOLDERS' AGREEMENT" below.

The Cooperation Agreement

Apart from obtaining and holding the Forestry Concession Rights, the PRC Company had not actively engaged in any business on the Forest Land. After obtaining the Forestry Concession Rights in November 2011, it is the understanding of the Company that the PRC Company has focused on identifying potential cooperators for the tangerine plantation business on the Forest Land which allowed the Vendor and the PRC Company to migrate the business risk on the operation of the tangerine plantation business. The Company understands that it is not the intention of the Vendor and the Target Group to directly operate and manage the tangerine plantation business on the Forest Land.

On 26 March 2013, the PRC Company and the Cooperator entered into the Cooperation Agreement (supplemented on 28 March 2013). Pursuant to the Cooperation Agreement, the PRC Company is responsible for the provision of the Forest Land while the Cooperator is responsible for the operation of the tangerine plantation business on the Forest Land as well as provision of the funding, technology, and personnel required for the tangerine plantation on the Forest Land for a term of five years from 1 April 2013 to 31 March 2018. The Cooperation Agreement also stipulates that the Cooperator shall pay a fixed royalty income for its operation of the tangerine plantation business on the Forest Land of approximately RMB27.2 million in aggregate each year (equivalent to approximately HK$34.0 million) with an increment of 10% starting on 1 April 2015 to the PRC Company. If the Cooperator fails to pay such fixed royalty income, it would be a breach of the terms of the Cooperation Agreement. The Cooperator shall retain any surplus of the profit generated from its operation of the tangerine plantation business on the Forest Land under the Cooperation Agreement. In addition, the fixed royalty income shall be payable on a quarterly basis pursuant to the Cooperation Agreement.

The royalty income of approximately RMB27.2 million each year is calculated by royalty income of RMB16,000 per annum per mu multiplied by 1,700 mu in accordance with the Cooperation Agreement. Such royalty income of RMB16,000 per annum per mu is referenced with the market rate of the nearby areas of the Forest Land. According to the information provided by the Vendor, the 10% increment of the fixed royalty income on the third year of the Cooperation Agreement was determined with reference to their expected increment in inflation and interest rate in the coming years when the Target Company entered into the Cooperation Agreement with the Cooperator. Based on the estimated inflation rate of 2.2% in 2014 in accordance with the consumer price index in the PRC and the risk-free interest rate of approximately 3.2% per annum with reference to the PRC government bond (1-year), the Board considers the 10% increment of the fixed royalty income on the third year of the Cooperation Agreement fair and reasonable.

As informed by the Vendor, the royalty income of approximately RMB21.2 million and RMB13.6 million for the year ended 31 December 2013 and for the six months ended 30 June 2014 had been fully paid, respectively, by the Cooperator to the Vendor, who received the royalty income on behalf of the PRC Company. Any outstanding liabilities, debts or obligations owing by the Vendor to the PRC Company would be settled before the Completion as set out in condition (xi) in the paragraph headed "Conditions precedent".

In the event any of the parties to the Cooperation Agreement unilaterally terminates the Cooperation Agreement, the party in default shall pay the other party liquidated damages for breach of contract. If the Cooperator commits a breach of the Cooperation Agreement and such breach is not remedied within 15 days of the demand by the PRC Company, the PRC Company has the right to terminate the Cooperation Agreement and to demand the Cooperator to pay liquidated damages. The liquidated damages are calculated by RMB16,000 per mu multiplied by the area of the Forest Land of 1,700 mu and the number of years of the remaining term of the Cooperation Agreement. In addition, if any of the parties to the Cooperation Agreement breaches any term of the Cooperation Agreement such that the Cooperation Agreement cannot be fulfilled, the party in default shall indemnify the loss of the other party. Such loss will be calculated with reference to the loss incurred as a result of the breaches of Cooperation Agreement and loss of profits should the Cooperation Agreement be fulfilled in accordance with the PRC laws. The nature and calculation of the loss will depend on the specific circumstances of breach of the Cooperation Agreement. Save as disclosed above, there is no other mechanism for calculating the loss of a party under the Cooperation Agreement.

According to the information provided by the Vendor, the Cooperator has not started harvesting the tangerines in the Forest Land as at the Latest Practicable Date. The Cooperator is currently enhancing all necessary supervision and management of the cultivation activity on the Forest Land in order to enhance the quality and the quantity of the tangerines. The Cooperator will significantly ramp up harvesting in the Forest Land in 2014 and the agricultural produce is expected to commence in December 2014. Despite there has been no tangerine harvested by the Cooperator yet, the Cooperator is required to pay the royalty income to the PRC Company pursuant to the Cooperation Agreement.

The Cooperator

The Cooperator was incorporated in 1995 in the PRC. The Cooperator is principally engaged in industrial investment and management, interior decorating, water and electricity installation, domestic trading, importing and exporting of commodities and technologies, processing of imported materials, custom manufacturing with materials, designs or samples supplied, counter trade and transit trade. According to the information provided by the Cooperator and the PRC Company, the Cooperator has approximately 100 employees, in which eight of the employees have been organised as an operation team for the tangerines plantation business in the Forest Land. The operation team is currently led by two supervisors, one of them is a Professor at The School of Food Science and Technology of Jiangnan University with a major in food biotechnology while the other is a graduate of Jiangxi Agricultural University who is major in fruit trees and has over 20 years of relevant experience in the fruit plantation industry including management of fruit plantation techniques and processes. The six other employees, who have 5 to 20 years of experience in fruit plantation industry, are responsible to carry out day-to-day operation of the tangerine plantation in the Forest Land.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Cooperator and its ultimate beneficial owner(s) are third parties independent of the Company and its connected person, and the Vendor and its connected persons.

FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Company

Set out below is the key financial information of the Target Company based on its audited financial statements for the period from its date of incorporation on 20 November 2013 to 31 March 2014 prepared in accordance with the Hong Kong Financial Reporting Standards as set out in Appendix II to this circular:

Statement of profit or loss	**For the period from 20 November 2013 to 31 March 2014**
	US$
Turnover	Nil
Profit before taxation	Nil
Profit after taxation	Nil

Statement of financial position	**As at 31 March 2014**
	US$
Total assets	100
Total liabilities	—
Net assets	100

Ease City

Set out below is the key financial information of Ease City based on its audited financial statements for the period from its date of incorporation on 3 January 2014 to 31 March 2014 prepared in accordance with the Hong Kong Financial Reporting Standards as set out in Appendix III to this circular:

Statement of profit or loss	**For the period from 3 January 2014 to 31 March 2014**
	US$
Turnover	Nil
Profit before taxation	Nil
Profit after taxation	Nil

Statement of financial position	**As at 31 March 2014**
	US$
Total assets	100
Total liabilities	Nil
Net assets	100

The PRC Company

Set out below is the key financial information of the PRC Company based on its audited financial statements for the three years ended 31 December 2013 and the three months ended 31 March 2014 prepared in accordance with the Hong Kong Financial Reporting Standards as set out in Appendix IV to this circular:

	For the three months ended	**For the year ended**		
Statements of profit or loss	**31 March 2014**	**31 December 2013**	**31 December 2012**	**31 December 2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	6,800	21,186	Nil	Nil
Profit/(loss) before taxation	6,739	20,949	(349)	(228)
Profit/(loss) after taxation	5,054	15,712	(349)	(228)

Statements of financial position	As at 31 March 2014	31 December 2013	31 December 2012	31 December 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	32,035	25,296	4,068	4,730
Total liabilities	7,201	5,516	Nil	313
Net assets	24,834	19,780	4,068	4,417

Apart from obtaining and holding the Forestry Concession Rights, the PRC Company carried no business activities before entering into the Cooperation Agreement to lease out its Forestry Concession Rights for a fixed royalty income in 2013. Under such circumstance, the PRC Company incurred minimal administrative costs and losses in the two years ended 31 December 2012.

As confirmed by the Vendor and the PRC Legal Adviser, the cost incurred by the PRC Company for the application of Forestry Concession Rights certificates amounted to RMB4,154,000, as set out in Appendix IV to this circular. Such cost was paid by the PRC Company directly to the PRC Government of Nanfeng County back before 2011 and is recorded at historic cost in the financial statements of the PRC Company and subject to annual amortisation in accordance with the applicable accounting standards, as shown in note 9 on page IV-13 in Appendix IV to this circular. The Vendor has confirmed to the Company that there are other indirect outgoings of acquiring the Forestry Concession Rights but the Vendor refused to disclose details of such outgoings to the Company. Although the Company is unable to obtain further information from the Vendor on the application and/or acquisition of the Forestry Concession Rights, the Directors respect and accept the position of the Vendor as the PRC legal opinion confirms that the PRC Company legally owns the Forestry Concession Rights and the current fair value of the Forestry Concession Rights, instead of historical cost paid by the PRC Company, are the primary consideration in making investment decision on the Acquisition.

The valuation of the Forestry Concession Rights as set out in Appendix VI to this circular is to determine the fair value of the Forestry Concession Rights for the purpose of the Acquisition in respect of the Forest Land based on the valuation methodology contained in the valuation report. The Directors are of the view that the current market value, instead of historical costs, should be used as reference in determining the Consideration, which is a principal and commonly adopted approach in making acquisition decision. As such and as disclosed on page 8 of this circular, the Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the preliminary valuation of the Forestry Concession Rights, instead of the historical costs of approximately RMB4,154,000. The historical cost of the Forestry Concession Rights does not reflect the valuation of the Forestry Concession Rights by the Cost Approach. The historical cost and the fair value of the Forestry Concession Rights are totally different concepts with different figures and should not be compared.

As set out in the valuation report of the Forestry Concession Rights in Appendix VI to this circular, the finalised valuation of the Forestry Concession Rights as at 30 June 2014 is HK$700 million. Among the three generally accepted approaches in arriving at the market value of an asset, namely, the Direct Comparison Approach (or known as the Market Approach), the Cost Approach and the Income Approach, the Direct Comparison Approach was applied in the valuation of the Forestry Concession Rights. As explained by the Valuer in the paragraph headed "Valuation Methodology" in the valuation report contained in Appendix VI to this circular, the Valuer considers that the Direct Comparison Approach is the most appropriate approach to value the Forestry Concession Rights and is not misleading.

After careful consideration of (i) the professional expertise and experience of the Valuer; (ii) the professional opinion stated in the valuation report contained in Appendix VI to this circular; and (iii) the fact that the valuation report of the Forestry Concession Rights has been prepared in accordance with the steps and procedures laid down by the International Valuation Standards published by the International Valuation Standards Council and the Hong Kong Institute of Surveyors Valuation Standards published by the Hong Kong Institute of Surveyors, the Directors concur with the view of the Valuer and the basis of the methodology adopted by the Valuer in the valuation of the Forestry Concession Rights.

The Directors consider that they have fulfilled their fiduciary duties and duties of skill, care and diligence in determining the Consideration by reference to the fair current value of the Forestry Concession Rights, as determined under the valuation report contained in Appendix VI of this circular.

Shareholders should read the above information in conjunction with the accountant's reports as set out in Appendices II, III and IV to this circular containing further financial information on each member of the Target Group and Appendix VI to this circular for details of the valuation of the Forestry Concession Rights.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Group will become an associate of the Group. The Group's share of net assets and financial results of the Target Group will be included in the consolidated financial statements of the Group using equity method.

Assets and liabilities

As at 31 December 2013, the audited consolidated total assets of the Group amounted to approximately HK$301 million. As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix V to this circular, assuming Completion had taken place on 31 December 2013, the unaudited pro forma consolidated total assets of the Group would increase to approximately HK$508 million.

As at 31 December 2013, the audited consolidated total liabilities of the Group amounted to approximately HK$162 million. As set out in Appendix V to this circular, assuming Completion had taken place on 31 December 2013, the unaudited pro forma consolidated total liabilities of the Enlarged Group would increase to approximately HK$226 million.

Earnings

Upon Completion, the earnings of the Group will be affected by the performance of the Target Group and 28% of the profits or losses of the Target Group will be recorded using the equity method of accounting in the consolidated financial statements of the Company in the future (for so long as the Group remains to hold the 28% equity interests in the Target Company).

Impairment

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix V to this circular, no impairment is identified by the Directors on the assets to be acquired under the Acquisition upon Completion as there is no objective evidence under HKAS 36 "Impairment of Assets" that indicates the assets is impaired.

At each financial reporting date of the Group after Completion, the Group shall apply the same accounting policy and basis as set out in page V-5 in Appendix V to this circular in performing impairment assessment. The Group will apply the requirements of HKAS 36 "Impairment of Assets" to determine whether there is any objective evidence that the investment in associate (i.e. the Target Company) is impaired.

In the event that there is objective evidence that the investment in associate is impaired, the Group should calculate the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit of investments accounted for using equity method in the income statement. As such, a valuation report on the Forestry Concession Rights, which is appraised by a valuation approach as agreed by the auditor of the Group, is required to determine the recoverable amount of the investment in the Target Company and the amount of impairment accordingly.

If there is no objective evidence that the investment in the Target Company is impaired, no valuation on the Forestry Concession Rights will be obtained in accordance with the Group's accounting policy.

THE SHAREHOLDERS' AGREEMENT

Pursuant to the Acquisition Agreement, the Target Company, the Purchaser and the Vendor shall enter into the Shareholders' Agreement upon Completion to regulate the respective rights of the Purchaser and the Vendor in the Target Group. The material terms of the Shareholders' Agreement are extracted as follows:

Dividend payout policy

The shareholders of the Target Company shall be entitled to receive at least one dividend payment in each financial year and the dividend shall be equivalent to the entire profits of the Target Group attributable to the shareholders of the Target Company of the relevant financial year as permitted under the relevant laws and regulations.

Composition of the board of directors

The board of directors of the Target Company shall comprise of not more than three directors in which (i) one director will be appointed by the Purchaser; and (ii) two directors will be appointed by the Vendor.

Matters requiring unanimous shareholders' consent

Unless unanimous consent of the shareholders of the Target Company having been obtained, each of the shareholders of the Target Company should take all necessary action to ensure that the Target Group will not, among other matters, (i) issue or agree to issue any additional shares or grant any option to purchase any additional shares or rights, or purchase or redeem any shares; (ii) acquire or dispose of any part of the property or assets (or any interest) of the Target Group or enter into any agreement to perform the above matters; (iii) change the dividend policy and dividend payout ratio; (iv) change the nature of its principal business; and (v) commit or make capital expenditure exceeding RMB4 million in aggregate in any financial year by the members of the Target Group as a whole.

Right of first refusal

If any of the shareholders of the Target Company wishes to sell, transfer or otherwise dispose of any or all of his/her shares in the Target Company, the other shareholders of the Target Company shall have a right of first refusal to buy such shares and shall be notified in writing.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the manufacturing and trading of toys and gifts items and exploration of natural resources.

As disclosed in the annual report of the Company for the year ended 31 December 2013, in order to face the challenges of the Group, the Group would review its operations from time to time and explore other investment opportunities that have earning potentials in order to expand its existing operations and diversify its business to maximise the interests of the Group and the Shareholders as a whole.

In the last few years, the Company has considered investment opportunities in the fields of property, energy and online gambling. Yet, after due diligence work, careful consideration and genuine negotiations, the Board decided not to proceed with such investments as the parties did not come to agreement on the terms of investments, and as such investments may require payment of consideration by cash and may not be able to generate stable and recurring income for the Group shortly.

The Target Group via its wholly-owned subsidiary, the PRC Company, owns the Forestry Concession Rights in respect of the Forest Land. As the Vendor did not intend to directly operate and manage the tangerine plantation business on the Forest Land, the PRC Company and the Cooperator entered into the Cooperation Agreement, pursuant to which a fixed royalty income of approximately RMB28 million has already been generated for the PRC Company since the commencement of the cooperation period on 1 April 2013 and up to 31 March 2014. With such arrangement, the Target Group could benefit from a stable and recurring income, without having to invest any human and capital resources to manage the business directly and without having to bear the business risk of tangerine plantation business and thereby possible fluctuation of revenue, until March 2018.

The Board considers the Acquisition is in the interest of the Company and its Shareholders as a whole on the following grounds:

1. the Acquisition enables the Group to diversify its business portfolio into a new business (i.e. tangerine plantation business) which the Group has not been exposed to before;

2. the Vendor's agreement to payment of Consideration by the Company by way of Consideration Shares and Convertible Bonds allows the Group to diversify into a new business without having to incur any upfront cash outflow;

3. the existing business model of the Target Group under the Cooperation Agreement (as set out above) fits with the business strategy of the Company. Up to the Latest Practicable Date, the Company does not intend to directly operate the tangerine plantation business. The existing business model of the Target Group, provides the Group with the opportunity to diversify into the business, without having to incur much resources, financial or otherwise, in, or directly involved in, the operation of the tangerine plantation business until 2018;

4. the fixed royalty income arrangement under the Cooperation Agreement protects the Group with a stable and recurring income. The fixed royalty income, together with the 100% fixed dividend payout ratio (as permitted under the relevant laws and regulations) of the Target Group pursuant to the Shareholders' Agreement, would enhance the Group's sources of income and is expected to generate an average annual return of approximately 3.59% per annum from the fixed royalty income (taking into account the minimal operating expenses and the income tax expenses of the Target Group to be incurred and the dividend withholding tax in the PRC) till the expiry of the Cooperation Agreement. For the year ended 31 December 2013, the Group had a net operating cash outflow of approximately HK$22.5 million and, as of that date, a bank and cash balances of HK$18.7 million. Although the Company has subsequently completed two fund raising activities by way of top-up placing of Shares with aggregate net proceeds of approximately HK$34.9 million as disclosed in the Company's announcements dated 18 March 2014 and 28 April 2014, approximately HK$1.8 million, HK$17.3 million and HK$14 million have been used for repayment of the Group's borrowings, general working capital of the Group and

payment of the Deposits, respectively as at the Latest Practicable Date. In light of the present tight cashflow of the Group, such stable and recurring income is beneficial to the Group;

5. the issue price of the Consideration Shares at HK$0.15 per Consideration Share and the initial conversion price of the Conversion Shares at HK$0.15 per Conversion Share were determined with reference to the consolidated net asset value per Share of the Company as at 31 December 2013 and the prevailing market price of the Shares at the time on the day of execution of the MOU, which represent a premium of approximately 42.86% over the consolidated net asset value of HK$0.105 per Share of the Company as at 31 December 2013 and a premium of 21.26% over the average closing price of approximately HK$0.1237 of the Shares for the last 10 consecutive full trading days as quoted on the Stock Exchange before 8 March 2014. Although the issue of the Consideration Shares and the Convertible Bonds as the Consideration may lead to a dilution effect on the existing Shareholders as a result of the Acquisition, the Directors are of the view that the issue of the Consideration Shares and the Convertible Bonds as payment of the Consideration will allow the Group to retain more liquid financial resources and if there are other investment opportunities arise, the Group will be in a better financial position to capture such opportunities.

6. any amount of the Convertible Bonds which remains outstanding on the maturity date shall be, subject to the conversion restriction as described under the section headed "The Convertible Bonds" above, converted. In the event that the outstanding principal amount cannot be converted due to the conversion restriction of the Convertible Bonds, such amount shall be redeemed by the Company at its then outstanding principal amount. Under such circumstance, if the Group has no sufficient internal financial resources to redeem the Convertible Bonds, the Company will consider raising funds by additional equity or debt financing if necessary. In March and April 2014, the Company has successfully conducted two fund raising activities raising an aggregate of approximately HK$34.9 million. As such, though the Company's auditor has issued an unqualified opinion with emphasis matter on going concern on the consolidated financial statements of the Company for the year ended 31 December 2013, the Director is of the view that the Company will have sufficient financial resources to redeem the Convertible Bonds under such circumstance upon the maturity of the Convertible Bonds and consider that the issue of the Consideration Shares and the Convertible Bonds as the Consideration are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Sale Shares represent a non-controlling interest of the Target Company and hence the Group will have a significant influence through the Shareholders' Agreement but not a control on the Target Group after the Completion. After the Completion and the execution of the Shareholders' Agreement, Mr. Cheung Kai Fung, who is our executive Director, chief financial officer and company secretary and has extensive and strong education background and experience in financial and accounting management and business administration, will be the representative of the Company in the board of the Target Company. However, the operation of the Target Group will rely on the existing management of the Target Group who are more experienced in the principal business of the Target Group as the Directors, including Mr.

Cheung, have no previous experience in the fruit plantation industry. Mr. Cheung's principal role as a representative of the Company is to act as a controller rather than participants in the daily business operation of the Target Group. In order to diversify the risk of the Group's business portfolio and to avoid over-investment on a particular business after taking into account the existing financial resources of the Group and the Board will continue to identify investment opportunities to expand and further diversify the investment portfolio of the Group, the Directors consider it appropriate to invest and acquire only 28% of the Target Company and have no current intention to acquire any further interest in the Target Group.

The Group has conducted relevant due diligence on the financial, contractual and taxation aspects of each member of the Target Group including their respective material assets for the Acquisition. The due diligence conducted by the Board includes, among others, (i) the review of the accountants' reports on each members of the Target Group as set out in Appendices II to IV prepared by independent certified public accountants appointed by the Company to understand the financial aspects of the Target Group including the material assets and liabilities and financial performance of the Target Group; (ii) the review of the legal opinion prepared by the PRC Legal Adviser to confirm the legal status of the PRC Company, the Forestry Concession Rights and the Cooperation Agreement; (iii) the review of the valuation report of the Forestry Concession Rights, including but not limited to the valuation methodology adopted by the Valuer, prepared by the Valuer as set out in Appendix VI to this circular as an independent valuation in the Forestry Concession Rights; (iv) obtaining legal evidence in relation to the completion of the Reorganisation; and (v) performing site visit to the Forest Land to assess the status and, assisted by the PRC Legal Adviser, verify the legal boundaries of the Forest Land. In light of the fact that the Target Group's principal business is the holding of the Forestry Concession Rights and receipt of the fixed royalty income from the Cooperater under the Cooperation Agreement, which is a fixed contractual sum, the Company considers surveyor's inspection report (which is only necessary if the principal business of the PRC Company involves biological assets), inventory or stock due diligence report (which is only necessary if the principal business of the PRC Company involves any inventory or stock) not necessary and applicable for the Acquisition and did not obtain the same. Apart from the legal evidence in relation to the completion of the Reorganisation, all the above due diligence works have been completed as at the Latest Practicable Date. Based on the above reports and opinions prepared by the respective professional parties, the Target Group has possessed the Forestry Concession Rights to generate the fixed royalty income from the Cooperation Agreement with no material liabilities outstanding. As at the Latest Practicable Date, the Board is satisfied with the results of the due diligence conducted.

Taking into account of the above factors, the Directors are of the view that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

ECONOMIC AND REGULATORY OVERVIEW OF THE TARGET GROUP

Economic overview

China's economy is transforming from the external demand-driven market to the domestic demand-driven and consumption-oriented market. Tangerine contains variety of nutrition value, and these attract Chinese people to pursue for green and healthy food. Eventually, the Chinese beverage market continues to grow. With the benefit from today's per capita spending power and higher standards of living of Chinese people, the demand of green and healthy food creates a development opportunity.

As the per capita spending in the PRC is increasing, more consumers are shopping in supermarkets instead of visiting wet markets. Supermarkets usually have stable suppliers of fresh fruit, enabling them to deliver higher quality and safer products in a timely and price-competitive manner. The rapid development easily and increasingly deep penetration of modern supermarket chains in the PRC has made fruit more accessible to the retail customers. More consumers are willing to pay a higher price and choosing to buy fresh fruit at supermarkets where fruit's quality and safety are considered more reliable compared with traditional wet markets. Top grade fresh fruit sells better in large cities like Beijing and Shanghai. Second tier cities in the Yangtze River Delta and Pearl River Delta also show strong buyer power for top grade fresh fruit. The consumption of top grade fresh fruit in both urban and rural areas should continue to increase, which in turn will lead to an increase in the demand of forest land in the PRC for the plantation of top grade fresh fruit.

Regulatory overview

The PRC Government has been placing strong support to the agricultural businesses in the PRC which aims to increase the income level in the rural area as well as to increase the competitive advantages in the world market. The published the first "Layout Plan for PRC's Advantageous Agricultural Products (2003–2007)" in 2003 and in September 2008, the MOA released a new "Layout Plan for PRC's Advantageous Agricultural Products (2008–2015)," which provides guidelines for the development of 16 agricultural products.

PRC Law on Ownership of Forest

PRC Property Law (中華人民共和國物權法), passed by the National People's Congress on 16 March 2007 and effective as of 1 October 2007, forms the legal framework of property right in the PRC.

According to Article 9 of the Property Law, unless otherwise provided by law, the creation, alteration, transfer or extinction of the real property right shall become valid upon due registration in accordance with relevant law. The PRC Forestry Law (中華人民共和國森林法), passed by the Standing Committee of the National People's Congress on 29 April 1998 and effective as of 1 July 1998, is enacted to protect, cultivate and reasonably use of forest resources. It governs the afforestation, cultivation, felling, utilisation, management and administration of forests within the PRC territory.

Article 3 of the Forestry Law provides that the forests, trees and forest land owned by the State and by collectives, as well as the trees owned and forest land used by individuals, shall be registered with the local people's governments at or above the county level, which shall issue a forestry concession right to confirm such ownership or right of use.

MATERIAL RISK FACTORS OF THE ACQUISITION

There are certain risks and uncertainties relating to the Acquisition, some of which are beyond the Group's control.

Renewal of the Cooperation Agreement

The revenue of the Target Group solely relies on the fixed royalty income under the Cooperation Agreement. Pursuant to the Cooperation Agreement, the Forest Land shall be provided by the PRC Company to the Cooperator for a term of five years from 1 April 2013 to 31 March 2018. However, there is no guarantee that the Cooperator will renew the Cooperation Agreement after the expiry of the Cooperation Agreement. The Target Group may have to seek another cooperator and would not be able to generate any fixed royalty income from the Forestry Concession Rights during the vacant period. The Target Group may recognise an operating loss until it identifies a new cooperator.

Non-controlling features of the Sale Shares

Since the Sale Shares represent a non-controlling interest of the Target Company and hence the Group will have a significant influence on the Target Group only through the Shareholders' Agreement but not a control on the Target Group after the Completion. Apart from the requirement of the unanimous consent of the shareholders of the Target Group for the aggregate capital expenditure of the Target Group exceeding RMB4 million as set out in the Shareholders' Agreement, the Group has no direct control over the capital expenditure and the expenses incurred by the Target Group.

Assuming the Acquisition had been completed on 1 January 2013, the Group would have received a dividend of approximately RMB3.2 million (equivalent to HK$4.0 million) for the year ended 31 December 2013 with reference to the retained profits attributable to the sole shareholder of the PRC Company amounting to approximately RMB12.5 million for the year ended 31 December 2013 (the cooperation period commenced on 1 April 2013). However, in the event the Target Group incurs expenses or costs which is close to or exceeds the fixed royalty income that can be generated from the Cooperator or a new cooperator, the financial performance of the Target Group may deteriorate. The Target Group may recognise an operating loss and hence a lower or even no dividend can be declared by the Target Group to the Group accordingly.

Condition of the Forest Land

The Forest Land has been provided to the Cooperator for its operation of the tangerine plantation business. The Forest Land shall be developed and maintained by the Cooperator. Although the Cooperator is obligated to protect the condition of the Forest Land pursuant to the Cooperation Agreement and relevant forestry law in the PRC, there is no guarantee that the Cooperator can maintain the Forest Land at its best condition from time to time.

Economic risk

In the event that the growth of the Chinese economy slow down after the Acquisition, the growth of the per capita spending power may also decelerate as it is normally in line with the economic growth. In such case, the demand and the consumption of the top grade fresh fruit in the PRC can be negatively affected, which in turn may decrease the demand of forest land in the PRC for the plantation of top grade fresh fruit and lower the fixed royalty income that can be generated from the Forestry Concession Rights accordingly.

Regulatory risk

The business of the PRC Company is regulated by the PRC Government. The compliance with any new or changes to government legislation, regulation and policies in PRC may also increase the costs of the Target Group and any significant increase in compliance costs arising from such new or changes to government legislation, regulations and policies may adversely affect the operating results of the Target Group. There is no assurance that any new or changes to government legislation, regulations and policies will not have an adverse effect on the financial performance and financial position of the Target Group.

INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company are HK$200,000,000, divided into 2,000,000,000 Shares, and HK$140,446,093, divided into 1,404,460,934 Shares, respectively. In order to facilitate the issue of the Conversion Shares and the Consideration Shares, the Board proposed to increase its authorised share capital from HK$200,000,000 to HK$400,000,000 by the creation of additional 2,000,000,000 new Shares.

LISTING RULES IMPLICATION

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to reporting, announcement and the Shareholders' approval requirements.

EGM

The EGM will be convened by the Company at Lily Room, 3rd Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong on Monday, 8 September 2014 at 10:30 a.m. for the purposes of considering, and if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the

Consideration Shares and the Conversion Shares under the specific mandate) and the increase in authorised share capital of the Company. Relevant ordinary resolutions set out in the notice of EGM on pages EGM-1 to EGM-3 of this circular will be put to vote by the Shareholders at the EGM. Poll will be taken on all votes casted at the EGM and an announcement will be made by the Company after the EGM on the results of the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition which is different from other Shareholders, and therefore no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the EGM in relation to the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares and the Conversion Shares under the specific mandate) and the increase in authorised share capital of the Company.

The notice of the EGM is set out on pages EGM-1 to EGM-3 of 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 Level 22, Hopewell Centre, 183 Queen's Road East, 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.

RECOMMENDATION

In deciding to proceed with the Acquisition, the Directors have fulfilled their fiduciary duties and duties of skill, care and diligence as follows:

1. the Company has engaged the PRC Legal Adviser to conduct legal due diligence and the Valuer to provide a preliminary valuation on the Forestry Concession Rights prior to entering into the Acquisition Agreement in April 2014;

2. the Directors have conducted relevant due diligence on the financial, contractual and taxation aspects of each member of the Target Group, details of which are disclosed in page 29 of this circular;

3. the Directors have been engaging in arm's length negotiation with the Vendor in negotiating the terms of Acquisition to the interest of the Company and the Shareholders as a whole, details of which are disclosed in pages 7 to 14 of this circular;

4. the Directors have studied the economic and regulatory overview of the Target Group, details of which are disclosed in pages 30 to 31 of this circular;

5. the Directors have considered the material risk factors of the Acquisition, details of which are disclosed in pages 31 to 32 of this circular; and

6. the Directors having considered the affairs, financial situation and strategy of the Group, and other possible potential investment opportunities, details of which are disclosed in pages 26 to 29 of this circular.

The Directors consider that the Acquisition and the terms of the Acquisition Agreement are on normal commercial terms which are fair and reasonable and (i) the entering into of the Acquisition Agreement; and (ii) the increase in authorised share capital of the Company are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board would recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

The audited consolidated financial statements of the Group for the years ended 31 December 2013, 2012 and 2011 together with the relevant notes thereto are set out in pages 29 to 95 of the annual report of the Company for the year ended 31 December 2013, pages 30 to 95 of the annual report of the Company for the year ended 31 December 2012 and pages 32 to 103 of the annual report of the Company for the year ended 31 December 2011, which are specifically incorporated by reference in, and form part of, this circular.

The said annual reports of the Company are available on the Company's website at www.381energy.com and the website of the Stock Exchange at www.hkexnews.hk.

2. INDEBTEDNESS

At the close of business on 30 June 2014, being the latest practicable date for ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK$37,555,000. Among these bank borrowings, approximately HK$31,250,000, HK$3,067,000 and HK$3,238,000 were guaranteed by a wholly-owned subsidiary of the Company and its director, a Director of the Company and a director of the Company's non-wholly owned subsidiary, respectively and approximately HK$34,317,000 were secured by properties, plant and equipment, prepaid land lease payments and investment property of the Group.

Also the Group had outstanding trust receipt loans of approximately HK$10,988,000 that were guaranteed by a Director of the Company and were secured by properties, plant and equipment of the Group.

Besides, the Group had outstanding unsecured borrowings from third parties of approximately HK$38,867,000. Among these unsecured borrowings from third parties, approximately HK$459,000, HK$15,000,000 and HK$2,500,000 were guaranteed by a director of the Company's non-wholly owned subsidiary and his spouse, a Director of the Company and the Company, respectively. Save as disclosed herein, the Group had no other debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, or any obligations under finance leases or hire purchase contracts or any guarantee or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account its presently available financial resources and the available banking facilities, including internally generated funds and the Convertible Bonds, the Enlarged Group will have sufficient working capital for its normal business for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Company were made up.

5. REVIEW OF OPERATIONS AND PROSPECTS

During the year ended 31 December 2013, the Group recorded a turnover of approximately HK$169.9 million representing a decrease of approximately 11.9% as compared to the previous year. The Group's loss attributable to the Shareholders for the year ended 31 December 2013 was approximately HK$71.8 million.

Performance of the Group's principal businesses for the year ended 31 December 2013 is summarised below:

(a) Manufacturing and trading of toys and gifts items

Turnover from toys and gifts business for the year ended 31 December 2013 was approximately HK$169.9 million (2012: approximately HK$192.8 million), representing a decrease of approximately 11.9% as compared to the previous year. The decrease in turnover from toys and gifts business was mainly due to certain confirmed sales orders in 2013 being shipped to its customers in January 2014 and therefore not accounted for in the turnover for the year ended 31 December 2013.

The gross profit ratio of the toys and gifts business was approximately 29.0% for the year ended 31 December 2013.

(b) Exploration of natural resources

The Group owns the exploration rights of Bayanhushuo Coal Field and Guerbanhada Coal Mine, all located in Inner Mongolia Autonomous Region (the "**Inner Mongolia**"), the PRC with total estimated coal resources of approximately 500.05 million tonnes under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, as published by the Joint Ore Reserves Committee, as follows:

	Inferred Resources *(Million tonnes)*
Bayanhushuo Coal Field ("**BCF**")	394.05
Guerbanhada Coal Mine ("**GCM**")	106.00
Total	500.05

BCF is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by SRK Consulting China Ltd. on 31 January 2008, BCF has estimated coal resources of approximately 394.05 million tonnes of high quality thermal coal. In order to fulfill the requirement of the PRC government before submitting the master planning of BCF, the Group submitted a resources report of BCF to the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) in 2011. Such resources report of BCF was prepared by Inner Mongolia Long Wang Geographic Exploration Co. Ltd. (內蒙古龍旺地質勘探有限責任公司), which indicates that BCF has estimated coal resources of approximately 384.69 million tonnes under the Chinese resources standard promulgated by the Ministry of Land and Resources of the PRC. Save as above, there is no material change in the estimated coal resources of BCF as at Latest Practicable Date. The current licence period of the exploration right of BCF is from 4 July 2012 to 4 July 2014. The Group will apply for the renewal of the licence period of the exploration right of BCF in June 2014. Based on the past experience in applying for the renewal of the licence period of the exploration right of the Group, the Directors are confident that such renewal will be approved.

GCM is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by Steffen Robertson and Kirsten (Australasia) Pty Ltd. on 30 March 2007, GCM has estimated coal resources of approximately 106 million tonnes of high quality thermal coal. There is no material change in the estimated coal resources of GCM as at the Latest Practicable Date. The licence period of the exploration right of GCM was from 23 September 2011 to 22 September 2013. The Group successfully renewed such licence period and the current licence period of the exploration right of GCM is from 23 September 2013 to 22 September 2015.

On 18 April 2012, the Development and Reform Commission of Inner Mongolia (內蒙古自治區發展和改革委員會) circulated a consultation paper (內發改能源函[2012]176號 — 關於徵求《內蒙古自治區人民政府關於完善煤炭資源管理的通知》(《徵求意見稿》)意見的函) (the "**Consultation Paper**") among various governmental departments of Inner Mongolia (the "**Consultation**"), with an objective to adjust and enhance the government policy in managing the coal resources in Inner Mongolia. In the event that the Company is unable to transfer its exploration right into mining right, the Company is entitled to return the exploration right to the government for receiving a compensation equivalent to two times of its incurred exploration expenditures. The consultation paper has not become legally effective yet as at the Latest Practicable Date. The Group will closely monitor the development of the Consultation from time to time and assess the impact to the Group, if any.

The mining licence application process of BCF and GCM was much slower than expected. As at the Latest Practicable Date, the Group is still waiting for the approval of the master planning (總體規劃) of both BCF and GCM from the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and the National Energy Commission of the PRC (中華人民共和國國家能源局), which is one of the preconditions for the application of the mining licence of BCF and GCM. Further announcement in respect of the master planning of both BCF and GCM will be made by the Company in the event that it has been approved.

On 28 March 2013, 28 June 2013 and 2 October 2013, Bright Asset Investments Limited, First Choice Resources Limited, Jumplex Investments Limited and Wise House Limited, (collectively the "**Resources Vendors**"), all of which being companies incorporated in BVI with limited liability and indirectly wholly-owned subsidiaries of the Company, entered into a non-legally binding memorandum of understanding (the "**MOU of GCM**"), the supplemental MOU of GCM and the second supplemental MOU of GCM respectively with Xilinguolemeng Wulagai River Mineral Company Limited* (錫林郭勒盟烏拉蓋河礦業有限公司), an independent third party ("**Wulagai River**"), and Inner Mongolia Mingrunfeng Energy Co., Ltd.* ("**Mingrunfeng**"), an indirectly wholly-owned subsidiary of the Company, in relation to the possible sale by the Resources Vendors of the entire equity interest in Mingrunfeng to Wulagai River at a consideration of RMB50,000,000 (equivalent to approximately HK$64,000,000). Mingrunfeng is the holder of the exploration right of GCM, which is the principal asset of Mingrunfeng. The validity period of the MOU of GCM was before 31 March 2014.

As no formal sale and purchase agreement was entered into between the Resources Vendors and Wulagai River before 31 March 2014 nor there be an agreement reached in extending the date of entering into the formal sale and purchase agreement, the MOU of GCM automatically lapsed immediately after 30 March 2014. Save for certain legally binding provisions including those relating to confidentiality obligations, each of the Resources Vendors, Wulagai River and Mingrunfeng is released from the MOU of GCM.

For details, please refer to the Company's announcements dated 28 March 2013, 28 June 2013, 2 October 2013 and 31 March 2014.

A. ACCOUNTANTS' REPORT OF THE TARGET COMPANY

The following is the text of a report on the Target Company for the period from 20 November 2013 to 31 March 2014, prepared for the sole purpose of inclusion in this circular, received from Dominic K.F. Chan & Co., Certified Public Accountants, Hong Kong.

DC
陳錦福會計師事務所
Dominic K.F. Chan & Co., *Certified Public Accountants (Practising)*
Rooms 2105-06, 21/F., Office Tower, Langham Place, 8 Argyle Street, Mongkok, Kowloon, HK. Tel.: 2780 0607 Fax: 2780 0013

The Board of Directors
Kiu Hung Energy Holdings Limited
20th Floor
Hong Kong Diamond Exchange Building
8–10 Duddell Street
Central, Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") regarding to Multijoy Developments Limited (the "**Target Company**") for the period from 20 November 2013 (date of incorporation) to 31 March 2014 (the "**Relevant Period**"), for inclusion in the shareholders' circular of Kiu Hung Energy Holdings Limited (the "**Company**") dated 22 August 2014 (the "**Circular**") in connection with the Company's proposed acquisition (the "**Acquisition**") of the 28% issued share capital of the Target Company, pursuant to the sale and purchase agreement dated 16 April 2014 entered into between Joint Hero Holdings Limited and Delight Grace Limited. The financial information of the Target Company set out in Section I of this report comprises the statement of financial position as at 31 March 2014, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 20 November 2013 (date of incorporation) to 31 March 2014, and a summary of significant accounting policies and other explanatory notes.

The Target Company was incorporated in the BVI with limited liability on 20 November 2013, 1 ordinary share of US$1 was issued for cash at par to the subscriber. Pursuant to a resolution passed on 17 March 2014, 99 ordinary shares of US$1 each were allotted for cash at par to the existing shareholder of the Target Company in order to provide additional working capital. The Target Company is principally engaged in investment holding.

For the purpose of this report, the directors of the Target Company have prepared the Financial Information in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong (the "**Underlying Financial Statements**"), with no adjustments considered necessary to comply with HKFRSs.

Directors' responsibility

The directors of Target Company are responsible for the preparation of the Financial Information in order to give a true and fair view. In preparing the Financial Information that gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable.

Reporting accountant's responsibility

For the purpose of this report, we have carried out independent audit procedures on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. It is our responsibility to form an independent opinion, based on our procedures, on the Financial Information and to report our opinion thereon.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the results and cash flows of the Target Company for the Relevant Period and of the state of affairs of the Target Company as at 31 March 2014.

Yours faithfully,
Dominic K.F. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong

22 August 2014

Statement of profit or loss and other comprehensive income
From 20 November 2013 (date of incorporation) to 31 March 2014

	Note	**From 20 November 2013 (date of incorporation) to 31 March 2014** *US$*
TURNOVER	*3*	—
COST OF SALES		—
GROSS PROFIT		—
ADMINISTRATIVE EXPENSES		—
PROFIT BEFORE TAXATION		—
INCOME TAX	*4*	—
PROFIT FOR THE PERIOD		—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		—
PROFIT ATTRIBUTABLE TO THE SOLE SHAREHOLDER OF THE TARGET COMPANY		—

Statement of financial position

	Note	At 31 March 2014 US$
CURRENT ASSETS		
Cash and bank balances	7	100
Total current assets		100
EQUITY ATTRIBUTABLE TO THE SOLE SHAREHOLDER OF THE TARGET COMPANY		
Share Capital	8	100
Total equity		100

Statement of changes in equity

	Share capital	Accumulated losses	Total
	US$	*US$*	*US$*
Issue of share upon incorporation	1	—	1
Issue of share capital	99	—	99
Profit for the period	—	—	—
Balance at 31 March 2014	100	—	100

Statement of cash flows

	At 31 March 2014 *US$*
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	—
Net cash flows used in operating activities	—
NET CASH GENERATED FROM INVESTING ACTIVITIES	
Net proceed on the issuance of new share capital	100
NET CASH GENERATED FROM FINANCING ACTIVITIES	100
NET INCREASE IN CASH AND CASH EQUIVALENTS	100
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	—
CASH AND CASH EQUIVALEN AT END OF THE PERIOD	100

Notes to the Financial Information

1. CORPORATE INFORMATION

The Target Company was incorporated in the British Virgin Islands with limited liability on 20 November, 2013. As at the date of this report, the registered office of the Target Company is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

As at the date of this report, the immediate holding company of the Target Company is Delight Grace Limited, which is incorporated in BVI.

During the Relevant Period, the Target Company was principally engaged in the investment holding.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in US dollar ("**US$**"), which is also the functional currency of the Target Company, and all values are rounded to the nearest thousand except when otherwise indicated.

The Financial Information is the first set of the Target Company's financial statements prepared in accordance with HKFRSs. Accordingly, HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards has been applied in preparing the Financial Information. Since the Underlying Financial Statements, on which the preparation of the Financial Information was based, were prepared in accordance with HKFRSs, and therefore, disclosures as required by HKFRS 1 are not made in the Financial Information.

For the purposes of preparing and presenting the Financial Information for the Relevant Period, the Target Company has consistently applied all of the new and revised HKASs, HKFRSs, amendments and the related interpretations which are effective for the Relevant Period.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

3. REVENUE AND SEGMENT INFORMATION

There were no revenue during the period.

4. INCOME TAX

No provision for profits tax has been made in the financial statements as the Target Company has no assessable profits for the period.

5. DIVIDENDS

No dividend was paid or proposed for the Relevant Period, nor has any dividend been proposed since the end of the reporting period.

6. EARNING/LOSS PER SHARE

No earning/loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

7. CASH AND BANK BALANCES

As at 31 March 2014, the cash and bank balances of the Target Company denominated in US$.

8. SHARE CAPITAL

	At 31 March 2014
	US$
Authorised,	
5,000 shares of US$1 each	5,000
Issued and fully paid,	
100 shares of US$1 each	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual asset.

The Company was incorporated on 20 November 2013 with an authorised share capital of US$5,000 divided into 5,000 ordinary shares of US$1 each. At the time of incorporation, 1 ordinary share of US$1 each were issued for cash at par to the subscribers.

Pursuant to a resolution passed on 17 March 2014, 99 ordinary shares of US$1 each were allotted for cash at par to the existing shareholders of the Target Company in order to provide additional working capital.

9. SUBSEQUENT EVENTS

The Target Company did not have any significant event occurred subsequent to the Relevant Period.

10. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 31 March 2014.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

Set out below is the management discussion and analysis of the Target Company based on the accountants' report of the Target Company as set out in Section A of this appendix.

I. REVIEW OF FINANCIAL RESULTS

Profit or loss and other comprehensive income

The Target Company carried no business activities since its incorporation to 31 March 2014.

Financial position

As at 31 March 2014, the only asset of Target Company is the cash and bank balance amounted to US$100.

The paid up capital of the Target Company amounted to US$100 as at 31 March 2014.

II. CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Bank balances and cash and capital structure

The Target Company had bank balances and cash of US$100 as at 31 March 2014. The Target Company did not have any foreign exchange exposure or borrowing and therefore did not use any financial instrument for hedging purposes or have any material foreign currency net investment during the period since its incorporation to 31 March 2014.

Borrowings and charges on assets

The Target Company did not have any debt as at 31 March 2014, as a result, gross gearing ratio (which presents interest bearing borrowings to total equity) was zero as at 31 March 2014. The Target Company had not charged any of its assets as at 31 March 2014.

III. CAPITAL COMMITMENTS

As at 31 March 2014, the Target Company did not have any capital commitments.

IV. CONTINGENT LIABILITIES

As at 31 March 2014, the Target Company did not have any contingent liabilities.

V. SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Target Company did not have any significant investment or material acquisition or disposal of subsidiaries and associates during the period from 20 November 2013 (date of incorporation) to 31 March 2014.

A. ACCOUNTANTS' REPORT OF EASE CITY

The following is the text of a report on Ease City for the period from 3 January 2014 to 31 March 2014, prepared for the sole purpose of inclusion in this circular, received from Dominic K.F. Chan & Co., Certified Public Accountants, Hong Kong.

陳錦福會計師事務所
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The Board of Directors
Kiu Hung Energy Holdings Limited
20th Floor
Hong Kong Diamond Exchange Building
8–10 Duddell Street
Central, Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") regarding to Ease City Investments Limited ("**Ease City**") for the period from 3 January 2014 (date of incorporation) to 31 March 2014 (the "**Relevant Period**"), for inclusion in the shareholders' circular of Kiu Hung Energy Holdings Limited (the "**Company**") dated 22 August 2014 (the "**Circular**") in connection with the Company's proposed acquisition (the "**Acquisition**") of the 28% issued share capital of Multijoy Developments Limited, pursuant to the sale and purchase agreement dated 16 April 2014 entered into between Joint Hero Holdings Limited and Delight Grace Limited. The financial information of Ease City set out in Section I of this report comprises the statement of financial position as at 31 March 2014, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 3 January 2014 (date of incorporation) to 31 March 2014, and a summary of significant accounting policies and other explanatory notes.

Ease City was incorporated in the Samoa with limited liability on 3 January 2014, with an authorised share capital of US$1,000,000 divided into 1,000,000 ordinary shares of US$1 each. At the time of incorporation, 100 ordinary shares of US$1 each were issued for cash at par to the subscribers. As at the date of this report, Ease City is principally engaged in investment holding.

For the purpose of this report, the director of Ease City has prepared the Financial Information in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong (the "**Underlying Financial Statements**"), with no adjustments considered necessary to comply with HKFRSs.

Directors' responsibility

The director of Ease City is responsible for the preparation of the Financial Information in order to give a true and fair view. In preparing the Financial Information that gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable.

Reporting accountant's responsibility

For the purpose of this report, we have carried out independent audit procedures on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. It is our responsibility to form an independent opinion, based on our procedures, on the Financial Information and to report our opinion thereon.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the results and cash flows of Ease City for the Relevant Period and of the state of affairs of Ease City as at 31 March 2014.

Yours faithfully,
Dominic K.F. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong

22 August 2014

Statement of profit or loss and other comprehensive income
From 3 January 2014 (date of incorporation) to 31 March 2014

	Note	From 3 January 2014 (date of incorporation) to 31 March 2014
	Note	*US$*
TURNOVER	*3*	—
COST OF SALES		—
GROSS PROFIT		—
ADMINISTRATIVE EXPENSES		—
PROFIT BEFORE TAXATION		—
INCOME TAX	*4*	—
PROFIT FOR THE PERIOD		—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		—
PROFIT ATTRIBUTABLE TO THE SOLE SHAREHOLDER OF EASE CITY		—

Statement of financial position

		At 31 March 2014
	Note	*US$*
CURRENT ASSETS		
Cash and bank balances	*7*	100
Total current assets		100
EQUITY ATTRIBUTABLE TO THE SOLE SHAREHOLDER OF EASE CITY		
Share Capital	*8*	100
Total equity		100

Statement of changes in equity

	Share capital	Accumulated losses	Total
	US$	*US$*	*US$*
Issue of share upon incorporation	100	—	100
Profit for the period	—	—	—
Balance at 31 March 2014	100	—	100

Statement of cash flows

	At 31 March 2014
	US$
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	—
Net cash flows used in operating activities	—
NET CASH GENERATED FROM INVESTING ACTIVITIES	
Net proceed on the issuance of new share capital	100
NET CASH GENERATED FROM FINANCING ACTIVITIES	100
NET INCREASE IN CASH AND CASH EQUIVALENTS	100
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	—
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	100

Notes to the Financial Information

1. CORPORATE INFORMATION

Ease City was incorporated in the Samoa with limited liability on 3 January, 2014. As at the date of this report, the registered office of Ease City is located at 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

As at the date of this report, the immediate holding company of Ease City is Multijoy Developments Limited, which is incorporated in the British Virgin Islands, and in the opinion of the director of Ease City, the ultimate holding company of Ease City is Delight Grace Limited, which is incorporated in British Virgin Islands.

During the Relevant Period, Ease City was principally engaged in the investment holding.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in US dollar ("**US$**"), which is also the functional currency of Ease City, and all values are rounded to the nearest thousand except when otherwise indicated.

The Financial Information is the first set of Ease City's financial statements prepared in accordance with HKFRSs. Accordingly, HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards has been applied in preparing the Financial Information. Since the Underlying Financial Statements, on which the preparation of the Financial Information was based, were prepared in accordance with HKFRSs, and therefore, disclosures as required by HKFRS 1 are not made in the Financial Information.

For the purposes of preparing and presenting the Financial Information for the Relevant Period, Ease City has consistently applied all of the new and revised HKASs, HKFRSs, amendments and the related interpretations which are effective for the Relevant Period.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to Ease City if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over Ease City;

(ii) has significant influence over Ease City; or

(iii) is a member of the key management personnel of Ease City or of a parent of Ease City;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and Ease City are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and Ease City are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either Ease City or an entity related to Ease City;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Ease City's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

3. REVENUE AND SEGMENT INFORMATION

There were no revenue during the period.

4. INCOME TAX

No provision for profits tax has been made in the financial statements as Ease City has no assessable profits for the period.

5. DIVIDENDS

No dividend was paid or proposed for the Relevant Period, nor has any dividend been proposed since the end of the reporting period.

6. EARNING/LOSS PER SHARE

No earning/loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

7. CASH AND BANK BALANCES

As at 31 March 2014, the cash and bank balances of Ease City denominated in US$.

8. SHARE CAPITAL

	At 31 March 2014
	US$
Authorised, 1,000,000 shares of US$1 each	1,000,000
Issued and fully paid, 100 shares of US$1 each	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of Ease City. All ordinary shares rank equally with regard to Ease City's residual asset.

Ease City was incorporated on 3 January, 2014 with an authorised share capital of US$1,000,000 divided into 1,000,000 ordinary shares of US$1 each. At the time of incorporation, 100 ordinary shares of US$1 each were issued for cash at par to the subscribers.

9. SUBSEQUENT EVENTS

Ease City did not have any significant event occurred subsequent to the Relevant Period.

10. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Ease City have been prepared in respect of any period subsequent to 31 March 2014.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF EASE CITY

Set out below is the management discussion and analysis of Ease City based on the accountants' report of Ease City as set out in Section A of this appendix.

I. REVIEW OF FINANCIAL RESULTS

Profit or loss and other comprehensive income

Ease City carried no business activities since its incorporation to 31 March 2014.

Financial position

As at 31 March 2014, the only asset of Ease City is the cash and bank balance of US$100.

The paid up capital of Ease City amounted to US$100 as at 31 March 2014.

II. CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Bank balances and cash and capital structure

Ease City had bank balances and cash of US$100 as at 31 March 2014. Ease City did not have any foreign exchange exposure or borrowing and therefore did not use any financial instrument for hedging purposes or have any material foreign currency net investment during the period since incorporation to 31 March 2014.

Borrowings and charges on assets

Ease City did not have any debt as at 31 March 2014, as a result, gross gearing ratio (which presents interest bearing borrowings to total equity) was zero as at 31 March 2014. Ease City had not charged any of its assets as at 31 March 2014.

III. CAPITAL COMMITMENTS

As at 31 March 2014, Ease City did not have any capital commitments.

IV. CONTINGENT LIABILITIES

As at 31 March 2014, Ease City did not have any contingent liabilities.

V. SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Ease City did not have any significant investment or material acquisition or disposal of subsidiaries and associates during the period from 3 January 2014 (date of incorporation) to 31 March 2014.

A. ACCOUNTANTS' REPORT OF THE PRC COMPANY

The following is the text of the accountants' report in respect of the PRC Company for the years ended 31 December 2011, 2012, 2013 and three months ended 31 March 2014, prepared for the sole purpose of inclusion in this circular, received from Dominic K.F. Chan & Co., Certified Public Accountants, Hong Kong.

陳錦福會計師事務所
Dominic K.F. Chan & Co., *Certified Public Accountants (Practising)*
Rooms 2105-06, 21/F., Office Tower, Langham Place, 8 Argyle Street, Mongkok, Kowloon, HK Tel.: 2780 0607 Fax: 2780 0013

The Board of Directors
Kiu Hung Energy Holdings Limited
20th Floor
Hong Kong Diamond Exchange Building
8–10 Duddell Street
Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") regarding to Jiang Xi Yaxin Fruit Industry Company Limited [江西雅欣果業有限公司] (the "**PRC Company**") for each of the years ended 31 December 2011, 2012, 2013 and three months ended 31 March 2014 (the "**Relevant Period**"), for inclusion in the shareholders' circular of Kiu Hung Energy Holdings Limited (the "**Company**") dated 22 August 2014 (the "**Circular**") in connection with the Company's proposed acquisition (the "**Acquisition**") of the 28% issued share capital of Multijoy Developments Limited, pursuant to the sale and purchase agreement dated 16 April 2014 entered into between Joint Hero Holdings Limited and Delight Grace Limited. The financial information of the PRC Company set out in Section I of this report comprises the statements of financial position as at 31 December 2011, 2012, 2013 and 31 March 2014, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2011, 2012, 2013 and 31 March 2014, and a summary of significant accounting policies and other explanatory notes.

The PRC Company was established in the People's Republic of China (the "**PRC**") with limited liability on 24 January 2005 with paid-in capital of approximately RMB5,663,000. As at the date of this report, the PRC Company is principally engaged in business of holding of forestry concession rights for royalty income in the PRC.

The PRC Company has adopted 31 December as its financial year end date for statutory and/or management reporting purposes. The statutory financial statements for the Relevant Period were prepared in accordance with the relevant accounting principle and financial regulations applicable to enterprises established in the PRC and were audited by 福州佳朋聯合會計師事務所, Certified Public Accountants registered in the PRC.

For the purpose of this report, the director of the PRC Company has prepared the Financial Information in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong (the "**Underlying Financial Statements**"), with no adjustments considered necessary to comply with HKFRSs.

Director's responsibility

The director of the PRC Company is responsible for the preparation of the Financial Information in order to give a true and fair view. In preparing the Financial Information that gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable.

Reporting accountants' responsibility

For the purpose of this report, we have carried out independent audit procedures on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. It is our responsibility to form an independent opinion, based on our procedures, on the Financial Information and to report our opinion thereon.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the results and cash flows of the PRC Company for the Relevant Period and of the state of affairs of the PRC Company as at 31 December 2011, 2012, 2013 and 31 March 2014.

Yours faithfully,
Dominic K.F. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong

22 August 2014

Statements of profit or loss and other comprehensive income

		Year ended 31 December			Three months ended 31 March	
		2011	**2012**	**2013**	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Royalty income	*4*	—	—	21,186	—	6,800
Administrative expenses		(228)	(349)	(237)	(57)	(61)
(LOSS)/PROFIT BEFORE TAX	*5*	(228)	(349)	20,949	(57)	6,739
Income tax	*6*	—	—	(5,237)	—	(1,685)
(LOSS)/PROFIT FOR THE YEAR		(228)	(349)	15,712	(57)	5,054
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR, NET OF TAX		(228)	(349)	15,712	(57)	5,054
(LOSS)/PROFIT ATTRIBUTABLE TO THE SOLE SHAREHOLDER OF THE PRC COMPANY		(228)	(349)	15,712	(57)	5,054
TOTAL COMPREHENSIVE (LOSS)/ INCOME ATTRIBUTABLE TO THE SOLE SHAREHOLDER OF THE PRC COMPANY		(228)	(349)	15,712	(57)	5,054

Statements of financial position

		At 31 December			At 31 March
		2011	**2012**	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Forestry concession rights	*9*	3,936	3,827	3,718	3,691
Total non-current assets		3,936	3,827	3,718	3,691
CURRENT ASSETS					
Prepayments and other receivables	*10*	—	155	392	392
Due from the ultimate holding company	*11*	—	—	21,186	27,952
Cash and bank balances	*12*	794	86	—	—
Total current assets		794	241	21,578	28,344
CURRENT LIABILITIES					
Accruals and other payables	*13*	(313)	—	(279)	(279)
Tax payable		—	—	(5,237)	(6,922)
Total current liabilities		(313)	—	(5,516)	(7,201)
NET CURRENT ASSETS		481	241	16,062	21,143
Net assets		4,417	4,068	19,780	24,834
EQUITY ATTRIBUTABLE TO THE SOLE SHAREHOLDER OF THE PRC COMPANY					
Paid-in capital	*14*	5,663	5,663	5,663	5,663
Contribution reserve		—	—	1,580	2,085
Accumulated losses/retained profits		(1,246)	(1,595)	12,537	17,086
Total equity		4,417	4,068	19,780	24,834

Statements of changes in equity

	Attributable to the sole shareholder of the PRC Company			
	Paid-in capital	**Contribution reserve**	**Accumulated losses/retained profits**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	5,663	—	(1,018)	4,645
Loss for the year and total comprehensive loss for the year	—	—	(228)	(228)
At 31 December 2011 and 1 January 2012	5,663	—	(1,246)	4,417
Loss for the year and total comprehensive loss for the year	—	—	(349)	(349)
At 31 December 2012 and 1 January 2013	5,663	—	(1,595)	4,068
Profit for the year and total comprehensive income for the year	—	—	15,712	15,712
Transfer from retained profits	—	1,580	(1,580)	—
At 31 December 2013	5,663	1,580	12,537	19,780
Profit for the period and total comprehensive income for the period	—	—	5,054	5,054
Transfer from retained profits	—	505	(505)	—
At 31 March 2014	5,663	2,085	17,086	24,834
At 1 January 2013	5,663	—	(1,595)	4,068
Loss for the period and total comprehensive loss for the period	—	—	(57)	(57)
At 31 March 2013	5,663	—	(1,652)	4,011

Statements of cash flows

	At 31 December			At 31 March	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax	(228)	(349)	20,949	(57)	6,739
Adjustments for:					
Amortisation of forestry concession rights	109	109	109	27	27
	(119)	(240)	21,058	(30)	6,766
Increase in prepayments	—	(155)	(237)	—	—
Increase in amount due from ultimate holding company	—	—	(21,186)	—	(6,766)
Increase/(decrease) in accruals and other payables	251	(313)	279	—	—
Cash generated/(used) in operations	132	(708)	(86)	(30)	—
Net cash flows generated/(used) in operating activities	132	(708)	(86)	(30)	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	132	(708)	(86)	(30)	—
Cash and bank balances at beginning of year	662	794	86	86	—
CASH AND CASH EQUIVALENTS AT END OF YEAR	794	86	—	56	—
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	794	86	—	56	—

Notes to the Financial Information

1. CORPORATE INFORMATION

The PRC Company was established in the PRC with limited liability on 24 January 2005. As at the date of this report, the registered office of the PRC Company is located at 江西省南豐縣富溪工業園區.

As at the date of this report, the immediate and ultimate holding company of the PRC Company was Delight Grace Limited, which is incorporated in the British Virgin Islands ("BVI") with limited liability.

During the Relevant Period, the PRC Company was principally engaged in the business of holding of forestry concession rights for royalty income in the PRC.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("**RMB**"), which is also the functional currency of the PRC Company, and all values are rounded to the nearest thousand except when otherwise indicated.

The Financial Information is the first set of the PRC Company's financial statements prepared in accordance with HKFRSs. Accordingly, HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards has been applied in preparing the Financial Information. Since the Underlying Financial Statements, on which the preparation of the Financial Information was based, were prepared in accordance with HKFRSs, and therefore, disclosures as required by HKFRS 1 are not made in the Financial Information.

For the purposes of preparing and presenting the Financial Information for the Relevant Period, the PRC Company has consistently applied all of the new and revised HKASs, HKFRSs, amendments and the related interpretations which are effective for the Relevant Period.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the PRC Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the PRC Company;

(ii) has significant influence over the PRC Company; or

(iii) is a member of the key management personnel of the PRC Company or of a parent of the PRC Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the PRC Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the PRC Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the PRC Company or an entity related to the PRC Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Forestry concession rights

Forestry concession rights acquired separately by the PRC Company are intangible assets and are stated at cost less accumulated amortisation and any accumulated impairment losses. The forestry concession rights give the PRC Company to grant an exclusive right to the co-operator to exploit, harvest, transport and sale of agricultural produce in the allocated concession forests in designated areas in Qiawan Town, Nanfeng County, Fuzhou City, Jiangxi Province, the PRC. Amortisation is charged on the straight-line basis over their estimated useful lives of 38 years. The forestry concession rights are assessed for impairment whenever there is an indication that the forestry concession rights are assessed for impairment. The amortisation period and the amortisation method for forestry concession rights with a finite useful life are reviewed at least at each financial year end.

Loans and receivables

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The PRC Company determines the classification of its financial assets at initial recognition. When loans and receivables are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the PRC Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The PRC Company's financial assets include cash and bank balances and the amount due from investment holding company.

Subsequent measurement

After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition

An item of loans and receivables (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the PRC Company has transferred its rights to receive cash flows from an asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the PRC Company has transferred substantially all the risks and rewards of the asset, or (b) the PRC Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the PRC Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the PRC Company's continuing involvement in the asset. In that case, the PRC Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the PRC Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the PRC Company could be required to repay.

Impairment

The PRC Company assesses at the end of each reporting period whether there is any objective evidence that an item of loans and receivables or a group of loans and receivables is impaired. An item of loans and receivables or a group of loans and receivables is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the item of loans and receivables or the group of loans and receivables that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables carried at amortised cost, the PRC Company first assesses individually whether objective evidence of impairment exists for loans and receivables that are individually significant, or collectively for loans and receivables that are not individually significant. If the PRC Company determines that no objective evidence of impairment exists for an individually assessed item of loans and receivables, whether significant or not, it includes the asset in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between that asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the PRC Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

Loans and borrowings

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The PRC Company determines the classification of its financial liabilities at initial recognition. All loans and borrowings are recognised initially at fair value, less directly attributable transaction costs.

The PRC Company's loans and borrowings include other payables.

Subsequent measurement

After initial recognition, loans and borrowings are subsequent measurement at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition

An item of loans and borrowings is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing item of loans and borrowings is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the PRC Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Deferred tax

Deferred tax is provided using the liability method, on temporary difference at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts of financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the PRC Company and when the revenue can be measured reliably, on the following bases:

Royalty income is recognised when the right to receive the income has been established;

Other employee benefits

Pension scheme

The employees of the PRC Company which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The PRC Company is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgement, estimates and assumption that have the most significant effect on the amounts recognised in the Financial Information and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Amortisation and impairment of forestry concession rights

Amortisation is charged to profit or loss on a straight-line method, by reference to the difference period of concession rights granted by the PRC's 林業局, as further detailed in the accounting policy for "Forestry concession rights" set out in note 2.2 to the Financial Information. The PRC Company assess whether there are any indicators of impairment for the concession rights at the end of each reporting period when there are indicators that the carrying amounts may not be recoverable.

4. REVENUE AND SEGMENT INFORMATION

Turnover represents the royalty income from forestry concession right.

No operating segment or geographical information is presented as the PRC Company operated in one single segment during the Relevant Period and all of its assets and liabilities as at the end of the Relevant Period were located in the PRC.

5. (LOSS)/PROFIT BEFORE TAX

The PRC Company's (loss)/profit before tax is arrived at after charging:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amortisation of forestry concession rights	109	109	109	27	27
Staff costs					
Wages and salaries	50	45	—	—	—

6. INCOME TAX

The basis tax rate of the PRC Company is 25% during the Relevant Period, under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation regulation of the EIT Law.

(a) Taxation in the income statement represents:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current tax — PRC profits tax					
Provision for the year	—	—	5,237	—	1,685

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/profit before taxation	(228)	(349)	20,949	(57)	6,739
Tax on accounting profit/(loss) at domestic income tax rate of 25% (2011 and 2012: 25%)	(68)	(87)	5,237	(14)	1,685
Tax effect of non-deductible expenses	68	87	—	14	—
Actual tax expense	—	—	5,237	—	1,685

As at 31 December 2011, 2012, 2013 and 31 March 2014, the PRC Company had no material unprovided deferred tax liability.

7. DIVIDENDS

No dividend was paid or proposed for the Relevant Period, nor has any dividend been proposed since the end of the reporting period.

8. (LOSS)/EARNING PER SHARE

No (loss)/earning per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

9. FORESTRY CONCESSION RIGHTS

	RMB'000
Cost:	
At 1/1/2011, 31/12/2011, 31/12/2012 and 31/12/2013	4,154
Accumulated amortisation	
At 1/1/2011	109
Amortisation for the year	109
At 31/12/2011 and 1/1/2012	218
Amortisation for the year	109
At 31/12/2012 and 1/1/2013	327
Amortisation for the year	109
At 31/12/2013	436
Amortisation for the period	27
At 31/3/2014	463
Net book value:	
At 31/3/2014	3,691
At 31/12/2013	3,718
At 31/12/2012	3,827
At 31/12/2011	3,936

10. PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December			At 31 March
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments and other receivables	—	155	392	392
	—	155	392	392

Note: The financial assets included in the above balances relate to receivables for which there was no recent history of default. None of the above assets is neither past due nor impaired.

11. AMOUNT DUE FROM THE ULTIMATE HOLDING COMPANY

The amount due from the ultimate holding company as at 31 December 2013 and 31 March 2014 including royalty income of RMB21,186,000 and RMB6,800,000 received by the ultimate holding company on behalf of the PRC Company for the year ended 31 December 2013 and the three months ended 31 March 2014, such amount is unsecured, interest free and has no fixed terms of repayment.

12. CASH AND BANK BALANCES

As at 31 December 2011, 2012, 2013 and at 31 March 2014, the cash and bank balances of the PRC Company denominated in RMB. The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the PRC Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

13. ACCRUALS AND OTHER PAYABLES

	At 31 December			At 31 March
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals and other payables	313	—	279	279
	313	—	279	279

14. PAID-IN CAPITAL

	At 31 December			At 31 March
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year	5,663	5,663	5,663	5,663
At end of the year	5,663	5,663	5,663	5,663

The PRC Company was established with registered capital of HK$13,000,000. As at the date of this report, HK$5,510,000 has been injected as paid-in capital of the PRC Company.

15. RELATED PARTY DISCLOSURES

(a) Outstanding balances with related parties

Other than the balance with Delight Grace Limited, the ultimate holding company as disclosed in note 11 of this section, the PRC Company did not have other outstanding balance with related parties as at the end of each of the Relevant Period.

(b) Compensation of key management personnel of the PRC Company

In the opinion of the director of the PRC Company, the director of the PRC Company represents the key management personnel of the PRC Company. During each of the Relevant Period, no compensation was paid to the key management personnel.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The PRC Company's exposure to credit risk and liquidity risk, arises in the normal course of its business. The director reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The credit risk of the PRC Company's financial assets, which comprise other receivables and cash and bank balances, arise from default of the counterparty, with a maximum exposure to the carrying amount of these instruments.

Liquidity risk

The PRC Company's objective is to maintain a balance between continuity of funding and flexibility through the use of funds from the holding company.

The financial liabilities as at 31 December 2011, 2012, 2013 and at 31 March 2014, based on the contractual undiscounted payments, amount to RMBNil, RMBNil, RMB5,516,000 and RMB7,201,000 respectively, which include accruals and other payables with their maturity of repayable within one year.

Capital management

The primary objective of the PRC Company's capital management is to safeguard its ability to continue as a going concern. The PRC Company does not have specific policies for managing capital but it will continue to maintain a healthy capital ratio.

17. FINANCIAL INSTRUMENT BY CATEGORY

The financial assets and liabilities of the PRC Company as at 31 December 2011, 2012, 2013 and 31 March 2014 are loans and receivables and financial liabilities stated at amortised cost, respectively.

18. SUBSEQUENT EVENTS

The PRC Company did not have any significant event occurred subsequent to the Relevant Period.

19. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the PRC Company have been prepared in respect of any period subsequent to 31 March 2014.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PRC COMPANY

Set out below is the management discussion and analysis of the PRC Company based on the accountants' report of the PRC Company as set out in Section A of this appendix.

I. REVIEW OF FINANCIAL RESULTS

Profit or loss and other comprehensive income

Apart from obtaining and holding the Forestry Concession Rights, the PRC Company carried no business activities before entering into the Cooperation Agreement to lease out its Forestry Concession Rights for a fixed royalty income in 2013. Under such circumstance, the PRC Company incurred minimal administrative costs since its establishment. The PRC Company recorded profit of approximately RMB15.7 million during the year ended 31 December 2013 and RMB5.0 million during the three months ended 31 March 2014.

Financial position

During the years ended 31 December 2011, 2012, 2013 and three months ended 31 March 2014, the assets of PRC Company mainly comprised intangible assets of Forestry Concession Rights of about RMB3.9 million, RMB3.8 million, RMB3.7 million and RMB3.7 million respectively, prepayment and other receivables of nil, RMB0.2 million, RMB0.4 million and RMB0.4 million respectively, cash and bank balances of RMB0.8 million, RMB0.1 million, RMB100 and RMB100, respectively. There was also an amount due from the ultimate holding company which being the royalty income received by the ultimate holding company on behalf of the PRC Company as at 31 December 2013 and 31 March 2014.

Accruals and other payables for the PRC Company amounted to RMB0.3 million RMB0.3 million and RMB0.3 million as at 31 December 2011, 31 December 2013 and 31 March 2014 respectively for financing the administrative and operating activities of the PRC Company.

Income tax expenses amounted to RMB5.2 million and RMB1.7 million has been derived from the profit for the PRC Company for the year ended 31 December 2013 and three months ended 31 March 2014, such payable has been reflected as tax payable of the PRC Company as at 31 December 2013 and 31 March 2014.

The paid up capital of the PRC Company amounted to RMB5.7 million for the year ended 31 December 2011, 2012, 2013 and three months ended 31 March 2014 for financing the acquisition of the Forestry Concession Rights.

II. CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Bank balances and cash and capital structure

The PRC Company had bank balances and cash of about RMB794,000, RMB86,000, RMB100 and RMB100 as at 31 December 2011, 2012, 2013 and 31 March 2014 respectively. The PRC Company did not have any foreign exchange exposure or borrowing and therefore did not use any financial instrument for hedging purposes or have any material foreign currency net investment during the Relevant Period.

Borrowings and charges on assets

The PRC Company did not have any debt as at 31 December 2011, 2012, 2013 and 31 March 2014, as a result, gross gearing ratio (which presents interest bearing borrowings to total equity) was zero as at 31 March 2014. The PRC Company had not charged any of its assets as at 31 December 2011, 2012, 2013 and 31 March 2014.

III. CAPITAL COMMITMENTS

As at 31 December 2011, 2012, 2013 and 31 March 2014, the PRC Company did not have any capital commitments.

IV. CONTINGENT LIABILITIES

As at 31 December 2011, 2012, 2013 and 31 March 2014, the PRC Company did not have any contingent liabilities.

V. SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The PRC Company did not have any significant investment or material acquisition or disposal of subsidiaries and associates during the Relevant Period.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. Introduction

The unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "**Statement**") set out in section B below has been prepared by the directors in accordance with paragraph 14.67 of the Listing Rules, for illustrative purpose only, to provide information about how the proposed Acquisition might have affected the financial position of the Group as if the Acquisition had been completed on 31 December 2013.

The Statement has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2013 as set out in the Company's annual report 2013 dated 30 April 2014 in respect of the Group's audited results for the year ended 31 December 2013, after making certain pro forma adjustments that are (i) directly attributable to the Acquisition and (ii) factually supportable, as further described in the accompanying notes.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2013. Furthermore, the Statement does not purport to predict the Enlarged Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group and each members of the Target Group as set out in Appendices II to IV to this Circular, respectively, the Company's announcement dated 17 April 2014 and other financial information included elsewhere in this Circular.

B. Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

	The Group as at 31 December 2013 *(HK$'000)* (Audited) *Note 1*	Pro Forma Adjustments *(HK$'000)*	*Notes*	Pro Forma Combined: the Enlarged Group *(HK$'000)*
NON-CURRENT ASSETS				
Property, plant and equipment	67,283			67,283
Investment properties	10,100			10,100
Prepaid land lease payments	4,659			4,659
Exploration and evaluation assets	148,312			148,312
Other intangible assets	1,070			1,070
Interest in an associate	—	206,500	2,3	206,500
Deferred tax assets	353			353
Total non-current assets	231,777			438,277
CURRENT ASSETS				
Trade receivables	18,510			18,510
Prepayments, deposits and other receivables	8,870			8,870
Inventories	22,885			22,885
Tax recoverable	332			332
Cash and bank balances	18,710			18,710
Total current assets	69,307			69,307
CURRENT LIABILITIES				
Trade payables	14,337			14,337
Other payables and accruals	39,344	2,500	3	41,844
Borrowings	76,157			76,157
Income tax payables	366			366
Total current liabilities	130,204			132,704
NET CURRENT LIABILITIES	(60,897)			(63,397)
TOTAL ASSETS LESS CURRENT LIABILITIES	170,880			374,880
NON-CURRENT LIABILITIES				
Deferred tax liabilities	31,422			31,422
Convertible bonds	—	62,000	2	62,000
Total non-current liabilities	31,422			93,422
Net assets	139,458			281,458

Notes:

1. The carrying amounts of assets and liabilities of the Group as at 31 December 2013 are extracted from the consolidated statement of financial position as at 31 December 2013 set out in the published 2013 Annual Report of the Company.

2. Pursuant to the Acquisition Agreement, the Consideration for the Acquisition of the Sale Shares which amounted to HK$196,000,000 would be satisfied by the Company to the Vendors at Completion by:

   (i) the issue of 400,000,000 Consideration Shares to the Vendors credited as fully paid at issuance, at the issue price of HK$0.15 per Consideration Share; and

   (ii) the issue of Convertible Bonds with the principal amount of HK$136,000,000 at an initial conversion price of HK$0.15 per Conversion Share.

   Upon Completion, the Target Group would become an associate of the Group and would be accounted for in the consolidated financial statements of the Group under HKAS 28 *Investments in Associates*, using equity method.

   The difference between the consideration payable for the Sale Shares and the Group's share of the fair value of the Target Group's net identifiable assets attributable to shareholders of the Target Group will be accounted for as goodwill. Such goodwill will be calculated as below:

	HK$'000
Consideration payable for the Sale Shares:	
Consideration Shares	68,000[(a)]
Convertible Bonds	136,000[(b)]
Costs directly attributable to the Acquisition *(note 3)*	2,500
	206,500
Share of provisional fair value of the net assets attributable to shareholders of Target Group upon completion of the Acquisition	203,400[(c)]
Goodwill arising from acquisition of approximately 28% equity interest in the Target Group	3,100

   (a) For the purpose of this Unaudited Pro Forma Financial Information, the fair value of each Consideration Share is assumed to be HK$0.17, which is the closing price of the Share as quoted on the Stock Exchange on 31 December 2013. On this basis, this adjustment reflects the investment cost of Consideration Shares to be credited to share capital and share premium of approximately HK$40,000,000 and HK$28,000,000, respectively.

   The fair value of each Consideration Share and the final share premium amount to be recorded in the consolidated financial statements of the Group at the Completion Date shall be based on the market price of the Share of the Company at the Completion Date, which could be materially different from the assumed fair value and estimated share premium as stated herein.

   (b) The Convertible Bonds with principal amount of HK$136,000,000 will be issued at an initial conversion price of HK$0.15 per Conversion Share and meet the definition of financial liabilities under HKAS 32 *Financial Instruments: Presentation.* On this basis, upon issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

This adjustment calculated below reflects the investment cost of the Convertible Bond to be credited to non-current liabilities and reserve under equity at initial recognition for HK$62,000,000 and HK$74,000,000, respectively.

	HK$'000
Principal amount on issuance	136,000
The fair value of the liability component, with effective interest rate at approximately 30% per annum	62,000
The remainder of the proceeds allocated to conversion option and included in Shareholders equity	74,000

(c) The share of provisional fair value of the net assets attributable to shareholders of Target Group upon completion of the Acquisition which amounted to HK$203,400,000, represents approximately 28.0% of net assets attributable to shareholders of Target Group of RMB24,834,000 as at 31 March 2014, of which are extracted from the financial position of the Target Group as at 31 March 2014 as set out in the Financial Information of the PRC Company in Appendix IV with fair value adjustment amounted to HK$695,386,000 being the difference between the carrying amount of the forestry concession rights as at 31 March 2014 as set out in Appendix V and the fair value of the forestry concession rights at HK$700,000,000 as at 30 June 2014 as set out in Appendix VI. The presentation currency of the Target Group is RMB, for illustrative purpose, the net assets attributable to shareholders of Target Group is translated to HK$ at the exchange rate of RMB1.00 to HK$1.25. In the opinion of the Directors, the fair value of the assets and liabilities of the Target Group attributable to the Group is subject to changes upon the date of Completion as the fair value of the identifiable assets and liabilities will be assessed at the date of Completion. Since this Unaudited Pro Forma Financial Information is prepared solely for illustrative purposes, the Directors assumed that the provisional fair value of the identifiable assets and liabilities to be the carrying amounts of the assets and liabilities of the Target Group as at 31 March 2014 with adjustment with reference to the fair value of the forestry concession rights as at 30 June 2014 as set out in Appendix VI, and accordingly, the possible changes to the fair value of assets and liabilities of the Target Group being attributable to the Group may not be fully reflected in this Unaudited Pro Forma Financial Information.

Detail calculation of the net assets attributable to Shareholders of the Target Group as below.

	The carrying amounts of the Target Group as at 31 March 2014		**Fair value adjustment base on valuation report set out in Appendix VI**	**Provisional fair value of the net assets of the Target Group**
	RMB'000	*HK$'000*	*HK$'000*	*HK$'000*
Forestry concession rights	3,691	4,614	695,386	700,000
Other assets	28,344	35,430		35,430
Total assets	32,035	40,044		735,430
Current liabilities	(7,201)	(9,001)		(9,001)
Net Asset	24,834	31,043		726,429
Share of the provisional fair value of the net asset of the Target Group at 28% upon completion of the Acquisition				203,400

Since the fair value of the identifiable assets and liabilities of the Target Group at the date of Completion may be different from the provisional fair value used in the preparation of this Unaudited Pro Forma Financial Information, the final amounts of the identifiable net assets, including intangible assets and goodwill to be recognised in connection with the Acquisition and their consequential impacts to the consolidated financial statements of the Group could be different from the amounts stated herein.

3. Acquisition-related costs, such as professional fees for legal services, transfer taxes and other transaction costs, are included as part of the acquisition cost of the associate. Therefore, the cost of an investment in an associate at initial recognition determined comprises its purchase price and any directly attributable expenditures necessary to obtain it. This adjustment will not have any continuing effect on the consolidated statement of cash flows of the Group after Completion.

4. For the purpose of the preparation of the Unaudited Pro Forma Financial Information, no impairment is identified by the directors of the Company on the assets acquired by the Company upon completion of the Acquisition as there is no indicator of impairment under HKAS 36 "Impairment of Assets". After completion of the Acquisition, in preparation of the consolidated financial statements of the Group for the next financial year, the Group will apply the same impairment assessment methodology and perform impairment review in accordance with the requirements of HKAS 36 "Impairment of Assets".

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report from the reporting accountants, Dominic K. F. Chan & Co., Certified Public Accountants, on the unaudited pro forma financial information of the Enlarged Group, for inclusion in this circular.

陳錦福會計師事務所
Dominic K.F. Chan & Co., *Certified Public Accountants (Practising)*
Rooms 2105-06, 21/F., Office Tower, Langham Place, 8 Argyle Street, Mongkok, Kowloon, HK Tel: 2780 0607 Fax: 2780 0013

The Board of Directors
Kiu Hung Energy Holdings Limited
20/F, Hong Kong Diamond Exchange Building
8–10 Duddell Street
Central, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Kiu Hung Energy Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 December 2013 and related notes as set out in section headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix V of the circular issued by the Company dated 22 August 2014 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are also described in section headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix V of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition (the "**Acquisition**") of the 28% equity interest in Multijoy Developments Limited (the "Target Company") and its subsidiaries (the "**Target Group**") on the Group's financial position as at 31 December 2013 as if the transaction was completed on 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's annual report for the year ended 31 December 2013, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

— The related pro forma adjustments give appropriate effect to those criteria; and

— The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a. the pro forma financial information has been properly compiled on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Dominic K. F. Chan & Co.
Certified Public Accountants
Hong Kong

22 August 2014

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from Witz International Consultants Ltd., an independent professional valuer, in connection with its opinion on the valuation of the Forest Concession Rights as at 30 June 2014.

Witz International
Consultants Group Limited
Room 505, 5/F
Harcourt House
No. 39 Gloucester Road
Wanchai
Hong Kong

22 August 2014

The Board of Directors
Kiu Hung Energy Holdings Limited
20th Floor
Hong Kong Diamond Exchange Building
8–10 Duddell Street
Central
Hong Kong

Dear Sirs,

Valuation of the Interest of 1,765.53 Mu Forestry Concession Rights in Nanfeng County, Fuzhou City, Jiangxi Province (江西省撫州市南豐縣), the People's Republic of China (the "PRC")

In accordance with your instructions for us to value the interest of 1,765.53 Mu Forestry Concession Rights in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC (the "**Subject Asset**") to be acquired by Kiu Hung Energy Holdings Limited (the "**Company**") in connection with the Company's possible acquisition of certain equity interests in Multijoy Developments Limited ("**Multijoy**"), which subsidiary, being 江西雅欣果業有限公司 (the "**PRC Company**") is the owner of the Subject Asset, after its reorganisation to be completed as represented, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the Subject Asset as at 30 June 2014 (the "**Valuation Date**").

BASIS OF VALUATION

Our valuation is our opinion of the market value of the Subject Asset which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. The market value of an asset is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Unless otherwise stated, our valuation of the Subject Asset has been made on the assumptions, that, as at the Valuation Date:

- the legally interested party in the Subject Asset sells the Subject Asset in its highest and best form in the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the Subject Asset;

- the legally interested party in the Subject Asset has free and uninterrupted rights to assign the interests for the whole of the unexpired terms as granted and any fees payable have already been fully paid;

- all required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed for any use on which the value estimates contained in our report are based;

- the Subject Asset has obtained relevant government's/organisation's approvals for the sale of the Subject Asset and is able to be disposed of and transferred free of all encumbrances (including but not limited to the cost of transaction) in the market;

- the Subject Asset, as advised, under the management of Multijoy can be freely disposed and transferred free of all encumbrances for its existing or approved uses in the market to third party purchasers without payment of any fees to the government;

- the legally interested party in the Subject Asset has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as compensation and soil erosion) to the Subject Asset and the proper usage of the Subject Asset;

- there is no material difference between the information contained in the Forestry Concession Rights Certificates and the actual figures.

VALUATION METHODOLOGY

There are three generally accepted approaches in arriving at the market value of an asset, namely the Direct Comparison Approach (or known as the Market Approach), the Cost Approach and the Income Approach.

Income Approach relies heavily on input assumptions. Depending on the selection of the input assumptions specific for the subject matter, how the subject matter will operate, how the market will unfold and how the assumptions interact with the subject matter and the market, the Income Approach valuation can fluctuate widely which sometimes can be easily beyond reasonable range. Certain important input assumptions, such as future cash flows, discount rates and perpetuity growth rates, can be unreliable and easily manipulated. In the case of the

Subject Asset, these input assumptions are not readily available. As such, the fair value generated for the Subject Asset would then be not accurate and accordingly, we have not adopted the Income Approach. The Cost Approach was not adopted because it could not reflect the true value of the Forestry Concession Rights. During our field survey, details of which is set out below, we managed to obtain a number of co-operation arrangements between the local villagers and co-operators. These co-operation arrangements established a pool of comparable transactions with similar features as that of the Subject Asset and a reliable reference of the market price of the Subject Asset itself. Accordingly, we have adopted Direct Comparison Approach as our valuation methodology.

The field survey, sampling methodology and comparability of identified transactions

As we note that there is no published statistical data at various governmental levels to support the valuation findings, we conducted a field survey to identify first hand and direct relevant information in relation to plantation of 蜜桔 (tangerine) in Nanfeng County. During our field survey, we focused on the comparable transaction of co-operation fees for growing economic plantation of the same type as that of the Subject Asset. In accordance with industry practice, we have paid particular attention to the nature of the transaction, types of the concession right, sizes of the forest land, amounts of the cooperation fee, duration of the cooperation period, timing of the transaction and locations. We have studied the background information of the location and the nature of the transactions to determine the assumptions and the adjustments required to determine the market value of the Subject Asset. If we could not find such market transactions within the locality, we would adopt similar transactions further away from the subject location. We would then consider whether the distance would be an adjustment in additional to the assumptions and adjustments as above-mentioned, before determining the market value of the Subject Asset.

The field survey was conducted by us within a radius of 10 kilometers from the Subject Asset covering several major villages in Nanfeng County. As the radius of 10 kilometers from the Subject Asset extends to an area of about 314 square kilometers and is nearly close to 20% of the area of the whole Nanfeng County, we consider that this forms a very solid basis for information collection and an adequate sampling space for the purpose of the valuation of the Subject Asset in our professional judgement.

During our visits to the villages, we were able to identify a total of 22 comparable transactions of co-operation arrangements in which the villagers granted the concession rights of plantation and harvesting to third parties in return for a fixed income. Out of these 22 transactions, we were able to obtain documentary evidences relating to 5 transactions from the local villagers in the form of co-operation agreements signed between the local villagers and co-operating parties while there was no documentary evidence provided in relation to the remaining 17 transactions. In order to ensure reliability of such 17 transactions, we conducted detailed interviews in order to gather sufficient information in relation to the co-operation arrangements, including period of the co-operation period, area of the subject forest land and the co-operation fee. We note that the information gathered on such 17 transactions is within a reasonable narrow range of, and is consistent with, the information relating to the 5 transactions with documentary evidences.

We consider that the 22 transactions identified by us during our field survey are comparable on the following basis:

1. The PRC Company has been granted the Forestry Concession Rights in respect of the Subject Asset pursuant to which the PRC Company has the Forestry Concession Rights in respect of the Forest Land of the Subject Asset for a term of approximately 34 years and it has the full rights to maintain and operate the plantation business and is entitled to the entire profit generated from the plantation business. The co-operation arrangements in respect of the 22 comparable transactions involving the villagers contracted with the co-operators for an extended period of 30 years, which is equivalent to approximately the whole period of forestry concession rights in most cases under a single co-operation fee. The villagers do not take part in the management and daily up-keeping of the plantation business while the co-operation parties have the full rights to use the forest lands and maintain and operate the plantation business and are entitled to the entire profit generated from the plantation business. During the contract period, the villagers would not receive any economic benefits from the forest lands other than the one-off cooperation fees while the co-operators would enjoy all the economic benefits generated from the forest lands as long as they comply with the terms of the land use right certificates issued by the relevant authorities. We take the view that under these co-operation arrangements, the villagers have in substance or defacto "sold" their rights to the co-operators and these 22 comparable transactions have the similar features as that of the Subject Asset.

2. All the 22 transactions took place between 2012 and 2014 and all of them are for co-operation period of 30 years. Such co-operation period is comparable for the purpose of the valuation of the Forestry Concession Rights, which is for a period of approximately 34 years. We note that the co-operation period under the Cooperation Agreement of the Subject Asset is for a 5-year period with annual payment, whilst the co-operation arrangements of all the 22 comparable transactions are for period of 30 years and for one-off transaction fee. We take the view that the co-operation period of the Cooperation Agreement is not relevant for the purpose of the valuation of the Subject Asset as the Forestry Concession Rights of the Subject Asset is for a period of approximately 34 years and the subject matter of the valuation is not the Cooperation Agreement. Upon the expiry of the Cooperation Agreement in 2018, the PRC Company can either extend the Cooperation Agreement with the existing co-operator, identify new co-operator or sub-divide the Forest Land of the Subject Asset and identify several co-operators. We did not take into account such variances in our consideration of the valuation of the Subject Asset.

We are of the view that the sampling size of 22 comparable transactions is sufficient for the purpose of this valuation. In this case, the statistical sampling size of 22 comparable transactions has exceeded normal industrial norm, which generally refers to the industrial practice of valuers in performing valuations whereby their standard practice is that a valuer could form his opinion of value of an asset given a minimum of 2 comparable transactions in the market with closest similarity that can be found.

Valuation

The co-operation fees of the 5 transactions with documentary support range from RMB450,000 per Mu to RMB500,000 per Mu while the co-operation fees of the 17 transactions without documentary support range from RMB450,000 per Mu to RMB520,000 per Mu. This reveals consistency among the 22 transactions obtained by us. We note that the land sizes of the 22 transactions range from 1 Mu to 3 Mu and are substantially smaller than that of the Subject Asset of 1,765.53 Mu. As such, we have adopted a lower end base figure and applied a prudent discount as described below to accommodate size adjustment in our valuation methodology.

For prudent sake, we adopted the lower end of the range of co-operation fees of RMB450,000 per Mu obtained by us during our survey. In accordance with the industry and market practice and our experience, we applied a 25% discount after having taken into account the differences in land size and the size of 22 transactions sample received by us which size is already above industry norm as referred to above. The 25% size difference discount has been considered and adopted in valuing the Subject Asset compared with the industrial practice of 5% to 10% discount as normally adopted by valuers. In arriving at this 25% size difference discount, we took into account (1) the difference in land area of the Forest Land of the Subject Asset and those of the 22 comparable transactions; (2) the far higher efficiency and more economic use in view of fewer provisions for scavenging lanes, paths and spaces for various public purposes in respect of a larger land area compared with that of smaller land area; and (3) merits of single ownership of larger land area that avoids administrative inconvenience and uncertainties if otherwise facing hundreds of villagers which is attractive to major investors or operators who are not interested in piecemeal concession rights. We have taken further mark down of the resultant valuation to allow for buffer discount for contingent consideration in line with industry and market practice and based on our experience.

The Directors of the Company concur with our view above and the basis of the methodology adopted by us in the valuation of the Forestry Concession Rights.

In the course of the valuation, we have discussed with the Board of the Company and the reporting accountant to this potential acquisition. They are of the same opinion that the Direct Comparison Approach is reasonable in assessing the market value of the Subject Asset.

Unless otherwise stated, we have not carried out a valuation on a re-development basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

TITLE DOCUMENTS AND ENCUMBRANCES

We have been provided with copies of extracts of title documents including Forestry Concession Rights Certificates (林權證). However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have relied on the information given by the Company relating to the Subject Asset. We have no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We have relied considerably on the advice given by the Company's PRC legal advisers, Messrs Dacheng Law Offices, concerning the validity of the title and documents of the Subject Asset.

The land registration system of China forbids us to search the original documents of the Subject Asset that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the Subject Asset.

No allowance has been made in our report for any charges, mortgages or amounts owing on the Subject Asset nor for any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the Subject Asset is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In our valuation, we have assumed that the Subject Asset is able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported value significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company. We have accepted advice given by the Company on such matters as planning approvals or statutory notices, easements, tenure and site areas. Dimensions, measurements and areas included in the valuation report are based on information provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the site areas of the Subject Asset and we have assumed that the areas shown on the documents handed to us are correct. We were also advised that no material facts have been omitted from the information provided.

INSPECTION AND STRUCTURAL CONDITION

In April 2014, we conducted limited scope visual inspections of the Subject Asset in respect of which we have been provided with such information as we have requested for the purpose of this engagement. We have not inspected those parts of the Subject Asset which were covered, unexposed or inaccessible and such parts have been assumed to be in a reasonable condition. We cannot express an opinion about or advise upon the condition of the Subject Asset and our work product should not be taken as making any implied representation or statement about the condition of the Subject Asset. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious conditions in the Subject Asset inspected. We are not, however, able to report that the Subject Asset is free from infestation or any other natural harms. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

Our valuation has been made on the assumption that no unauthorised construction, extension, illegal usage or addition has been made in the Subject Asset, and that the use of our report does not purport to be a geotechnical survey of the Subject Asset, and the trees and plantation on top of the Subject Asset.

We have not carried out on-site measurements to verify the correctness of the areas of the Subject Asset, but have assumed that the areas shown on the documents and the official layout plans handed to us are correct. All dimensions, measurements and areas are approximations.

Verification work on site was performed on when and where appropriate bases, and without violating the laws and regulations in China. According to the laws and regulations in China, foreigners including citizens from Hong Kong are not allowed to use any form of GPS (Global Positioning System) — related equipment and large scale maps in China. The management of the Company or interested party in the Subject Asset should conduct their own due diligence work to verify the location and areas.

Our engagement and the agreed procedures to value the Subject Asset did not include an independent land survey to verify the legal boundaries of the Subject Asset. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of the Subject Asset that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the Subject Asset should conduct their own legal boundaries due diligence work. We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Subject Asset, or has since been incorporated, and we are therefore unable to report that the Subject Asset is free from risk in this respect, and therefore we have not considered such factor in our valuation.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the Subject Asset and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the Subject Asset. We have not carried out any investigation into past or present uses, either of the Subject Asset or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the Subject Asset from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the Subject Asset or any neighbouring land, or that the Subject Asset has been or is being put to a contaminative use, this might reduce the value reported or affect our findings.

REMARKS

Whilst we have taken care to investigate the title to the Subject Asset including the examination of the copy or original copy of title certificates or other document of title as provided, we do not accept liability for any interpretation which we have placed on such information which is more properly the sphere of the Company's legal advisers. Neither have we verified the correctness of any information supplied to us concerning the Subject Asset whether in writing or verbally by the Company.

In valuing the Subject Asset, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"); the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

Due to its unique nature of the Forestry Concession Rights, and in general such Forestry Concession Rights has not been embraced by board items of the Listing Rules, in the course of our valuation, we have treated the subject Forestry Concession Rights following the steps and procedures of Chapter 5 of the Listing Rules.

CURRENCY

Unless otherwise stated, all monetary amounts stated are in Hong Kong Dollars.

AREA CONVERSION

One Mu is equal to 666.667 sq m (about 7,176 sq ft).

Our valuation report is attached.

Yours faithfully
For and on behalf of
Witz International Consultants Group Limited
Joseph KP Leung *MSc MRICS MHKIS RPS (GP)*
Director

Encl.

Note: Joseph K P Leung, MSc, MRICS, MHKIS, RPS (G.P.), has been a qualified valuer since 1993 and has 27 years' experience in the valuation of properties in Hong Kong and has been involved in the valuation of properties in the People's Republic of China and Asia Pacific regions since 1990, in particular agricultural and forestry land from 1998. He is a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in connection with Takeovers and Mergers published by The HKIS.

VALUATION REPORT

Asset	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 30 June 2014
1,765.53 Mu Forestry Concession Rights in Nanfeng County, Fuzhou City, Jiangxi Province, (江西省撫州市南豐縣), The People's Republic of China.	The Subject Asset comprises a Forestry Concession Rights of about 1,765.53 Mu (1,177,025 sq m). Currently the Subject Asset is used as growing fruit known as 蜜桔 (tangerine). The Concession Rights where the Subject Asset located is generally levelled. The Subject Asset is held under three Forestry Concession Rights Certificates (林權證) for a term up to 31 December 2048 for growing of trees of economic value.	The Subject Asset is subject to a Co-operation Agreement dated 26 March 2013 (supplemented on 28 March 2013 for a term of 5 years up to 31 March 2018). The co-operation fees received by the owner will be RMB16,000 (i.e. guaranteed amount) per annum per Mu. The guaranteed amount will be adjusted upward by 10% on the third year of the Cooperation Agreement.	HKD700,000,000 (100% interest)

Notes:

1. Nanfeng County of Fuzhou City is located in the eastern part of Jiangxi Province, neighbouring Fujian Province. Nanfeng County covers an area of about 1,920 sq km and has a population of about 300,000. Nanfeng County has an agricultural/forestry land of about 296,300 Mu and is renowned for growing of 蜜桔 (tangerine). In 2011, GDP per capita of Nanfeng County is RMB10,707 and is ranking top of the list in Jiangxi Province.

2. Pursuant to Forestry Concession Rights Certificates (林權證) Nos. 南豐林證字(2001)第2400000001, 號 (No. 1–3)、南豐林證字(2001)第2400000002, 號 (No. 1–2)、南豐林證字(2001)第2400000003, 號(No. 1–4) the Subject Asset with a total site area of about 1,765.53 mu (1,177,025 sq m) is granted to 江西安發達果業有限公司 (江西雅欣果業有限公司之前身) for a term up to 31 December 2048 and the permitted use is for growing trees of economic values.

3. Pursuant to the Business License No. 1181181, 江西雅欣果業有限公司 was incorporated with a registered capital of Hong Kong Dollars 5.5111 million for a valid period up to 23 January 2025. The scope of business includes fruit growing, investment in yellow wine, fruit wine and dairy produce, wholesale and retail of pre-packaged foodstuff, non-packaged foodstuff, daily produce, international trade.

4. Pursuant to a Notification of Change of Name of Foreign Investor (外商投資企業名字變更核准通知書) No. (null) 名稱變核外字[2012]第00048號 dated 23 July 2012, 江西安發達果業有限公司 was permitted to change its name to 江西雅欣果業有限公司.

5. As per a Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC No. 商外資贛撫字[2005]0004號, 江西雅欣果業有限公司 was permitted to operate 20 years from 24 January 2005. Delight Grace Limited (雅欣有限公司), as the sole overseas shareholder, has invested HKD5.511 million as the capital investment.

6. By virtue of a Co-operation Agreement between 江西雅欣果業有限公司 (referred as Party A) and 上海中福企業投資發展有限公司 (referred as Party B) dated 26 March 2013 and a Supplementary Agreement dated 28 March 2013 which contain, inter alia, the following major clauses which are material to this valuation:

    (a) Co-operation period is five years from 1 April 2013;

(b) Party A contributes the 1,765.53 Mu Forestry Concession Rights (i.e. The Subject Asset) and plantations on top (i.e. 蜜桔 (tangerine)) whereas Party B provides working capital, skill and manpower in operating and managing the Subject Asset. Party A does not participate the operation and management of the Subject Asset;

(c) During the period of Co-operation, Party A is entitled to receive from Party B annually a Co-operation Fees of RMB16,000 per Mu (i.e. the guaranteed amount). The guaranteed amount is subject to an upward only increment of 10% in the third year.

7. We have been provided with a legal opinion on the Subject Asset and contains, inter alia, the following information:

(a) 江西雅欣果業有限公司 legally owns the Subject Asset and is entitled to occupy, use, as well as to co-operate with third party contractors for planting of trees of economic values, of which in the latest case for return and receipt of co-operation fees;

(b) The subject Co-operation Agreement legally conforms the restrictions of the subject Forestry Ownership Certificates and governing rules and regulations;

(c) The current plantation of 蜜桔 (tangerine) conforms to the uses as permitted by the subject Forestry Concession Rights Certificates and Local Government's planning and land policies, as well as other Government legislations.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was, and as a result of the increase of authorised share capital, allotment and issue of the Consideration Shares and the Conversion Shares will be, as follows:

		HK$
Authorised share capital:		
2,000,000,000	Shares as at the Latest Practicable Date	200,000,000
4,000,000,000	Shares upon increase of authorised share capital	400,000,000
Issued and fully paid or credited as fully paid:		
1,404,460,934	Shares as at the Latest Practicable Date	140,446,093
Shares to be issued:		
400,000,000	Consideration Shares to be issued	40,000,000
906,666,666	Conversion Shares to be issued upon full conversion of the Convertible Bonds (assuming no adjustment has to be made on the Consideration)	90,666,667
Total Shares issued and to be issued:		
2,711,127,600	Shares	271,112,760

The nominal value of the Shares and the Consideration Shares is HK$0.1 each.

3. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be 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 of Shares (long position)	Nature of interest			Percentage of total issued share capital as at Latest Practicable Date
		Interest of controlled corporation	Interest of child under 18 or spouse	Beneficial owner	
Mr. Hui Kee Fung *(Note 1)*	155,900,000	153,500,000	—	2,400,000	11.10
Mr. Yu Won Kong, Dennis *(Note 2)*	117,707,364	114,807,364	2,900,000	—	8.38
Mr. Lam Kit Sun	2,400,000	—	—	2,400,000	0.17
Mr. Cheung Kai Fung	1,800,000	—	—	1,800,000	0.13
Mr. Lam Siu Lun, Simon	1,800,000	—	—	1,800,000	0.13
Mr. Zhang Xianmin	1,800,000	—	—	1,800,000	0.13

Notes:

1. The Shares are held by Legend Win Profits Limited, a company incorporated in the BVI. The issued share capital of Legend Win Profits Limited is beneficially owned by Mr. Hui Kee Fung, chairman of the Company and executive Director, and Hui's K. K. Foundation Limited as to 38.95% 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 Kee Fung is a registered member and director of Hui's K. K. Foundation Limited.

2. The Shares are held by Ms. Ho Siu Lan, Sandy, the spouse of Mr. Yu Won Kong, Dennis, an executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or a proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares 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.

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

Since 31 December 2013, the date to which the latest published audited financial statements of the Group were made up, none of the Directors or proposed Directors or experts (as named below) has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group.

In addition, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Enlarged Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

7. LITIGATIONS

As at the Latest Practicable Date, there is no litigation or claims of material importance pending or threatened against any member of the Enlarged Group.

8. OTHER INFORMATION

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries:

(i) each of Mr. Hui Kee Fung and Mr. Yu Won Kong Dennis, who are the executive Directors of the Company, has no current intention or plan to cease to be the Directors of the Company in the foreseeable future;

(ii) neither Mr. Hui Kee Fung nor Mr. Yu Won Kong Dennis has any agreement, arrangement and understanding with the Vendor (including its beneficial owner and associates(s)) that is collateral with or otherwise related to the Acquisition (including change in the composition of the Board; and

(iii) save for the material contracts referred to in section 10 of this appendix, the Group has not entered into any agreement, arrangement or understanding regarding any potential acquisition(s) or disposal(s) though the Group has been exploring other investment opportunities from time to time.

9. THE EXPERT AND CONSENT

The followings are the qualifications of the professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
Dacheng Law Offices	Legal adviser to the Company as to PRC laws
Dominic K.F. Chan & Co.	Certified Public Accountant
Witz International Consultants Group Limited	Professional valuer

Each of Dacheng Law Offices, Dominic K.F. Chan & Co. and Witz International Consultants Group Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/report and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Dacheng Law Offices, Dominic K.F. Chan & Co. and Witz International Consultants Group Limited had: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

(a) a disposal agreement entered into between 內蒙古潤恒礦業有限公司 (Inner Mongolia Run Heng Mining Company Limited*), formerly known as 通遼市恒源礦業有限責任公司 (Tongliao City Heng Yuan Mining Company Limited*), an indirect wholly-owned subsidiary of the Company, and 程福林 (Cheng Fulin*), an independent third party to the Company and its connected persons, in relation to the sale of the assets of Huanghuashan Coal Mine at a consideration of RMB31,000,000 (approximately HK$38,588,000). Further details of the disposal agreement were set out in the announcement of the Company dated 14 November 2012;

(b) a conditional placing and subscription agreement dated 18 March 2014 entered into between the Company, Legend Win Profits Limited, Grand Field Capital Investments Limited and Kingston Securities Limited in relation to the placing of up to 135,000,000 existing Shares at the price of HK$0.175 per Share and the subscription of up to 135,000,000 new Shares of HK$0.175 per Share. Further details of the placing and subscription of up to 135,000,000 Shares were set out in the announcement of the Company dated 18 March 2014;

(c) the MOU;

(d) the Acquisition Agreement, the Supplemental Agreement and the Extension Letter;

(e) a conditional placing and subscription agreement dated 28 April 2014 entered into between the Company, Legend Win Profits Limited and Kingston Securities Limited in relation to the placing of up to 75,600,000 existing Shares at the price of HK$0.160 per Share and the subscription of up to 75,600,000 new Shares of HK$0.160 per Share. Further details of the placing and subscription of up to 75,600,000 Shares were set out in the announcements of the Company dated 28 April 2014 and 9 May 2014; and

(f) a conditional placing agreement dated 18 July 2014 entered into between the Company and SBI China Capital Finance Services Limited in relation to the placing of zero coupon convertible bonds due 2017 in an aggregate principal amount of up to HK$112,000,000 and the two (2) supplemental agreements thereof dated 31 July 2014 and 13 August 2014 respectively. Further details of the placing agreement were set out in the announcements of the Company dated 18 July 2014, 31 July 2014 and 13 August 2014.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong during normal business hours 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 accountants' report of the Target Company, the text of which is set out in Appendix II to this circular;

(c) the accountants' report of Ease City, the text of which is set out in Appendix III to this circular;

(d) the accountants' report of the PRC Company, the text of which is set out in Appendix IV to this circular;

(e) the report regarding unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this circular;

(f) the valuation report on the Forestry Concession Rights, the text of which is set out in Appendix VI to this circular;

(g) the material contracts referred to in section 10 of this appendix;

(h) the written consents given by Dacheng Law Offices, Dominic K.F. Chan & Co. and Witz International Consultants Ltd. referred to in section 9 of this appendix;

(i) the annual reports of the Company for the two years ended 31 December 2013 and 31 December 2012; and

(j) this circular.

12. MISCELLANEOUS

(a) The secretary of the Company is Mr. Cheung Kai Fung, who is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

(b) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The head office and principal place of business of the Company is located at 20th Floor, Hong Kong Diamond Exchange Building, 8–10 Duddell Street, Central, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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 "**Meeting**") of Kiu Hung Energy Holdings Limited (the "**Company**") will be held at Lily Room, 3rd Floor, Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong on Monday, 8 September 2014 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions to be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the sale and purchase agreement dated 16 April 2014 (as supplemented by the supplemental agreement dated 27 June 2014 and the letter of extension dated 19 August 2014) (the "**Acquisition Agreement**") (a copy of which has been produced to the Meeting marked "**A**" and signed by the chairman of the Meeting for the purpose of identification) entered into between Joint Hero Holdings Limited, a wholly owned subsidiary of the Company, as purchaser and Delight Grace Limited (the "**Vendor**") as vendor in relation to the sale and purchase of 28% of the issued share capital of Multijoy Developments Limited at a consideration of HK$196,000,000 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the allotment and issue by the Company of 400,000,000 new ordinary shares (each a "**Consideration Share**") of HK$0.10 each in the share capital of the Company, credited as fully paid, at an issue price of HK$0.15 per Consideration Share to the Vendor pursuant to the terms and conditions of the Acquisition Agreement be and is hereby approved;

(c) the issue by the Company of the convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$136,000,000 to the Vendor pursuant to the terms and conditions of the Acquisition Agreement be and is hereby approved and any one or more of the directors of the Company (the "**Directors**") be and is/are hereby authorised to take all steps necessary or expedient in his/their opinion to implement and/or give effect to the issue of the Convertible Bonds including but not limited to the allotment and issue of shares (each a "**Share**") of HK$0.10 each in the share capital of the Company which may fall to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds; and

(d) any one or more of the Directors be and is/are hereby authorised to take all steps necessary or expedient in his/their opinion to implement and/or give effect to the Acquisition Agreement and the transactions contemplated thereunder."

2. "**THAT**

(a) the authorised share capital of the Company be and is hereby increased from HK$200,000,000 divided into 2,000,000,000 Shares to HK$400,000,000 divided into 4,000,000,000 Shares by the creation of an additional 2,000,000,000 new Shares (the "**Increase in Authorised Share Capital**"); and

(b) any one or more of the Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and for the completion of the Increase in Authorised Share Capital."

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

Hong Kong, 22 August 2014

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:
20th Floor
Hong Kong Diamond Exchange Building
8–10 Duddell Street
Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint one or, if he is the holder of two or more shares, more than one person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. Completion and return of the form of proxy will not preclude a member from attending and voting at the above meeting or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.

4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Hong Kong branch share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof.