



僑雄國際控股有限公司

Kiu Hung International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 381)

**CONTINUING CONNECTED TRANSACTIONS
AND
CHANGE OF ADDRESS OF REGISTERED OFFICE**

CONTINUING CONNECTED TRANSACTIONS WITH MR. SANDERS EXEMPTED FROM INDEPENDENT SHAREHOLDERS' APPROVAL

The Group engaged Mr. Sanders on normal commercial terms for the provision of products development, sale and marketing services to Miracles HK, an indirect non-wholly owned subsidiary of the Company, since January 2006. The consideration for services rendered by Mr. Sanders amounted to US\$15,000 (equivalent to approximately HK\$116,000) per month. On 2 November 2006, the Company entered into an agreement with Mr. Sanders to formalise the terms of the provision of products development, sale and marketing services. As at the date of this announcement, the aggregate amount paid to Mr. Sander amounts to US\$135,000 (equivalent to approximately HK\$1,040,000). The Company ceased to engage Mr. Sanders for his services from 1 October 2006.

Mr. Sanders is a director of Miracles HK and is the beneficial owner of 32% of the issued share capital of Miracles HK. Pursuant to Chapter 14A of the Listing Rules, Mr. Sanders is a connected person of the Company. As such, the Service Transactions constitute continuing connected transactions on the part of the Company, which is exempted from the Independent Shareholders' approval requirement.

CONTINUING CONNECTED TRANSACTIONS BETWEEN MIRACLES HK AND MIRACLES USA EXEMPTED FROM INDEPENDENT SHAREHOLDERS' APPROVAL

On 31 October 2006, Miracles HK, an indirect non-wholly owned subsidiary of the Company, entered into an agreement with Miracles USA for the provision of products development, sale and marketing services with effect from 1 October 2006 for a term of 15 months. The consideration for services to be provided by Miracles USA amounted to US\$15,000 (equivalent to approximately HK\$116,000) per month. On 29 November 2006, Miracles HK entered into a supplemental agreement with Miracles USA pursuant to which Miracles HK and Miracles USA agreed to increase the consideration for services to be provided by Miracles USA to US\$16,000 (equivalent to approximately HK\$123,000) commencing from 1 January 2007. The Directors consider that the Service Transactions and the New Service Transactions should be aggregated as a series of continuing connected transactions. As such, the total annual amount payable to Mr. Sanders and Miracles USA is US\$180,000 (equivalent to approximately HK\$1,386,000) for the year ending 31 December 2006 and the total annual amount payable to Miracles USA is US\$192,000 (equivalent to approximately HK\$1,478,000) for the year ending 31 December 2007.

As the entire issued share capital of Miracles USA is held by Mr. Sanders, Miracles USA is an associate of Mr. Sanders. Pursuant to Chapter 14A of the Listing Rules, Miracles USA is a connected person of the Company. As such, the New Service Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules, which is exempted from the Independent Shareholders' approval requirement.

CONTINUING CONNECTED TRANSACTIONS BETWEEN KH INDUSTRIES AND MIRACLES HK EXEMPTED FROM INDEPENDENT SHAREHOLDERS' APPROVAL

On 31 October 2006, KH Industries, an indirect wholly owned subsidiary of the Company, entered into an agreement with Miracles HK for the sale and purchase of toy and gift products for a term of three years from 1 January 2006 to 31 December 2008, which specified that Miracles HK shall make annual purchases of not more than HK\$10 million from KH Industries during the term of the agreement. KH Industries sold products in the amount of approximately HK\$5.3 million to Miracles HK from 1 January 2006 to 31 October 2006, which have exceeded the 2.5% threshold. The Company failed to promptly disclose such transactions due to an inadvertent error caused by misinterpretation of the Listing Rules. The annual cap in the amount of HK\$10 million for each of the three years ending 31 December 2008 is estimated by the Directors after taking into account i) the amount of goods being sold by KH Industries to Miracles HK for the ten months ended 31 October 2006; and ii) the future business prospect of Miracles HK.

As 32% of the issued share capital of Miracles HK is beneficially owned by Mr. Sanders, Miracles HK is an associate of Mr. Sanders. Miracles HK is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As such, the Miracles HK Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules, which is exempted from the Independent Shareholders' approval requirement.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS AMONG FUJIAN KCARE, KA HUNG AND TOLAND

Toland entered into an agreement with Fujian Kcare and Ka Hung, both being indirect wholly owned subsidiaries of the Company, for the Toland Transactions on 9 November 2006 for a term of two years from 1 January 2007 to 31 December 2008, which specified that Toland shall make annual purchases of flags, home accessories, garden products and home decorative gifts of not more than HK\$17 million and HK\$21 million from Fujian Kcare and Ka Hung for each of the two years ending 31 December 2008 respectively. Save for the Administrative Transactions and the Marketing Resource Transactions, Toland has not previously conducted any other transactions with other companies of the Group. The annual cap for each of the two years ending 31 December 2008 is estimated by the Directors after taking into account i) the future business prospect of Toland; and ii) the potential orders to be placed by Marketing Resource to Toland, which is estimated based on discussion with potential customers of Marketing Resource by the management of Marketing Resource.

Mr. Solly is a director of Toland and is the beneficial owner of 30% of the issued share capital of Toland. Pursuant to Chapter 14A of the Listing Rules, Toland, being an associate of Mr. Solly, is a connected person of the Company. As such, the Toland Transactions constitute non-exempted continuing connected transactions on the part of the Company under the Listing Rules.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS BETWEEN KH INDUSTRIES AND TOLAND

On 9 November 2006, Toland entered into an agreement with KH Industries, an indirect wholly owned subsidiary of the Company, for the provision a showroom with an area of approximately 100 square metres and the administrative services by KH Industries to Toland for the period from 1 November 2006 to 31 December 2008. The showroom is located in the Company's head office and principal place of business in Hong Kong at 14th Floor, Yale Industrial Centre, 61-63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong and owned by Newgary Development Limited, a wholly owned subsidiary of the Company. The consideration for the Administrative Transactions to be provided by KH Industries amounted to US\$6,000 (equivalent to approximately HK\$46,000) per month. The total annual amount payable by Toland to KH Industries is US\$12,000 (equivalent to approximately HK\$92,000), US\$72,000 (equivalent to approximately HK\$554,000) and US\$72,000 (equivalent to approximately HK\$554,000) for the each of the three years ending 31 December 2008 respectively.

Mr. Solly is a director of Toland and is the beneficial owner of 30% of the issued share capital of Toland. Pursuant to Chapter 14A of the Listing Rules, Toland, being an associate of Mr. Solly, is a connected person of the Company. As such, the Administrative Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS BETWEEN TOLAND AND MARKETING RESOURCE

On 31 October 2006, Marketing Resource entered into the Marketing Resource Agreement with Toland, an indirect non-wholly owned subsidiary of the Company, for the sale and purchase of flags, home accessories, garden products and home decorative gifts for the period from 20 September 2006 to 31 December 2006, which specified that Marketing Resource shall make purchases of not more than the annual cap of HK\$5 million from Toland during the year ending 31 December 2006. On 9 November 2006, Marketing Resource entered into the Marketing Resource Supplemental Agreement with Toland for the sale and purchase of flags, home accessories, garden products and home decorative gifts for the period from 1 January 2007 to 31 December 2008, which specified that Marketing Resource shall make purchases of not more than the annual cap of HK\$30 million and HK\$35 million from Toland during each of the two years ending 31 December 2008 respectively. The annual cap for each of the three years ending 31 December 2008 is estimated by the Directors after taking into account i) the future business prospect of Marketing Resource; and ii) the potential orders to be received by Marketing Resource, which is estimated based on the discussion with potential customers of Marketing Resource by the management of Marketing Resource.

Mr. Solly is a director of Marketing Resource and is the beneficial owner of 50% of the issued share capital of Marketing Resource respectively. Pursuant to Chapter 14A of the Listing Rules, Marketing Resource, being an associate of Mr. Solly, is a connected person of the Company. As such, the Marketing Resource Transactions constitute connected transactions on the part of the Company under the Listing Rules.

GENERAL

The Directors consider that the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions should be aggregated as a series of continuing connected transactions. Pursuant to Rule 14A.35, the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions when aggregated constitute non-exempted continuing connected transactions on the part of the Company under the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirement. As at the date of this announcement, Mr. Solly and his associates are not interested in any Share. As such, no Shareholder is required to abstain from voting for the relevant resolution if the Company convenes an extraordinary general meeting to approve the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions. Written approval on the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions dated 27 November 2006 has been obtained from the Controlling Shareholder who is interested in 1,567,500,000 Shares, representing approximately 52.45% of the issued share capital of the Company. Application has been made to the Stock Exchange for a waiver of the requirement under Rule 14A.43 of the Listing Rules of the extraordinary general meeting to approve the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions.

The Independent Board Committee comprising Mr. Peng Guanghui, Mr. Kung King Ching, Conrad and Mr. Tang Rongzu, all being the independent non-executive Directors, will be formed to advise the Shareholders as to the fairness and reasonableness of the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions. The independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

A circular, containing, among other matters, further information on the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee to the Independent Shareholders, will be despatched to the Shareholders within 21 days after the publication of this announcement.

CHANGE OF ADDRESS OF REGISTERED OFFICE

Following a change in the address system in the Cayman Islands and the adoption of a new postal code as a result of the mandatory change of postal policy by the Cayman Islands government, the Board announces that the address of the registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands with immediate effect.

CONTINUING CONNECTED TRANSACTIONS WITH MR. SANDERS EXEMPTED FROM INDEPENDENT SHAREHOLDERS' APPROVAL

The Group engaged Mr. Sanders on normal commercial terms for the provision of products development, sale and marketing services to Miracles HK, an indirect non-wholly owned subsidiary of the Company, since January 2006. The consideration for services rendered by Mr. Sanders amounted to US\$15,000 (equivalent to approximately HK\$116,000) per month. On 2 November 2006, the Company entered into an agreement with Mr. Sanders to formalise the terms of the provision of products development, sale and marketing services. As at the date of this announcement, the aggregate amount paid to Mr. Sander amounts to US\$135,000 (equivalent to approximately HK\$1,040,000). The Company ceased to engage Mr. Sanders for his services from 1 October 2006. Other than the Service Transactions, the Group does not have any other transaction with Mr. Sanders as at the date of this announcement.

Mr. Sanders is a director of Miracles HK and is the beneficial owner of 32% of the issued share capital of Miracles HK. Pursuant to Chapter 14A of the Listing Rules, Mr. Sanders is a connected person of the Company. As such, the Service Transactions constitute continuing connected transactions on the part of the Company.

The consideration payable to Mr. Sanders under the Service Transactions was arrived at after arm's length negotiation between the parties with reference to the costs incurred by Mr. Sanders in the provision of such services as estimated by Mr. Sanders. The Service Transactions were entered into in the usual and ordinary course of business of the Group, on normal commercial terms and on terms no less favourable to the Group than terms available from Independent Third Parties.

As Mr. Sanders has over 15 years of experience in the products development, sales and marketing of toys and gifts products, the Directors are of the view that Mr. Sanders has the necessary experience to provide such services to Miracles HK and therefore entered into the Service Transactions with Mr. Sanders.

The Directors consider that the services provided by Mr. Sanders facilitated the marketing and enhanced the competitiveness of the Group's products.

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

As Mr. Sanders is a connected person of the Company, the Service Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules, the Company is therefore required to disclose details of the transactions by way of an announcement. As each of the percentage ratios is less than 2.5% but less than, the Service Transactions are exempted from the Independent Shareholders' approval requirement. However, the Service Transactions are subject to reporting and announcement requirements under Rule 14A.34 of the Listing Rules.

The Company did not assess the size of the Service Transactions on an annual basis at the beginning of the Service Transactions, as initially the provision of the products development, sale and marketing services by Mr. Sanders was only on a trial basis and the Company was only prepared to enter into a long term agreement with Mr. Sanders for the provision such services after the trial phase. As such, the length of time for the provision of services by Mr. Sanders could not be determined at the beginning of 2006.

CONTINUING CONNECTED TRANSACTIONS BETWEEN MIRACLES HK AND MIRACLES USA EXEMPTED FROM INDEPENDENT SHAREHOLDERS' APPROVAL

On 31 October 2006, Miracles HK, an indirect non-wholly owned subsidiary of the Company, entered into an agreement with Miracles USA for the provision of products development, sale and marketing services with effect from 1 October 2006 for a term of 15 months. The consideration for services to be provided by Miracles USA amounted to US\$15,000 (equivalent to approximately HK\$116,000) per month. On 29 November 2006, Miracles HK entered into a supplemental agreement with Miracles USA pursuant to which Miracles HK and Miracles USA agreed to increase the consideration for services to be provided by Miracles USA to US\$16,000 (equivalent to approximately HK\$123,000) commencing from 1 January 2007. The Directors consider that the Service Transactions and the New Service Transactions should be aggregated as a series of continuing connected transactions. As such, the total annual amount payable to Mr. Sanders and Miracles USA is US\$180,000 (equivalent to approximately HK\$1,386,000) for the year ending 31 December 2006 and the total annual amount payable to Miracles USA is US\$192,000 (equivalent to approximately HK\$1,478,000) for the year ending 31 December 2007.

As Mr. Sanders requested the Company to appoint Miracles USA instead of himself to provide the products development, sale and marketing services to the Group, Miracles USA replaced Mr. Sanders in providing such services from 1 October 2006.

As the entire issued share capital of Miracles USA is held by Mr. Sanders, Miracles USA is an associate of Mr. Sanders. Pursuant to Chapter 14A of the Listing Rules, Miracles USA is a connected person of the Company. As such, the New Service Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules.

The consideration payable to Miracles USA under the New Service Transactions was arrived at after arm's length negotiation between the parties with reference to i) the costs to be incurred by Miracles USA in the provision of such services as estimated by Miracles USA; and ii) the consideration paid by the Group to Mr. Sanders for the Service Transactions, in which similar services had been provided by Mr. Sanders. The agreement for the New Service Transactions were entered into in the usual and ordinary course of business of the Group, on normal commercial terms and on terms no less favourable to the Group than terms available from Independent Third Parties.

The Director consider that the services provided by Miracles USA will facilitate the marketing and enhance the competitiveness of the Group's products.

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

Miracle USA is principally engaged in the provision of product development, sale and marketing services for the toys and decorative gifts industries.

As Miracles USA is a connected person of the Company, the New Service Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules. As each of the percentage ratios on an annual basis is less than 2.5%, the Service Transactions when aggregated with the New Service Transactions for the year ending 31 December 2006 and the New Service Transaction for the year ending 31 December 2007 are exempted from the Independent Shareholders' approval requirement. However, the New Service Transactions are subject to reporting and announcement requirements under Rule 14A.34 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS BETWEEN KH INDUSTRIES AND MIRACLES HK EXEMPTED FROM INDEPENDENT SHAREHOLDERS' APPROVAL

On 31 October 2006, KH Industries, an indirect wholly owned subsidiary of the Company, entered into an agreement with Miracles HK for the sale and purchase of toy and gift products for a term of three years from 1 January 2006 to 31 December 2008, which specified that Miracles HK shall make annual purchases of not more than HK\$10 million from KH Industries during the term of the agreement. KH Industries sold products in the amount of approximately HK\$5.3 million to Miracles HK from 1 January 2006 to 31 October 2006, which have exceeded 2.5% threshold. The Company failed to promptly disclose such transactions due to an inadvertent error caused by misinterpretation of the Listing Rules.

The annual cap in the amount of HK\$10 million for each of the three years ending 31 December 2008 is estimated by the Directors after taking into account i) the amount of goods being sold by KH Industries to Miracles HK for the ten months ended 31 October 2006; and ii) the future business prospect of Miracles HK.

Should the annual purchases made by Miracles HK from KH Industries exceed HK\$10 million in any year during the term of such agreement, Miracles HK and KH Industries will enter into separate sales agreements for those purchases which exceed the annual amount of HK\$10 million and the Company will make separate announcements and will comply with all relevant requirements under the Listing Rules.

As 32% of the issued share capital of Miracles HK is beneficially owned by Mr. Sanders, Miracles HK is an associate of Mr. Sanders. Miracles HK is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As such, the Miracles HK Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules.

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

The Directors consider that the Miracles HK Transactions will increase the revenue and enhance the profitability of the Group.

As such, the Directors (including the independent non-executive Directors) consider that the terms of agreement for the Miracles HK Transactions (including the consideration payable thereunder) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Miracle HK is a 63% indirect non-wholly owned subsidiary of the Company and is principally engaged in the trading of toys and gift items. KH Industries is an indirect wholly owned subsidiary of the Company and is principally engaged in the trading of toys and gift items.

The Miracles HK Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules. As each of the percentage ratios on an annual basis is more than 2.5% but less than 25% and the consideration is less than HK\$10,000,000, the Miracles HK Transactions are subject to reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempted from the Independent Shareholders' approval requirement.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS AMONG FUJIAN KCARE, KA HUNG AND TOLAND

Toland entered into an agreement with Fujian Kcare and Ka Hung, both being indirect wholly owned subsidiaries of the Company, for the Toland Transactions on 9 November 2006 for a term of two years from 1 January 2007 to 31 December 2008, which specified that Toland shall make annual purchases of flags, home accessories, garden products and home decorative gifts of not more than HK\$17 million and HK\$21 million from Fujian Kcare and Ka Hung for each of the two years ending 31 December 2008 respectively. Save for the Administrative Transactions and the Marketing Resource Transactions, Toland has not previously conducted any other transactions with other companies of the Group. The annual cap for each of the two years ending 31 December 2008 is estimated by the Directors after taking into account i) the future business prospect of Toland; and ii) the potential orders to be placed by Marketing Resource to Toland, which is estimated based on discussion with potential customers of Marketing Resource by the management of Marketing Resource.

Should the aggregate annual purchases to be made by Toland from Fujian Kcare and Ka Hung exceed HK\$17 million and HK\$21 million for each of the two years ending 31 December 2008 respectively, Toland will enter into a separate sales agreement with Fujian Kcare and Ka Hung for those purchases which exceed the above amounts and the Company will make a separate announcement and will comply with all relevant requirements under the Listing Rules.

The Toland Agreement is subject to, if necessary, the approval by Independent Shareholders by poll at an extraordinary general meeting to be convened and held of an ordinary resolution to approve the Toland Transactions. If the condition has not been satisfied on or before 31 December 2006 or such later date as the parties may agree, the Toland Agreement shall cease and determine and neither party shall have any obligations and liabilities save for antecedent breaches of the terms thereof.

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

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

The Directors consider that the Toland Transactions will allow Toland to purchase products from Fujian Kcare and Ka Hung as opposed to other manufacturers, which will enhance the profitability of the Group.

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

Toland is a 70% indirect non-wholly owned subsidiary of the Company and is principally engaged in the trading of flags, home accessories, garden gifts and home decorative gifts products. Fujian Kcare and Ka Hung are indirect wholly owned subsidiaries of the Company and are principally engaged in the manufacturing and trading of toys and gift items.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS BETWEEN KH INDUSTRIES AND TOLAND

On 9 November 2006, Toland entered into an agreement with KH Industries, an indirect wholly owned subsidiary of the Company, for the provision a showroom with an area of approximately 100 square metres and the administrative services by KH Industries to Toland for the period from 1 November 2006 to 31 December 2008. The showroom is located in the Company's head office and principal place of business in Hong Kong at 14th Floor, Yale Industrial Centre, 61-63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong and owned by Newgary Development Limited, a wholly owned subsidiary of the Company. Administrative services provided by KH Industries to Toland include the handling of sales and purchase orders, bookkeeping and accounting service and the handling of other miscellaneous administrative works. The consideration for the Administrative Transactions to be provided by KH Industries amounted to US\$6,000 (equivalent to approximately HK\$46,000) per month. The total annual amount payable by Toland to KH Industries is US\$12,000 (equivalent to approximately HK\$92,000), US\$72,000 (equivalent to approximately HK\$554,000) and US\$72,000 (equivalent to approximately HK\$554,000) for the each of the three years ending 31 December 2008 respectively.

The Administrative Agreement is subject to, if necessary, the approval by Independent Shareholders by poll at an extraordinary general meeting to be convened and held of an ordinary resolution to approve the Administrative Transactions. If the condition has not been satisfied on or before 31 December 2006 or such later date as the parties may agree, the Administrative Agreement shall cease and determine and neither party shall have any obligations and liabilities save for antecedent breaches of the terms thereof.

Mr. Solly is a director of Toland and is the beneficial owner of 30% of the issued share capital of Toland. Pursuant to Chapter 14A of the Listing Rules, Toland, being an associate of Mr. Solly, is a connected person of the Company. As such, the Administrative Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules.

The consideration payable to KH Industries under the Administrative Transactions was arrived at after arm's length negotiation between the parties with reference to the costs to be incurred by KH Industries in the provision of such services as estimated by the Group and the market rental value of a similar area in Fo Tan. The Administrative Agreement was entered into in the usual and ordinary course of business of the Group, on normal commercial terms and on terms no less favourable to the Group than terms available from Independent Third Parties.

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

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

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS BETWEEN TOLAND AND MARKETING RESOURCE

On 31 October 2006, Marketing Resource entered into the Marketing Resource Agreement with Toland, an indirect non-wholly owned subsidiary of the Company, for the sale and purchase of flags, home accessories, garden products and home decorative gifts for the period from 20 September 2006 to 31 December 2006, which specified that Marketing Resource shall make purchases of not more than the annual cap of HK\$5 million from Toland during the year ending 31 December 2006. On 9 November 2006, Marketing Resource entered into the Marketing Resource Supplemental Agreement with Toland for the sale and purchase of flags, home accessories, garden products and home decorative gifts for the period from 1 January 2007 to 31 December 2008, which specified that Marketing Resource shall make purchases of not more than the annual cap of HK\$30 million and HK\$35 million from Toland during each of the two years ending 31 December 2008 respectively. The annual cap for each of the three years ending 31 December 2008 is estimated by the Directors after taking into account i) the future business prospect of Marketing Resource; and ii) the potential orders to be received by Marketing Resource, which is estimated based on the discussion with potential customers of Marketing Resource by the management of Marketing Resource.

Should the aggregate annual purchases made by Marketing Resource from Toland exceed HK\$5 million, HK\$30 million and HK\$35 million for each of the three years ending 31 December 2008 respectively, Marketing Resource will enter into a separate sales agreement with Toland for those purchases which exceed such amount and the Company will make a separate announcement and will comply with all relevant requirements under the Listing Rules.

During the period from 20 September 2006 to 31 October 2006, Toland has sold flags, home accessories, garden gifts and home decorative gifts products in the amount of approximately US\$123,000 (equivalent to approximately HK\$947,000) to Marketing Resource.

Toland is principally engaged in the trading of flags, home accessories, garden products and home decorative gifts. The Directors expect that a majority part of the products to be sold by Toland to Marketing Resource will be purchased from Fujian Kcare and Ka Hung under the Toland Agreement.

The Marketing Resource Agreement and the Marketing Resource Supplemental Agreement are subject to, if necessary, the approval by Independent Shareholders by poll at an extraordinary general meeting to be convened and held of an ordinary resolution to approve the Marketing Resource Transactions. If the condition has not been satisfied on or before 31 December 2006 or such later date as the parties may agree, the Marketing Resource Agreement and the Marketing Resource Supplemental Agreement shall cease and determine and neither party shall have any obligations and liabilities save for antecedent breaches of the terms thereof.

Mr. Solly is a director of Marketing Resource and is the beneficial owner of 50% of the issued share capital of Marketing Resource respectively. Pursuant to Chapter 14A of the Listing Rules, Marketing Resource, being an associate of Mr. Solly, is a connected person of the Company. As such, the Marketing Resource Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules.

The Marketing Resource Transactions are engaged based on a shareholders' agreement entered into by the Group, Marketing Resource and Mr. Solly. The shareholders' agreement sets out the respective rights and obligations of the shareholders of Marketing Resource and the arrangements between them with respect to the ownership, management and operations of the Company. In particular, the shareholders agreement specifies that i) Marketing Resource shall pay for its purchases from Toland based on 70% of its net sales to customers; and ii) Marketing Resource shall retain 30% of its net sale proceeds, which shall be reviewed regularly so that Marketing Resource shall have sufficient working capital to operate as a going concern. The Group entered into such an arrangement with Mr. Solly as it is the mutual intention of the Group and Mr. Solly that Marketing Resource shall act as the marketing and product development centre of the Group's flags and garden products business and therefore shall only retain sufficient working capital for Marketing Resource to carry on business in a prudent and business-like manner. The Directors consider that the Marketing Resource Agreement is not on normal commercial terms as Marketing Resource will be entitled to retain 30% of the selling price of the products and pay 70% of the selling price to Toland to settle its purchases of goods from Toland.

The Marketing Resource Agreement was entered into in the usual and ordinary course of business of the Group, was arrived at after arm's length negotiation between the parties with reference to the terms in the shareholders' agreement entered into by the Group, Marketing Resource and Mr. Solly.

As Fujian Kcare and Ka Hung, both being PRC enterprises, do not have the personnel and experience to handle overseas sales orders, Toland, a company incorporated in Hong Kong and located in Hong Kong, is used by the Group to handle overseas sales orders from Marketing Resource. As such, instead of Fujian Kcare and Ka Hung selling the products directly to Marketing Resource, the products are sold by Kcare and Ka Hung to Marketing Resource through Toland. It is the trade practices in the US that flags and garden products sold to domestic customers have to be delivered to the customers in a timely manner and, in most cases, in small amounts. Such customers will also normally acquire products only from companies which are located in the US. Marketing Resource will provide a platform for the Group to tap the US market for the sales of flags and garden products.

The Directors consider that the Marketing Resource Transactions will i) diversify the Group's business to include the manufacturing of flags and garden products and the sales of flags and garden products in the US; ii) increase the revenue and enhance the profitability of the Group; and iii) contribute positively to the Group.

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

Marketing Resource is a 50%-owned jointly controlled entity of the Group and is principally engaged in the trading of flags, home accessories, garden gifts and home decorative gifts products.

GENERAL

The Company and its subsidiaries are principally engaged in design, manufacture and sale of a wide range of toys and decorative gift items on an OEM and ODM basis and under the Group's own brandnames KCARE and KMATES.

Mr. Sanders and his associates are independent of and not connected with Mr. Solly and his associates.

The Directors consider that the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions should be aggregated as a series of continuing connected transactions. Pursuant to Rule 14A.35, the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions when aggregated constitute non-exempted continuing connected transactions on the part of the Company under the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirement. As at the date of this announcement, Mr. Solly and his associates are not interested in any Share. As such, no Shareholder is required to abstain from voting for the relevant resolution if the Company convenes an extraordinary general meeting to approve the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions. Written approval on the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions dated 27 November 2006 has been obtained from the Controlling Shareholder who is interested in 1,567,500,000 Shares, representing approximately 52.45% of the issued share capital of the Company. Application has been made to the Stock Exchange for a waiver of the requirement under Rule 14A.43 of the Listing Rules of the extraordinary general meeting to approve the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions.

The Independent Board Committee comprising Mr. Peng Guanghui, Mr. Kung King Ching, Conrad and Mr. Tang Rongzu, all being the independent non-executive Directors, will be formed to advise the Shareholders as to the fairness and reasonableness of the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions. The independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

A circular, containing, among other matters, further information on the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee to the Independent Shareholders, will be despatched to the Shareholders within 21 days after the publication of this announcement.

CHANGE OF ADDRESS OF REGISTERED OFFICE

Following a change in the address system in the Cayman Islands and the adoption of a new postal code as a result of the mandatory change of postal policy by the Cayman Islands government, the Board announces that the address of the registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands with immediate effect.

DEFINITIONS

The following defined terms are used in this announcement:

“Administrative Agreement”	the agreement entered into between KH Industries and Toland on 9 November 2006 for the provision of a showroom with an area of approximately 100 square metres and the administrative services by KH Industries to Toland
“Administrative Transactions”	the transactions entered into between KH Industries and Toland for the provision of a showroom with an area of approximately 100 square metres and the administrative services by KH Industries to Toland
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Kiu Hung International Holdings Limited, a company incorporated in the Cayman Islands and the Shares of which are listed on the Stock Exchange

“connected person”	has the meaning ascribed to it in the Listing Rules
“Controlling Shareholder”	Legend Win Profits Limited, a company incorporated in the British Virgin Islands and its issued share capital is beneficially owned by Hui Kee Fung, Hui Ki Yau, Hui Hung Tan, Teresa and Hui’s K.K. Foundation Limited as to 38.95%, 32.63%, 23.16% and 5.26% respectively; Hui’s K.K. Foundation Limited is a company incorporated in Hong Kong, limited by guarantee and does not have a share capital, its registered members and directors are Hui Kee Fung, Hui Ki Yau and Hui Hung Tan, Teresa, who are Directors
“Directors”	the directors of the Company
“Fujian Kcare”	Fujian Kcare Gifttoys Co., Ltd., a company established in the PRC, and is an indirectly wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Ka Hung”	Ka Hung Toys Co., Ltd. Fujian, a company established in the PRC, and is an indirectly wholly owned subsidiary of the Company
“KH Industries”	Kiu Hung Industries Limited, a company incorporated in Hong Kong with limited liability, and is an indirect wholly owned subsidiary of the Company
“Independent Board Committee”	the independent committee of the Board, comprising the independent non-executive Directors Mr. Peng Guanghui, Mr. Kung King Ching, Conrad and Mr. Tang Rongzu, formed for the purpose of advising Independent Shareholders in relation to the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions
“Independent Shareholders”	Shareholders which are not required to abstain from voting at the general meeting to approve a connected transaction
“Independent Third Parties ”	third parties independent of the Company and its connected persons and are not connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Marketing Resource”	Marketing Resource Group, Inc., a company incorporated in the US with limited liability, and is a 50%-owned jointly controlled entity of the Company and an associate of Mr. Solly
“Marketing Resource Agreement”	the agreement entered into between Marketing Resource and Toland on 31 October 2006 for the sale and purchase of flags, home accessories, garden products and home decorative gifts from time to time
“Marketing Resource Supplemental Agreement”	the supplemental agreement entered into between Marketing Resource and Toland on 9 November 2006 for the sale and purchase of flags, home accessories, garden products and home decorative gifts from time to time
“Marketing Resource Transactions”	the transactions entered into between Toland and Marketing Resource for the sale and purchase of flags, home accessories, garden gifts and home decorative gifts products from time to time
“Miracles HK”	Miracles For Fun (HK) Limited, a company incorporated in Hong Kong with limited liability, and is a 63% indirect non-wholly owned subsidiary of the Company and an associate of Mr. Sanders
“Miracles HK Transactions”	the transactions entered into between KH Industries and Miracles HK for the sale and purchase of toy and gift products from time to time

“Miracles USA”	Miracles For Fun USA Inc., a company incorporated in the US with limited liability, the entire issued share capital of which is owned by Mr. Sanders and is an associate of Mr. Sanders
“Mr. Sanders”	Mr. Gregg J. Sanders, a director of Miracles HK who is interested in 32% of the issued share capital of Miracles HK and is a connected person of the Company
“Mr. Solly”	Mr. Bruce Warren Solly, a director of Toland and Marketing Resource who is interested in 30% and 50% of the issued share capital of Toland and Marketing Resource respectively and is a connected person of the Company
“New Service Transactions”	the transactions entered into between Miracles HK and Miracles USA for the provision of products development, sale and marketing services from time to time
“PRC”	the People’s Republic of China
“Toland”	Toland International Limited, a company incorporated in Hong Kong with limited liability, and is a 70% indirect non-wholly owned subsidiary of the Company and an associate of Mr. Solly
“Toland Agreement”	the agreement entered into among Fujian Kcare, Ka Hung and Toland on 9 November 2006 for the sale and purchase of flags, home accessories, garden gifts and home decorative gifts products from time to time
“Toland Transactions”	the transactions entered into among Fujian Kcare, Ka Hung and Toland for the sale and purchase of flags, home accessories, garden gifts and home decorative gifts products from time to time
“Service Transactions”	the transactions entered into between Miracles HK and Mr. Sanders for the provision of products development, sale and marketing services
“Shares”	ordinary shares of HK\$0.02 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the US
“%”	per cent.

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

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

Hong Kong, 4 December 2006

As at the date of this announcement, the Board comprises three executive Directors, Mr. Hui Kee Fung, Mr. Hui Ki Yau, Madam Hui Hung Tan, Teresa and three independent non-executive Directors, Mr. Peng Guanghui, Mr. Kung King Ching, Conrad and Mr. Tang Rongzu.

Please also refer to the published version of this announcement in China Daily.