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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

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

Nuada Limited

A letter from the Independent Board Committee is set out on page 14 of this circular. A letter from Nuada Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 21 of this circular.

12 January 2007

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DEFINITIONS

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

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| “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 for the provision of a showroom with an area of approximately 100 square metres and the administrative services by KH Industries to Toland pursuant to the terms and conditions of the Administrative Agreement |
| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Company” | Kiu Hung International Holdings Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the Stock Exchange |
| “connected persons” | has the meaning ascribed to it under 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 |

DEFINITIONS

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| “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 |
| “Latest Practicable Date” | 10 January 2007, being the latest practicable date prior to printing of this circular for ascertaining certain information in this circular |
| “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 20 September 2006 to 31 December 2006 |
| “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 1 January 2007 to 31 December 2008 |
| “Marketing Resource Transactions” | the transactions for the sale and purchase of flags, home accessories, garden gifts and home decorative gifts products from time to time pursuant to the terms and conditions of the Marketing Resource Agreement and the Marketing Resource Supplemental Agreement |
| “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 |
| “Nuada” | Nuada Limited, a licensed corporation for Type 6 regulated activities under section 116(1) of the SFO |

DEFINITIONS

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| “Percentage Ratios” | the percentage ratios under Rule 14.07 of the Listing Rules, other than the equity capital ratio and the profits ratio |
| “PRC” | the People’s Republic of China |
| “Second Toland Agreement” | the agreement entered into between KH Industries and Toland on 21 December 2006 for the sale and purchase of flags, home accessories, garden products and home decorative gifts products during the year ended 31 December 2006 |
| “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 products and home decorative gifts products from 1 January 2007 to 31 December 2008 |
| “Toland Deed” | the deed of assignment and novation entered into among KH Industries, Fujian Kcare, Ka Hung and Toland on 21 December 2006 to assign the rights and interests and novate the obligations and liabilities under the Toland Agreement from Fujian Kcare and Ka Hung to KH Industries |
| “Toland Transactions” | the transactions for the sale and purchase of flags, home accessories, garden products and home decorative gifts products from time to time pursuant to the terms and conditions of the Toland Agreement, the Toland Deed and the Second Toland Agreement |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Shareholders” | holders of the Shares |
| “Shares” | shares of HK\$0.02 each in the capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “US” | the United States of America |
| “HK\$” | Hong Kong dollars, the lawful currency for the time being of Hong Kong |

DEFINITIONS

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

“%” per cent.

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

LETTER FROM THE BOARD



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)

Executive Directors:

Mr Hui Kee Fung (*Chairman*)

Mr Hui Ki Yau (*Chief executive officer*)

Madam Hui Hung Tan, Teresa

Independent non-executive Directors

Mr Peng Guanghui

Mr Kung King Ching, Conrad

Mr Tang Rongzu

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Head office and principal
place of business in*

Hong Kong:

14th Floor

Yale Industrial Centre

61-63 Au Pui Wan Street

Fo Tan, Shatin

Hong Kong

12 January 2007

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 4 December 2006, the Board announced that Fujian Kcare and Ka Hung entered into the Toland Agreement with Toland in relation to the sale and purchase of flags, home accessories, garden products and home decorative gifts products from time to time.

The Board announced that KH Industries entered into the Administrative Agreement with Toland in relation to the provision of a showroom with an area of approximately 100 square metres and the administrative services by KH Industries to Toland.

The Board also announced that Toland entered into the Marketing Resource Agreement and the Marketing Resource Supplemental Agreement with Marketing Resource in relation to the sale and purchase of flags, home accessories, garden products and home decorative gifts from time to time.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with details of the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions, the recommendation of the Independent Board Committee and the advice from Nuada to the Independent Board Committee and the Independent Shareholders in relation to the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions.

I) NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS AMONG KH INDUSTRIES, FUJIAN KCARE, KA HUNG AND TOLAND

THE TOLAND AGREEMENT

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, the Marketing Resource Transactions and the Toland 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 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 TOLAND DEED

On 21 December 2006, KH Industries, Fujian Kcare, Ka Hung and Toland entered into the Toland Deed, whereby KH Industries was assigned with all the rights and interests and assumed all the obligations and liabilities of Fujian Kcare and Ka Hung under the Toland Agreement. KH Industries will handle all future sale orders to be placed by Toland from 1 January 2007 to 31 December 2008 and Toland shall pay the amount of the purchase price for the flags, home accessories, garden products and home decorative gifts to KH Industries. Such purchase prices shall be same as the purchase prices to be paid by Toland under the Toland Agreement. The Toland Deed was entered in order to provide more flexibility to the production scheduling of the Group. Upon the signing of the Toland Deed, Toland does not have to make enquires to two

LETTER FROM THE BOARD

separate companies to determine whether its purchase orders shall be placed to Fujian Kcare or Ka Hung. Instead, Toland can place orders directly to KH Industries. KH Industries can then allocate the production of the required products to Fujian Kcare or Ka Hung in accordance with the production capacity of each company within a specific time frame.

As (i) Fujian Kcare, Ka Hung and KH Industries are all wholly owned subsidiaries of the Company; and (ii) the Toland Deed only served to assign all the rights and interests and novate all the obligations and liabilities under the Toland Agreement from Fujian Kcare and Ka Hung to KH Industries, the Directors consider that the Toland Deed does not represent a major change in the terms as compared to the Toland Agreement.

THE SECOND TOLAND AGREEMENT

On 21 December 2006, Toland entered into the Second Toland Agreement with KH Industries, which specified that Toland shall make purchases of flags, annual purchases of flags, home accessories, garden products and home decorative gifts of not more than HK\$1 million for the year ending 31 December 2006. KH Industries entered into the Second Toland Agreement because there was a demand for the goods of the Group in 2006.

The Second 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.

Each of the percentage ratios (other than profits ratio) in relation to the transaction contemplated under the Second Toland Agreement is more than 0.1% and less than 2.5% and the total consideration under the Second Toland Agreement is less than HK\$1 million. In this regard, the Second Toland Agreement and the transactions contemplated thereunder, if not being aggregated with the Toland Agreement and the Toland Deed, is a connected transaction exempted from reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Condition

The Toland Agreement and the Second Toland 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 Toland Transactions. If the condition has not been satisfied on or before 28 February 2007 or such later date as the parties may agree, the Toland Agreement and the Second Toland Agreement shall cease and determine and neither party shall have any obligations and liabilities save for antecedent breaches of the terms thereof.

LETTER FROM THE BOARD

INFORMATION ON TOLAND

Toland is a 70% indirect non-wholly owned subsidiary of the Company and is principally engaged in the trading of flags, home accessories, garden products and home decorative gifts products.

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.

REASONS FOR THE TOLAND TRANSACTIONS

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. KH Industries is an indirect wholly owned subsidiary of the Company and is principally engaged in the trading of toys and gift items.

The Directors consider that the Toland Transactions will allow Toland to purchase products manufactured by the Group 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.

II) NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS BETWEEN KH INDUSTRIES AND TOLAND

THE ADMINISTRATIVE AGREEMENT

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, an indirect 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.

LETTER FROM THE BOARD

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.

Consideration

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

Condition

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 28 February 2007 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.

INFORMATION ON TOLAND

Toland is a 70% indirect non-wholly owned subsidiary of the Company and is principally engaged in the trading of flags, home accessories, garden products and home decorative gifts products.

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.

REASONS FOR THE ADMINISTRATIVE TRANSACTIONS

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.

LETTER FROM THE BOARD

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.

III) NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS BETWEEN TOLAND AND MARKETING RESOURCE

THE MARKETING RESOURCE AGREEMENT AND THE MARKETING RESOURCE SUPPLEMENTAL AGREEMENT

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.

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)

LETTER FROM THE BOARD

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.

Condition

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 28 February 2007 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.

INFORMATION ON MARKETING RESOURCE

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.

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.

REASONS FOR THE MARKETING RESOURCE TRANSACTIONS

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 KH Industries under the Toland Deed.

LETTER FROM THE BOARD

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 KH Industries and 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.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Peng Guanghui, Mr. Kung King Ching, Conrad and Mr. Tang Rongzu, all being independent non-executive Directors, has been established to consider and advise the Independent Shareholders in respect of (i) whether the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions were entered into on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the fairness and reasonableness of the terms of the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions. Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions.

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 KITECH.

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 Latest Practicable Date, Mr. Solly and his

LETTER FROM THE BOARD

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 10 January 2007 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 Board considers that the terms of the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 14 of this circular which contains its views in relation to the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions; and (ii) the letter from Nuada, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from Nuada is set out on pages 15 to 21 of this circular.

The Independent Board Committee, having taken into account the advice of Nuada, considers that (i) the Toland Transactions and the Administrative Transactions were entered into on normal commercial terms and the Marketing Resource Transactions were not entered into on normal commercial terms but are commercially justifiable; (ii) the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions were entered into in the ordinary and usual course of business of the Group; and (iii) the terms of the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions are fair and reasonable and in the interests of the Group so far as the Independent Shareholders are concerned.

ADDITIONAL INFORMATION

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

On behalf of the Board
Kiu Hung International Holdings Limited
Hui Kee Fung
Chairman



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)

12 January 2007

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 12 January 2007 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

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

Nuada has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions were entered into on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the terms of the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Independent Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 15 to 21 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 13 of the Circular and the additional information set out in the appendix to the Circular.

Having considered the terms of the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions and the advice of Nuada, we are of the opinion that (i) the Toland Transactions and the Administrative Transactions were entered into on normal commercial terms and the Marketing Resource Transactions were not entered into on normal commercial terms but are commercially justifiable; (ii) the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions were entered into in the ordinary and usual course of business of the Group; and (iii) the terms of the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole.

Yours faithfully,

Independent Board Committee of

Kiu Hung International Holdings Limited

Peng Guanghui

Independent non-executive Director

Tang Rongzu

Independent non-executive Director

Kung King Ching, Conrad

Independent non-executive Director

LETTER OF ADVICE FROM NUADA

The following is the text of a letter of advice from Nuada Limited in connection with the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions (including their respective annual caps) which has been prepared for inclusion in this circular.

Nuada Limited
7th Floor, New York House
60 Connaught Road Central
Hong Kong

12 January 2007

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Toland Transactions, the Administrative Transactions and the Marketing Resource Transactions (including their respective annual caps), details of which have been set out in letter from the Board (the “Letter”) in the circular to the Shareholders dated 12 January 2007 (the “Circular”), of which this letter forms part. Unless otherwise stated, terms used in this letter have the same meanings as those defined in the Circular.

On 4 December 2006, the Company announced, amongst other things, that (a) Toland entered into the Toland Agreement with Fujian Kcare and Ka Hung (both being indirect wholly-owned subsidiaries of the Company) on 9 November 2006 for the purchase of flags, home accessories, garden products and home decorative gifts by Toland from Fujian Kcare and Ka Hung; (b) Toland entered into the Administrative Agreement with KH Industries (an indirect wholly-owned subsidiary of the Company) on 9 November 2006 for the provision of a showroom and the administrative services by KH Industries to Toland; and (c) Marketing Resource entered into the Marketing Resource Agreement on 31 October 2006 and the Marketing Resource Supplemental Agreement on 9 November 2006 respectively with Toland for the purchase of flags, home accessories, garden products and home decorative gifts by Marketing Resource from Toland. It is noted that on 21 December 2006, KH Industries, Fujian Kcare, Ka Hung and Toland entered into the Toland Deed, whereby KH Industries was assigned with all the rights and interests and assumed all the obligations and liabilities of Fujian Kcare and Ka Hung under the Toland Agreement. KH Industries will handle all future sale orders to be placed by Toland from 1 January 2007 to 31 December 2008 and Toland shall pay the amount of the purchase price for the flags, home accessories, garden products and home decorative gifts to KH Industries. Accordingly, references to Fujian Kcare and Ka Hung in their capacity as parties to the Toland Agreement in this letter may refer to KH Industries as the context may require. It is also noted that on 21 December 2006, Toland entered into the Second Toland Agreement with KH Industries, which specified that Toland shall make purchases of flags, annual purchases of flags, home accessories, garden products and home decorative gifts of not more than HK\$1 million for the year ending 31 December 2006. KH

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Industries entered into the Second Toland Agreement because there was a demand for the goods of the Group in 2006. As stated in the Letter and as confirmed by the Company, each of the percentage ratios (other than profits ratio) in relation to the transactions contemplated under the Second Toland Agreement is more than 0.1% and less than 2.5% and the total consideration under the Second Toland Agreement is less than HK\$1 million, and in this regard, the Second Toland Agreement and the transactions contemplated thereunder, if not being aggregated with the Toland Agreement and the Toland Deed, is a connected transaction exempted from reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Toland is beneficially owned as to 30% by Mr. Solly, who is also a director of Toland, and indirectly owned as to 70% by the Company. Pursuant to Chapter 14A of the Listing Rules, Toland, being an associate of Mr. Solly, is a connected person of the Company. Marketing Resource is beneficially owned as to 50% by Mr. Solly, who is also a director of Marketing Resource, and indirectly owned as to 50% by the Company. Marketing Resource, being an associate of Mr. Solly, is a connected person of the Company. As such, the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions constitute continuing connected transactions on the part of the Company under the Listing Rules.

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 Latest Practicable Date, Mr. Solly and his associates are not interested in any Shares. As such, no Shareholder is required to abstain from voting for the relevant resolutions 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 10 January 2007 has been obtained from the Controlling Shareholder. 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 has been formed to advise the Independent Shareholders as to whether the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions (including their respective annual caps) are in normal commercial terms, in the interests of the Company and the Shareholders as a whole and whether their respective terms are fair and reasonable. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and the Directors. We have assumed that all information, representations and opinions

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contained or referred to in the Circular, which have been provided by the Company and the Directors and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be so at the date hereof. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

The Directors collectively and severally accept full responsibility for the accuracy of the information contained in the Circular. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to form a reasonable basis for our opinion, and that we have performed all steps as required under Rule 13.80, including the notes thereon, of the Listing Rules. We have not, however, conducted any independent verification of the information provided, nor have we carried out any in-depth investigation into the business and affairs of the Group and the parties involved in the Toland Agreement, the Toland Deed, the Second Toland Agreement, the Administrative Agreement, the Marketing Resource Agreement and the Marketing Resource Supplemental Agreement or the prospects of the markets in which they operate.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the transactions contemplated under Toland Transactions, the Marketing Resources Transactions and the Administrative Transactions and the Directors collectively and severally accept full responsibility for conducting such transactions in compliance with the Listing Rules. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Toland Transactions, the Administrative Transactions, the Marketing Resource Transactions, we have taken into consideration the following principal factors:

Background and reasons for the Toland Transactions and the Marketing Resource Transactions

The Group is principally engaged in the 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 brand names KCARE and KITECH. Fujian Kcare and Ka Hung, both indirect wholly-owned subsidiaries of the Company are principally engaged in the manufacture and trading of toys and gift items.

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The Group cooperated with Mr. Solly for the establishment of Marketing Resource, a company incorporated in the US, with the purpose of providing a platform for the Group to tap the US market for the sale of flags and garden products. Marketing Resource is principally engaged in the trading of flags, home accessories, garden products and home decorative gifts products. It is also the mutual intention of the Group and Mr. Solly that Marketing Resource shall act as marketing and product development centre of the Group's flags and garden products business. As advised by the Company, 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. In addition, the Company believes that Marketing Resource would be able to leverage on Mr. Solly's experience and customer network in the US market for the sale of the Group's flags and garden products. As advised by the Company, the existing potential customers of Marketing Resource are mainly solicited by Mr. Solly and the sales team of Marketing Resource in the US.

As advised by the Company, Toland (a company beneficially owned as to 30% by Mr. Solly and indirectly owned as to 70% by the Group) which is incorporated and located in Hong Kong is responsible for handling the overseas sales orders from Marketing Resource. Toland is principally engaged in the trading of flags, home accessories, garden products and home decorative gifts products. As stated in the Letter, 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, which, both being PRC enterprises, do not have the personnel and experience to handle overseas sales orders. During the period from 20 September 2006 to 31 October 2006, Toland has sold flags, home accessories, garden products and home decorative products in the amount of approximately US\$123,000 (equivalent to approximately HK\$947,000) to Marketing Resource.

In order to facilitate the sale of the Group's flags and garden products in the US market through Marketing Resource and Toland, (i) the Marketing Resource Agreement was entered into between Toland and Marketing Resource on 31 October 2006 for the period from 20 September 2006 and 31 December 2006 specifying the annual purchase of products by Marketing Resource from Toland of not more than HK\$5 million for the year ending 31 December 2006; (ii) the Marketing Resource Supplemental Agreement was entered into on 9 November 2006 between Toland and Marketing Resource for the period from 1 January 2007 to 31 December 2008 specifying the annual purchase of products by Marketing Resource from Toland of not more than HK\$30 million and HK\$35 million for each of the two years ending 31 December 2008 respectively; (iii) the Toland Agreement was entered into between Toland, Fujian Kcare and Ka Hung on 9 November 2006 for the period from 1 January 2007 to 31 December 2008 specifying the annual purchase of products by Toland from Fujian Kcare and Ka Hung of not more than HK\$17 million and HK\$21 million for each of the two years ending 31 December 2008; and (iv) the Second Toland Agreement was entered into between Toland and KH Industries on 21 December 2006 specifying that Toland shall make purchases of flags, annual purchases of flags, home accessories, garden products and home decorative gifts of not more than HK\$1 million for the year ending 31 December 2006 respectively.

According to Hong Kong Trade Development Council, the US is the largest market for Hong Kong's giftware exporters, followed by the European Union and Japan. In 2005, these markets accounted for approximately 37%, 28% and 9% respectively of Hong Kong's total giftware exports to the world. Given the business opportunity in the US giftware market, we are of the view that the Marketing

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Resource Transactions and the Toland Transactions would facilitate the sale of the Group's flags and garden products in the US market, thus diversifying the Group's business in terms of both product range and market coverage and enhancing the revenue stream of the Group. As such, we consider the Marketing Resources Transactions and the Toland Transactions is in the usual and ordinary course of business of the Group and in the interest of the Company and the Shareholders as a whole.

It is noted that on 21 December 2006, KH Industries, Fujian Kcare, Ka Hung and Toland entered into the Toland Deed, whereby KH Industries was assigned with all the rights and interests and assumed all the obligations and liabilities of Fujian Kcare and Ka Hung under the Toland Agreement. KH Industries will handle all future sale orders to be placed by Toland from 1 January 2007 to 31 December 2008 and Toland shall pay the amount of the purchase price for the flags, home accessories, garden products and home decorative gifts to KH Industries. As stated in the Letter, the Toland Deed was entered in order to provide more flexibility to the production scheduling of the Group. Upon the signing of the Toland Deed, Toland does not have to make enquires to two separate companies to determine whether its purchase orders shall be placed to Fujian Kcare or Ka Hung. Instead, Toland can place orders directly to KH Industries. KH Industries can then allocate the production of the required products to Fujian Kcare or Ka Hung in accordance with the production capacity of each company within a specific time frame. Given KH Industries, Fujian Kcare and Ka Hung are all wholly-owned subsidiaries of the Group, we consider that the entering into of the Toland Deed does not have any material effect on the transactions contemplated under the Toland Agreement.

Annual caps of the Toland Transactions and the Marketing Resource Transactions

The annual caps of the Toland Transactions for each of the three years ending 31 December 2008 is HK\$1 million, HK\$17 million and HK\$21 million respectively pursuant to the Toland Agreement and the Second Toland Agreement. The annual caps of the Marketing Resource Transactions for each of the three years ending 31 December 2008 is HK\$5 million, HK\$30 million and HK\$35 million respectively pursuant to the Marketing Resource Agreement and the Marketing Resource Supplemental Agreement. As advised by the Company, the annual caps of the Toland Transactions and the Marketing Resource Transactions are estimated based on the preliminary sales made by Toland and Marketing Resource, the future business prospects of Toland and Marketing Resource, and the potential orders to be received by Marketing Resource and placed with Toland, which is estimated based on the discussion with potential customers of Marketing Resource by the management of Marketing Resource.

As advised by the Company, the estimated sales to be made by Marketing Resource are approximately US\$0.9 million (equivalent to approximately HK\$6.9 million), US\$5.5 million (equivalent to approximately HK\$42.4 million) and US\$6.5 million (equivalent to approximately HK\$50.1 million) for the three years ending 31 December 2008 respectively (the "Estimated Sales"). We have reviewed the monthly sales target plan of Marketing Resource provided by the Company, given the preliminary sales achieved by Marketing Resource in 2006 as indicated by the Company and the growth in sales expected by the Company in the coming years, we are of the opinion that the Estimated Sales are fair and reasonable. For the Marketing Resource Transactions, Marketing Resource shall pay for its purchases from Toland based on 70% of its net sales to customers and retain the balance

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of 30%, which shall be reviewed regularly so that Marketing Resource shall have sufficient working capital for operation as a going concern, pursuant to the shareholders' agreement entered into by the Group, Marketing Resource and Mr. Solly. Accordingly, the annual caps of the Marketing Resource Transactions are determined based on 70% of the Estimated Sales as HK\$5 million, HK\$30 million and HK\$35 million for the three years ending 31 December 2008 respectively. As stated in the Letter, the Directors expects a majority part of the products to be sold by Toland to Marketing Resource will be purchased from Fujian Kcare and Ka Hung. As advised by the Company, the purchase costs of a trading company in the industry normally represent around 55% to 60% of the selling prices. Accordingly, the annual caps of the Toland Transactions for the two years ending 31 December 2008 are determined based on the estimated purchase costs of Toland for products from Fujian Kcare and Ka Hung as HK\$17 million and HK\$21 million for the two years ending 31 December 2008 respectively. As advised by the Company, KH Industries entered into the Second Toland Agreement because there was a demand for the goods of the Group in 2006 and the annual caps of the Toland Transactions for the year ending 31 December 2006 pursuant to the Second Toland Agreement of HK\$1 million was based on such demand. The Company has confirmed that the transactions contemplated under the Toland Agreement and the Second Toland Agreement have been and will be conducted with reference to the price of the products sold to Independent Third Parties and on terms no less favourable to the Group than terms available from Independent Third Parties. For reference purpose, we have reviewed invoices in relation to sales of similar products by the Group to an independent third party and that to Toland under the Second Toland Agreement. Accordingly, we consider that the Toland Agreement and the Second Toland Agreement are on normal commercial terms and on terms no less favourable to the Group than terms available from Independent Third Parties.

As Marketing Resource shall be entitled to retain 30% and pay to Toland 70% of the net sales of the products to customers, the Directors consider that the Marketing Resource Transactions are not on normal commercial terms. As stated in the Letter, 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. Given the sales and marketing capability of Marketing Resource which is essential for the Group in exploring the US market and Marketing Resource is a 50%-owned jointly controlled entity of the Group, we are of the opinion that such arrangement is commercially justifiable. We also consider that the annual caps of the Marketing Resource Transactions and Toland Transactions which are determined based on the estimated sales of Marketing Resource and the preliminary sales or demand for the goods of the Group in 2006 as detailed above are fair and reasonable.

The Administrative Transactions and the relevant annual caps

Toland entered into an agreement with KH Industries, an indirect wholly-owned subsidiary of the Company, for provision of 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 the principal place of business in Hong Kong at 14th Floor, Yale Industrial Centre, 61-63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong. The administrative services provided by KH Industries to Toland under the Administrative Agreement include handling of sales and purchase orders, bookkeeping and accounting service and the handling of other miscellaneous administrative works.

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The consideration for the Administrative Transactions amounts to US\$6,000 (equivalent to approximately HK\$46,000) per month under the Administrative Agreement. The consideration was determined with reference to the costs to be incurred by KH Industries in the provision of administrative services estimated by the Group of approximately HK\$40,000 and the market rental value of a similar area in Fo Tan of approximately HK\$6,000 per month. The total 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 each of the three years ending 31 December 2008 respectively. As Toland is a 70% indirectly non-wholly owned subsidiary of the Company which is intended to be used by the Group for handling the overseas orders from Marketing Resource in Hong Kong as mentioned above, we consider the entering into of the Administrative Agreement is reasonable, in the usual and ordinary course of business of the Group and in the interest of the Company and the Shareholders as whole. Taking into account the market rental value of a similar area in Fo Tan and the estimated costs to be incurred by KH Industries in the provision of administrative services to Toland, we consider that the Administrative Transactions (including the annual caps) is on normal commercial terms and fair and reasonable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the Toland Transactions, Marketing Resource Transactions and Administrative Transactions (including their respective annual caps) are in the interests of the Company and the Shareholders as a whole, in the ordinary course of business of the Group and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Independent Shareholders should, however, note that the Company has made an application to the Stock Exchange for a waiver of the requirement under Rule 14A.43 of the Listing Rules to convene a general meeting on the grounds as detailed in the Letter.

Yours faithfully,
For and on behalf of
Nuada Limited

Bernard Chan
Executive Director

Po Chan
Executive Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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 and its associated corporations (within the meaning of Part XV of the SFO) which had been 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 in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

| Name of Directors | Total number of Shares | Capacity | Approximate percentage of shareholding |
|------------------------|------------------------|---------------------------------------|--|
| Hui Kee Fung (Note) | 1,567,500,000 (L) | Interests in a controlled corporation | 52.45% |
| Hui Ki Yau (Note) | 1,567,500,000 (L) | Interests in a controlled corporation | 52.45% |

L: Long position

Note: The shares are held by Legend Win Profits Limited, a company incorporated in the British Virgin Islands. The issued share capital of Legend Win Profits Limited is beneficially owned by Hui Kee Fung, Hui Ki Yau, Hui Hung Tan, Teresa and Hui's K. K. Foundation Limited as to 38.95%, 32.63%, 23.16% and 5.26%, respectively. Hui's K. K. Foundation Limited is a company incorporated in Hong Kong, limited by guarantee and does not have a share capital. Hui Kee Fung, Hui Ki Yau and Hui Hung Tan, Teresa are the registered members and directors of Hui's K. K. Foundation Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(B) Director's interests in competing business, contracts and assets

- (i) As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or the management shareholders (as defined in the Listing Rules) of the Company or their respective associates had any interests in a business which competes or may compete with the business of the Group or any other conflicts of interests with the Group.
- (ii) No contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted at the Latest Practicable Date.
- (iii) None of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2005, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

(C) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons or companies (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

| Name of Shareholders | Total number of Shares | Capacity | Approximate percentage of shareholding |
|--|-------------------------------|-----------------|---|
| Legend Win Profits Limited (<i>Note</i>) | 1,567,500,000 (L) | Beneficial | 52.45% |
| Yu Won Kong, Dennis | 344,500,000 (L) | Beneficial | 11.52% |

L: Long position

Note: The shares are held by Legend Win Profits Limited, a company incorporated in the British Virgin Islands. The issued share capital of Legend Win Profits Limited is beneficially owned by Hui Kee Fung, Hui Ki Yau, Hui Hung Tan, Teresa and Hui's K. K. Foundation Limited as to 38.95%, 32.63%, 23.16% and 5.26%, respectively. Hui's K. K. Foundation Limited is a company incorporated in Hong Kong, limited by guarantee and does not have a share capital. Hui Kee Fung, Hui Ki Yau and Hui Hung Tan, Teresa are the registered members and directors of Hui's K. K. Foundation Limited.

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

3. LITIGATION

As at the Latest Practicable Date, none of the members of the Group is engaged in any litigation, arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

4. SERVICE CONTRACTS

None of the Directors has 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) as at the Latest Practicable Date.

5. PROCEDURES FOR THE DEMAND BY POLL

The following sets out the procedures by which the Shareholders may demand a poll at the EGM.

According to article 66 of the articles of association of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (i) the chairman of such meeting; or
- (ii) at least three Shareholders present in person or in the case of a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

6. QUALIFICATION AND CONSENT OF EXPERT

The qualification of the expert who has provided its advice as contained in this circular is as follows:

| Name | Qualification |
|-------------|--|
| Nuada | A licensed corporation for Type 6 regulated activities under section 116(1) of the SFO |

As at the Latest Practicable Date, Nuada is not interested in any Shares or shares in any member of the Group nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or shares in any member of the Group.

Nuada has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 12 January 2007 for incorporation in this circular and reference to its name in the form and context in which they appear.

Nuada does not have any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2005, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2005, being the date to which the latest published audited financial statements of the Group was made up.

8. MISCELLANEOUS

- (a) The company secretary and qualified accountant of the Company is Mr. Chan Kwok Yuen, Elvis, *CPA, FCCA*.
- (b) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman KY1-1111, Cayman Islands and the head office and principal place of business of the Company in Hong Kong is at 14th Floor, Yale Industrial Centre, 61-63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong.
- (c) The principal share registrar in the Cayman Islands of the Company is Butterfield Fund Services (Cayman) Limited, P.O. Box 705, Butterfield House, 68 Fort Street, George Town, Grand Cayman, Cayman Islands.
- (d) The branch share registrar of the Company in Hong Kong is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at 14th Floor, Yale Industrial Centre, 61-63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong during normal business hours on any weekday other than public holidays, from the date of this circular up to and including 29 January 2007:

- (a) the Administrative Agreement;
- (b) the Marketing Resource Agreement;
- (c) the Marketing Resource Supplemental Agreement;
- (d) the Toland Agreement;
- (e) the Toland Deed;
- (f) the Second Toland Agreement;
- (g) the letter from the Independent Board Committee, the text of which is set out on page 14 of this circular;
- (h) the written consent from the expert referred to in the paragraph headed “Qualification and consent of expert” in this appendix; and
- (i) the letter of advice from Nuada to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 21 of this circular.