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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)

VERY SUBSTANTIAL ACQUISITION –

(1) FURTHER ACQUISITION OF 33% EQUITY INTERESTS IN MINGRUNFENG THROUGH THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF JUMPLEX, FIRST CHOICE AND WISE HOUSE INVOLVING ISSUE OF NEW SHARES;

(2) FURTHER ACQUISITION OF 16% EQUITY INTERESTS IN MINGRUNFENG INVOLVING ISSUE OF NEW SHARES

AND

(3) RESUMPTION OF TRADING

Financial adviser to Kiu Hung International Holdings Limited



KINGSTON CORPORATE FINANCE LIMITED

NEW ACQUISITION AGREEMENTS, 2ND ACQUISITION AGREEMENT AND CANCELLATION AGREEMENT

On 27 September 2006, the Board announced that Bright Asset, an indirect wholly-owned subsidiary of the Company, had entered into five agreements (i.e. Capital Contribution Agreement, Deposit Agreement, 1st Acquisition Agreement, Loan Facility Agreement and Guarantee Agreement) on 2 September 2006 and 22 September 2006.

Subsequent to the entering into of the agreements above as disclosed in the First Announcement, Bright Asset and the parties involved have entered into further negotiation in respect of the further acquisition of the remaining equity interest in Mingrunfeng of which the Directors consider to be in the interests of the Company and the Shareholders as a whole. After arm's length negotiation, on 16 January 2007, Bright Asset further entered into i) the Cancellation Agreement in relation to the cancellation of the 1st Acquisition Agreement; ii) the New Acquisition Agreements in relation to the acquisition of the entire issued share capital of Jumphex, First Choice and Wise House; and iii) the 2nd Acquisition Agreement in relation to the acquisition of an aggregate of 16% equity interests in Mingrunfeng from Mr. Yang.

The aggregate consideration for the New Acquisitions and 2nd Acquisition amounts to HK\$119,460,000 and shall be satisfied by the allotment and issue of an aggregate of 362,000,000 Consideration Shares at an issue price of HK\$0.33 per Consideration Share. After completion of the Capital Contribution, New Acquisitions and 2nd Acquisition, Bright Asset will be interested in the entire equity interests in Mingrunfeng.

The New Acquisition Agreements and 2nd Acquisition Agreement are conditional upon the satisfaction or waiver of a number of conditions as set out under the paragraph headed "Conditions of the New Acquisition Agreements" and "Conditions of the 2nd Acquisition".

GENERAL

The New Acquisitions and 2nd Acquisition when aggregated with the Previous Transactions constitute a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules and will result in the diversion to exploration for natural resources of 10% or more of the consolidated total assets of the Group. Therefore, in addition to the Previous Transactions, the New Acquisition Agreements and the 2nd Acquisition Agreement and the transactions contemplated thereunder shall also subject to approval by Shareholders at a general meeting under Rule 14.49 and Rule 18.07(2) of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder is required to abstain from voting at the general meeting.

An extraordinary general meeting will be convened and held to consider and, if thought fit, pass the resolutions to approve the Aggregated Transactions.

The combined Circular containing, among other things, further details of the Aggregated Transactions and other necessary disclosures as required under Rule 18.09 of the Listing Rules will be despatched to the Shareholders as soon as practicable on or before 28 March 2007.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 17 January 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 2 February 2007.

Reference is made to the announcement dated 26 September 2006 (the "First Announcement") issued by Kiu Hung International Holdings Limited in relation to, amongst other things, the acquisition of 70% equity interests in Mingrunfeng involving issue of new Shares. Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meanings as defined in the First Announcement.

INTRODUCTION

On 27 September 2006, the Board announced that Bright Asset, an indirect wholly-owned subsidiary of the Company, had entered into five agreements (i.e. Capital Contribution Agreement, Deposit Agreement, 1st Acquisition Agreement, Loan Facility Agreement and Guarantee Agreement) on 2 September 2006 and 22 September 2006.

Capital Contribution Agreement, Deposit Agreement and 1st Acquisition Agreement dated 2 September 2006

On 2 September 2006, Bright Asset and the Original Shareholders entered into the Capital Contribution Agreement, pursuant to which Bright Asset will contribute RMB20 million (equivalent to approximately HK\$20 million) to the capital of Mingrunfeng in return for 51% equity interests in Mingrunfeng. The Deposit Agreement relating to the payment of deposit for the Capital Contribution was entered into on the same date.

In addition, Bright Asset and the Original Shareholders entered into the 1st Acquisition Agreement, pursuant to which Bright Asset will acquire an additional 19% equity interests in Mingrunfeng from the Original Shareholders within 60 days after Mingrunfeng has obtained the exploration rights of the Coal Mine at a consideration of HK\$42.9 million to be satisfied by the allotment and issue of an aggregate of 130,000,000 Consideration Shares at an issue price of HK\$0.33 per Consideration Share.

Details of the Capital Contribution Agreement, Deposit Agreement and 1st Acquisition Agreement were set out in the First Announcement.

Loan Facility Agreement and Guarantee Agreement dated 22 September 2006

On 22 September 2006, Bright Asset entered into the Loan Facility Agreement and the Guarantee Agreement.

Pursuant to the Loan Facility Agreement, Bright Asset, as lender, has agreed to provide, and Mingrunfeng, as borrower, has agreed to accept, a revolving loan facility of not exceeding RMB40 million (equivalent to approximately HK\$40 million) subject to the terms and conditions of the Loan Facility Agreement.

Pursuant to the Guarantee Agreement, after obtaining approval of the Capital Contribution Agreement from the relevant government authorities and the completion of any necessary procedure to change the particulars in the business license of Mingrunfeng, Bright Asset and the Original Shareholders shall provide guarantees for any future loan facility which may be secured by Mingrunfeng in proportion to their respective shareholdings in Mingrunfeng from time to time and in the form that the lenders of such loan facility may accept should the lenders of such loan facility request for guarantee being provided by the shareholders of Mingrunfeng.

Details of the Loan Facility Agreement and Guarantee Agreement were set out in the First Announcement.

New Acquisition Agreements, 2nd Acquisition Agreement and Cancellation Agreement dated 16 January 2007

Subsequent to the entering into of the agreements above as disclosed in the First Announcement, Bright Asset and the parties involved entered into further negotiation in respect of the acquisition of the remaining equity interests in Mingrunfeng of which the Directors consider to be in the interests of the Company and the Shareholders as a whole. After arm's length negotiation, on 16 January 2007, Bright Asset further entered into i) the Cancellation Agreement in relation to the cancellation of the 1st Acquisition Agreement; ii) the New Acquisition Agreements in relation to the acquisition of the entire issued share capital of Jumplex, First Choice and Wise House; and iii) the 2nd Acquisition Agreement in relation to the acquisition of an aggregate of 16% equity interests in Mingrunfeng from Mr. Yang.

Details of the New Acquisition Agreements, 2nd Acquisition Agreement and Cancellation Agreement and the transactions contemplated thereunder are set out below.

NEW ACQUISITION AGREEMENTS

(1) JUMPLEX ACQUISITION AGREEMENT

Date of the Jumplex Acquisition Agreement: 16 January 2007

Parties to the Jumplex Acquisition Agreement

Purchaser: Bright Asset

Vendor: Mr. Choi

Subject Asset

Pursuant to the Jumplex Acquisition Agreement, Bright Asset has agreed to acquire, and Mr. Choi has agreed to dispose of, the entire issued share capital of Jumplex, being one share in the share capital of Jumplex, and a related shareholder's loan of the principal amount of HK\$77,995 in accordance with the terms and conditions of the Jumplex Acquisition Agreement. Jumplex holds 12.24% equity interests in Mingrunfeng as at the date of this announcement.

Upon completion of the Jumplex Acquisition, Jumplex will become a wholly-owned subsidiary of the Company. After taking into account the effect of the Capital Contribution, 6% equity interests in Mingrunfeng held by Jumplex will be indirectly owned by the Company upon completion of the Jumplex Acquisition.

Consideration for Jumplex Acquisition

The consideration for the Jumplex Acquisition is approximately HK\$14.6 million which shall be satisfied by the allotment and issue of 44,350,175 Consideration Shares at an issue price of HK\$0.33 per Consideration Share. There is no restriction on the subsequent sale of the Consideration Shares by Mr. Choi and the issue price of HK\$0.33 per Consideration Share is not subject to any adjustment. The 44,350,175 Consideration Shares together represent approximately 1.48% of the existing issued share capital of the Company as at the date of this announcement and approximately 1.37% and approximately 1.32% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares under i) the New Acquisitions and ii) the New Acquisitions and 2nd Acquisition.

(2) FIRST CHOICE ACQUISITION AGREEMENT

Date of the First Choice Acquisition Agreement: 16 January 2007

Parties to the First Choice Acquisition Agreement

Purchaser: Bright Asset

Vendor: Ms. Lee

Subject Asset

Pursuant to the First Choice Acquisition Agreement, Bright Asset has agreed to acquire, and Ms. Lee has agreed to dispose of, the entire issued share capital of First Choice, being one share in the share capital of First Choice, and a related shareholder's loan of the principal amount of HK\$748,022 in accordance with the terms and conditions of the First Choice Acquisition Agreement. First Choice holds 16.33% equity interests in Mingrunfeng as at the date of this announcement.

Upon completion of the First Choice Acquisition, First Choice will become a wholly-owned subsidiary of the Company. After taking in to account the effect of the Capital Contribution, 8% equity interests in Mingrunfeng held by First Choice will be indirectly owned by the Company upon completion of the First Choice Acquisition.

Consideration for First Choice Acquisition

The consideration for the First Choice Acquisition is approximately HK\$19.5 million which shall be satisfied by the allotment and issue of 59,103,859 Consideration Shares at an issue price of HK\$0.33 per Consideration Share. There is no restriction on the subsequent sale of the Consideration Shares by Ms. Lee and the issue price of HK\$0.33 per Consideration Share is not subject to any adjustment. The 59,103,859 Consideration Shares represent approximately 1.98% of the existing issued share capital of the Company as at the date of this announcement and approximately 1.83% and approximately 1.76% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares under i) the New Acquisitions and ii) the New Acquisitions and 2nd Acquisition.

(3) WISE HOUSE ACQUISITION AGREEMENT

Date of the Wise House Acquisition Agreement: 16 January 2007

Parties to the Wise House Acquisition Agreement

Purchaser: Bright Asset

Vendors: Mr. Chan and Mr. Chung

Subject Asset

Pursuant to the Wise House Acquisition Agreement, Bright Asset has agreed to acquire, and Mr. Chan and Mr. Chung have agreed to dispose of, the entire issued share capital of Wise House, being 36,000 shares in the share capital of Wise House, in accordance with the terms and conditions of the Wise House Acquisition Agreement. Wise House holds 38.78% equity interests in Mingrunfeng as at the date of this announcement.

Upon completion of the Wise House Acquisition, Wise House will become a wholly-owned subsidiary of the Company. After taking into account the effect of the Capital Contribution, 19% equity interests in Mingrunfeng held by Wise House will be indirectly owned by the Company upon completion of the Wise House Acquisition.

Consideration for Wise House Acquisition

The consideration for the Wise House Acquisition is approximately HK\$46.3 million which shall be satisfied by the allotment and issue of an aggregate of 140,338,246 Consideration Shares at an issue price of HK\$0.33 per Consideration Share. There is no restriction on the subsequent sale of the Consideration Shares by Mr. Chan and Mr. Chung and the issue price of HK\$0.33 per Consideration Share is not subject to any adjustment. The 140,338,246 Consideration Shares represent approximately 4.70% of the existing issued share capital of the Company as at the date of this announcement and approximately 4.34% and approximately 4.19% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares under i) the New Acquisitions and ii) the New Acquisitions and 2nd Acquisition.

Conditions of the New Acquisition Agreements

Completion of the New Acquisitions is subject to the following conditions:

- (a) Bright Asset being satisfied with the results of the due diligence review of Jumplex, First Choice and Wise House to be conducted in accordance with the terms of the New Acquisition Agreements;
- (b) the warranties given by the vendors under the New Acquisition Agreements remaining true and accurate in all respects;
- (c) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares to be allotted and issued under the new Acquisition Agreements;
- (d) the passing of the necessary resolutions by the Shareholders at an extraordinary general meeting of the Company to approve i) the New Acquisition Agreements and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares; ii) the Loan Facility Agreement and the transactions contemplated thereunder; and iii) the Guarantee Agreement and the transactions contemplated thereunder;
- (e) the Capital Contribution Agreement becoming unconditional (save for the condition of obtaining approval from the relevant PRC authorities in respect of the Capital Contribution Agreement or other documents incidental to the Capital Contribution Agreement including the joint venture contract and the articles of association of Mingrunfeng);
- (f) the obtaining of the Exploration License by Mingrunfeng (which shall either be unconditional or subject to such conditions found reasonably satisfactory by Bright Asset);
- (g) the cancellation of the 1st Acquisition Agreement; and
- (h) (i) the First Choice Acquisition Agreement and the Wise House Acquisition Agreement becoming unconditional for the Jumplex Acquisition Agreement; (ii) the Jumplex Acquisition Agreement and the Wise House Acquisition Agreement becoming unconditional for the First Choice Acquisition Agreement; and (iii) the Jumplex Acquisition Agreement and the First Choice Acquisition Agreement becoming unconditional for the Wise House Acquisition Agreement.

Bright Asset may at any time by notice in writing waive the conditions in paragraphs (a) and (b) as set out above. In the event that the conditions of the New Acquisition Agreements are not satisfied or waived by 30 September 2007 (or such other date as may be agreed between the vendors and Bright Asset in writing), the New Acquisition Agreements shall cease and determine and thereafter neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Other terms

- In the event that all the conditions of the New Acquisition Agreements having been fulfilled, the party which defaults to complete the Jumplex Acquisition, the First Choice Acquisition and the Wise House Acquisition shall pay compensation of HK\$370,000, HK\$490,000 and HK\$1,160,000 respectively to the respective counter party(ies). The receipt of such compensation shall not prevent the other party from taking actions to enforce specific performance or any other non-monetary rights and remedies against the party in default.
- After the completion of the New Acquisition Agreements and up to 30 April 2008, the aggregate amount of liability of i) Mr. Choi; ii) Ms. Lee; and iii) Mr. Chan and Mr. Chung for all claims under the warranties given by the vendors under the New Acquisition Agreements by Bright Asset shall not exceed the aggregate amount of consideration to be received by the vendors, being approximately i) HK\$14.6 million; ii) HK\$19.5 million; and iii) HK\$46.3 million respectively.
- Pursuant to the terms of the First Choice Acquisition Agreement, Bright Asset has undertaken Ms. Lee to procure First Choice to pay Ms. Lee an amount of approximately HK\$619,000 upon recovery of a third party loan due to First Choice.

Such loan was provided by First Choice to a third party and was interest free, unsecured and due on 31 December 2002. However, it is still outstanding as at the date of this announcement. The consideration for acquiring the entire issued share capital of First Choice has not taken into account of such loan. As such, after completion of the First Choice Acquisition, in the event that the loan amount of approximately HK\$619,000 referred to above is repaid by the third party to First Choice, Bright Asset will procure First Choice to advance such loan amount to Ms. Lee without interest.

Completion of the New Acquisition Agreements

Upon compliance with or fulfillment of all the conditions of the New Acquisition Agreements, completion of the New Acquisitions shall take place on or before the Completion Date.

2ND ACQUISITION AGREEMENT

Date of the 2nd Acquisition Agreement: 16 January 2007

Parties to the 2nd Acquisition Agreement

Purchaser: Bright Asset

Vendor: Mr. Yang

Pursuant to the 2nd Acquisition Agreement, Bright Asset has agreed to acquire, and Mr. Yang has agreed to dispose of, the 16% equity interests in Mingrunfeng within 30 days after i) Mingrunfeng has obtained the Exploration License, being the legal certificate for the entire exploration rights of the Coal Mine, pursuant to the terms of the Co-Operation Agreement; and ii) the Capital Contribution Agreement has been approved by the relevant government authorities.

Upon completion of the New Acquisitions and the 2nd Acquisition and taken into account the 51% equity interests of Mingrunfeng to be acquired by Bright Asset under the Capital Contribution, Mingrunfeng will become an indirect wholly owned subsidiary of the Company.

Consideration for the 2nd Acquisition

The consideration for the 2nd Acquisition is approximately HK\$39.0 million which shall be satisfied by the allotment and issue of an aggregate of 118,207,720 Consideration Shares at an issue price of HK\$0.33 per Consideration Share. There is no restriction on the subsequent sale of the Consideration Shares by Mr. Yang and the issue price of HK\$0.33 per Consideration Share is not subject to any adjustment. The 118,207,720 Consideration Shares represent approximately 3.96% of the existing issued share capital of the Company as at the date of this announcement and approximately 3.80% and approximately 3.53% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares under i) the 2nd Acquisition and ii) the New Acquisitions and 2nd Acquisition.

Conditions of the 2nd Acquisition Agreement

The 2nd Acquisition Agreement shall become effective subject to the following conditions:

- (a) the parties to the 2nd Acquisition Agreement fulfilled their obligations under the Capital Contribution Agreement and the Capital Contribution Agreement having been approved by the relevant government authorities;
- (b) the 2nd Acquisition will not be in breach of rules and requirements of any relevant government authorities;
- (c) there being no material changes in the circumstances, facts or situations of Mr. Yang and Bright Asset which would cause or might cause material breach of the warranties of the 2nd Acquisition Agreement;
- (d) if required by the Stock Exchange or other regulatory authorities, the passing of the necessary resolutions by the Shareholders at an extraordinary general meeting of the Company to approve the 2nd Acquisition Agreement and the transactions contemplated thereunder;
- (e) the obtaining of the Exploration License by Mingrunfeng before 31 October 2007; and
- (f) the obtaining of approval of the Capital Contribution Agreement by the relevant PRC authorities before 31 October 2007.

The completion of the 2nd Acquisition agreement is conditional upon the completion of the Capital Contribution and not subject to the completion of the New Acquisitions.

Conditions of the issue of the Consideration Shares

In addition to the conditions set out under the heading “Conditions of the 2nd Acquisition Agreement”, the issue of the Consideration Shares is subject to the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares to be allotted and issued under the 2nd Acquisition Agreement.

Other terms

After the entering into of the 2nd Acquisition Agreement, if a party breaches the terms of the 2nd Acquisition Agreement, the warranties under the 2nd Acquisition Agreement or the terms of the Capital Contribution Agreement which leads to the incapability of the performance of the 2nd Acquisition Agreement or results in damages to the counter party, such party shall pay compensation of RMB980,000 (equivalent to approximately HK\$980,000) to the counter party. After the satisfaction of the conditions of the 2nd Acquisition Agreement (save for conditions (e) and (f)) as set out above, should Mr. Yang be in breach of the 2nd Acquisition Agreement, Mr. Yang shall compensate Bright Asset for the losses suffered by Bright Asset up to a maximum amount equivalent to the proceeds to be obtained by Mr. Yang from the 2nd Acquisition.

CANCELLATION AGREEMENT

As Bright Asset entered into the New Acquisition Agreements and the 2nd Acquisition Agreement on 16 January 2007 to acquire the remaining 49% equity interests in Mingrunfeng, Bright Asset and the Original Shareholders entered into the Cancellation Agreement on 16 January 2007 to cancel the 1st Acquisition Agreement. There is no consideration to be paid or received by the parties under the Cancellation Agreement.

AMENDMENTS TO THE CAPITAL CONTRIBUTION AGREEMENT

It was stated in the First Announcement that if any of the conditions of the Capital Contribution Agreement (save for those waived by the relevant parties) have not been satisfied before 1 March 2007 (or such other date the parties may agree from time to time), the Capital Contribution Agreement shall cease and determine. Such long stop date was subsequently extended to 30 September 2007.

INFORMATION ON SUBJECT ENTITIES

INFORMATION ON JUMPLEX

Jumplex is a company incorporated in the British Virgin Islands with limited liability on 20 April 2006 and is principally engaged in investment holdings in the PRC. As at the date of this announcement, Jumplex is interested in 12.24% of the equity interests in Mingrunfeng. Jumplex is wholly and beneficially owned by Mr. Choi.

According to the unaudited financial statements of Jumplex, Jumplex recorded net loss before and after taxation of approximately HK\$15,000 for the period from 20 April 2006 (date of incorporation) to 30 September 2006. As at 30 September 2006, the total assets and net deficits of Jumplex were approximately HK\$8 and approximately HK\$15,000 respectively. Save for the equity interests in Mingrunfeng, Jumplex has no other investments or major assets as at the date of this announcement.

INFORMATION ON FIRST CHOICE

First Choice is a company incorporated in the British Virgin Islands with limited liability on 28 March 2002 and is principally engaged in investment holdings in the PRC. As at the date of this announcement, First Choice is interested in 16.33% of the equity interests in Mingrunfeng. First Choice is wholly and beneficially owned by Ms. Lee.

According to the unaudited financial statements of First Choice, First Choice recorded net loss before and after taxation of approximately HK\$5,000 for the year ended 31 December 2004 and HK\$10,000 for the year ended 31 December 2005. As at 31 December 2005, the total assets and net deficits of First Choice were approximately HK\$619,000 and approximately HK\$29,000 respectively. Save for the equity interests in Mingrunfeng, First Choice has no other investments or major assets as at the date of this announcement.

INFORMATION ON WISE HOUSE

Wise House is a company incorporated in the British Virgin Islands with limited liability on 7 July 2004 and is principally engaged in investment holdings in the PRC. As at the date of this announcement, Wise House is interested in 38.78% of the equity interests in Mingrunfeng. Wise House is beneficially owned by Mr. Chan as to 63% and Mr. Chung as to 37%.

According to the unaudited financial statements of Wise House, Wise House recorded net loss before and after taxation of approximately US\$1,000 (equivalent to approximately HK\$8,000) for the period from 7 July 2004 (being the date of incorporation) to 31 December 2004 and approximately US\$1,000 (equivalent to approximately HK\$8,000) for the year ended 31 December 2005. As at 31 December 2005, the total assets and net assets of Wise House were approximately US\$36,000 (equivalent to approximately HK\$277,000) and approximately US\$34,000 (equivalent to approximately HK\$262,000) respectively. Save for the equity interests in Mingrunfeng, Wise House has no other investments or major assets as at the date of this announcement.

INFORMATION ON MINGRUNFENG

Mingrunfeng is a company established in the PRC with limited liability on 24 September 2003 and is principally engaged in the trading of construction materials and electrical appliances and the provision of related consultancy services. Mingrunfeng has become dormant since June 2004 and has entered into the Co-Operation Agreement with Guoxin on 15 June 2006 for the exploration of the Coal Mine in Xilinguolemeng of the Inner Mongolia Autonomous Region of the PRC with an area of approximately 227.80 km².

According to the audited financial statements of Mingrunfeng as prepared under the PRC accounting standards, Mingrunfeng recorded an audited net loss before and after taxation of approximately RMB0.1 million (equivalent to approximately HK\$0.1 million) for the year ended 31 December 2004 and RMB0.2 million (equivalent to approximately HK\$0.2 million) for the year ended 31 December 2005. As at 31 December 2005, the total assets and net assets of Mingrunfeng were approximately RMB1.0 million (equivalent to approximately HK\$1.0 million) and RMB0.2 million (equivalent to approximately HK\$0.2 million) respectively.

Further details of the information in relation to Mingrunfeng were set out in the First Announcement. The followings are the updated and supplemental information relating to Mingrunfeng and the Coal Mine:

- As stated in the First Announcement, pursuant to the Co-Operation Agreement, Guoxin will transfer its entire exploration rights of the Coal Mine to Mingrunfeng when the exploration works of the Coal Mine has reached the general exploration stage in return for a cash consideration representing 20% of the value of the exploration rights of the Coal Mine as being appraised by an independent valuation institution to be appointed by Guoxin and Mingrunfeng.

There is no change to the terms of the Co-Operation Agreement. The general exploration stage in respect of the Coal Mine has been completed in November 2006 and the general exploration stage exploration report conducted by Longwang has been approved by an independent institution appointed by the Department of Land and Resources of Inner Mongolia Autonomous Region on 10 December 2006. As at the date of this announcement, Guoxin and Mingrunfeng are approaching certain independent valuation institutions to conduct valuation on the exploration rights of the Coal Mine. The independent valuation on the exploration rights of the Coal Mine and the transfer of the Exploration License from Guoxin to Mingrunfeng (including completion of the necessary procedures for the transfer of the Exploration License) is expected to be available and take place by the end of March 2007.

- As stated in the First Announcement, the reserves of the Coal Mine preliminary estimated by Longwang pursuant to the Specifications for Coal, Peat Exploration (煤、泥炭地質勘探規範)[#] was approximately 109.35 million tons.

Pursuant to the general exploration stage exploration report conducted by Longwang in November 2006, the Coal Mine has estimated reserves of approximately 110.79 million tons. If reference is made to the minimum concession price of the exploration and exploitation rights of coal mine of RMB1.5 per ton of coal set by the People's Government of Inner Mongolia Autonomous Region, the preliminary value of the exploration rights of the Coal Mine is estimated to be approximately RMB166.2 million (equivalent to approximately HK\$166.2 million). According to Longwang, the current market price of the coal expected to be extracted from the Coal Mine is approximately RMB160 per ton and the market price of the coal of the Coal Mine has increased by approximately 15% to 20% per annum during the period from 2003 to 2006.

Given that i) the exploration works and the reserves estimation are carried out by Longwang, which is a holder of the Certificate of Qualification for Geological Exploration (地質勘查資質證書)[#] issued by the Ministry of Land and Resources of the PRC and ii) the general exploration stage exploration report prepared by Longwang has been approved by an independent institution appointed by the Department of Land and Resources of Inner Mongolia Autonomous Region on 10 December 2006, the Directors consider it is of little chance that the reserves of the Coal Mine as being assessed by SRK Consulting will have a substantial deviation from the reserves as estimated by Longwang.

Shareholders and potential investors of the Company should note that the information on the Coal Mine is primarily based on the general exploration stage exploration report conducted by Longwang in November 2006, which was approved by an independent institution appointed by the Department of Land and Resources of Inner Mongolia Autonomous Region on 10 December 2006. The Company has appointed SRK Consulting as the independent technical adviser to compile a technical report for the Coal Mine in accordance with the requirements of the Listing Rules and the reserves of the Coal Mine as being assessed by SRK Consulting can be different. In addition, the New Acquisitions and the 2nd Acquisition are subject to the obtaining of the Exploration License by Mingrunfeng before 31 October 2007 and the mining activities at the Coal Mine is subject to the obtaining of the exploitation rights of the Coal Mine by Mingrunfeng.

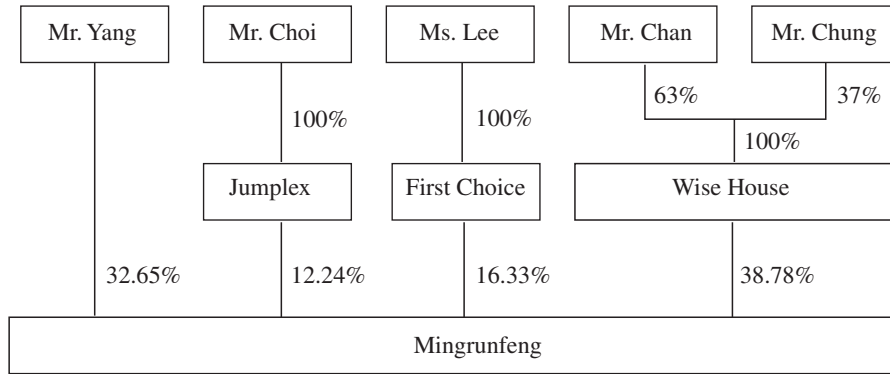
SHAREHOLDING STRUCTURE OF THE RELEVANT ENTITIES AND THE COMPANY

The following table sets out the shareholding structure of Mingrunfeng i) as at the date of this announcement; ii) immediately upon completion of the Capital Contribution only; iii) immediately upon completion of the New Acquisitions only; iv) immediately upon completion of the Capital Contribution and New Acquisitions; v) immediately upon completion of the Capital Contribution and 2nd Acquisition; and vi) immediately upon completion of the Capital Contribution, New Acquisitions and 2nd Acquisition:

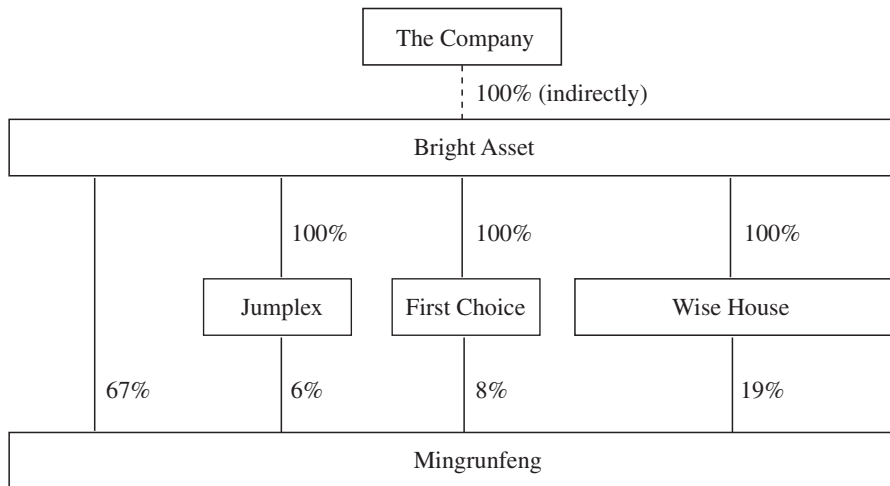
	As at the date of this announcement	Immediately upon completion of the Capital Contribution only	Immediately upon completion of the New Acquisitions only (Note)	Immediately upon completion of the Capital Contribution and New Acquisitions (Note)	Immediately upon completion of the Capital Contribution and 2nd Acquisition	Immediately upon completion of the Capital Contribution, New Acquisitions and 2nd Acquisition (Note)
Bright Asset	–	51%	67.35%	51%	67%	67%
Mr. Yang	32.65%	16%	32.65%	16%	–	–
Jumplex	12.24%	6%	–	6%	6%	6%
First Choice	16.33%	8%	–	8%	8%	8%
Wise House	38.78%	19%	–	19%	19%	19%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Note: Jumplex, First Choice and Wise House will all become indirect wholly-owned subsidiaries of the Company upon completion of the New Acquisitions and the Company will therefore be interested in their respective equity interests in Mingrunfeng.

The diagram below shows the shareholding structure of the relevant entities as at the date of this announcement:



The diagram below shows the shareholding structure of the relevant entities immediately after completion of the Capital Contribution, New Acquisitions and 2nd Acquisition:



SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company i) as at the date of this announcement; ii) immediately upon completion of the New Acquisitions; iii) immediately upon completion of the 2nd Acquisition; and iv) immediately upon completion of the New Acquisitions and 2nd Acquisition:

	As at the date of this announcement		Immediately upon completion of the New Acquisitions		Immediately upon completion of 2nd Acquisition		Immediately upon completion of the New Acquisitions and 2nd Acquisition	
	No. of Shares	% (Approx.)	No. of Shares	% (Approx.)	No. of Shares	% (Approx.)	No. of Shares	% (Approx.)
Legend Win Profits Limited (Note 1)	1,567,500,000	52.45%	1,567,500,000	48.49%	1,567,500,000	50.45%	1,567,500,000	46.78%
Mr. Yu Wong Kong, Dennis (Note 2)	344,500,000	11.52%	344,500,000	10.66%	344,500,000	11.09%	344,500,000	10.28%
Mr. Yang	-	-	-	-	118,207,720	3.80%	118,207,720	3.53%
Mr. Choi	-	-	44,350,175	1.37%	-	-	44,350,175	1.32%
Ms. Lee	-	-	59,103,859	1.83%	-	-	59,103,859	1.77%
Mr. Chan	-	-	88,413,095	2.74%	-	-	88,413,095	2.64%
Mr. Chung	-	-	51,925,151	1.61%	-	-	51,925,151	1.55%
Other public Shareholders	1,076,657,000	36.03%	1,076,657,000	33.30%	1,076,657,000	34.66%	1,076,657,000	32.13%
Total	2,988,657,000	100%	3,232,449,280	100%	3,106,864,720	100%	3,350,657,000	100%

Notes:

- Legend Win Profits Limited is a company incorporated in the British Virgin Islands. The issued share capital of Legend Win Profits Limited is beneficially owned by Hui Kee Fung, Hui Ki Yau, Hui Hung Tan, Teresa, all being Executive Directors, 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.

2. Save for being a substantial Shareholder, Mr. Yu Wong Kong, Dennis is a third party independent of the Company and its connected persons.

RISKS ASSOCIATED WITH THE ACQUISITION OF MINGRUNFENG

Set out below are some of the risks associated with the acquisition of Mingrunfeng:

- **The transfer of the Exploration License from Guoxin to Mingrunfeng is subject to the approval of the relevant government authorities. Should the Capital Contribution be approved and completed and Mingrunfeng cannot obtain the Exploration License, the transactions contemplated under the 2nd Acquisition and the Co-Operation Agreement shall not proceed. As such, the Group's investment in Mingrunfeng will not enable the Group to absorb the future value resulting from the Exploration License.**
- **The renewal of the Exploration License, which will expire on 31 October 2007, is subject to the approval of the relevant government authorities. Shall the Capital Contribution, New Acquisitions and 2nd Acquisition be approved and completed, in the event that Mingrunfeng cannot obtain such renewal of the Exploration License, Mingrunfeng, a then wholly-owned subsidiary of the Company, will lose the exploration rights of the Coal Mine.**
- **The mining activities at the Coal Mine is subject to the obtaining of the exploitation rights of the Coal Mine from the relevant government authorities. Should Mingrunfeng fail to obtain the exploitation rights of the Coal Mine, Mingrunfeng will have no right to conduct mining activities at the Coal Mine.**
- **The income generated from the Coal Mine is subject to the cyclical nature of the domestic and international coal market which are affected by numerous factors beyond the Company's control, including but not limited to: i) the general economic conditions in the PRC and elsewhere in the world; ii) changes in weather conditions; and iii) fluctuations in the development and growth of industries with a high demand of coal. The selling price of coal and the margin will depend on market supply and demand forces in the domestic and international markets.**

BASIS OF CONSIDERATIONS FOR THE NEW ACQUISITIONS AND 2ND ACQUISITION

The issue price per Consideration Share of HK\$0.33 represents i) a discount of approximately 60.71% to the closing price of HK\$0.84 per Share as quoted on the Stock Exchange on 16 January 2007, being the last trading day prior to the suspension of trading in the Shares before the issue of this announcement; ii) a discount of approximately 55.41% to the average closing price of approximately HK\$0.74 per Share as quoted on the Stock Exchange for the last five trading days up to and including 16 January 2007; and iii) a discount of approximately 53.91% to the average closing price of approximately HK\$0.716 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 16 January 2007.

The consideration for the Capital Contribution, 1st Acquisition, New Acquisitions and 2nd Acquisition amounts to RMB20 million (equivalent to HK\$20 million), HK\$42.9 million, HK\$80,451,452.40 and HK\$39,008,547.60 respectively. Based on the considerations above, the consideration for 1% of equity interests in Mingrunfeng will be approximately HK\$392,000 for the Capital Contribution, approximately HK\$2,258,000 for the 1st Acquisition, approximately HK\$2,438,000 for the New Acquisitions and approximately HK\$2,438,000 for 2nd Acquisition.

The Directors consider that the consideration for 1% of equity interests in Mingrunfeng under the New Acquisitions and 2nd Acquisition of approximately HK\$2,438,000 being higher than the consideration per 1% of equity interests in Mingrunfeng under the Capital Contribution of approximately HK\$392,000 and 1st Acquisition of approximately HK\$2,258,000 is justifiable given that i) for the Capital Contribution, completion of the New Acquisitions and 2nd Acquisition is subject to, among other things, the obtaining of the Exploration License by Mingrunfeng. Accordingly, the business risk that the Exploration License may not be obtained by Mingrunfeng for it to proceed to the exploration of the Coal Mine will be significantly lowered under the New Acquisitions and 2nd Acquisition than that under the Capital Contribution. In addition, with the completion of the general exploration stage of the Coal Mine in November 2006 and the approval of the Longwang's general exploration stage exploration report by an independent institution appointed by the Department of Land and Resources of Inner Mongolia Autonomous Region on 10 December 2006, the estimation of the reserve of the Coal Mine is more reliable as at the time of entering into the Capital Contribution Agreement; ii) for the 1st Acquisition, in addition to the more reliable estimation of reserve of the Coal Mine, the equity interests in Mingrunfeng to be acquired by Bright Asset is higher under the New Acquisitions and 2nd Acquisition than that under the 1st Acquisition.

Regarding the payment method for the aggregate consideration of HK\$119,460,000 for the New Acquisitions and 2nd Acquisition in the form of allotment and issue of an aggregate of 362,000,000 Consideration Shares at an issue price of HK\$0.33 per Consideration Share, the issue price was arrived after arm's length negotiation between the parties to the New Acquisition Agreements and 2nd Acquisition Agreement with reference to, among other things, the issue price per Consideration Share for the 1st Acquisition which is also HK\$0.33. Given the same issue price per Consideration Share and the higher consideration, the number of Consideration Shares to be allotted and issued for the New Acquisitions and 2nd Acquisition is 362,000,000 Shares, as compared to the 130,000,000 Shares to be allotted and issued under the 1st Acquisition. The Directors are of the view that making such an overall change in the terms of the acquisition of Mingrunfeng from that under the original 1st Acquisition Agreement to that under the New Acquisition Agreements and 2nd Acquisition Agreement while maintaining the same issue price of HK\$0.33 per Consideration Share is fair and reasonable. The Directors consider that the consideration for the New Acquisitions and 2nd Acquisition be satisfied by the allotment and issue of Consideration Shares would allow the maximization of the potential value of the Coal Mine without affecting the working capital of the Group and is in the interests of the Company and the Shareholders as a whole.

REASONS FOR ENTERING INTO THE NEW ACQUISITION AGREEMENTS AND 2ND ACQUISITION AGREEMENT

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the design, manufacture and sale of toys and decorative gift items. In order to diversify the businesses of the Group, the Company has been actively exploring new investment opportunities with profitable prospects. In view of the worldwide increasing demand for natural and energy resources according to industry research reports and the results derived from the completion of the general exploration stage in respect of the Coal Mine, the Board is of the opinion that the entering into of the New Acquisition Agreements and the 2nd Acquisition Agreement relating to the acquisition of the remaining 49% equity interests in Mingrunfeng will provide an opportunity for the Group to maximize the potential benefit obtained from the Coal Mine through holding the entire equity interests in Mingrunfeng. While diversifying the businesses of the Group, the Board intends to continue with the Group's existing businesses and does not have any plan to discontinue the Group's existing businesses.

In order to enter into the coal business which is new to the Company, the Board has carried out researches including but not limited to studying relevant industrial reports conducted by leading investment banks and other relevant statistical data relating to the coal industry and its associated risks. The Board also studied the exploration report prepared by Longwang and performed fieldwork investigation on the Coal Mine. To facilitate the management of the new business and maximize the potential value of the Coal Mine, the Board intends to appoint professionals and experts after completion of the Capital Contribution or the New Acquisitions. The Board will take steps, including studying the background, professional expertise and working experience of professors and senior management of coal enterprises in the PRC, in order to get familiar with those experts with relevant experience and expertise in the natural and energy resources industry.

By obtaining the Exploration License from Guoxin to Mingrunfeng, the Group can either transfer the Exploration License for a return of cash consideration or conduct exploration works at the Coal Mine and apply for relevant permits, licenses and approval to conduct mining activities at the Coal Mine. Both of which will potentially generate income for the Group. In the event that the Group pursues to conduct exploration works at the Coal Mine, the exploitation of the Coal Mine is expected to commence by the end of 2007 (subject to the obtaining of Exploration License by Mingrunfeng by the end of March 2007).

After assessing the risks associated with the coal business of Mingrunfeng and taking into account, among other things, that i) the preliminary estimated reserves of the Coal Mine of approximately 110.79 million tons made by Longwang in the general exploration stage exploration report and the preliminary estimated value of the exploration rights of the Coal Mine of approximately RMB166.2 million (equivalent to approximately HK\$166.2 million) if reference is made to the minimum concession price of RMB1.5 per ton of coal set by the People's Government of Inner Mongolia Autonomous Region; ii) the general exploration stage exploration report conducted by Longwang and the fieldwork investigation on the Coal Mine carried out by the Directors; iii) the price of the coal is on an upward trend with a current market price of approximately RMB160 per ton; and iv) the approval of the Longwang's general exploration stage exploration report by an independent institution appointed by the Department of Land and Resources of Inner Mongolia Autonomous Region on 10 December 2006, the Directors consider that the terms of the New Acquisition Agreements and the 2nd Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

Bright Asset is a company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, Jumplex, First Choice, Wise House and their respective ultimate beneficial owners and Mr. Yang are third parties independent of the Company and its connected persons.

Application will be made to the Stock Exchange granting listing of and permission to deal in the Consideration Shares.

The New Acquisitions and 2nd Acquisition when aggregated with the Previous Transactions constitute a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules and will result in the diversion to exploration for natural resources of 10% or more of the consolidated total assets of the Group. Therefore, in addition to the Previous Transactions, New Acquisition Agreements and 2nd Acquisition Agreement and the transactions contemplated thereunder shall also subject to approval by Shareholders at a general meeting under Rule 14.49 and Rule 18.07(2) of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder is required to abstain from voting at the general meeting.

An extraordinary general meeting will be convened and held to consider and, if thought fit, pass the resolutions to approve the Aggregated Transactions.

DELAY IN DESPATCH OF CIRCULAR

The Company announced on 17 November 2006 that the Company had applied to the Stock Exchange for extending the despatch date of the Circular containing, among other things, details of the Previous Transactions to a date falling on or before 31 January 2007.

Given that i) there is an overall change to the structure and terms of the acquisition of Mingrunfeng as announced in the First Announcement; ii) SRK Consulting, the technical adviser appointed by the Company, expects that the technical report in respect of the Coal Mine will only be available around 9 February 2007 as it takes time to collate and compile the necessary information in connection with the Coal Mine; iii) additional time, which is expected to extend to around to mid of March 2007, is required to finalize the financial information of the Group given the intervening Chinese Lunar New Year public holidays; and iv) it is imperative to combine the Circular in respect of the Previous Transactions and the Circular in respect of the New Acquisitions and 2nd Acquisition into one circular in order to give a clear picture to the Shareholders in respect of the latest terms of the acquisition of Mingrunfeng, the Company has made application to the Stock Exchange for a waiver from the strict compliance with Rule 14.38 of the Listing Rules to extend the despatch date of the previously delayed Circular and the new Circular which shall set out, among other things, details of the Previous Acquisitions to the New Acquisitions and the 2nd Acquisition to a date falling on or before 28 March 2007.

The combined Circular containing, among other things, further details of the Aggregated Transactions and other necessary disclosures as required under Rule 18.09 of the Listing Rules will be despatched to the Shareholders as soon as practicable on or before 28 March 2007.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 17 January 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 2 February 2007.

DEFINITIONS

In addition to the capitalised terms as defined in the First Announcement, the following defined terms are used in this announcement:

“1st Acquisition”	acquisition of an aggregate of 19% equity interests in Mingrunfeng by Bright Asset from the Original Shareholders pursuant to the 1st Acquisition Agreement
“1st Acquisition Agreement”	the agreement dated 2 September 2006 entered into between Bright Asset and the Original Shareholders in respect of the 1st Acquisition, which was cancelled pursuant to the Cancellation Agreement on 16 January 2007
“2nd Acquisition”	acquisition of an aggregate of 16% equity interests in Mingrunfeng by Bright Asset from Mr. Yang pursuant to the 2nd Acquisition Agreement
“2nd Acquisition Agreement”	the agreement dated 16 January 2007 entered into between Bright Asset and Mr. Yang in respect of the 2nd Acquisition
“Aggregated Transactions”	the transactions contemplated under the New Acquisition Agreements and 2nd Acquisition Agreement together with the Previous Transactions
“Cancellation Agreement”	the agreement dated 16 January 2007 entered into between Bright Asset and the Original Shareholders in relation to the cancellation of the 1st Acquisition Agreement

“Circular”	the circular containing, among other things, further details of the Previous Transactions or the Aggregated Transactions, as the case may be
“Completion Date”	the date of falling 30 days after the fulfillment of the conditions of the New Acquisition Agreements (or such later date as the vendors to the New Acquisition Agreements and Bright Asset may agree)
“Consideration Shares”	new Shares to be allotted and issued by the Company as the consideration for the 1st Acquisition, 2nd Acquisition and New Acquisitions, as the case may be
“First Choice Acquisition”	acquisition of the entire issued share capital of First Choice by Bright Asset from Ms. Lee pursuant to the First Choice Acquisition Agreement
“First Choice Acquisition Agreement”	the agreement dated 16 January 2007 entered into between Bright Asset and Ms. Lee in relation to the First Choice Acquisition
“Jumplex Acquisition”	acquisition of the entire issued share capital of Jumplex by Bright Asset from Mr. Choi pursuant to the Jumplex Acquisition Agreement
“Jumplex Acquisition Agreement”	the agreement dated 16 January 2007 entered into between Bright Asset and Mr. Choi in relation to the Jumplex Acquisition
“Mr. Chan”	Mr. Chan Aik Huat, Simon, the beneficial owner of 63% of the entire issued share capital of Wise House, and a third party independent of the Company and its connect persons
“Mr. Choi”	Mr. Choi Pui Sze, the sole beneficial owner and sole director of Jumplex, and a third party independent of the Company and its connect persons,
“Mr. Chung”	Mr. Chung Cheuk Wah, Sammy, the beneficial owner of 37% of the entire issued share capital of and the sole director of Wise House, and a third party independent of the Company and its connect persons
“Ms. Lee”	Ms. Lee Sai Yin, Jeanne, the sole beneficial owner and sole director of First Choice, and a third party independent of the Company and its connect persons
“New Acquisitions”	Jumplex Acquisition, First Choice Acquisition and Wise House Acquisition
“New Acquisition Agreements”	Jumplex Acquisition Agreement, First Choice Acquisition Agreement and Wise House Acquisition Agreement
“On-going Agreements”	Capital Contribution Agreement, Deposit Agreement, Loan Facility Agreement and Guarantee Agreement
“Previous Transactions”	the transactions contemplated under the On-going Agreements
“SRK Consulting”	Steffen Robertson and Kirsten (Australasia) Pty. Ltd., an independent mining and geological consultant.
“Wise House Acquisition”	acquisition of the entire issued share capital of Wise House by Bright Asset from Mr. Chan and Mr. Chung pursuant to the Wise House Acquisition Agreement
“Wise House Acquisition Agreement”	the agreement dated 16 January 2007 entered into among Bright Asset, Mr. Chan and Mr. Chung in relation to the Wise House Acquisition
“US\$”	United States dollars, the lawful currency of the United States of America

Exchange rate used in this announcement:

- *Between Hong Kong dollars and Renminbi: HK\$1 = RMB1; and*
- *Between United States dollars and Hong Kong dollars: US\$1 = HK\$7.7.*

denotes English transliteration of Chinese words and is provided for identification purposes only.

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

Hong Kong, 1 February 2007

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.