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Kiu Hung International Holdings Limited **僑雄國際控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 381)

CONTINUING CONNECTED TRANSACTIONS

On 2 October 2007, the Group, Marketing Resource and Mr. Solly have entered into the Supplemental Shareholder Agreement to amend certain terms of the Shareholders Agreement. Pursuant to the Supplemental Shareholders Agreement, for all products sold by Toland to Marketing Resource which remained in the inventory of Marketing Resource as at the close of business on 30 September 2007 and all products sold or to be sold by Toland to Marketing Resource on or after 1 October 2007, Marketing Resource shall settle its purchases from Toland based on a price equivalent to Toland's original cost of the purchase plus a minimum mark up of 20%. Such percentage shall be reviewed by Toland and Marketing Resource regularly such that Marketing Resource shall retain sufficient working capital to enable it to carry on business in a prudent and business-like manner. In addition, the Supplemental Shareholders Agreement also stipulated that Marketing Resource shall settle its purchases made from Toland within a credit period of 45 days.

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 Marketing Resource; and (ii) the potential orders to be received by Marketing Resource, which is estimated based on the discussion with potential customers of Marketing Resource by the management of Marketing Resource.

Mr. Solly is a director of Marketing Resource and is the beneficial owner of 50% of the issued share capital of Marketing Resource respectively. Pursuant to Chapter 14A of the Listing Rules, Marketing Resource, being an associate of Mr. Solly, is a connected person of the Company. The Revised Marketing Resource Transactions 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.

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

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

Reference is made to the announcement of the Company dated 4 December 2006 and the circular of the Company dated 12 January 2007.

On 31 October 2006, Marketing Resource entered into the 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 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 Marketing Resource Transactions were engaged based on the 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; (ii) Marketing Resource shall retain 30% of its net sale proceeds, which shall be reviewed regularly so that Marketing Resource shall have sufficient working capital to operate as a going concern; and (iii) Marketing Resource shall remit the payments to Toland once a month. The Marketing Resource Transactions was approved by written approval from the then controlling Shareholder on 10 January 2007.

SUPPLEMENTAL SHAREHOLDERS AGREEMENT

On 2 October 2007, the Group, Marketing Resource and Mr. Solly have entered into the Supplemental Shareholders Agreement to amend certain terms of the Shareholders Agreement.

Pursuant to the Supplemental Shareholders Agreement, for all products sold by Toland to Marketing Resource which remained in the inventory of Marketing Resource as at the close of business on 30 September 2007 and all products sold or to be sold by Toland to Marketing Resource on or after 1 October 2007, Marketing Resource shall settle its purchases from Toland based on a price equivalent to Toland's original cost of the purchase plus a minimum mark up of 20%. Such percentage shall be reviewed by Toland and Marketing Resource regularly such that Marketing Resource shall retain sufficient working capital to enable it to carry on business in a prudent and business-like manner. In addition, the Supplemental Shareholders Agreement also stipulated that Marketing Resource shall settle its purchases made from Toland within a credit period of 45 days.

Save as disclosed above, there are no changes to the terms under the Agreement, the Supplemental Agreement and the Shareholders Agreement.

The annual cap for each of the two years ending 31 December 2008 was 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 was 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\$30 million and HK\$35 million for each of the two 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 December 2006 and 1 January 2007 to 30 June 2007, Toland has sold flags, home accessories, garden gifts and home decorative gifts products in the amount of approximately HK\$1,097,000 and HK\$3,146,000 to Marketing Resource respectively.

The Directors (other than the independent non-executive Directors) consider that the Supplemental Shareholders Agreement was entered into on normal commercial terms, was in the usual and ordinary course of business of the Group and was arrived at after arm's length negotiation between the parties. The Directors (other than the independent non-executive Directors) also consider that the Revised Marketing Resource Transactions to be on normal commercial terms and in the usual and ordinary course of business of the Group.

Condition

The Supplemental Shareholders 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 Revised Marketing Resource Transactions. If the condition has not been satisfied on or before 31 December 2007 or such later date as the parties may agree, the Supplemental Shareholders Agreement shall cease and determine and neither party shall have any obligations and liabilities save for antecedent breaches of the terms thereof.

The Revised Marketing Resource Transactions will become effective after fulfillment of the condition as set out above. If the Supplemental Shareholders Agreement does not proceed to completion, the Group will continue to conduct business with Marketing Resource based on the terms of the Agreement, the Supplemental Agreement and the Shareholders Agreement.

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.

Pursuant to Chapter 14A of the Listing Rules, Marketing Resource, being an associate of Mr. Solly, is a connected person of the Company. The Revised Marketing Resource Transactions 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.

REASONS FOR THE REVISED MARKETING RESOURCE TRANSACTIONS

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.

Toland is principally engaged in the trading of flags, home accessories, garden products and home decorative gifts.

Pursuant to the terms of the Shareholders Agreement, (i) Marketing Resource shall pay for its purchases from Toland based on 70% of its net sales to customers; and (ii) Marketing Resource shall retain 30% of its net sales proceeds to cover its operation costs. Nevertheless, the Directors find such arrangement difficult to implement in practice because (i) Toland cannot determine its selling price and invoice Marketing Resource when such goods are being shipped to Marketing Resource; (ii) Marketing Resource will take at least a few months to sell such products purchased from Toland and Toland will need to wait for at least a few months before Toland can determine the selling price payable by Marketing Resource; (iii) the selling prices charged by Marketing Resource to its customers for the same product can be different for each customer and therefore it is difficult, complicated and costly to determine the selling prices payable by Marketing Resource to Toland; and (iv) it is possible that the selling prices payable by Marketing Resource to Toland will be lower than Toland's original cost of purchase. If such items are not popular among the customers of Marketing Resource and Marketing Resource needs to sell such items at a discount to its customers, Toland may incur a loss.

The average selling prices of 70% of the products sold by Marketing Resource to its customers during the six months ended 30 June 2007 is equivalent to Toland's original cost of purchases plus a mark up of approximately 23%. Based on the above, the Directors consider that the minimum 20% mark-up policy

under the Supplemental Agreement is fair and reasonable as it can (i) rectify the shortcomings of the payment arrangement under the Shareholders Agreement; and (ii) provide some flexibility to the Directors when determining the mark-up percentage for different types of products being sold to Marketing Resource. Having considered that other independent customers of Toland have a credit period of up to 60 days, the payment terms of Marketing Resource was extended to 45 days.

The Directors (other than the independent non-executive Directors) consider that the entering into of the Supplemental Shareholders Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (other than the independent non-executive Directors) also consider that the Revised Marketing Resource Transactions to be fair and reasonable and in the interests of the Company and the Shareholders as a whole

GENERAL

Pursuant to Rule 14A.35 of the Listing Rules, the Revised Marketing Resource Transactions constitute non-exempted continuing connected transactions on the part of the Company under the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirement. As at the date of this announcement, Mr. Solly and his associates are not interested in any Share. As such, no Shareholder is required to abstain from voting for the relevant resolution if the Company convenes an extraordinary general meeting to approve the Revised Marketing Resource Transactions.

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

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

DEFINITIONS

The following defined terms are used in this announcement:

“Agreement”	the agreement entered into between Marketing Resource and Toland on 31 October 2006 for the sale and purchase of flags, home accessories, garden products and home decorative gifts from time to time
“Agreements”	the Agreement as supplemented by the Supplemental Agreement and the Shareholders Agreement as supplemented by the Supplemental Shareholders Agreement

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Kiu Hung International Holdings Limited, a Company incorporated in the Cayman Islands and the Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“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 Revised Marketing Resource Transactions
“Independent Shareholders”	Shareholders which are not required to abstain from voting at the general meeting to approve a connected transaction
“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
“Market Resource Transactions”	the transactions entered into between Toland and Marketing Resource for the sale and purchase of flags, home accessories, garden gifts and home decorative gift products from time to time pursuant to the terms and conditions of the Agreement and the 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
“Revised Marketing Resource Transactions”	the transactions entered into between Toland and Marketing Resource for the sale and purchase of flags, home accessories, garden gifts and home decorative gifts products from time to time pursuant to the terms and conditions of the Agreements

“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holders of the Share(s)
“Shareholders Agreement”	the supplemental agreement entered into between the Group, Marketing Resource and Mr. Solly on 25 October 2006 which 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 Marketing Resource
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement entered into between Marketing Resource and Toland on 9 November 2006 for the sale and purchase of flags, home accessories, garden products and home decorative gifts from time to time
“Supplemental Shareholders Agreement”	the supplemental agreement entered into between the Group, Marketing Resource and Mr. Solly on 2 October 2007 to amend certain terms of the Shareholders Agreement
“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
“US”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 29 October 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.