
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kiu Hung International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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

Corporate Finance Advisory

A letter from the Independent Board Committee is set out on page 10 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 11 to 15 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 14th Floor, Yale Industrial Centre, 61- 63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong on Friday, 7 December 2007 at 11:00 a.m. is set out on pages 20 to 21 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed with this circular.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong at Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting if you so wish.

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DEFINITIONS

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

“Agreement”	the agreement entered into between Toland and Marketing Resource 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
“EGM”	an extraordinary general meeting of the Company to be convened and held at 14th Floor, Yale Industrial Centre, 61- 63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong on Friday, 7 December 2007 at 11:00 a.m. to consider and, if thought fit, to approve the Revised Marketing Resource Transactions
“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
“Latest Practicable Date”	15 November 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

DEFINITIONS

“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 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 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
“Nuada”	Nuada Limited, a licensed corporation for Type 6 regulated activities under section 116(1) of the SFO
“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 shareholders 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 Toland and Marketing Resource on 9 November 2006 for the sale and purchase of flags, home accessories, garden products and home decorative gifts from time to time

DEFINITIONS

“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.

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



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

20 November 2007

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 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 are in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole, on normal commercial terms and fair and reasonable.

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.

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.

LETTER FROM THE BOARD

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 term 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 are in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole, on normal commercial terms and fair and reasonable.

LISTING RULES IMPLICATIONS

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.

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 at the EGM to approve the Revised Marketing Resource Transactions.

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 the fairness and reasonableness of the terms of the Revised 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 Revised Marketing Resource Transactions.

LETTER FROM THE BOARD

EGM

Set out on pages 20 to 21 is a notice convening the EGM to be held at 14th Floor, Yale Industrial Centre, 61- 63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong on Friday, 7 December 2007 at 11:00 a.m. at which relevant resolutions will be proposed to the Shareholders to consider and if thought fit, approve the Revised Marketing Resource Transactions. The voting on the resolution will be taken by way of poll.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company in Hong Kong at Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

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.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers that the terms of the Revised Marketing Resource Transactions are in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole, on normal commercial terms and fair and reasonable. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 10 of this circular which contains its views in relation to the Revised 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 Revised 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 11 to 15 of this circular.

The Independent Board Committee, having taken into account the advice of Nuada, considers that the terms of the Revised Marketing Resource Transactions are in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole, on normal commercial terms and fair and reasonable 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.

Yours faithfully,
For and 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)

20 November 2007

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 20 November 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 Revised Marketing Resource Transactions whether such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Nuada has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Revised Marketing Resource Transactions are (i) in the ordinary and usual course of business of the Group; (ii) in the interests of the Company and the Shareholders as a whole; (iii) on normal commercial terms; and (iv) fair and reasonable so far as the Independent Shareholders are concerned. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 11 to 15 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 9 of the Circular and the additional information set out in the appendix to the Circular.

Having considered the terms of the Revised Marketing Resource Transactions and the advice of Nuada, we are of the opinion that the terms of the Revised Marketing Resource Transactions are (i) in the ordinary and usual course of business of the Group; (ii) in the interests of the Company and the Shareholders as a whole; (iii) on normal commercial terms; and (iv) fair and reasonable so far as the Independent Shareholders are concerned.

Yours faithfully,
Independent Board Committee of
Kiu Hung International Holdings Limited

Peng Guanghui
Independent
non-executive Director

Kung King Ching, Conrad
Independent
non-executive Director

Tang Rongzu
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 Revised Marketing Resource Transactions which has been prepared for inclusion in this circular.

Nuada Limited

Corporate Finance Advisory

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

20 November 2007

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

Dear Sirs,

NON-EXEMPT 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 Revised Marketing Resource Transactions, details of which have been set out in letter from the board (the “Letter”) in the circular to the Shareholders dated 20 November 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 31 October 2006, Toland (a company indirectly owned as to 70% by the Company and beneficially owned as to 30% by Mr. Solly) entered into the Agreement with Marketing Resource (a 50%-owned jointly controlled entity of the Company and Mr. Solly) 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 specifying that Marketing Resource shall make purchases of not more than the annual caps of HK\$5 million from Toland during the year ending 31 December 2006. On 9 November 2006, Toland entered into the Supplemental Agreement with Marketing Resource 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 specifying that Marketing Resource shall make purchases of not more than the annual caps 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 was approved by written approval from the then controlling Shareholder on 10 January 2007.

As stated in the Letter, the Marketing Resource Transactions were engaged based on the Shareholders Agreement entered into by the Group, Marketing Resource and Mr. Solly, which sets out the respective rights and obligations of the shareholders of Marketing Resource and the arrangements between them with respect to ownership, management and operations of the company. On 2 October 2007, the Group, Marketing Resource and Mr. Solly entered into the Supplemental Shareholders Agreement to amend certain terms of the Shareholders Agreement.

LETTER OF ADVICE FROM NUADA

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 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. 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 Revised Marketing Resource Transactions at the EGM.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the Revised Marketing Resource Transactions are in the interests of the Company and the Shareholders as a whole and 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 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 Agreements 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 the Agreements 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.

LETTER OF ADVICE FROM NUADA

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

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

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 is responsible for handling the overseas sales orders from Marketing Resource.

The Agreement, as supplemented by the Supplemental Agreement, was entered into between Toland and 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. As mentioned above, the Agreement specifies the annual purchase of products by Marketing Resource from Toland of not more than HK\$5 million for the year ending 31 December 2006 (for the period from 20 September 2006 and 31 December 2006), while the Supplemental Agreement specifies 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 (for the period from 1 January 2007 to 31 December 2008). The Marketing Resource Transactions was approved by written approval from the then controlling Shareholder on 10 January 2007. For details regarding the Marketing Resource Transactions, please refer to the announcement dated 4 December 2006 and the circular dated 12 January 2007 of the Company.

LETTER OF ADVICE FROM NUADA

As stated in the Letter, the Marketing Resource Transactions were engaged based on the Shareholders Agreement entered into by the Group, Marketing Resource and Mr. Solly, which sets out the respective rights and obligations of the shareholders of Marketing Resource and the arrangements between them with respect to ownership, management and operations of the company. Pursuant to the Shareholders Agreement, (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.

Reasons for the Revised Marketing Resource Transactions

On 2 October 2007, Toland, Marketing Resource and Mr. Solly entered into the Supplemental Shareholders Agreement, pursuant to which (i) 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%; (ii) 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; and (iii) Marketing Resource shall settle its purchases made from Toland with a credit period of 45 days.

As advised by the Company, the Supplemental Shareholders Agreement was entered into for the purpose of resolving the difficulties encountered in practice in the Marketing Resource Transactions with the arrangements stipulated under the Shareholders Agreement as (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 price payable by Marketing Resource to Toland; and (iv) it is possible that the selling prices payable by Marketing Resource will be lower than Toland's original cost of purchase, if such items are not popular among customers of Marketing Resource and Marketing Resource needs to sell such items at a discount to its customers. Save as disclosed above and in the Letter, there are no changes to the terms under the Agreement, the Supplemental Agreement and the Shareholders Agreement.

Having reviewed the historical sales record of Marketing Resource provided by the Company, it is noted that the average selling price of 70% of the products sold by Marketing Resources to its customers during the six months ended 30 June 2007 is equivalent to Toland's original cost of purchase plus a mark up of approximately 23%. As such, we consider that the determination of a minimum mark up of 20% on Toland's original cost of purchase as the purchase price payable by Marketing Resource to Toland under the Revised Marketing Resource Transactions justifiable. We also consider the minimum mark up of 20% on Toland's original cost of purchase as the purchase price payable by Marketing Resource to Toland under the Revised Marketing Resource Transactions without setting a maximum cap for such mark up is in the interests of the Company and the Shareholders as a whole

LETTER OF ADVICE FROM NUADA

as this would not constrain the profit margin of Toland. In addition, as it is the mutual intention of the Group and Mr. Solly that Marketing Resource, which is a 50%-owned jointly controlled entity of the Group, shall act as the marketing and product development centre of the Group's flags and garden products business as mentioned above and therefore shall only retain sufficient working capital for Marketing Resource to carry on business in a prudent and business-like manner, we consider that it is reasonable for Toland and Marketing Resource to review such percentage regularly such that Marketing Resource shall retain sufficient working capital to enable it to carry on business in a prudent and business-like manner. Regarding the credit period of 45 days offered to Marketing Resource for settlement of its purchases from Toland as stipulated under the Supplemental Shareholders Agreement, we consider it commercially justifiable as Toland no longer needs to wait for at least a few months to determine the selling price payable by Marketing Resource upon Marketing Resource has sold the products purchased from Toland under the Revised Marketing Resource Transactions. We also consider the credit period of 45 days offered to Marketing Resource as stipulated under the Supplemental Shareholders Agreement is fair and reasonable given Toland has offered credit period of up to 60 days to other independent customers as advised by the Company.

Having considered (i) the Supplemental Shareholders Agreement was entered into for purpose of resolving the difficulties encountered in practice in the Marketing Resource Transactions with the arrangements stipulated under the Shareholders Agreement as detailed above; (ii) the minimum mark up of 20% on Toland's original cost of the purchase as purchase price payable by Marketing Resource to Toland under the Revised Marketing Resource Transactions is determined with reference to the average selling price of 70% of the products sold by Marketing Resources to its customers during the six months ended 30 June 2007 which is equivalent to Toland's original cost of purchase plus a mark up of approximately 23%; and (iii) the credit period of 45 days offered to Marketing Resource for settlement of its purchases from Toland as stipulated under the Supplemental Shareholders Agreement is in line with the credit period offered by Toland to other independent customers, we consider that the entering into of the Supplemental Shareholders Agreement is commercially justifiable and in the interests of the Company and the Shareholders as a whole and the terms of the Revised Marketing Resource Transactions are fair and reasonable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the Revised Marketing Resource Transactions are in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole, on normal commercial terms and fair and reasonable. We, therefore, advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Revised Marketing Resource Transactions.

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director

1. RESPONSIBILITY STATEMENT

This circular 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

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 Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Number or attributable number of shares held or short positions	Capacity	Approximate percentage of shareholding
Hui Kee Fung (Note)	1,567,500,000 (L)	Interests in a controlled corporation	46.02%
Hui Ki Yau (Note)	1,567,500,000 (L)	Interests in a controlled corporation	46.02%

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 Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

3. DIRECTORS' 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.

4. 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 20 November 2007 for incorporation in this circular and reference to its name in the form and context in which they appear.

5. COMPETING INTERESTS

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.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

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 2006, being the date to which the latest published audited financial statements of the Group was made up.

8. MISCELLANEOUS

- (a) 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.
- (b) None of Nuada and 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 2006, 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) 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.
- (d) 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.
- (e) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (f) The company secretary and qualified accountant of the Company is Mr. Chan Kwok Yuen, Elvis, CPA, FCCA.
- (g) 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 7 December 2007:

- (a) the memorandum and articles of association of the Company;
- (b) the Agreement;
- (c) the Supplemental Agreement;
- (d) the Shareholders Agreement;
- (e) the Supplemental Shareholders Agreement;
- (f) the letter from the Independent Board Committee, the text of which is set out on page 10 of this circular;
- (g) the written consent from the expert referred to in the paragraph headed “Qualification and consent of expert” in this appendix; and
- (h) the letter of advice from Nuada to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 11 to 15 in this circular.



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Kiu Hung International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) to be held at 14th Floor, Yale Industrial Centre, 61- 63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong on Friday, 7 December 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

“THAT

- (a) the supplemental agreement (the “**Supplemental Shareholders Agreement**”, a copy of which has been produced at the Meeting and signed by the chairman of the Meeting for the purpose of identification) dated 2 October 2007 and entered into between the Group, Marketing Resource Group, Inc. (“**Marketing Resource**”) and Bruce Warren Solly (“**Mr. Solly**”) to amend certain terms of the shareholders agreement (the “**Shareholders Agreement**”) dated 25 October 2006 and entered into between the Group, Marketing Resource and Mr. Solly, 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 and the transactions contemplated thereunder, be and are hereby approved;
- (b) the transactions (the “**Revised Marketing Resource Transactions**”) to be entered into between Toland International Limited (“**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 Shareholders Agreement, the Supplemental Shareholders Agreement and the agreement dated 31 October 2006 as supplemented by the supplemental agreement dated 9 November 2006 entered into between Toland and Marketing Resource in relation to the sale and purchase of flags, home accessories, garden gifts and home decorative gifts products, be and are hereby approved; and
- (c) the directors (the “**Directors**”) of the Company be and are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the Supplemental Shareholders Agreement and the Revised Marketing Resource Transactions contemplated thereunder.”

By order of the Board

Kiu Hung International Holdings Limited

Hui Kee Fung

Chairman

Hong Kong, 20 November 2007

NOTICE OF EGM

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

Notes:

1. A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the Meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the offices of the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he so wish.
3. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.