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KIU HUNG INTERNATIONAL HOLDINGS LIMITED

僑雄國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 381)

MEMORANDUM OF UNDERSTANDING AND RESUMPTION OF TRADING

THE MOU

On 31 July 2007, the Purchaser, being a wholly-owned subsidiary of the Company, has entered into the MOU with the Vendor in relation to the proposed acquisition of the entire issued share capital of the Target Company. Pursuant to the MOU, the Vendor shall procure that the Target Company shall, prior to completion of the Proposed Acquisition, directly or indirectly solely control, and own the coal mining and related business presently carried out by the Operating Company and the entire equity interests of the Operating Company. The Operating Company owns the mining rights and other relevant operation facilities and properties in relation to the mining rights in the Huanghuashan Coal Mine and the exploration rights in the Xi Meng Coal Mine as at the date of this announcement.

The parties to the MOU shall agree in good faith within the exclusivity period of one month following the signing of the MOU or up to the Formal Agreement has been entered into between the Purchaser and the Vendor or termination of the discussions pertaining to the transaction described therein (whichever is the later) or such other date as the parties may agree an efficient and appropriate structure for the Proposed Acquisition.

This announcement is made pursuant to Rule 13.09 of the Listing Rules. Further announcement will be made by the Company in respect of any further material development on the Proposed Acquisition and action will be taken to comply with the disclosure/approval requirements under the Listing Rules in respect of the Proposed Acquisition.

As the Proposed Acquisition may or may not proceed, shareholders and investors of the Company should exercise caution in dealing in the Shares.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on Tuesday, 31 July 2007 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on Monday, 6 August 2007.

THE MOU

Date

31 July 2007

Parties

1. the Vendor; and
2. the Purchaser, a wholly-owned subsidiary of the Company

Mr. Yu is a director of the Vendor and is indirectly beneficially interested in 22.5% of the issued share capital of the Vendor.

Subject matter

The Vendor is the legal and beneficial owner of the Sale Shares.

Pursuant to the MOU, the Purchaser may acquire from the Vendor the Sale Shares. The Vendor shall procure that the Target Company shall, prior to the completion of the Proposed Acquisition, directly or indirectly solely control, and own the coal mining and related business presently carried out by the Operating Company and the entire equity interests of the Operating Company. The Operating Company owns the mining rights and other relevant operation facilities and properties in relation to the mining rights in the Huanghuashan Coal Mine and the exploration rights in the Xi Meng Coal Mine as at the date of this announcement.

Mining rights allow the owner of the mining license to exploit and sell the coal resources, while exploration rights allow the owner of the exploration license to perform exploration works on the coal mine. The operating period of the mining rights in the Huanghuashan Coal Mine is from May 2005 to May 2010. The operating period of the exploration rights in the Xi Meng Coal Mine is from July 2005 to July 2008.

Consideration

For the Xi Meng Coal Mine:

The consideration for the acquisition of the Xi Meng Coal Mine shall be HK\$600 million (on the assumption that the Xi Meng Coal Mine has a minimum reserve of 300 million tons of coal) subject to the following adjustments:

- (i) if the coal reserve of the Xi Meng Coal Mine, as assessed by the Mining Expert, is greater than 300 million tons, the Purchaser shall pay the Vendor an additional HK\$1.50 per additional ton of coal as stated in the technical report compiled by the Mining Expert; or
- (ii) if the coal reserve of the Xi Meng Coal Mine, as assessed by the Mining Expert, is less than 300 million tons, the Purchaser shall be entitled to deduct from the said sum of HK\$600 million the sum of HK\$2.00 per ton of the shortfall according to the technical report compiled by the Mining Expert.

For the Huanghuashan Coal Mine:

The consideration for the acquisition of the Huanghuashan Coal Mine shall be HK\$30 million.

The consideration of HK\$600 million for the acquisition of the Xi Meng Coal Mine is based on the Vendor's belief of the existence of 300 million tons of coal reserves in the Xi Meng Coal Mine and based on a selling price of HK\$2.00 for each ton of coal reserves that is being negotiated between the Vendor and the Purchaser after arm's length negotiation. The consideration of HK\$30 million for the acquisition of the Huanghuashan Coal Mine is negotiated between the Vendor and the Purchaser after arm's length negotiation based on Huanghuashan Coal Mine's coal reserves of approximately 5.4 million tons as being assessed by 內蒙古煤田地質局472勘探隊 (The 472 Exploration Team of the Inner Mongolia Bureau of Coalfield Geology) of the PRC.

Payment terms

The total consideration for the sale and purchase of the Sale Shares shall be satisfied by a mixture of (i) cash; (ii) issue of new Shares at an issue price of HK\$0.70 per Share; (iii) issue of convertible notes which entitle the holder(s) thereof to subscribe for new Shares at a conversion price of HK\$0.70 per new Share; or (iv) issue of promissory note. The basis in respect of the issue price of the new Shares and the conversion price of the convertible notes were determined between the Purchaser and the Vendor, among other things, after arm's length negotiations with reference to the closing price of the Shares ranging from HK\$0.65 to HK\$1.00 during the six months period immediately prior to the

publication of the unusual price and volume movements announcement of the Company dated 17 July 2007 (the “Announcement”). The Directors are of the opinion that the recent rally in the share price of the Company only commences after the publication of the Announcement and consider the issue price of HK\$0.70 of the new Shares and the conversion price of the convertible notes to be reasonable after arm’s length negotiations between the Purchaser and the Vendor.

The mixture of payment by which the consideration to be satisfied is subject to further negotiation and finalization and shall be satisfied on completion of the Proposed Acquisition.

Lapse of the MOU

In the event that the Formal Agreement cannot be entered into between the Vendor and the Purchaser on or before 31 August 2007 or such other date as the parties to the MOU may agree to, the MOU shall terminate.

Legally-binding Terms:

- During the period of one month following the signing of the MOU or up to the Formal Agreement has been entered into between the Purchaser and the Vendor or termination of the discussions pertaining to the transaction described therein (whichever is the later) or such other date as the parties may agree to, the Vendor, by executing the MOU, agrees to enter into exclusive negotiations with the Purchaser regarding the Proposed Acquisition and the transactions contemplated in the MOU and not to discuss with any other parties in relation to the same.
- Except with the prior consent of the Purchaser, the Vendor agrees to keep confidential and shall procure the Target Company, its shareholders, directors, officers, employees and agents to keep confidential all discussions and information relating to the Proposed Acquisition and all transactions contemplated thereunder.

Save for the above legally-binding terms, the MOU is not intended to be legally binding and shall not constitute the entire legal agreement or commitment between the parties on the subject matter hereof but the execution of the MOU will indicate an agreement in principle by the parties to the terms referred to above and will form the basis of the Formal Agreement which may be entered into between the parties in respect of the transactions contemplated in the MOU.

REASONS FOR THE PROPOSED ACQUISITION

The Company and its subsidiaries are principally engaged in the design, manufacture and sale of toys and decorative gift items, and exploration and exploitation of coal mines. In order to diversify the businesses of the Group, the Company had been actively exploring new investment opportunities with profitable prospects. In view of the worldwide increasing demand for natural and energy resources, the Company has commenced to diversify its business portfolio in the first half of 2007 by the acquisition of a coal

“Director(s)”	the director(s) of the Company
“Formal Agreement”	a formal legally binding conditional sales and purchase agreement which may or may not be entered into in relation to the Proposed Acquisition
“Huanghuashan Coal Mine”	a coal mine situated in Huanghuashan County of Tongliao City of the Inner Mongolia Autonomous Region (內蒙古通遼市黃花山鎮) of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mining Expert”	Steffen Robertson and Kirsten (Australasia) Pty. Ltd., an independent mining and geological consultant, or any other expert as may be agreed between the Purchaser and the Vendor
“MOU”	the memorandum of understanding dated 31 July 2007 and entered into between the Purchaser and the Vendor in relation to the Proposed Acquisition
“Mr. Yu”	Mr. Yu Won Kong, Dennis, a substantial shareholder who is interested in approximately 10.48% of the issued share capital of the Company as at the date of this announcement
“PRC”	the People’s Republic of China
“Proposed Acquisition”	the proposed acquisition of the Sale Shares as contemplated under the MOU
“Purchaser”	Growth Gain Investments Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company and the purchaser under the MOU
“Operating Company”	a company established in the PRC with principal businesses in the sales of mining products
“Sale Shares”	shares representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	a company incorporated in the British Virgin Islands
“Vendor”	a company incorporated in the British Virgin Islands and the vendor under the MOU. The entire issued share capital of the Target Company is held by the Vendor
“Xi Meng Coal Mine”	a coal mine situated in Xi Meng Xi Wu Qi Ba Yan Hu Shuo in Inner Mongolia Autonomous Region (內蒙古錫盟西烏旗巴彥呼碩) of the PRC

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

Hong Kong, 3 August 2007

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