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FX CREATIONS INTERNATIONAL HOLDINGS LIMITED

豐盛創意國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8136)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED ACQUISITION

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The Board is pleased to announce that on 2 June 2006, Super Reach Limited, as the Purchaser, being a wholly-owned subsidiary of the Company entered into the MOU with the Vendor and Richport Assets in relation to the proposed acquisition of the whole or part of equity interests held by the Vendor in Richport Assets by the Company.

Richport Assets is a company incorporated in the British Virgin Islands and its sole asset is the Distribution Rights.

This announcement is made in accordance with Rule 17.10 of the GEM Listing Rules.

The Board wishes to emphasize that no binding agreement in relation to the Proposed Acquisition has been entered into as at the date of this announcement. As the Proposed Acquisition may or may not be entered into, investors and Shareholders are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED ACQUISITION

Date: 2 June 2006

Parties: (i) Purchaser

(ii) the Vendor, to the best of Directors' knowledge, information and belief having made all reasonable enquiries, is a third party independent of the Company and its connected persons under the GEM Listing Rules

* For identification purpose only

- (iii) Richport Assets, a company incorporated in the British Virgin Islands as an investment holding company and is controlled by the Vendor, which has secured a Distribution Rights

Major terms of the MOU

Under the MOU, it is proposed that the Purchaser will acquire the whole or part of the equity interests held by the Vendor in Richport Assets, which has secured an exclusive distribution rights in relation to the sale and distribution of funeral related products and services on a worldwide basis. Richport Assets is a company incorporated in the British Virgin Islands and its sole asset is the Distribution Rights.

Under the MOU, both the Purchaser and the Vendor will proceed to the negotiation for a legally binding Formal Agreement on or before 30 September 2006 (or such later date to be agreed by the parties). The entering into the legally-binding Formal Agreement is subject to conditions including, inter alia, (i) the completion of the due diligence of Richport Assets; (ii) the completion of reorganization of Richport Assets; and (iii) any other conditions as required by the Purchaser. It is also agreed that the Vendor will not, prior to 30 September 2006 (or such other date to be agreed by the parties), negotiate with any third party for the disposal of such equity interests in Richport Assets. A refundable amount of HK\$6,000,000 is payable by the Purchaser to the Vendor as earnest money within three Business Days from the date of MOU. The deposit will be financed from the Company's internal resources.

If no legally-binding Formal Agreement has been entered into on or before the aforesaid date, the sum will be refunded to the Purchaser in full (without interest) within three Business Days thereof.

The aggregate consideration for the Proposed Acquisition has not yet been determined at the date of this announcement and shall be subject to further negotiation between the parties thereto. It is contemplated that such consideration will be settled in cash and/or consideration shares and/or convertible notes and/or promissory notes of the Company to be determined and agreed by the respective parties.

The MOU does not constitute any legally-binding commitment in respect of the Proposed Acquisition. The Proposed Acquisition will be subject to the execution and completion of the Formal Agreement.

The Proposed Acquisition, if the Formal Agreement has been entered into, will also constitute a notifiable transaction pursuant to the GEM Listing Rules.

Further announcement in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.

Richport Assets Limited

Richport Assets is a company incorporated in the British Virgin Islands as an investment holding company and is controlled by the Vendor. The sole asset of Richport Assets is the Distribution Rights.

Reasons for the Proposed Acquisition

The Company and its subsidiaries are principally engaged in retail sales and wholesale of bags and accessories under its brand name.

As disclosed in the announcement of the Company in relation to the Open Offer dated 25 May 2006, the Directors have always been active in seeking investment opportunities in order to broaden and expand the scope of the business of the Group, and which may or may not be in the principal line of business of the Group. The Directors consider that as long as any future investments, which are in the interests of the Group and the Shareholders as a whole, the Directors will look into such investments and decide whether such investments are warranted. Therefore, the Purchaser has decided to enter into the MOU with the Vendor and Richport Assets so as to seek for more business opportunities and to maximize return to the Group in the long run.

This announcement is made in accordance with Rule 17.10 of the GEM Listing Rules.

The Board wishes to emphasize that no binding agreement in relation to the Proposed Acquisition has been entered into as at the date of this announcement. As the Proposed Acquisition may or may not be entered into, investors and Shareholders are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day(s)”	any day on which the Stock Exchange is open for the business in dealing securities
“Company”	FX Creations International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“Distribution Rights”	an exclusive distribution rights in relation to the sale and distribution of funeral related products and services on a worldwide basis
“Formal Agreement”	the sale and purchase agreement which may or may not be entered into in relation to the Proposed Acquisition
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“MOU”	the non-legally binding memorandum of understanding dated 2 June 2006 entered into between the Purchaser, the Vendor and Richport Assets setting out the basic understanding in relation to the Proposed Acquisition
“Open Offer”	the issue of not less than 232,552,000 offer shares and not more than 249,302,000 offer shares by way of open offer on the basis of one Offer Share for every two existing shares to the qualifying Shareholders, pursuant to the terms and conditions, as disclosed in the announcement of the Company dated 25 May 2006
“PRC”	the People’s Republic of China, excluding Hong Kong for the purpose of this announcement
“Proposed Acquisition”	the proposed acquisition of the whole or part of the equity interests held by the Vendor in the registered capital of Richport Assets, as contemplated under the MOU
“Purchaser”	Super Reach Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Richport Assets”	Richport Assets Limited, a company incorporated in the British Virgin Islands as an investment holding company and is controlled by the Vendor. The sole asset of Richport Assets is the Distribution Rights
“Shareholder(s)”	holder(s) of existing Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mr. Lui Shu Kwan, the ultimate beneficial owner of Richport Assets, and to the best of Directors’ knowledge, information and belief having made all reasonable enquires, is a third party independent of the Company and its connected persons under the GEM Listing Rules
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

By order of the Board
FX Creations International Holdings Limited
Wong Wing Cheung, Peter
Chairman

Hong Kong, 2 June 2006

As at the date of this announcement, the executive Directors are Mr. Wong Wing Cheung, Peter, Chan Man Yin and Mr. Chan Francis Ping Kuen. The independent non-executive Directors are Lee Kun Hung, Wong Hou Yan Norman and Cheung Chi Hwa, Justin.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) and website of the Company at www.fxcreations.com for at least 7 days from the date of its publication.