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KAM HING INTERNATIONAL HOLDINGS LIMITED
錦興國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 02307)

MAJOR TRANSACTION:
DISPOSAL OF 75% EQUITY INTEREST IN
AND 75% SHAREHOLDER'S LOAN DUE BY
KAM HING INTERNATIONAL LIMITED

On 31 January 2011 (after the trading hours of the Stock Exchange), the Company and the Vendor entered into the Disposal Agreement with the Purchaser and the Purchaser Guarantor, pursuant to which, among other things, the Vendor has agreed to dispose of and the Purchaser has agreed to acquire the Sale Shares and the Sale Loan, representing the Group's 75% interest in the Target, at an initial consideration of US\$30,000,000 with post completion adjustment of up to a further US\$70,000,000. As at the date of this announcement, the Target is a wholly-owned subsidiary of the Company indirectly holding 20% beneficial interest in the Project in relation to an iron ore mining in Soalala, Madagascar.

Upon Completion, the Company will still hold 25% equity interest in the Target and the Company will treat the Target as an associated company of the Company.

On the same date of the Disposal Agreement, the Company and the Vendor also entered into the Loan Agreement with the Purchaser, pursuant to which the Purchaser has agreed to provide a loan facility to the Vendor in the sum of the US\$10,000,000, without interest, secured by the Share Charge, and repayable upon the earlier of: (a) the date of the payment of the Second Instalment; (b) the date falling three months after any one of the Drag Along Conditions is satisfied; (c) the date of completion of an Offer pursuant to the Shareholders' Agreement; (d) the date falling six months after the Purchaser gives a transfer notice to dispose of its shares in the Target or a notice of intention to dispose of Target's shares in HK Company; or (e) the date of termination of the Shareholders' Agreement.

The Disposal constitutes a major transaction of the Company for the purpose of the Listing Rules and is subject to the approval of the Shareholders. As no Shareholder has a material interest in the Disposal, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal. Moreover, the Closely Allied Group, holding 439,600,000 Shares or 50.53% of the shareholding of and voting rights in the Company at the date of this announcement, has given its written approval for the Disposal and the transactions contemplated thereunder. Accordingly, written approval from the Closely Allied Group will be accepted in lieu of holding a general meeting of the Company for the approval of the Disposal pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, details of the Disposal, other transactions contemplated thereunder and other general information of the Company will be despatched to the Shareholders on or before 23 February 2011.

DISPOSAL AGREEMENT

Date: 31 January 2011

- Parties:
- (i) the Vendor (as vendor);
 - (ii) the Purchaser (as purchaser);
 - (iii) the Company (as guarantor of the Vendor for all its obligations under the Disposal Agreement);
and
 - (iv) the Purchaser Guarantor (as guarantor of the Purchaser for all its payment obligations under the Disposal Agreement)

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser, the Purchaser Guarantor and their ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of

- (i) The Sale Shares, being 7,500 shares in the Target and representing 75% of the entire issued share capital of the Target as at the date of the Disposal Agreement.
- (ii) The Sale Loan, being the HK\$155,211,000 shareholder's loan advanced by the Vendor to the Target for the Project, representing 75% of all shareholder's loan owed by the Target to the Vendor before Completion.

Conditions precedent of the Disposal

Completion is conditional upon the satisfaction of the following conditions:

- (a) the Purchaser having completed its due diligence exercise on the Target Group, the Property, the Business, the Project, the Permits and any other matters under or in connection with the above and the results of such due diligence exercise being satisfactory to the Purchaser;
- (b) the receipt by the Purchaser of a Malagasy legal opinion, a Hong Kong legal opinion and a British Virgin Islands legal opinion in form and substance satisfactory to the Purchaser;
- (c) evidence satisfactory to the Purchaser that the Company and the Vendor have complied with all of their respective obligations under the Listing Rules that are necessary for the purposes of Completion, including but not limited to receipt by the Purchaser of certified copies of (in form and substance satisfactory to the Purchaser):
 - (i) the written confirmation from the Stock Exchange that no shareholders' meeting is required to be held pursuant to Rule 14.44 of the Listing Rules, on the non-applicability of Chapter 18 of the Listing Rules;
 - (ii) the written approval of the Closely Allied Group given in accordance with Rule 14.44(2) of the Listing Rules; and
 - (iii) the publication of this announcement by the Company in accordance with Chapter 14 of the Listing Rules;

- (d) receipt by the Purchaser of evidence satisfactory to the Purchaser that all consents or approvals from any governmental authority or any other parties (including but not limited to the Existing Shareholders) necessary for the performance by the Vendor of its obligations hereunder and the completion of the transactions contemplated under the Disposal Agreement have been obtained;
- (e) the Shareholders' Agreement, the Loan Agreement and the Share Charge having been signed and delivered by the parties thereto and there not having been, and not being in existence, any breach by the Vendor, the Company or the Target of any provisions of such agreements;
- (f) receipt by the Purchaser of certified true copies of the Research Permits and copies of the constitutional documents of each member of the Target Group;
- (g) no statute, law, judgment, decision, injunction, writ, temporary restraining order or any other order of any nature of any governmental entity or regulatory authority having been issued and being in effect against any party which prohibits, alters or restrains in any material respect any of the transactions contemplated by the Disposal Agreement, and no proceedings having been commenced, or application having been made, by any government entity or regulatory authority, seeking to achieve any such effect; and
- (h) there being no Material Adverse Change.

The Vendor shall use its best endeavours to fulfil or procure the fulfillment of the conditions (a) to (f) above as soon as possible. If the Disposal Agreement is terminated before the Completion, the Disposal Agreement shall cease and terminate and no party shall have any obligations and liabilities under the Disposal Agreement save for any antecedent breaches of the terms thereof.

Completion

Completion will take place on the Completion Date, which is expected to be on the date of the Disposal Agreement.

Consideration

The total consideration for the Sale Shares and the Sale Loan is equal to the First Instalment and, if applicable, the Second Instalment.

The First Instalment is US\$30,000,000 and shall be satisfied by the Purchaser in cash at Completion.

Subject to the fulfilment of the Post-completion Conditions, if the Volume as provided in the HK Company's Competent Person's Report is more than 200,000,000 tonnes, within 30 days after the last of the Post-completion Conditions have been satisfied, the Purchaser shall pay the Second Instalment to the Vendor in cash, provided that the Second Instalment shall not, in any event, exceed US\$70,000,000 (which may be set off by the amount payable by the Vendor to the Purchaser under the Loan Agreement).

The payment of the Second Instalment is subject to the following Post-completion Conditions:

- (a) all documents and filings necessary for the Project having been submitted to the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會), the Ministry of Commerce of the PRC (中華人民共和國商務部) and any other government authority, department or bureau in the PRC for approval or registration and either (i) approval has been obtained or (ii) where

positive approval is not required, no objection is received from the relevant government authority, department or bureau in the PRC at the time when Post-completion Conditions under (b) to (e) below have each been satisfied;

- (b) the HK Company's Competent Person's Report having been issued in form and substance satisfactory to the Stock Exchange, a certified true copy of which having been made and received by the Purchaser;
- (c) the Environmental Permits having been issued to MWG, such Environmental Permits being in form and substance satisfactory to the Stock Exchange for the purposes of the proposed listing of the shares in HK Company (or any other holding company of HK Company) on the Stock Exchange;
- (d) the Mining Permits having been issued to MWG, such Mining Permits being in form and substance satisfactory to the Stock Exchange for the purposes of the proposed listing of the shares in the HK Company (or any other holding company of HK Company) on the Stock Exchange; and
- (e) no Offer (as defined below) under of the Shareholders' Agreement has been made at the time when Post-completion Conditions under (a) to (d) above have each been satisfied.

However, if:

- (i) the Mineral Resources Report has not been issued and is not received by the Purchaser on or before a specified date set out in the Shareholders' Agreement; or if such report has been issued but the Volume is less than 267,000,000 tonnes; or
- (ii) the HK Company's Competent Person's Report has not been issued and is not received by the Purchaser on or before a specified date set out in the Shareholders' Agreement; or any of the Environmental Permits, Mining Permits, or Post-completion Condition (a) above is not issued/fulfilled on or before a specified date set out in the Shareholders' Agreement; or
- (iii) a shareholders' resolutions of HK Company have been passed on or before a specified date set out in the Shareholders' Agreement requiring the shareholders of HK Company to provide further capital to HK Company in respect of the Project for an amount equal to or greater than US\$500,000,000 in aggregate; or
- (iv) the progress of the Project is significantly delayed and the Purchaser has sufficient reason(s) to believe that it is unlikely that the shares of HK Company will be listed on the Main Board of the Stock Exchange on or before a specified date set out in the Shareholders' Agreement (collectively the "**Drag Along Conditions**");

then within a period of two years from the date of the applicable event stated above, the Purchaser may either (i) transfer all of its shares in the Target, or (ii) procure the Target to transfer all the shares held by it in HK Company to a proposed transferee which has offered to purchase such shares (the "**Offer**"). In the case of (i), the Purchaser may (but shall not be obliged to) at its absolute discretion by notice in writing requiring the Vendor to transfer all of its shares in the Target to the proposed transferee at the same price and on the same terms. In the case of (ii), the Purchaser shall be notice in writing inform the Vendor of the terms of the transfer of all the shares held by it in HK Company. All proceeds arising from the disposal of all the shares pursuant to the Offer shall be repaid in the following priority: (1) repay US\$30,000,000 to the Purchaser; (2) repay US\$10,000,000 under the Loan Agreement; (3) any residue shall be paid to the shareholders of the Target in proportion to their shareholdings.

The consideration was determined through arm's length negotiations between the Purchaser Guarantor and the Company and on a commercial basis with reference to the investment costs by the Group in the Project and the Volume as may be provided in the HK Company's Competent Person's Report. The Directors consider that the consideration for and the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Loan Agreement

On the same date of the Disposal Agreement, the Company and the Vendor also entered into the Loan Agreement with the Purchaser, pursuant to which the Purchaser has agreed to provide a loan facility to the Vendor in the sum of the US\$10,000,000, without interest and repayable upon the earlier of: (a) the date of the payment of the Second Instalment; (b) the date falling three months after any one of the Drag Along Conditions is satisfied; (c) the date of completion of an Offer pursuant to the Shareholders' Agreement; (d) the date falling six months after the Purchaser gives a transfer notice to dispose of its shares in the Target or a notice of intention to dispose of Target's shares in HK Company; or (e) the date of termination of the Shareholders' Agreement. Pursuant to the Loan Agreement, the Company is a guarantor to secure the obligations of the Vendor under the Loan Agreement and the Vendor shall execute the Share Charge in favour of the Purchaser to secure its payment obligation under the Loan Agreement. The proceeds from the Loan Agreement will be used for the general working capital of the Group.

INFORMATION OF THE TARGET GROUP

References are made to the announcements of the Company dated 15 January 2008, 15 September 2009 and 7 October 2009 respectively in relation to the joint venture by the Group for the exploration and exploitation of iron resources in relation to the Project. As at the date the Disposal Agreement and before Completion, the Vendor, being the wholly-owned subsidiary of the Company, through the Target, holds 20% equity interests in HK Company and MWG which have been set up for the purpose of the Project.

The Target, a wholly-owned subsidiary of the Company before Completion, is a company incorporated in the British Virgin Islands and is an investment holding company for the Project. The Target Group is principally engaged in the Business.

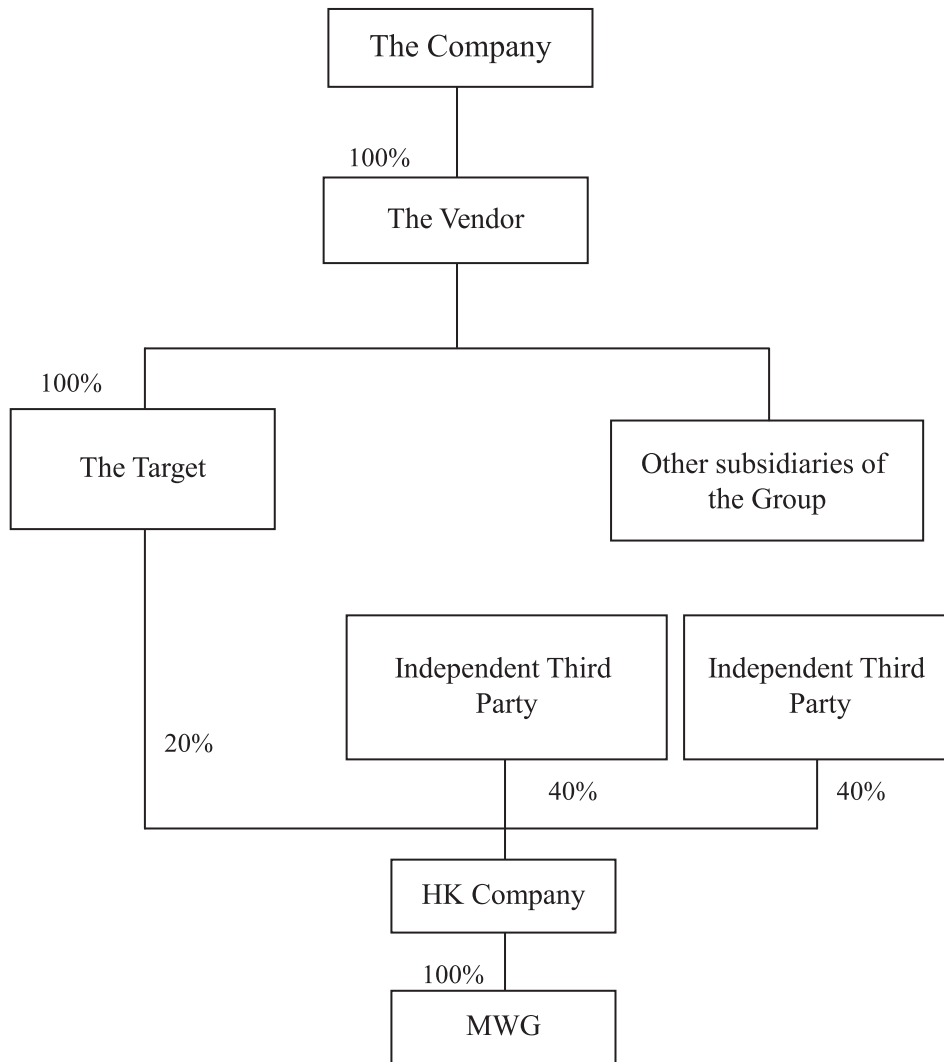
Set out below are the pro forma unaudited consolidated turnover, net loss before and after tax of the Target Group for each of the two years ended 31 December 2009:

	For the year ended 31 December 2009 (HK\$'000)	For the year ended 31 December 2008 (HK\$'000)
Turnover	0	0
Net loss before tax	800	500
Net loss after tax	800	500

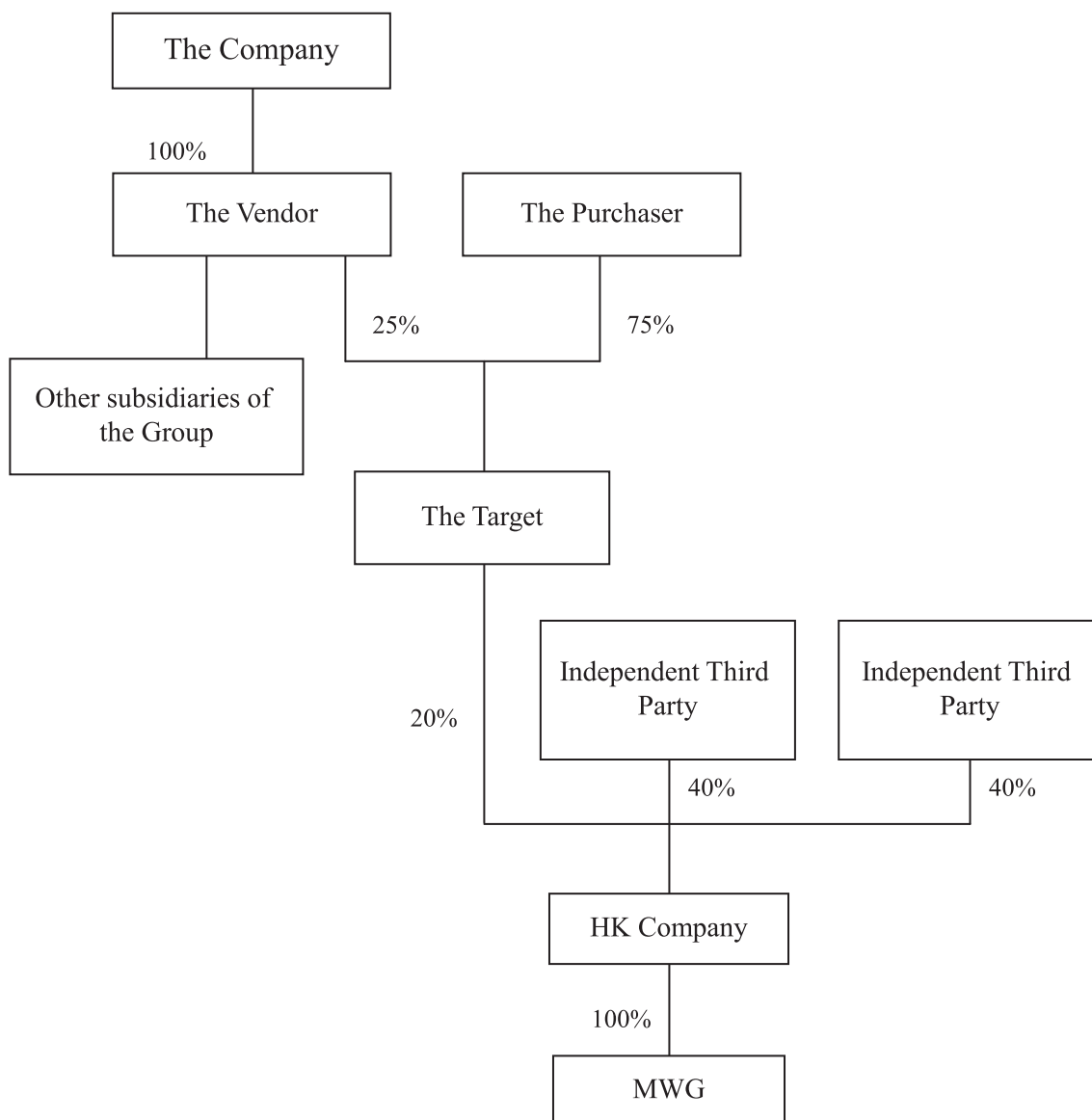
Pro forma unaudited consolidated net liability of the Target Group as at 31 December 2009 was about HK\$1.2 million.

GROUP STRUCTURE

The diagram below shows the corporate structure of the Target Group immediately before Completion:



The diagram below shows the corporate structure of the Group immediately after Completion:



REASONS FOR THE DISPOSAL

The Group is principally engaged in (i) production and sale of knitted fabric, dyed yarn and provision of related services, (ii) production and sale of garment products and provision of related services; and (iii) mining and other miscellaneous services.

In January 2008, the Company commenced its investment in the Project. Since then, the Company has continued to invest capital to the Project. It is anticipated that further capital commitment may be required to be contributed in the Project. In order to enable to Company to retain its interests in the Project while alleviating the financial commitment on the part of the Company, the Directors consider that it is in the interests of the Company to realize part of the Company's investments in the Project by way of the Disposal. The Disposal will improve the liquidity position of the Group and reduce its gearing ratio.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal Agreement, including the Shareholders' Agreement, the Loan Agreement and the Share Charge are on normal commercial terms, fair and reasonable and that the Disposal and the availability of the loan under the Loan Agreement are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

The pro forma unaudited consolidated net liability value of Target Group as at 31 December 2009 was approximately HK\$1.2 million. Given the initial consideration for the Disposal of US\$30 million (equivalent to approximately HK\$234 million and without taking into account the Second Instalment, if any), it is expected that a gain of approximately HK\$13 million will accrue to the Company, which is calculated by the First Instalment less the carrying value of the Target and all selling expenses incurred leading to the Disposal. The net proceeds from the Disposal (without taking into account of the loan under the Loan Agreement and the Second Instalment, if any) of about HK\$167 million will be used to repay the Group's debt and as general working capital of the Group.

Upon Completion, the Target will cease to be a subsidiary of the Company. Given the Company will hold 25% equity interest in the Target after Completion, the Company will treat it as an associated company following Completion.

IMPLICATIONS UNDER THE LISTING RULES

The Disposal constitutes a major transaction of the Company for the purpose of the Listing Rules and is subject to the approval of the Shareholders. As no Shareholder has a material interest in the Disposal, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal. Moreover, the Closely Allied Group, holding 439,600,000 Shares or approximately 50.53% of the shareholding of and voting rights in the Company at the date hereof has given its written approval for the Disposal and the transactions contemplated thereunder. The Closely Allied Group comprises (i) Mr. Tai Chin Chun, the Chairman of the Board and the executive Director holding 3,000,000 Shares, (ii) Exceed Standard Limited (a corporation controlled by Mr. Tai Chin Chun) holding 332,600,000 Shares, (iii) Madam Cheung So Wan (spouse of Mr. Tai Chin Chun) holding 1,000,000 Shares; (iv) Mr. Tai Chin Wen, the executive Director and the chief executive officer of the Company holding 2,000,000 Shares, (v) Power Strategy Limited (a corporation controlled by Mr. Tai Chin Wen) holding 96,000,000 Shares, (vi) Madam Wong Siu Yuk (spouse of Mr. Tai Chin Wen) holding 1,000,000 Shares and (vii) Mr. Tai Tang Tat, Terry (the son of Mr. Tai Chin Wen) holding 4,000,000 Shares. Accordingly, written approval from the Closely Allied Group will be accepted in lieu of holding a general meeting of the Company for the approval of the Disposal pursuant to Rule 14.44 of the Listing Rules. No general meeting will be held to approve the Disposal and the transactions contemplated thereunder.

A circular containing, among other things, details of the Disposal, other transactions contemplated thereunder and general information of the Company will be despatched to the Shareholders on or before 23 February 2011.

DEFINITION

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

“Board”	the board of Directors
“Business”	the iron ore mining business carried on or to be carried on by the Target Group from the Property and the associated infrastructure in connection therewith

“Closely Allied Group”	together, (i) Mr. Tai Chin Chun, the Chairman of the Board and the executive Director, and his associates namely Exceed Standard Limited (a corporation controlled by Mr. Tai Chin Chun) and Madam Cheung So Wan (spouse of Mr. Tai Chin Chun); and (ii) Mr. Tai Chin Wen, the executive Director and the chief executive officer of the Company, and his associates namely Power Strategy Limited (a corporation controlled by Mr. Tai Chin Wen) and Madam Wong Siu Yuk (spouse of Mr. Tai Chin Wen) and his child namely Mr. Tai Tang Tat, Terry, who in aggregate hold 439,600,000 Shares as at the date of this announcement
“Company”	Kam Hing International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loan in accordance with the terms of the Disposal Agreement
“Completion Date”	the day on which the last in time of the conditions precedent of the Disposal Agreement shall have been satisfied or waived in accordance with the Disposal Agreement or such other date as the parties thereto may agree
“Connected person”	has the meaning ascribed to this term under the Listing Rules
“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan subject to and upon the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the conditional share purchase agreement entered into among the Company, the Vendor, the Purchaser and the Purchaser Guarantor dated 31 January 2011 in respect of the Disposal
“Environmental Permits”	all environmental permits that are necessary in respect of the Project
“Existing Shareholders”	the shareholders of HK Company as at the date of the Disposal Agreement
“First Instalment”	US\$30,000,000 multiplied by the Relevant Percentage and divided by 15%
“Group”	the Company and its subsidiaries
“HK Company”	Hong Kong Wisco Guangxin Kam Wah Resources Limited, a joint venture set up by the Existing Shareholders in Hong Kong for the Project
“HK Company’s Competent Person’s Report”	the first Competent Person’s Report (as defined in the Listing Rules) to be prepared by Runge Limited in connection with the Resources (as defined in the Listing Rules) and the Reserves (as defined in the Listing Rules) related to the Project

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	independent third party(ies) who is (are) not a connected person(s) of the Company as defined in the Listing Rules and is (are) independent of the Company and its connected persons
“JORC Code”	has the meaning given in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the US\$10,000,000 facility agreement entered into among the Vendor as the borrower and security provider, the Purchaser as the lender and the Company as the guarantor dated on the date of the Disposal Agreement
“Material Adverse Change”	<p>any event, change, circumstance, effect or other matter that has or may have, either individually or in the aggregate with all other events, changes, circumstances, effects or other matters, with or without notice, lapse of time or both, a material adverse effect on:</p> <p>(a) the business, assets, liabilities, properties, condition (financial or otherwise), operating results, operations or prospects of the Group taken as a whole, or</p> <p>(b) the ability of the Vendor or the Company to perform its obligations under the Disposal Agreement</p>
“Mineral Resources Report”	means the first such report produced by HK Company in accordance with the JORC Code on mineral resources (as defined in the JORC Code) in respect of the Project in a form satisfactory to the Purchaser
“Mining Permits”	all mining permits that are necessary for the purposes of the exploitation, production and sale of iron ore under the Project
“MWG”	Madagascar Wisco Guangxin Kam Wah Resources SA, a company set up by HK Company in Madagascar for the Project
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and Macau Special Administrative Regions
“Permit”	together, the Research Permits, the Environmental Permits and the Mining Permits
“Post-completion Conditions”	the conditions that need to be satisfied after Completion so as for the Purchaser to pay the Second Instalment, details of which are set out in the paragraph headed “Consideration” above

“Project”	the Soalala iron ore mining project to be conducted by MWG including the acquisition and maintenance of the Permits, the exploration of the Property for iron ore, the construction of production facilities and related infrastructure for the production of iron ore at and for the Property, the exploitation and production of iron ore within the Property and the sale thereof and any other related activities
“Property”	the Melaky and Boeny regions and the Soalala and Besalampy districts areas that are the subject of the Research Permits
“Purchaser”	Tengyi Limited, an investment holding company incorporated in the British Virgin Islands
“Purchaser Guarantor”	Hony Capital Fund 2008, L.P., a Cayman Islands exempted limited partnership acting by its general partner Honu Capital Fund 2008, GP, L.P., in turn acting through its general partner, Honu Capital Fund 2008 GP Limited, which guarantees the payment obligations of the Purchaser under the Disposal Agreement. To the best information, knowledge and belief of the Directors after making reasonable enquiries, the Purchaser Guarantor is a private equity investment fund with interests in various public and private companies.
“Research Permits”	the exploration mining permits registered in the name of MWG in respect of the Melaky and Boeny regions and the Soalala and Besalampy districts and any other research permits that are necessary in respect of the Project
“Relevant Percentage”	the number of 1,170,000 divided by the total issued share capital of HK Company on the Completion Date (on a fully diluted, as converted basis)
“Sale Loan”	the HK\$155,211,000 shareholder’s loan advanced by the Vendor to the Target for the Project, representing 75% of all shareholder’s loan owed by the Target to the Vendor before Completion
“Sale Shares”	7,500 ordinary shares of US\$1.00 each in the share capital of the Target
“Second Instalment”	the product of US\$1.00 multiplied by the Volume and multiplied by the Relevant Percentage less the First Instalment
“Share Charge”	the first fixed charge over the Group’s remaining 25% equity interests in the Target after Completion (together with the rights or other property of a capital nature which accrue or are offered, issued or paid at any time (by way of bonus, rights, redemption, conversion, exchange, substitution, consolidation, subdivision, preference, warrant, option, purchase or otherwise in relation thereof), and all dividends, interest and other income paid or payable in relation thereto in favour of the Purchaser
“Shareholders’ Agreement”	the shareholders’ agreement entered into among the Vendor, the Purchaser and the Target dated on the date of the Disposal Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Kam Hing International Limited, a wholly owned subsidiary of the Vendor incorporated in the British Virgin Islands before Completion
“Target Group”	The Target, HK Company and MWG and any other subsidiaries and associated companies of HK Company
“Vendor”	Joint Result Holdings Limited, a wholly-owned subsidiary of the Company
“Volume”	the Measured Mineral Resource and the Indicated Mineral Resource (as defined and calculated in accordance with the JORC Code) of the iron ore in the Property as set out in the HK Company’s Competent Person’s Report
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

By order of the Board
Kam Hing International Holdings Limited
Tai Chin Chun
Chairman

Hong Kong, 31 January 2011

At the date of this announcement, the executive Directors are Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan, Ms. Wong Siu Yuk, Mr. Chong Chau Lam and Mr. Wong Wai Kong, Elmen; the non-executive Director is Mr. Lee Cheuk Yin, Dannis; and the independent non-executive Directors are Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi and Mr. Ho Gilbert Chi Hang.