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 **Kam Hing 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.

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

No general meeting will be held to approve the Disposal and the transactions contemplated thereunder.

23 February 2011

CONTENTS

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

"Announcement"	the announcement of the Company dated 31 January 2011 in respect of, among other matters, the Disposal
"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 the 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, an Independent Third Party engaged by HK Company 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 part(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
"Latest Practicable Date"	21 February 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"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"	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: (a) the business, assets, liabilities, properties, condition (financial or otherwise), operating results, operations or prospects of the Group taken as a whole, or (b) the ability of the Vendor or the Company to perform its obligations under the Disposal Agreement
"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 the HK Company in Madagascar for the Project
"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" in this circular
"PRC"	the People's Republic of China, which for the purpose of this circular shall exclude Hong Kong, Taiwan and Macau Special Administrative Regions
"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 Hony Capital Fund 2008, GP, L.P., in turn acting through its general partner, Hony 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
"Relevant Percentage"	the number of 1,170,000 divided by the total issued share capital of HK Company in the number of 7,800,000 on the Completion Date
"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
"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
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Charge"	the first fixed charge over the Group's remaining 25% equity interests in the Target after Completion (together with the rights or other property of a capital nature which accrue or are offered, issued or paid at any time (by way of bonus, rights, redemption, conversion, exchange, substitution, consolidation, subdivision, preference, warrant, option, purchase or otherwise in relation thereof), and all dividends, interest and other income paid or payable in relation thereto in favour of the Purchaser
"Shareholder(s)"	the holder(s) of Share(s)
"Shareholders' Agreement"	the shareholders' agreement entered into among the Vendor, the Purchaser and the Target dated on the date of the Disposal Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	Kam Hing International Limited, a wholly owned subsidiary of the Vendor incorporated in the British Virgin Islands before Completion
"Target Group"	The Target, HK Company and MWG and any other subsidiaries and associated companies of HK Company
"Vendor"	Joint Result Holdings Limited, a wholly-owned subsidiary of the Company
"Volume"	the Measured Mineral Resource and the Indicated Mineral Resource (as defined and calculated in accordance with the JORC Code) of the iron ore in the Property as set out in the HK Company's Competent Person's Report
"HK$"	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.

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)

Executive Directors:
Mr. Tai Chin Chun
Mr. Tai Chin Wen
Ms. Cheung So Wan
Ms. Wong Siu Yuk
Mr. Chong Chau Lam
Mr. Wong Wai Kong, Elmen

Non-executive Director:
Mr. Lee Cheuk Yin, Dannis

Independent non-executive Directors:
Mr. Chan Yuk Tong, Jimmy
Ms. Chu Hak Ha, Mimi
Mr. Ho Gilbert Chi Hang

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:
Units 1-9, 8th Floor
Lucida Industrial Building
43-47 Wang Lung Street
Tsuen Wan
New Territories
Hong Kong

23 February 2011

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement in which the Board announced that 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.

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 the Announcement, has given its written approval for the Disposal and the transactions contemplated thereunder. Accordingly, written approval from the Closely Allied Group has been 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.

The purpose of this circular is to provide you with, among other matters, details of the Disposal, other transactions contemplated thereunder and other general information of the Company.

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 the 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.

All the above conditions have been fulfilled on 1 February 2011.

Completion

Completion has taken place on the Completion Date, which is 1 February 2011.

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 which has been 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 according to the following formula:

Volume x US$1.00 per ton x 15% – US$30,000,000

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 First Instalment represents 15% of 200,000,000 tonnes of iron ore resources in the Property at US$1.00 per ton. The figure of 200,000,000 tonnes of iron ore resources is agreed based on arm's length negotiation between the parties by reference to the preliminary assessment conducted by a PRC technical adviser (as engaged by one of the Existing Shareholders) of about 586.6 million tonnes of both resources and reserves (based on Chinese classification system) in August 2008. The US$1.00 per ton for the purpose of the First Instalment and the Second Instalment was determined during the negotiation stage before signing of the Disposal Agreement with reference to the value of iron ore per ton as reflected by the market capitalization of 16 listed companies in Hong Kong and Australia engaging in business similar to the Business divided by the volume of reserves disclosed to be owned by them, ranging from about US$0.032 per ton to US$2.432 per ton. The maximum of US$100,000,000 receivable by the Company under both the First Instalment and the Second Instalment is equivalent to a Volume of 666.67 million tonnes.

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.

There is no long stop date for the Post-completion Conditions.

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 Company will issue an announcement when the Second Instalment is received or will not be expected to receive as and when required under the Listing Rules.

Shareholders' Agreement

As one of the conditions precedent for Completion, the Shareholders' Agreement is entered into among the Vendor, the Purchaser and the Target dated on the date of the Disposal Agreement to define the rights and obligations of the Vendor and the Purchaser as holders of the issued shares in the Target after Completion.

The Shareholders' Agreement provides, among other matters, that (i) two directors of Target shall form a quorum in which one of whom shall be a representative of the Vendor, (ii) the Target shall not carry out and no resolution shall be passed in respect of any change in the authorized and issued share capital of the Target, any increase of its capital needs or issue of debentures, adoption or alteration of the memorandum and articles of association of the Target or any proposal for winding up or cessation of business or other arrangement with its creditors (other than in the ordinary course of business), (iii) the Target shall distribute all of its profits, if any, lawfully available for distribution to its shareholders, (iv) no disposal of the shares of the Target shall be permitted, and (v) pre-emptive rights are available to existing shareholders of the Target.

It is also provided in the Shareholders' Agreement that if:

(i) the Mineral Resources Report, which serves as a preliminary indicator of the volume of resources available for the preparation 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 if such report has been issued but the mineral resources (as defined in the JORC Code) 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 by 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 Directors consider that the mechanism for the Offer is fair and reasonable because: (i) the consideration for selling a controlling stake by a majority shareholder (i.e. the Purchaser) is usually higher than that receivable by a minority shareholder; and (ii) if the Purchaser requires the Vendor to sell together under the Offer, this is essentially a tag along provision which is in the interests of the Company as being a minority shareholder in the Target because it will be easier for a majority shareholder to dispose of its shares than a minority shareholder. The Directors consider that the terms of the Shareholders' Agreement are fair and reasonable.

Notwithstanding any Drag Along Condition is triggered, the Purchaser is still obliged to pay the Second Instalment if all the Post-completion Conditions are met.

The Company will issue an announcement when any the Drag Along Conditions are triggered or lapsed as and when required under the Listing Rules.

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 has executed 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 with an area of approximately 431.25 square kilometers. 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.

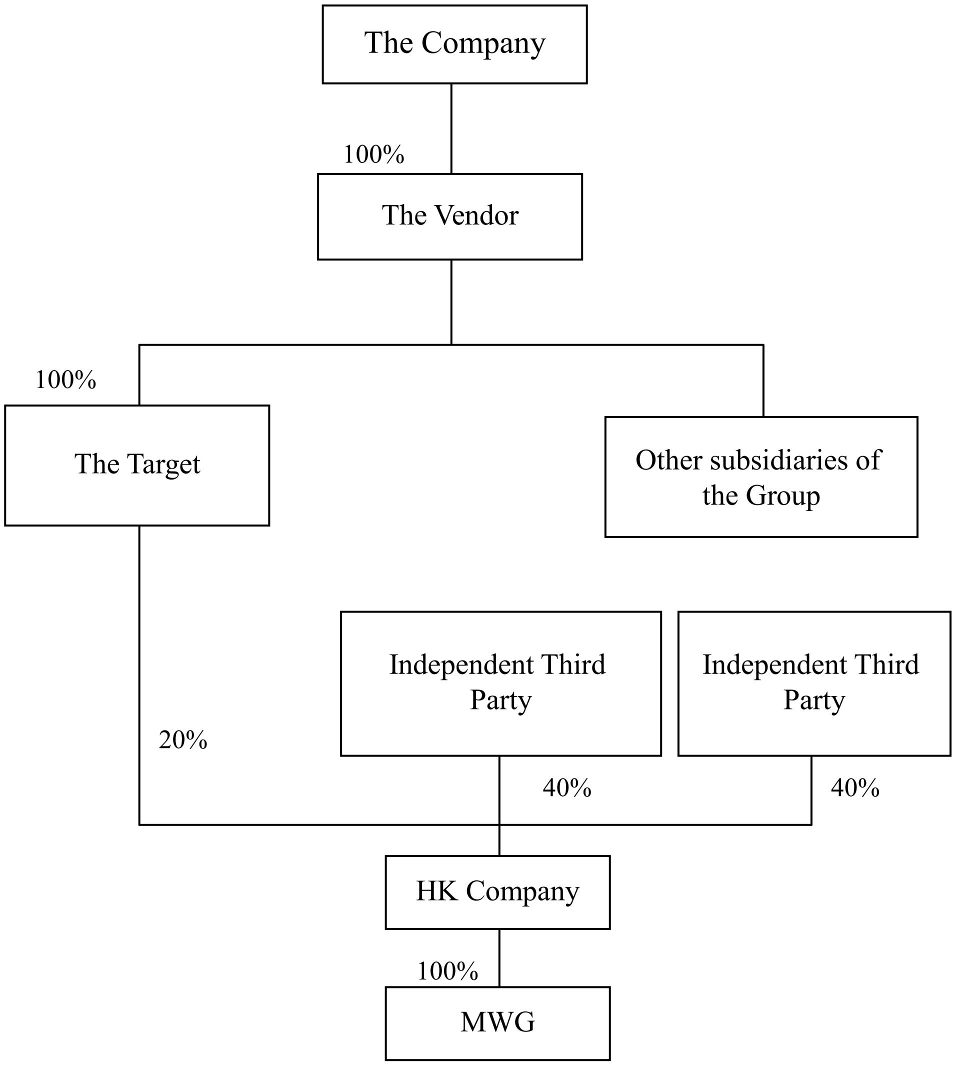
Set out below are the pro forma unaudited consolidated turnover, net loss before and after tax of the Target Group for each of the two years ended 31 December 2009:

	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

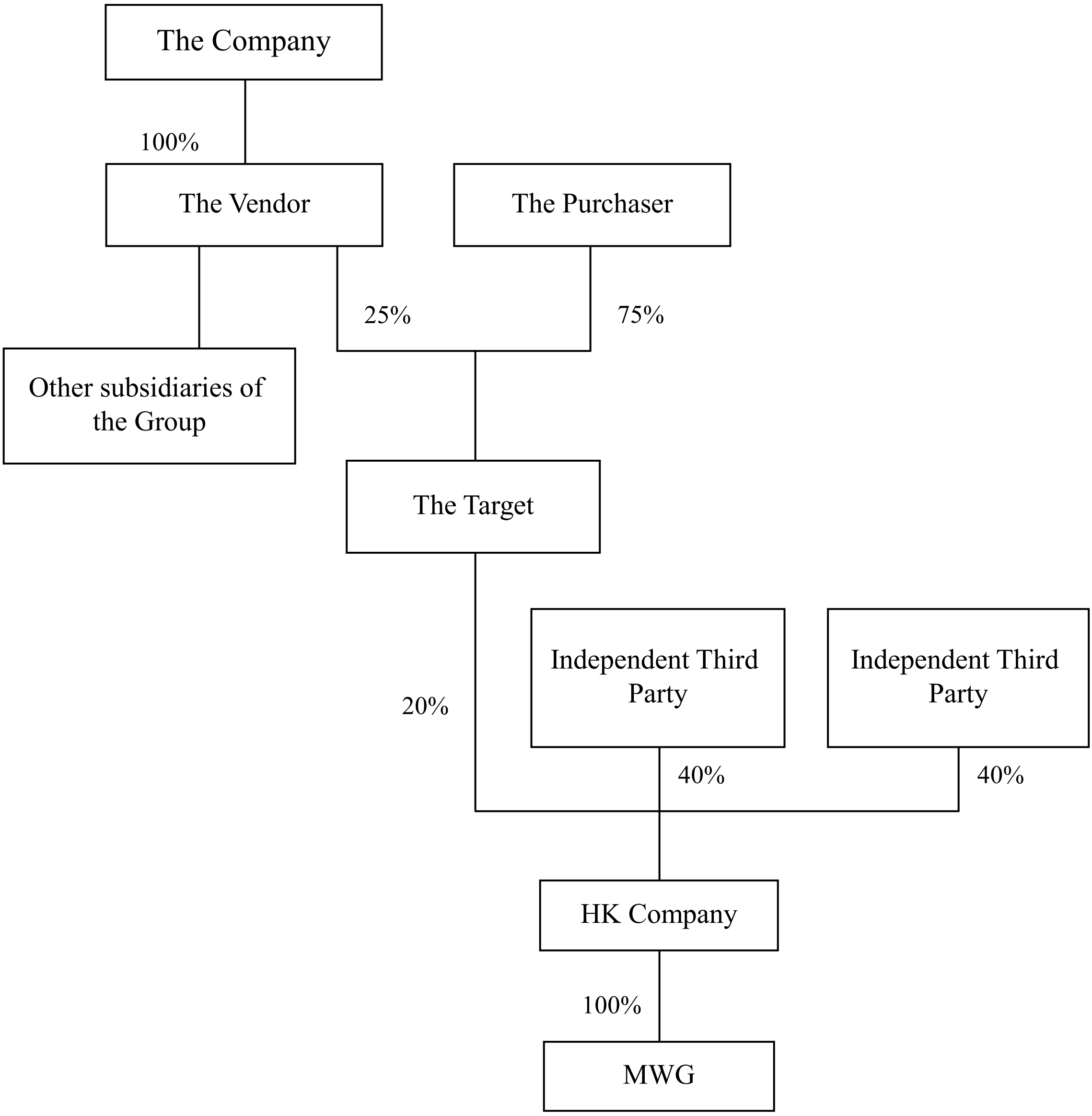
Pro forma unaudited consolidated net liability of the Target Group as at 31 December 2009 was about HK$1.2 million.

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. The Project is still in the exploration stage in which professional parties (including Runge Limited, a Competent Person (as defined in the Listing Rules)) have been engaged for exploration. It is expected that up to a further 3 years is required for development before it can be exploited for production. Up to the Latest Practicable Date, only the Research Permits are issued for the Project in terms of its regulatory approval. 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 of about HK$234 million less the carrying value of the Target and all selling expenses incurred leading to the Disposal of about HK$221 million. 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 as to about HK$109.2 million to repay the Group's debt and as to the remaining balance for general working capital of the Group. Accordingly, the earnings of the Company will be increased by about HK$13 million, the total assets of the Group will be reduced by about HK$96.2 million and the total liabilities of the Group will be reduced by about HK$109.2 million, resulting in an increase in net assets of about HK$13 million.

Upon Completion, the Target will cease to be a subsidiary of the Company and the Purchaser has nominated three out of a total of four directors to the board of directors of the Target upon Completion. Given the Company will still 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 of the Announcement 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 has been 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.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices of this circular.

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

1. INDEBTEDNESS

(a) borrowings

As at the close of business on 31 December 2010, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately HK$1,088,889,000 comprising (i) unsecured bank and other borrowings of approximately HK$1,044,463,000; (ii) finance lease payables of approximately HK$32,426,000; and (iii) loan from a minority shareholder of approximately HK$12,000,000.

(b) pledge of assets

As at the close of business on 31 December 2010, the Group had pledged certain of its property, plant and equipment, and bank deposits amounting to HK$59,015,000 and HK$87,415,000, respectively to secure the general banking facilities granted to the Group.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 December 2010, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that in the absence of unforeseeable circumstances, taking into account the present available banking facilities including the availability of the loan under the Loan Agreement, the cash flow from operations, the internal resources available to the Group and the proceeds from the Disposal, the Group will have sufficient working capital for its present requirements for at least the next twelve months after the date of this circular.

3. FINANCIAL AND TRADING PROSPECTS

Major Developments

In January 2010, the management announced the possible spin-off and separate listing of the Group's garment division. The proposition is currently under review and our strategy to facilitate an important platform for the Group to effectively allocate resources for development in the garment industry remains unchanged. Further announcement will be made once for any progress as and when it is necessary.

Furthermore, in January 2010, the Group completed a share placement of 30 million new shares at HK$2.30 each, raising net proceeds amounting to approximately HK$65.2 million. The successful placement reflected the market's confidence in our business development and provided sufficient funding for future development.

Whilst remaining dedicated to our core business operations, the Group continues to uphold its dual growth strategy with active diversification developments into the mining industry. In May 2010, Hong Kong Wisco Guangxin Kam Wah Resources Limited, a joint venture company formed among the Group, Wuhan Iron and Steel (Group) Company and Guangdong Foreign Trade Group Company Limited, has signed the formal contract with the Government of Madagascar for the right of open iron resources in Soalala, Madagascar, Africa. The development is expected to generate a new and broader source of income for our shareholders and effectively establish the Group's versatility in business competence.

Prospects

Looking ahead, the business outlook for the textile and garment industry is slowly but surely recuperating, therefore the Group is confident that our efficient and flexible one-stop supply chain business model will maintain presence in the global textile market with our future expansions in the PRC. In addition, the management will continue to actively monitor the market conditions, assess our development strategies to leverage our existing technical know-how and enforce stringent cost controls to achieve sustainable profitability and further milestones for our shareholders.

In parallel with our core textile business, the Group will continue to fortify our expansion strategy into the mining industry. Working collectively with our partners we will actively fulfill our networking duties and ensure the successful completion of the Soalala project.

Financial Review

The Group recorded the revenue of approximately HK$1,505.6 million for the six months ended 30 June 2010 comprising sales of fabrics, dyed yarn and garment products, representing an overall growth of approximately 21.9% over the same period last year. The growth in revenue was attributable to the combination of sales recovery, increase of production capacity and pricing of orders.

Gross profit for the six months ended 30 June 2010 was approximately HK$248.0 million, representing a increase of approximately 13.7% compared with the same period last year. Gross profit margin was approximately 16.5% for the six months ended 30 June 2010, representing a decrease of approximately 1.2 percentage points over the gross profit margin of approximately 17.7% for the same period last year. The decrease in gross profit margin was mainly due to the elevating costs of raw materials, labour and fuel.

Net profit attributable to ordinary equity holders of the Company for the six months ended 30 June 2010 was approximately HK$49.5 million, representing a slight increase of approximately 6.9% as compared with the corresponding period last year. Net profit margin for the six months ended 30 June 2010 was approximately 3.2%, representing a decrease by approximately 0.5 percentage points from the corresponding period of approximately 3.7% last year.

Administrative and selling expenses increased by approximately 18.6% over the corresponding period last year, which was mainly caused by the increase in legal and professional fees incurred for the spin-off exercise, employee share option benefits and bank charges. Finance expenses reduced by approximately 2.1% to approximately HK$9.3 million from approximately HK$9.5 million in the same period last year as a result of lower bank interest rates and smaller size of loan after repayment. Other income increased by approximately 55.4% to approximately HK$14.3 million from HK$9.2 million in the same period last year as a result of revenue gain mainly from sales of steam generated by the power plant to nearby factories.

Liquidity, financial resources and capital structure

As at 30 June 2010, the Group had net current assets of approximately HK$187.5 million (31 December 2009: net current assets of approximately HK$85.7 million). The increase in net current assets was mainly due to the combination of additional funding raised from the share placement in January 2010 with total sum of HK$65.2 million and seasonal factor of accounts receivable. The Group constantly reviews its financial position and maintains a healthy financial position by financing its operations from internally generated resources and long-term bank loans. Current ratio of the Group was approximately 1.1 times (31 December 2009: approximately 1.1 times).

The total bank and other borrowings of the Group as at 30 June 2010 were approximately HK$969.8 million (31 December 2009: approximately HK$827.1 million). Cash and cash equivalents of the Group were HK$351.6 million (31 December 2009: approximately HK$390.8 million). The Group's gearing ratio was maintained at a healthy level of approximately 49.4% which is similar to 31 December 2009 (31 December 2009: approximately 41.3%).

As at 30 June 2010, the Group's long-term loans amounted to approximately HK$215.8 million (31 December 2009: approximately HK$156.9 million), comprising interest-bearing bank and other borrowings of approximately HK$180.4 million (31 December 2009: approximately HK$132.9 million), long-term finance lease payable of approximately HK$23.4 million (31 December 2009: approximately HK$24.0 million), a loan from a minority shareholder of approximately HK$12.0 million (31 December 2009: Nil). The increase in long-term loan was mainly due to the additional long term loan borrowing of USD12.0 million for operational fund during the Period.

Exposure to fluctuation in foreign exchange and interest rate

Approximately 68.6% (six months ended 30 June 2009: approximately 77.6%) of the Group's sales were denominated in US dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's cost of sales was denominated in US dollars, Hong Kong dollars and Renminbi. The Group was therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to US dollars and Renminbi. Renminbi was relatively stable during the Period. The management closely monitors the foreign exchange movements and will determine the appropriate hedging activities when necessary. Exchange rates of other currencies were relatively stable throughout the Period.

The Group's borrowings were mainly maintained at floating rate basis. In order to minimize any potential financial impact arising from interest rate volatilities, the Group entered into 3-year interest rate swap with the banks in year 2008 to fix the interest rate at around 2.7% for the amount of HK$450.0 million (six months ended 30 June 2009: HK$450.0 million). Attention will be paid to the interest rate movements. Other hedging instruments will be employed when necessary.

Charge on the Group's assets

As at 30 June 2010, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK$65.3 million (31 December 2009: approximately HK$63.7 million) were under finance leases. As at 30 June 2010, bank deposits of approximately HK$40.5 million (31 December 2009: approximately HK$40.4 million) were pledged to bank to secure certain banking facilities.

Capital expenditure

During the Period, the Group invested approximately HK$139.4 million (six months ended 30 June 2009: approximately HK$86.1 million) in non-current assets, of which approximately 87.9% (six months ended 30 June 2009: approximately 87.1%) was used for the purchase of plant and machinery, approximately 8.7% (six months ended 30 June 2009: approximately 9.2%) was used for the purchase and construction of new factory premises, and the remaining was used for the purchase of other property, plant and equipment.

As at 30 June 2010, the Group had capital commitments of approximately HK$44.6 million (31 December 2009: approximately HK$40.5 million) in respect of property, plant and equipment which are to be funded by internal resources of the Group. As mentioned above, the Group will be able to fulfill its capital commitments when they fall due.

Contingent liabilities

As at 30 June 2010, the Group had bills discounted with recourse of approximately HK$12.6 million (31 December 2009: Nil) which are supported by letters of credit. The Group had a contingent liability in respect of possible future long service payments to employees with a maximum possible amount of approximately HK$1.9 million (31 December 2009: approximately HK$1.7 million).

Material Acquisition and Disposal

There was no material acquisition or disposal of subsidiaries and associated companies by the Group during the Period.

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Name of Director	*Notes*	Nature of interests	Number of the Shares held	Approximate percentage of issued share capital
Tai Chin Chun	*1*	Beneficial, interests in controlled corporation, and spouse	336,600,000 (L)	38.69%
Cheung So Wan	*1*	Beneficial and spouse	336,600,000 (L)	38.69%
Tai Chin Wen	*2*	Beneficial, interests in controlled corporation, and spouse	99,000,000 (L)	11.38%
Wong Siu Yuk	*2*	Beneficial and spouse	99,000,000 (L)	11.38%
Chong Chau Lam		Beneficial	300,000 (L)	0.03%

(L) Long position

Notes:

1. These Shares are held as to (i) 332,600,000 Shares by Exceed Standard Limited, a company incorporated in the British Virgin Islands and whose entire issued share capital is owned by Mr. Tai Chin Chun, (ii) 3,000,000 Shares by Mr. Tai Chin Chun personally; and (iii) 1,000,000 Shares by Ms. Cheung So Wan who is the spouse of Mr. Tai Chin Chun and is deemed to be interested in the Shares held by Mr. Tai Chin Chun under the SFO.

2. These Shares are held as to (i) 96,000,000 Shares by Power Strategy Limited, a company incorporated in the British Virgin Islands and whose entire issued share capital is owned by Mr. Tai Chin Wen, (ii) 2,000,000 Shares by Mr. Tai Chin Wen personally; and (iii) 1,000,000 Shares by Ms. Wong Siu Yuk who is the spouse of Mr. Tai Chin Wen and is deemed to be interested in the Shares held by Mr. Tai Chin Wen under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Interests of substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	*Note*	**Nature of interests**	**Number of the Shares held**	**Approximate percentage of issued share capital**
Exceed Standard Limited	1	Beneficial	332,600,000 (L)	38.23%
Power Strategy Limited	2	Beneficial	96,000,000 (L)	11.04%

(L) Long position

Notes

1. Exceed Standard Limited is a company incorporated in the British Virgin Islands, whose entire issued share capital is owned by Mr. Tai Chin Chun.

2. Power Strategy Limited is a company incorporated in the British Virgin Islands, whose entire issued share capital is owned by Mr. Tai Chin Wen.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or any of their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group.

5. 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.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the Disposal Agreement;

(b) the Shareholders' Agreement;

(c) the Loan Agreement;

(d) the Share Charge;

(e) the conditional placing agreement dated 15 January 2010 and entered into between the Company and Taifook Securities Company Limited as placing agent in relation to the placing, on a best efforts basis, of up to 30,000,000 Shares at HK$2.30 each;

(f) the conditional placing and subscription agreement dated 7 December 2009 and entered into among Exceed Standard Limited, the Company and Shenyin Wanguo Capital (H.K.) Limited as the placing agent in relation to the placing, on a best efforts basis, of up to 61,500,000 Shares at HK$2.00 each;

(g) seven conditional placing agreement with identical terms all dated 10 August 2009 entered into between the Company and each of six independent individual and corporate investors and a fund (together the "**Subscribers**") in relation to a private placing of 30,000,000 non-listed warrants at HK$0.05 per unit, each entitles the holders thereof to subscribe for one Share at HK$1.50 per Share (subject to adjustment) at any time during a period of 12 months commencing from the date of issue of the warrants;

(h) the conditional subscription agreement dated 10 August 2009 and entered into between Exceed Standard Limited and the Company in relation to the subscription for 30,000,000 Shares at HK$1.20 each; and

(i) seven unconditional placing agreements with identical terms all dated 10 August 2009 and entered into between Exceed Standard Limited and each of the Subscribers in relation to the placing of a total of 30,000,000 Shares at HK$1.20 each.

Save for the aforementioned, no contract, not being contracts in the ordinary course of business carried on by the Company or any of its subsidiaries, has been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date.

7. INTEREST IN CONTRACTS AND ASSETS

No contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries is a party and in which any Director has a material interest, whether directly or indirectly, subsist at the date of this circular.

None of the Directors has any direct or indirect interest in any asset which has 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 2009, the date to which the latest published audited consolidated financial statements of the Group were compiled, up to and including the Latest Practicable Date.

8. MISCELLANEOUS

1. The principal share registrar and transfer office of the Company is HSBC Trustee (Cayman) Limited at P.O. Box 484, HSBC House, 68 West Bay Road, Grand Cayman KY1-1106, Cayman Islands.

2. The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

3. The company secretary of the Company is Mr. Lei Heong Man, Ben. Mr. Lei is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (except Saturdays and public holidays) at the head office and principal place of business of the Company at Units 1-9, 8th Floor, Lucida Industrial Building, 43-47 Wang Lung Street, Tsuen Wan, New Territories, Hong Kong as at the date of this circular up to and including 9 March 2011:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the two years ended 31 December 2009;

(iii) the material contracts referred to in the section headed "Material contracts" in this appendix; and

(iv) this circular.