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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)

DISCLOSEABLE TRANSACTION: DISPOSAL OF EQUITY INTEREST IN A JOINT VENTURE COMPANY

On 21 August 2014, the Group entered into the Agreement with the Purchaser in relation to the disposal of the Equity Interest, representing 25% share of profit or loss in and 40% voting rights in general meeting of the Joint Venture, at the cash consideration of RMB26,000,000 (equivalent to approximately HK\$32,500,000).

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under the Listing Rules.

THE AGREEMENT

Date: 21 August 2014

Parties: (1) Vendor : Kam Hing Textile (International) Limited, a wholly owned subsidiary of the Company

(2) Purchaser : 洪湖市興洪紡織有限公司 (Honghu Xing Hong Textile Co Ltd.[#])

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and any of its connected persons within the meaning of the Listing Rules.

Assets to be disposed of

The Equity Interest, representing 25% share of profit or loss in and 40% voting rights in general meeting of the Joint Venture.

Consideration

The consideration for the Disposal is RMB26,000,000 (equivalent to approximately HK\$32,500,000) which shall be remitted to the Group's bank account on the date of the Agreement. As at the date of this announcement, the Consideration has been received by the Group. The Purchaser and the Joint Venture also jointly and severally bear and indemnify the Group for all the tax liabilities that may be levied on the Group as a result of the Disposal.

The Consideration was arrived at after arm's length negotiations between the parties to the Agreement by reference to the preliminary valuation of the Joint Venture conducted by an independent valuer.

Based on the reasons above, the Board considers the Consideration to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

The Agreement is unconditional and the parties to the Agreement shall proceed to effect the change in shareholding of the Joint Venture at the relevant PRC authorities within two days after the date of receipt of the Consideration by the Group.

INFORMATION ON THE JOINT VENTURE

The Joint Venture is a sino-foreign cooperative joint venture established in the PRC principally engaged in the manufacture and trading of cotton spinning. Immediately before the Disposal, the Joint Venture is beneficially owned and its profit or loss is shared as to 75% by the Purchaser and 25% by the Group. Nevertheless, according to the articles of association of the Joint Venture, the Group is entitled to exercise 40% voting rights in general meeting of the Joint Venture.

For the year ended 31 December 2012, the Joint Venture recorded a loss before and after taxation of approximately HK\$24.6 million. For the year ended 31 December 2013, the Joint Venture recorded a loss before and after taxation of approximately HK\$21.3 million. As at 31 December 2013, the net asset of the Joint Venture was approximately HK\$109.5 million.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the production and sale of knitted fabric, dyed yarn and provision of related services.

Given the adverse business environment of the cotton spinning market, the Joint Venture has been suffering losses for a few years. The Board is not optimistic about the prospects of the cotton spinning market and does not consider that it would turn around in the near future. In the circumstances, the Board considers that the Disposal enables the Group to seize the first available opportunity to realize its investment in the Joint Venture and to focus the Group's core operation.

The Directors (including independent non-executive Directors) are of the view that the terms of the Agreement are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

It is preliminarily estimated that the Group may, subject to the review and confirmation by the auditors, record a gain on the Disposal of approximately HK\$12.5 million which is estimated with reference to the Consideration of HK\$32.5 million minus the carrying amount of the Equity Interest of about HK\$20.0 million in the books of the Company.

The net proceeds of approximately HK\$32.5 million as result of the Disposal will be applied as general working capital for the Group.

LISTING RULES IMPLICATION

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Agreement”	the unconditional sale and purchase agreement dated 21 August 2014 and entered into among the Group, the Purchaser and the Joint Venture in relation to the Disposal
“Board”	board of Directors
“Company”	Kam Hing International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose issued shares are listed on the main board of the Stock Exchange
“Consideration”	the consideration payable by the Purchaser to the Group for the Disposal under the Agreement
“Disposal”	the disposal of the Equity Interest pursuant to the Agreement
“Directors”	the directors of the Company
“Equity Interest”	25% registered capital of the Joint Venture, representing 25% share of profit or loss in and 40% voting rights in general meeting of the Joint Venture
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture”	洪湖興業棉紡織有限公司 (Honghu Xing Ye Textile Co Ltd. [#]), a joint venture between the Group and the Purchaser in which the Group held the Equity Interest immediately before the Disposal

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Taiwan and Macau Special Administrative Region
“Purchaser”	洪湖市興洪紡織有限公司 (Honghu Xing Hong Textile Co Ltd. [#]), a company established in the PRC principally engaged in manufacturing and trading of cotton spinning
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 22 August 2014

[#] *This is not the official English name and is just provided herein for reference only.*

As at the date of this announcement, the Board comprises 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 as executive Directors; and Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi and Mr. Ho Gilbert Chi Hang as independent non-executive Directors.