



**Expand Production Capacity with New Plant in Madagascar &
Plan to Establish New Factory in Enping, Guangdong**

Share Price Information:

Latest price (18/10/2006) HK\$ 0.66

Total Issued shares (million
shares).....640,000,000

Free Float Rate%.....25%

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Expansion of Production Capacity

In order to fulfill the demand of newly added clients, including a number of internationally renowned brands like Gap, Target, Sears, Timberland and Burberry, the Group has formulated an expansion plan for the coming years. In Q4 2006, the Group increased the production capacity of yarn dyeing by 20% to 3 million pounds/month through the purchase of new machineries. Besides, the production capacity of knitted fabrics reached 11 million pounds/month upon the completion of production facilities modification. The utilization rate of the production capacity reached 100% during peak seasons from March to August and the average annual utilization rate is around 80%.

New Production Plant in Madagascar

To further extend its vertically integrated production model, the Group set up a garment factory in Madagascar in August 2006. Madagascar is a quota-free and import duty free country for exports to the United States market. The factory is designed with a production capacity of 0.4 million pieces/month. The factory, which currently produces garment for Otto, Reebok, Footlocker, TCP, etc., is still in the preliminary stage of production and the utilization rate is approximately 10%.

Plan to Establish New Factory in Enping, Guangdong

The Group also plans to establish a new factory in Enping, Guangdong as part of the future expansion plan. In October 2006, the Group began the construction of a new plant in Enping, Guangdong. The site area of the plant amounted to approximately 740,000 sq. m. As the first phase of development, the Group intends to set up a branch dyeing factory with a monthly production capacity of 3 million pound by early 2008. The additional capacity is to support the Group's growing core business.

Company Background

Kam Hing is one of the leading yarn knitting, yarn dyeing and fabric dyeing manufacturers in Hong Kong. Capitalizing on its efficient vertically integrated production facilities in Panyu, Guangdong, the Group has emerged as a preferred partner for many international fashion apparel operators. It is a one-stop-shop for all design, yarn dyeing, knitting, bleaching, fabrics dyeing, setting and finishing processes for finished fabrics. In addition, they have self-sufficient utility facilities, including water supply, sewage treatment and coal-fire power plant, etc.