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CHING HING (HOLDINGS) LIMITED

正興(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 692)

(1) MAJOR DISPOSAL AND CONNECTED TRANSACTION

(2) RESUMPTION OF TRADING

(3) UNUSUAL PRICE MOVEMENTS

MAJOR DISPOSAL AND CONNECTED TRANSACTION

The Board would like to announce that on 2 September 2010, the Company entered into the Agreement with Cotton Row, a Shareholder of the Company, whereby the Company conditionally agreed to sell and Cotton Row conditionally agreed to purchase the Sale Shares and the Sale Loans, constituting the entire issued capital of the Target Company and representing an amount of HK\$51,327,159 due and payable by the Target Company to the Company at 30 June 2010, at a cash consideration of HK\$42,742,985 (subject to adjustment but shall not in any event be more than HK\$50,000,000). The sole director and sole shareholder of Cotton Row is the Managing Director of the Company as at the date of this announcement.

Since not all of the relevant percentage ratios under Chapter 14 of the Listing Rules are less than 25% but all of them are less than 75%, the Disposal constitutes a major disposal of the Company under Chapter 14 of the Listing Rules. As the sole director and sole shareholder of Cotton Row is the Managing Director of the Company, Cotton Row is a connected person of the Company. Furthermore, the Managing Director or his associates are holding part of the issued share capital of several companies in the Target Group on behalf of the Target Company. As such, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Disposal is subject to Independent Shareholders' approval at the SGM.

A circular containing, amongst other things, further details of the Disposal, a letter from the Independent Board Committee to the Independent Shareholders and a letter from the independent financial advisor to the Independent Board Committee and the Independent Shareholders, together with a notice convening the SGM will be despatched to the Shareholders on or before 24 September 2010 in accordance with the Listing Rules.

* *For identification purpose only*

The Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Disposal. An independent financial advisor will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 10:21 a.m. on 2 September 2010, pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 3 September 2010.

UNUSUAL PRICE MOVEMENTS

The Board has noted today's decrease in the trading price of the Shares and wishes to state that the Board is not aware of any reasons for such movements.

INTRODUCTION

The Board would like to announce that on 2 September 2010, Cotton Row, a Shareholder of the Company whose sole director and sole shareholder is the Managing Director of the Company, entered into the Agreement with the Company, pursuant to which the Company conditionally agreed to sell and Cotton Row conditionally agreed to purchase the Sale Shares and the Sale Loans at a Consideration of HK\$42,742,985 (subject to adjusted as stipulated hereunder) and not more than HK\$50,000,000 as at Completion.

THE AGREEMENT

- Date : 2 September 2010
- Parties : (1) Ching Hing (Holdings) Limited as the Vendor; and
: (2) Cotton Row Limited as the Purchaser
- Assets to be disposed of : (1) the Sale Shares being the entire issued share capital of the Target Company; and
: (2) the Sale Loans being not less than HK\$51,327,159 and not more than HK\$58,000,000 owing by the Target Company to the Company as at Completion

The Company shall not be obliged to sell all the Sale Shares unless all of the Sale Shares are to be purchased by Cotton Row and the Sale Shares are to be purchased by Cotton Row together with the Sale Loans at the same time.

Consideration : HK\$42,742,985 (subject to adjustment as stipulated hereunder), being a premium of HK\$4,000,000 on the sum of the Net Asset Value of the Disposed Group and the Sale Loans as at the Completion Date. The Consideration shall be allocated on the basis that the Sale Loans is sold and purchased at face value, and the balance of the Consideration shall be attributable to the sale and purchase of the Sale Shares. The Net Asset Value and the Sale Loans shall be calculated as at the Completion Date and will be adjusted on a dollar to dollar basis with reference to the Completion Accounts. The Consideration shall be adjusted accordingly, but shall not in any event be more than HK\$50,000,000.

BASIS OF THE CONSIDERATION

A refundable deposit of HK\$2,000,000 shall be paid to the Vendor within 10 days upon signing of the Agreement. The balance of the Consideration shall be paid within 21 days from the receipt of the Completion Accounts by Cotton Row after presentation by the Vendor.

The Consideration was determined after arm's length negotiations between the parties to the Agreement and is based on various factors including, amongst others (i) the Net Asset Value and the Sale Loans plus a premium of HK\$4,000,000; (ii) part of the Consideration being allocated on the basis that the Sale Loans of not less than HK\$51,327,159 and not more than HK\$58,000,000 as at Completion Date is sold and purchased with the Sale Shares.

Accordingly, the Directors (excluding the independent non-executive Directors whose views are subject to the advice from the independent financial advisor) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONDITIONS PRECEDENT

Completion of the Agreement is conditional upon the fulfillment of each of the following conditions on or before the Long Stop Date, or on such other date as the Parties may agree in writing:

- (1) the approval of the Agreement by the Independent Shareholders of the Vendor at a SGM in accordance with the Listing Rules having been obtained;
- (2) all the relevant bank consents (if required) having been obtained by the Company and/or Cotton Row; and
- (3) no representation, warranty or agreement of the Vendor and/or Cotton Row contained in the Agreement and required to be performed before Completion having been breached.

COMPLETION

Completion shall take place on the 2nd Business Day after all the Conditions Precedent are fulfilled in accordance with the Agreement, or on such other date as the Parties may agree in writing.

Upon Completion, Cotton Row will become the sole shareholder holding the entire equity interest in the Target Company.

INFORMATION ON THE DISPOSED GROUP

The Target Company is an investment holding company incorporated in the British Virgin Islands to hold nine of the companies in the Target Group directly and two more of which are held indirectly by the companies in the Target Group. The companies in the Target Group are principally engaged in the businesses of sale of fabrics and/or garments in the PRC and in Hong Kong.

Set out below is the financial information of the Disposed Group:

	For the year ended 31 December 2008 (HK\$ million)	For the year ended 31 December 2009 (HK\$ million)	For the six months ended 30 June 2010 (HK\$ million)
Turnover	76.3	56.9	26.9
Net Loss before Tax and Extraordinary Items	39.2	9.3	0.1
Net Loss after Tax and Extraordinary Items	38.7	9.3	0.1

The negative net asset value of the Disposed Group amounts to approximately HK\$12.8 million as at 31 December 2009 and amounts to approximately HK\$12.6 million as at 30 June 2010.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has long been engaged principally in the sale of fabrics and/or garments businesses in the PRC, the United States and Hong Kong, and the Company intends to continue to centre on this line of business. Several other subsidiaries of the Company other than the Disposed Group will continue to be primarily responsible for this arm of the Company's business. Cotton Row was incorporated for investment holding purposes.

The Company has already intended to dispose of the Disposed Group for several years given that it was unable to reap as substantial a profit to the Group as the other subsidiaries. Ching Hing Weaving Dyeing and Zhongshan Ching Hing, being two of the companies in the Disposed Group, hold certain machineries, properties and land that are not directly related to the Company's sale of fabrics and garments businesses. However, it has not been able to secure a purchaser willing to contribute a favourable consideration for the Disposed Group for the past years, until the present purchaser

Cotton Row offered to purchase the Disposed Group for a premium recently. The Company has further completed the purchase of another indirectly and non-wholly owned subsidiary in the PRC (the “**PRC Subsidiary**”) in March this year. The major asset held by the PRC Subsidiary is an iron and titanium mine in the PRC (the “**Mine**”) and the mining licence for its exploitation.

In light of the emergence of a fair offer for the Disposed Group and the new business venture taken on by the Company, the Company intends to devote its resources into its two main lines of business, (1) exploitation of mineral resources and (2) sale of fabrics and garments. It is keen to segregate its lines of businesses clearly and dispose of any subsidiaries that are not directly related to such businesses and/or unable to reap as a substantial profit to the Group, such as Ching Hing Weaving Dyeing and Zhongshan Ching Hing. Completion of the Agreement will fulfil these twin aims of the Group. The Group intends to apply the Consideration primarily as working capital for its sale of fabrics and garments businesses and to further develop its exploitation of the Mine.

The Directors expect that the Group will realize an estimated pre-tax gain (after taking into account direct expenses) of approximately HK\$3.5 million from the Disposal. This estimated pre-tax gain is calculated with reference to the Consideration received and the negative net asset value of the Disposed Group and the amount of shareholder’s loans due and payable by the Disposed Group to the Company as at 30 June 2010.

Accordingly, the Directors (excluding the independent non-executive Directors whose views are subject to the advice from the independent financial advisor) consider that the terms of the Agreement and the Disposal are fair and reasonable on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since not all of the relevant percentages under Chapter 14 of the Listing Rules are less than 25% but all of them are less than 75%, the Disposal constitutes a major disposal of the Company under Chapter 14 of the Listing Rules.

As the sole director and sole shareholder of Cotton Row is the Managing Director of the Company, Cotton Row is a connected person of the Company. Furthermore, certain of the companies in the Target Group are partly held by the Managing Director or his associates as detailed below. As such, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Company in the Target Group	Relationship to Managing Director/ Connected Relationship
1. Ching Hing Weaving Dyeing and Printing Factory Limited	<p><i>Ordinary Shares</i> 50% of which is held by the Managing Director on behalf of the Target Company</p> <p><i>Deferred Shares</i></p> <ul style="list-style-type: none"> a. Mr. Yiu (14,196,591 shares) b. Ms Wong (376,427 shares) c. Filand Limited, a company wholly owned by Mr. Yiu, (10,633,875 shares) d. Clear Pictures Holdings Limited, a company wholly owned by Mr. Yiu (17,389,259 shares) e. Wong Yeh, ex-wife of the Managing Director, (1,000,000 shares) f. Yiu Oi Sin, sister of Mr. Yiu (1,126,000 shares) g. Wong Chuen Tat, brother of Ms. Wong (627,478 shares)
2. Ching On Textiles Limited	<p><i>Ordinary Shares</i> 0.01% of which is held by Mr. Yiu on behalf of the Target Company</p>
3. Ching Hing Weaving (International) Limited	<p><i>Ordinary Shares</i> 50% of which is held by Mr. Yiu on behalf of the Target Company</p>
4. Ching Fong Textiles Company Limited	<p><i>Ordinary Shares</i> 0.01% of which is held by Mr. Yiu on behalf of the Target Company</p>
5. On Hing Weaving Factory Limited	<p><i>Ordinary Shares</i> 0.01% of which is held by Mr. Yiu on behalf of the Target Company</p>
6. Yiutung Fashion Company Limited	<p><i>Ordinary Shares</i> 1% of which is held by Mr. Yiu on behalf of the Target Company</p>
7. Onlink Textiles limited	<p><i>Ordinary Shares</i> 70% of which is held by an associate of the Managing Director on behalf of the Target Company</p>
8. 中山市宏安紡織	<p><i>Ordinary Shares</i> 80% of which is held by an associate of the Managing Director on behalf of the Target Company</p>

The Disposal is subject to Independent Shareholders' approval at the SGM by way of poll. Cotton Row, the Managing Director, Mr. Yiu and their respective associates are required to abstain from voting to approve the Agreement and the Disposal at the SGM.

An Independent Board Committee comprising all independent non-executive Directors will be formed to advise the Independent Shareholders as to whether the terms of the Agreement and the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial advisor. An independent financial advisor will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing details of the Disposal, a letter from the Independent Board Committee to the Independent Shareholders with the recommendation of the Independent Board Committee, a letter from the independent financial advisor to the Independent Board Committee and the Independent Shareholders, information regarding the Group and the notice of SGM is expected to be despatched to the Shareholders on or before 24 September 2010 in accordance with the Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 10:21 a.m. on 2 September 2010, pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 3 September 2010.

UNUSUAL PRICE MOVEMENTS

This statement is made at the request of the Stock Exchange.

The Board has noted today's decrease in the trading price of the Shares and wishes to state that the Board is not aware of any reasons for such movements.

Save for the information as disclosed in this announcement, the Board also confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

This statement is made by the order of the Board, the Directors of which individually and jointly accept responsibility for the accuracy of this statement.

DEFINITIONS

Unless the context otherwise requires, the following terms in this Announcement shall have the meanings set out below:

“Agreement”	The conditional sale and purchase agreement entered into between the Vendor and the Purchaser dated 2 September 2010, in relation to the disposal of the Disposed Group by the Vendor
“associate(s)”	Have the meaning ascribed thereto under the Listing Rules
“Board”	The board of Directors of the Company
“Ching Fong Textiles”	Ching Fong Textiles Company Limited, a company incorporated in Hong Kong, 64.99% of which is held by the Target Company, 0.01% of which is on trust for the Target Company by Mr. Yiu and 35% of which is held by an Independent Third Party
“Ching Hing Weaving”	Ching Hing Weaving (International) Limited, a company incorporated in Hong Kong, 50% of which is directly held by the Target Company and 50% of which is held on trust for the Target Company by Mr. Yiu
“Ching Hing Weaving Dyeing”	Ching Hing Weaving Dyeing and Printing Factory Limited, a company incorporated in Hong Kong, 50% of which is directly held by the Target Company and 50% of which is held on trust for the Target Company by the Managing Director.
“Ching On Textiles”	Ching On Textiles Limited, a company incorporated in Hong Kong, 99.65% of which is held directly by the Target Company, 0.01% of which is held on trust for the Target Company by Mr. Yiu and 0.34% of which is held by an Independent Third Party
“Company” or “Vendor”	Ching Hing (Holdings) Limited, a company incorporated under the laws of Bermuda and which Shares are listed on the main board of the Stock Exchange (Stock Code: 692)
“Completion”	The completion of the Disposal of the Disposed Group pursuant to the Agreement

“Completion Accounts”	Means the consolidated statement of financial position of the Target Company as at the Completion Date and the consolidated income statement of the Target Company for the financial period ended on the Completion Date, which shall be prepared by the Target Company at the Vendor’s sole expense and presented to Cotton Row within 30 days after the Completion
“Completion Date”	The date for Completion of the Agreement pursuant to its terms upon the fulfilment of the Conditions Precedent under the Agreement
“Conditions Precedent”	The conditions precedent to Completion, as set out in the part headed “Conditions Precedent” in this announcement
“connected person”	Has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	HK\$42,742,985 (subject to adjustment but shall not in any event be more than HK\$50,000,000) being the Consideration pursuant to the terms of the Agreement
“Cotton Row” or “Purchaser”	Cotton Row Limited, a company incorporated under the laws of the British Virgin Islands holding 1,985,714 Shares in the Company constituting 0.437% of the issued share capital of the Company
“Directors”	Directors of the Company
“Disposal”	The disposal by the Company of the Sale Shares and the Sale Loans to Cotton Row contemplated under the Agreement
“Disposed Group”	Comprises of the Target Company and the Target Group
“Group”	The Company and its subsidiaries
“Hong Kong”	Means the Hong Kong Special Administrative Region of the PRC
“Huge Victory”	Huge Victory Management Limited, a company incorporated in Western Samoa, 100% of which is held by the Target Company

“Independent Board Committee”	The independent board committee of the Company comprising of Mr. Cheung Cho Yiu, Mr. Liang Jin An and Mr. Wong Chun Hung, all being independent non-executive Directors of the Company
“Independent Shareholders”	Shareholders other than Cotton Row and its associates
“Independent Third Party(ies)”	Third party(ies) and their ultimate beneficial owner(s) of which are independent of the Company and its connected persons
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Long Stop Date”	30 November 2010
“Managing Director”	Mr. Yiu Kwok Ming Tommy, the managing director of the Company, being the sole director and sole shareholder of Cotton Row
“Mr. Yiu”	Mr. Yiu Ching On, the father and an associate of the Managing Director, and a connected party of the Vendor by virtue of the fact that he was the chairman and an executive Director of the Company until his resignation on 12 July 2010
“Ms Wong”	Ms Wong Kai Chun, the mother and an associate of the Managing Director and the wife of Mr. Yiu
“Net Asset Value”	Means the negative net asset value of the Disposed Group based on the statement of financial position of the Completion Accounts, to be certified by the board of Directors of the Vendor other than the Purchaser and/or the Managing Director
“On Hing Weaving”	On Hing Weaving Factory Limited, a company incorporated in Hong Kong, 99.9% of which is held by the Target Company and 0.01% of which is held on trust for the Target Company by Mr. Yiu
“Onlink Textiles”	Onlink Textiles Limited, a company incorporated in Hong Kong, 70% is held on trust for the Target Company by an associate of Managing Director and 30% of which is held by an Independent Third Party

“PRC”	The People’s Republic of China, which for the purpose of this announcement and unless the context otherwise suggests, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Sale Loans”	Means the principal amount of non-interest bearing and repayable on demand shareholder’s loans outstanding and owing by the Target Company to the Vendor which shall not be less than HK\$51,327,159 and not more than HK\$58,000,000 as at Completion Date based on the statement of financial position of the Completion Accounts, to be certified by the board of Directors of the Vendor other than the Purchaser and/or the Managing Director
“Sale Shares”	Means the 57,457,238 shares without par value in the issued share capital of the Target Company, constituting the entire issued share capital of the Target Company
“SGM”	The special general meeting of the Company to be held for considering and approving, the Agreement and the transactions contemplated thereunder
“Share(s)”	Shares of HK\$0.001 each in the capital of the Company
“Shareholder(s)”	Holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	Has the meaning ascribed thereto under the Listing Rules
“Target Company”	Ching Hing (BVI) Limited, a company incorporated under the laws of the British Virgin Islands and a directly held wholly-owned subsidiary of the Company
“Target Group”	Companies held directly or indirectly by the Target Company encompassing Ching Hing Weaving Dyeing, Ching On Textiles, Ching Hing Weaving, Zhongshan Ching Hing, Ching Fong Textiles, Huge Victory, Onlink Textiles, On Hing Weaving, Yiutung Fashion, 中山市盈通 and 中山市宏安紡織
“Yiutung Fashion”	Yiutung Fashion Company Limited, a company incorporated in Hong Kong, 99% of which is held by the Target Company and 1% of which is held on trust for the Target Company by Mr. Yiu

“Zhongshan Ching Hing”	Zhongshan Ching Hing Weaving Factory Limited, a company incorporated in the PRC, 100% of which is directly held by Ching Hing Weaving
“中山市盈通”	中山市盈通服飾製衣有限公司, a company incorporated in the PRC 100% of which is held by Yiutung Fashion
“中山市宏安紡織”	中山市宏安紡織貿易有限公司, a company incorporated in the PRC, 100% of which is held on trust for the Target Company as to 80% by an associate of the Managing Director on trust for the Target Company, and as to 20% by an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	Per cent

By Order of the Board
Ching Hing (Holding) Limited
Chan Yiu Fai
Executive Director

Hong Kong 2 September 2010

As at the date hereof, the Board comprises 4 executive directors, namely Mr. Yiu Kwok Ming, Tommy (Managing Director), Mr. Wong Wai Man, Mr. Chan Yiu Fai and Mr. Yim Hin Keung, and 3 independent non-executive directors, namely Mr. Cheung Cho Yiu, Mr. Liang Jin An and Mr. Wong Chun Hung.