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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 : 2307)**

### **ANNOUNCEMENT**

The Company entered into two cooperation agreements with Wuhan Iron and Steel (Group) Company (武漢鋼鐵(集團)有限公司), being the third largest iron and steel production corporation in the People's Republic of China, dated 18 January 2008 setting out the terms of cooperation in relation to the exploration and exploitation of iron and other mineral resources in the Bekisopa Region (where the Group has acquired the mineral exploration and exploitation rights with an area of approximately 287 square kilometers) and other region of Madagascar.

This announcement is made by Kam Hing International Holdings Limited (the “**Company**” which together with its subsidiaries the “**Group**”) pursuant to Rule 13.09(1) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company entered into two cooperation agreements (the “**Cooperation Agreements**”) with Wuhan Iron and Steel (Group) Company (武漢鋼鐵(集團)有限公司) (the “**Strategic Partner**”) dated 18 January 2008 setting out the terms of cooperation in relation to the exploration and exploitation of iron and other mineral resources in Madagascar (the “**Project**”).

To the best of the knowledge, information and belief of the directors (the “**Directors**”) of the Company having made all reasonable enquiry, the Strategic Partner and its ultimate beneficial owners are independent third parties not connected with the Company and its connected persons (within the meaning of the Listing Rules).

### **PRINCIPAL TERMS OF THE COOPERATION AGREEMENTS**

Under the first cooperation agreement, the Company and the Strategic Partner have agreed to form a joint venture company (the “**JV Company**”) for the exploration and exploitation of iron and other mineral resources in Bekisopa, Antananarivo, Madagascar with an area of approximately 287 square kilometers (the “**Bekisopa Region**”). The JV Company is being incorporated in Hong Kong and will be owned as to 60% by the Strategic Partner and as to 40% by the Company with its board of directors comprising 7 members, four of them (including the chairman) to be nominated by the Strategic Partner and three of them to be nominated by the Company. As the Group has acquired the mineral exploration and exploitation rights with an area of approximately 287 square kilometers in the Bekisopa Region in late 2007, it is agreed that the Company shall contribute its mineral exploration and exploitation rights in the Bekisopa Region, the market value of which shall be based on independent valuation to be conducted by the Company, as its capital in the JV Company. Any excess or shortfall in value of the market value of the exploration and exploitation rights in the Bekisopa Region against the capital contribution to be made by the Company in the JV Company

will be adjusted with the Strategic Partner in the form of cash. The investment amount to be injected by each of the Company and the Strategic Partner in the JV Company and details as to the operation of the production site are subject to further negotiation between the parties after further studies and investigation have been made by the Company. The profit from the JV Company shall be distributed to the Strategic Partner and the Company in proportion to their respective shareholdings in the JV Company.

Under the second cooperation agreement, the Company and the Strategic Partner have agreed to use the JV Company for the purpose of acquiring another mineral exploration and exploitation rights in other region of Madagascar. If the required mineral exploration and exploitation rights have been acquired by the JV Company, the Strategic Partner shall be responsible for the establishment and running of the production site and the Strategic Partner has committed to purchasing all the metallic resources exploited therein at the then prevailing international market price.

## **INFORMATION OF THE STRATEGIC PARTNER**

Based on the information available to the Directors, the Strategic Partner is the third largest iron and steel production corporation in the People's Republic of China. One of the subsidiaries of the Strategic Partner is Wuhan Iron and Steel Company Limited whose issued shares are listed on the Shanghai Stock Exchange. According to the published unaudited financial statements of Wuhan Iron and Steel Company Limited for the six months ended 30 June 2007, its total assets value as at 30 June 2007 was about RMB50.2 billion, and its turnover and net profit after tax for the six months ended 30 June 2007 were about RMB26.0 billion and RMB3.4 billion respectively.

## **REASONS FOR THE ENTERING INTO OF THE COOPERATION AGREEMENTS**

The Group is principally engaged in the manufacture and sale of finished knitted fabrics. As announced by the Company dated 28 November 2007, the Group has been diversifying and exploring to extend its business in the mining industry.

The Group has acquired the mineral exploration and exploitation rights with an area of approximately 287 square kilometers in the Bekisopa Region in late 2007 (and such acquisition did not constitute a notifiable transaction on the part of the Company under the Listing Rules). The Group and the Strategic Partner have sent professionals and experts to the Bekisopa Region to conduct a site study and to obtain samples for testing. According to the mineral inspection report from the Analytical & Testing Center of Guangzhou Research Institute of Non-Ferrous Metals (which is a third party independent of and not connected with the Company and its connected persons (within the meaning of the Listing Rules)), the samples obtained contain iron of 53.25% and titanium of 11.42%.

The entering into the Cooperation Agreements represents another step for the Group to diversify its business in the mining industry. Given the Strategic Partner is the third largest iron and steel production corporation in the People's Republic of China, the forming of a strategic alliance with it will not only provide a solid technical support to the Group for the Project, it may also generate a stable source of revenue to the Group by having the Strategic Partner as being the major customer of the Group in future. The JV Company when incorporated will become an associated company of the Company. Based on the terms agreed under the Cooperation Agreements, other than the agreement for the use by the Company of its mineral exploration and exploitation rights in the Bekisopa Region as its capital in the JV Company, there is no capital commitment on the part of the Company to be contributed to the JV Company. In this regard, further announcement will be made by the Company as and when required under the Listing Rules.

In view of the above, the Directors consider that terms of the Cooperation Agreements, which have been negotiated on an arm's length basis and on normal commercial terms, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

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

Hong Kong, 25 January 2008

*As at the date of this announcement, the executive Directors are Mr. Tai Chin Chun, Mr. Tai Chin Wen, Madam Cheung So Wan, Madam Wong Siu Yuk and Mr. Chong Chau Lam; and the independent non-executive Directors are Mr. Chan Yuk Tong, Jimmy, Madam Chu Hak Ha, Mimi, Mr. Ku Shiu Kuen, Anthony and Mr. Chan Chung Yuen, Lawrence.*