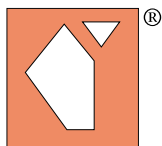


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## **KIN YAT HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 638)**

### **GENERAL DISCLOSURE UNDER RULE 13.09(1)**

#### **CONNECTED TRANSACTION ACQUISITION OF A 70% EQUITY INTEREST IN AN EXPLORATION STAGE MINING COMPANY IN SHAANXI PROVINCE, THE PRC**

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

Further to the announcement of the Company dated 2 August 2007, the Company is pleased to announce that on 24 September 2007 Profitwealth (an indirect wholly-owned subsidiary of the Company), as purchaser, entered into the S&P Agreement with Mr Chen and Mr Yang, each as vendor. Pursuant to the S&P Agreement, each of Mr Chen and Mr Yang has, respectively, agreed to dispose of his 50% equity interest in Shaoguan Junrui to Profitwealth for a cash consideration of RMB450,000 (equivalent to HK\$463,500).

The sole asset of Shaoguan Junrui is a 70% equity interest in Xian Jinshi. Xian Jinshi is a domestic joint venture company incorporated in the PRC in 2006 and is owned as to 70% by Shaoguan Junrui and 30% by the Partner. Xian Jinshi is an exploration stage mining company engaged principally in the exploration of natural resources from the Mine Area.

On 26 July 2007, the transfer of the relevant exploration licence, which was originally issued in favour of the Partner, to Xian Jinshi was approved by the relevant regulatory authorities in the PRC. The relevant exploration licence to be issued in favour of Xian Jinshi will confer the right to explore in the Mine Area (該礦區), which occupies an area of approximately 39 square kilometers in Lantian County (藍田縣), Xian City (西安市), Shaanxi Province (陝西省), the PRC, and where a polymetallic ore mine containing primarily lead, zinc and gold deposits is located.

According to the results of the investigation made by the Partner and Xian Jinshi so far, three mineral veins (礦脈) with seven identified ore bodies (礦體) were found in the Exploration Area. Based on the results of chemical analysis of ores, metal content of the ores collected ranges from 5.10% to 13.25% for lead, 2.00% to 8.53% for zinc, and 0.00051% to 0.00141% for gold. In the Exploration Area, based on the results of the geological general exploration and the investigation by the Partner and Xian Jinshi as at the end of 2006, the total inferred (推斷的) and indicated (控制的) mineral resource in accordance with the classification for resources/reserves of solid fuels and mineral commodities in the PRC (Standards 333 and 332) was approximately 39,300 metric tonnes, of which the indicated mineral resource was estimated at 12,700 metric tonnes in accordance with the classification for resources/reserves of solid fuels and mineral commodities in the PRC (Standard 332). No independent research was conducted by the Company on the estimated mineral resource of the Mine Area.

Further to the announcement of the Company dated 2 August 2007, the Company is pleased to announce that on 24 September 2007 Profitwealth (an indirect wholly-owned subsidiary of the Company), as purchaser, entered into the S&P Agreement with Mr Chen and Mr Yang, each as vendor. Pursuant to the S&P Agreement, each of Mr Chen and Mr Yang has, respectively, agreed to dispose of his 50% equity interest in Shaoguan Junrui to Profitwealth for a cash consideration of RMB450,000 (equivalent to HK\$463,500).

## **INFORMATION ON SHAOGUAN JUNRUI AND XIAN JINSHI**

Shaoguan Junrui, is a natural person-owned enterprise established in the PRC in 2005 and was owned as to 50% each by Mr Chen and Mr Yang immediately before completion of the Acquisition. The sole asset of Shaoguan Junrui is a 70% equity interest in Xian Jinshi. Xian Jinshi is a domestic joint venture company incorporated in the PRC in 2006 and is owned as to 70% by Shaoguan Junrui and 30% by the Partner. Xian Jinshi is an exploration stage mining company engaged principally in the exploration of natural resources from the Mine Area.

Shaoguan Junrui is not required to prepare audited financial statements. According to the internal consolidated management financial statements of Shaoguan Junrui, the net asset value of Shaoguan Junrui as at 31 July 2007 amounted to approximately RMB4,324,000 (equivalent to approximately HK\$4,454,000). Since its establishment, Xian Jinshi has not commenced any mining or production activities. According to the internal consolidated management financial statements of Shaoguan Junrui, Shaoguan Junrui incurred a net loss of approximately RMB2,048,000 (equivalent to approximately HK\$2,109,000) for the year ended 31 December 2006.

Following the completion of the Acquisition, Shaoguan Junrui will be an indirect wholly-owned subsidiary of the Company.

## **LISTING RULES IMPLICATION**

Since Mr Chen and Mr Yang are directors of a subsidiary of the Company, they are connected persons of the Company under Rule 14A.11(1) of the Listing Rules. Based on the applicable size tests performed with respect to the total consideration of RMB900,000 (equivalent to approximately HK\$927,000) of the Acquisition, the relevant ratios under Rule 14.07 of the Listing Rules are less than 2.5% and the consideration of the Acquisition is less than HK\$1,000,000. Accordingly, pursuant to Rule 14A.31 of the Listing Rules, the Acquisition constitutes a connected transaction for the Company that is exempt from all the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Acquisition also does not fall under Chapter 14 of the Listing Rules and this announcement is made pursuant to the general obligation of the Company imposed by Rule 13.09 of the Listing Rules.

## **FURTHER INFORMATION ON XIAN JINSHI**

On 26 July 2007, the transfer of the relevant exploration licence, which was originally issued in favour of the Partner, to Xian Jinshi was approved by the relevant regulatory authorities in the PRC. The relevant exploration licence to be issued in favour of Xian Jinshi will confer the right to explore in the Mine Area (該礦區), which occupies an area of approximately 39 square kilometers in Lantian County (藍田縣), Xian City (西安市), Shaanxi Province (陝西省), the PRC, and where a polymetallic ore mine containing primarily lead, zinc and gold deposits is located.

According to information provided by Mr. Chen, Mr. Yang and the Partner, the Partner has completed the geological general prospecting (地質普查) in the whole Mine Area and since 2005, has started geological general exploration (地質詳查) in the Exploration Area. According to the results of the investigation made by the Partner and Xian Jinshi so far, three mineral veins (礦脈) with seven identified ore bodies (礦體) were found in the Exploration Area. Based on the results of chemical analysis of ores, metal content of the ores collected ranges from 5.10% to 13.25% for lead, 2.00% to 8.53% for zinc, and 0.00051% to 0.00141% for gold. In the Exploration Area, based on the results of the geological general exploration and the investigation by the Partner and Xian Jinshi as at the end of 2006, the total inferred (推斷的) and indicated (控制的) mineral resource in accordance with the classification for resources/reserves of solid fuels and mineral commodities in the PRC (Standards 333 and 332) was approximately 39,300 metric tonnes, of which the indicated mineral resource was estimated at 12,700 metric tonnes in accordance with the classification for resources/reserves of solid fuels and mineral commodities in the PRC (Standard 332). No independent research was conducted by the Company on the estimated mineral resource of the Mine Area.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The consideration of the Acquisition was agreed between the Company, as purchaser, and Mr Chen and Mr Yang, as vendors, after arm's length negotiations on normal commercial terms. The Directors (including the independent non-executive directors) believe that the Acquisition is in the interests of the Shareholders as a whole after considering the following factors: (i) the commercial value of the relevant exploration licence to be issued in favour of Xian Jinshi; (ii) the estimation made by Xian Jinshi and the Partner on the mineral resource in the Exploration Area; and (iii) further geological investigation will be required to ascertain the mineral resource in the Mine Area with a higher degree of accuracy and certainty.

The Company and the Partner will jointly select an optimal mining method with lowest possible exploitation cost to extract the financial benefits from the Mine Area. Although the economic viability to be obtained from mining, production and selling of mineral resource from the Mine Area has not been confirmed at present, the Directors are of the view that the Acquisition marks a major milestone in the development of the Group, as it is the investment made by the Company aimed at counter-balancing the relatively cyclical nature of the Group's existing core operations and providing strategic access to raw materials (derived from zinc and lead mine tailings) used for the Group's ITO business.

## DEFINITIONS

“Acquisition”	the acquisition by the Company of the entire equity interest in Shaoguan Junrui, the sole asset of which is a 70% equity interest in Xian Jinshi
“Board”	the board of Directors
“Company”	Kin Yat Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors (including the independent non-executive directors) of the Company
“Exploration Area”	an area of approximately 10 square kilometers within the Mine Area where geological general exploration has been or is being conducted by the Partner and Xian Jinshi
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“Mine Area (該礦區)”	an area of approximately 39 square kilometers situated in Lantian County (藍田縣), Xian City (西安市), Shaanxi Province (陝西省), the PRC in which the Partner has been granted the right, which is being transferred to Xian Jinshi, to explore a polymetallic ore mine containing primarily lead, zinc and gold deposits

“Mr Chen”	Mr Chen Xiong, who is a director of a subsidiary of the Company and owned a 50% equity interest in Shaoguan Junrui immediately before completion of the Acquisition
“Mr Yang”	Mr Yang Muzhong, who is a director of a subsidiary of the Company and owned a 50% equity interest in Shaoguan Junrui immediately before completion of the Acquisition
“Partner”	The Sixth Geological Team of Shaanxi Provincial Bureau of Geological Minerals Exploration and Development (陝西省地質礦產勘查開發局第六地質隊), the PRC, which owns as to 30% equity interest in Xian Jinshi
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Profitwealth”	Profitwealth Investment Limited, a company incorporated under the laws of British Virgin Islands, and which is an indirect wholly-owned subsidiary of the Company
“Shaoguan Junrui”	Shaoguan City Junrui Mining Company Limited (韶關市均瑞礦業有限公司), a natural person-owned enterprise established in the PRC, with its equity interest equally owned by Mr Chen and Mr Yang immediately before completion of the Acquisition
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the shares of par value of HK\$0.1 each in the issued share capital of the Company
“S&P Agreement”	the sale and purchase agreement in relation to the Acquisition that was entered into amongst Profitwealth as purchaser and Mr Chen and Mr Yang as vendors
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Xian Jinshi”

Xian Jinshi Mining Company Limited (西安金石礦業有限公司), a domestic joint venture company incorporated in the PRC in 2006 which is owned as to 70% by Shaoguan Junrui and 30% by the Partner

*For the purpose of illustration only, conversion of RMB into Hong Kong dollars in this announcement is based on the exchange rate of RMB1.00 to HK\$1.03. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.*

By order of the Board  
**Kin Yat Holdings Limited**  
**Cheng Chor Kit**  
*Chairman*

Hong Kong, 25 September 2007

*As at the date of this announcement, the Board consists of five executive directors, Mr Cheng Chor Kit, Mr Fung Wah Cheong, Mr Wong Wai Ming, Mr Wong Weng Loong and Mr Yuen Wai Kwong and three independent non-executive directors, Mr Chung Chi Ping, Roy, Mr Wong Chi Wai, Albert and Ms Sun Kwai Yu, Vivian.*