

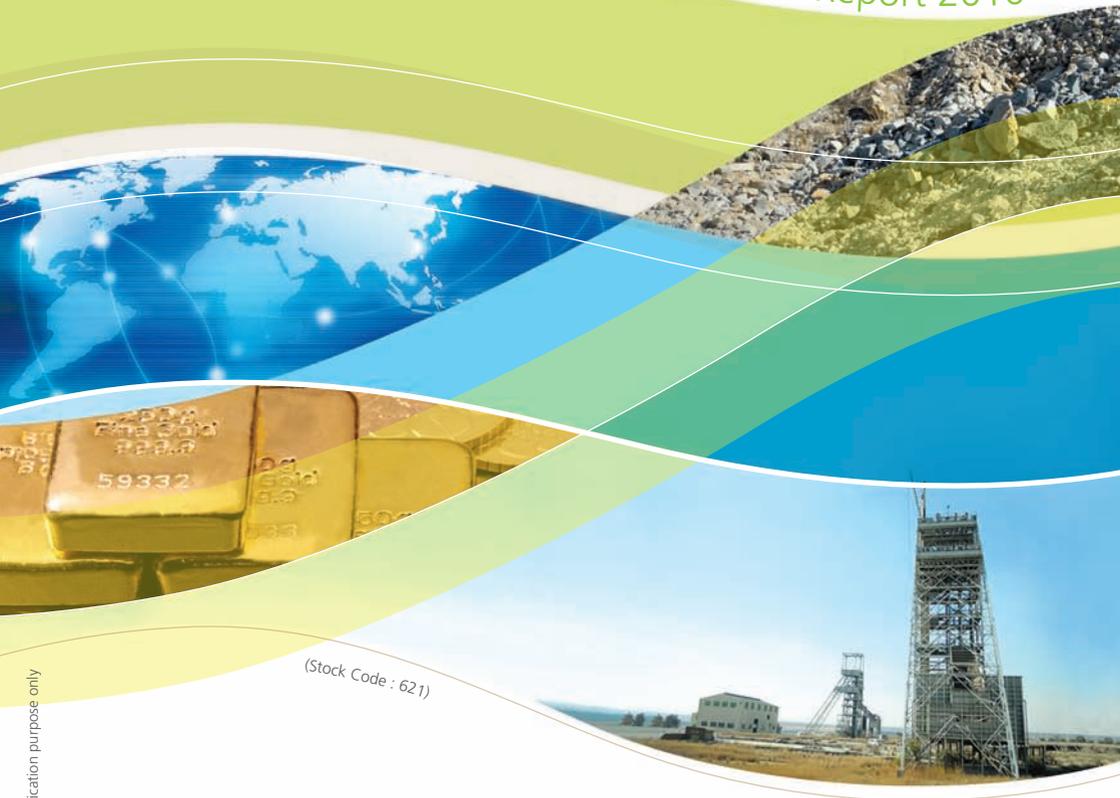


WING HING INTERNATIONAL (HOLDINGS) LIMITED

永興國際(控股)有限公司\*

(Incorporated in Bermuda with limited liability)

Interim Report 2010



(Stock Code : 621)

\*For identification purpose only

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Li Hok Yin

*(Chairman and Chief Executive Officer)*

Ms. Cheung Pak Sum

Mr. Shen Junchen

#### Independent Non-Executive Directors

Mr. Chui Man Lung, Everett

Mr. Hui Wah Tat, Anthony

Mr. Li Kam Chung

### COMPANY SECRETARY

Mr. Choi Wing Koon

### AUTHORISED REPRESENTATIVES

Mr. Li Hok Yin

Ms. Cheung Pak Sum

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd.

### AUDITORS

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

31/F, Gloucester Tower

The Landmark, 11 Pedder Street

Central

Hong Kong

### LEGAL ADVISERS ON HONG KONG LAW

D.S. Cheung & Co. Solicitors

1910–1913, 19/F

Hutchison House

10 Harcourt Road

Central

Hong Kong

### LEGAL ADVISERS ON BERMUDA LAW

Appleby

8/F, Bank of America Tower

12 Harcourt Road

Central

Hong Kong

### PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

### HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Tengis Limited

26/F, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1901, 19/F

Nina Tower, 8 Yeung Uk Road

Tsuen Wan, New Territories

Hong Kong

### REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton, HM12

Bermuda

### COMPANY WEBSITE

[www.whih.com.hk](http://www.whih.com.hk)

The Board of Directors (the "Board") of Wing Hing International (Holdings) Limited (the "Company") is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2010 were as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

		Six months ended 30 September	
	Notes	2010 HK\$'000	2009 HK\$'000
<b>Continuing operations:</b>			
Revenue	3	8,900	3,936
Cost of sales		(2,095)	(703)
Gross profit		6,805	3,233
Other income		154	—
Administrative and operating expenses		(8,689)	(3,106)
Finance costs	5	(82)	(440)
Loss before taxation		(1,812)	(313)
Income tax expenses	6	(1,939)	(951)
Loss for the period from continuing operations		(3,751)	(1,264)
<b>Discontinued operations:</b>			
Profit for the period from discontinued operations	7	—	2,029
(Loss)/profit for the period	8	(3,751)	765
<b>Other comprehensive income:</b>			
Exchange differences arising on translation of foreign operations		1,809	—
Realisation of changes in fair value of property, plant and equipment		—	644
<b>Total comprehensive (loss)/income for the period</b>		<b>(1,942)</b>	<b>1,409</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 September 2010

		<b>Six months ended 30 September</b>	
		<b>2010</b>	2009
		<b>HK\$'000</b>	HK\$'000
	<i>Notes</i>		
(Loss)/profit for the period attributable to:			
Owners of the company		<b>(4,351)</b>	111
Non-controlling interests		<b>600</b>	654
		<b>(3,751)</b>	765
Total comprehensive (loss)/income for the period attributable to:			
Owners of the company		<b>(2,947)</b>	755
Non-controlling interests		<b>1,005</b>	654
		<b>(1,942)</b>	1,409
<b>Dividend</b>	9	—	—
<b>(Loss)/earnings per share (basic and diluted)</b>			
From continuing operations	10	<b>(0.25 cents)</b>	(0.19 cents)
From discontinued operations		—	0.20 cents
		<b>(0.25 cents)</b>	0.01 cents

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

		30 September 2010 HK\$'000	31 March 2010 HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	11	10,538	2,545
Mining rights	12	327,607	241,530
		<u>338,145</u>	<u>244,075</u>
<b>Current assets</b>			
Inventories		72	—
Trade and other receivables	13	30,048	56,814
Cash and bank balances		82,562	45,907
		<u>112,682</u>	<u>102,721</u>
<b>Current liabilities</b>			
Trade and other payables	14	32,427	2,021
Current income tax liabilities		1,951	2,492
		<u>34,378</u>	<u>4,513</u>
<b>Net current assets</b>		<u>78,304</u>	<u>98,208</u>
<b>Total assets less current liabilities</b>		<u>416,449</u>	<u>342,283</u>
<b>Capital and reserves</b>			
Share capital	15	17,485	16,354
Reserves		293,270	251,240
Equity attributable to owners of the Company		<u>310,755</u>	<u>267,594</u>
Non-controlling interests		75,694	74,689
<b>Total equity</b>		<u>386,449</u>	<u>342,283</u>
<b>Non-current liability</b>			
Promissory note payable	16	30,000	—
<b>Total equity and non-current liability</b>		<u>416,449</u>	<u>342,283</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Currency translation reserve	Other reserves	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2010</b>	<b>16,354</b>	<b>78,755</b>	—	152,137	20,348	267,594	74,689	342,283
(Loss)/profit for the period	—	—	—	—	(4,351)	(4,351)	600	(3,751)
Other comprehensive income for the period	—	—	1,404	—	—	1,404	405	1,809
<b>Total comprehensive income/ (loss) for the period</b>	—	—	1,404	—	(4,351)	(2,947)	1,005	(1,942)
Issue of new shares	800	39,200	—	—	—	40,000	—	40,000
Exercise of options	331	7,732	—	(1,955)	—	6,108	—	6,108
<b>At 30 September 2010</b>	<b>17,485</b>	<b>125,687</b>	1,404	150,182	15,997	310,755	75,694	386,449
At 1 April 2009	89,860	54,326	—	64,096	(56,184)	152,098	72,473	224,571
Profit for the period	—	—	—	—	111	111	654	765
Other comprehensive income for the period	—	—	—	—	644	644	—	644
<b>Total comprehensive income for the period</b>	—	—	—	—	755	755	654	1,409
Issue of new shares	13,800	6,240	—	—	—	20,040	—	20,040
Release upon disposal of property, plant and equipment	—	—	—	(644)	—	(644)	—	(644)
<b>At 30 September 2009</b>	<b>103,660</b>	<b>60,566</b>	—	63,452	(55,429)	172,249	73,127	245,376

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	<b>Six months ended 30 September</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Net cash generating by/(used in) operating activities	<b>22,787</b>	(443)
Net cash (used in)/generating by investing activities	<b>(32,186)</b>	5,119
Net cash generating by financing activities	<b>46,018</b>	20,040
Net increase in cash and cash equivalents	<b>36,619</b>	24,716
Cash and cash equivalents at beginning of the period	<b>45,907</b>	22,082
Cash and cash equivalents at end of the period	<b>82,526</b>	46,798
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<b>82,526</b>	46,798

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

## 1. GENERAL INFORMATION

The registered office of Wing Hing International (Holdings) Limited (the "Company") is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The Company's principal place of business in Hong Kong is situated at Unit 1901, 19th Floor, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong.

The Group is principally engaged in (i) the operations of coal mines and gold mine and leasing of mining licences in the People's Republic of China (the "PRC") and (ii) sale of mineral products.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange") and with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial statements have been prepared under the historical cost convention except for certain properties, plant and equipment and financial instruments, which are measured at revalued amounts or fair values, as appropriate. The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

The Group has adopted the following revised standards, and amendments and interpretation to standards:

HKFRS (Amendment)	Improvements to HKFRS issued in 2008 for the amendment to HKFRS 5
HKFRS (Amendment)	Improvements to HKFRS issued in 2009
HKAS 17 (Amendment)	Leases
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement — Eligible hedged items
HKFRS 1 (Revised)	First-time adoption of HKFRS
HKFRS 1 (Amendment)	First-time adoption of HKFRS — Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Share-based payment — Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combination
HK(IFRIC) — Int 17	Distribution of non-cash assets to owners

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2010

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

The adoption of these standards, amendments and interpretations has no significant impact on the results and financial positions of the Group.

The following standards, amendments and interpretations which have been issued and are not yet effective have not been early adopted by the Group:

HKFRS (Amendment)	Improvements to HKFRS issued in 2010
HKAS 24 (Revised)	Related party disclosures (effective for annual periods beginning on or after 1 January 2011)
HKAS 32 (Amendment)	Financial instruments: Presentation — Classification of rights issues
HKFRS 1 (Amendment)	First-time adoption of HKFRS — Limited exemptions from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 9	Financial instruments
HK(IFRIC) — Int 14 (Amendment)	HKAS 19 — The limit on a defined benefit assets, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments

The Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the financial statements of the Group in the initial application.

### 3. REVENUE

An analysis of the Group's revenue of the continuing operations for the period is as follows:

	<b>Six months ended 30 September</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Revenue from leasing of coal mining licences	<b>4,298</b>	3,936
Revenue from gold mining	<b>4,570</b>	—
Others	<b>32</b>	—
	<b>8,900</b>	<b>3,936</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2010

### 4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

An analysis of the Group's revenue and results by principal activities, in respect of the Group's operations for the six months ended 30 September 2010 is as follows:

#### 2010

	Coal-related investment HK\$'000	Gold-related investment HK\$'000	Corporate and other HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	4,298	4,570	32	—	8,900
Inter-segment sales	—	—	—	—	—
Total	<u>4,298</u>	<u>4,570</u>	<u>32</u>	<u>—</u>	<u>8,900</u>
RESULTS					
Segment results	<u>2,992</u>	<u>3,782</u>	<u>31</u>	<u>—</u>	<u>6,805</u>
Unallocated income					154
Unallocated corporate expenses					(8,689)
Finance costs					(82)
Loss before tax					(1,812)
Income tax expenses					(1,939)
Loss for the period					<u>(3,751)</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2010

### 4. SEGMENT INFORMATION (Continued)

2009

	Continuing Operations			Discontinued Operations						Consolidated HK\$'000
	Coal-related investment HK\$'000	Eliminations HK\$'000	Total HK\$'000	Superstructure construction works HK\$'000	Foundation piling, substructure works and slope improvement works HK\$'000	Interior decoration and landscaping works HK\$'000	Eliminations HK\$'000	Total HK\$'000		
<b>REVENUE</b>										
External sales	3,936	—	3,936	150,667	22,235	191	—	173,093	177,029	
Inter-segment sales	—	—	—	—	36	1,865	(1,901)	—	—	
<b>Total</b>	<b>3,936</b>	<b>—</b>	<b>3,936</b>	<b>150,667</b>	<b>22,271</b>	<b>2,056</b>	<b>(1,901)</b>	<b>173,093</b>	<b>177,029</b>	
<b>RESULTS</b>										
Segment results	3,805	(572)	3,233	9,401	1,968	(1,115)	(22)	10,232	13,465	
Unallocated income			—					74	74	
Unallocated corporate expenses			(3,106)					(9,804)	(12,910)	
Share of profits/(losses) of										
— jointly-controlled entities			—					1,983	1,983	
— associates			—					(456)	(456)	
Finance costs			(440)					—	(440)	
(Loss)/profit before tax			(313)					2,029	1,716	
Income tax expenses			(951)					—	(951)	
(Loss)/profit for the period			(1,264)					2,029	765	

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2010

### 5. FINANCE COSTS

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Effective interest expense on promissory note payable	<u>82</u>	<u>440</u>

### 6. INCOME TAX EXPENSES

- (a) Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the period. The PRC subsidiaries are subject to the PRC enterprise income tax at 25% (2009: 25%). No provision for Hong Kong deferred tax has been made as there were no estimated assessable profits for the six months ended 30 September 2009 and 2010.
- (b) The tax for the period is made up as follows:

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Current tax		
— Hong Kong	—	—
— PRC	1,939	951
Deferred tax	—	—
	<u>1,939</u>	<u>951</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2010

### 7. DISCONTINUED OPERATIONS

On 7 September 2009, the Company entered into a sale and purchase agreement with Ng Tat Leung, George to dispose the entire issued share capital of Club Ace Holdings Limited and the its shareholder's loan. The disposal was completed on 21 October 2009.

An analysis of the results of the Club Ace Holdings Limited and its subsidiaries as included in the condensed consolidated statement of comprehensive income is as follows:

	Six months ended 30 September 2009 HK\$'000
Revenue	173,093
Cost of sales	<u>(168,082)</u>
Gross profit	5,011
Other income	5,270
Other gains and losses	(5)
Administrative expenses	(9,774)
Share of profits of jointly-controlled entities	1,983
Share of losses of associates	<u>(456)</u>
Profit before taxation	2,029
Income tax expense	<u>—</u>
Profit for the period from discontinued operations	<u>2,029</u>
<b>Cash flows from discontinued operations</b>	
Net cash used in operating activities	(3,090)
Net cash generating by investing activities	5,119
Net cash generating by financing activities	<u>—</u>
Net increase in cash flows	<u>2,029</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2010

### 8. (LOSS)/PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
<b>Continuing operations</b>		
Cost of services and inventories recognised as an expense	2,095	703
Depreciation for property, plant and equipment	763	147
Minimum lease payments paid under operating leases during the period:		
Leasehold land and buildings	647	658
Employee benefits expense (including directors' remuneration):		
Wages and salaries	3,018	206
Contributions to retirement benefits scheme	58	—
	<u>3,076</u>	<u>206</u>
Interest income	154	—

### 9. DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2010

### 10. (LOSS)/EARNINGS PER SHARE

The calculations of basic and diluted (loss)/earnings per share for the six months ended 30 September 2010 together with the comparative figures for 2009 are as follows:

	<b>Six months ended 30 September</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
<b>(Loss)/profit for the purpose of basic and diluted (loss)/earnings per share</b>		
— Continuing operations	<b>(4,351)</b>	(1,918)
— Discontinued operations	—	2,029
	<u>—</u>	<u>—</u>
— Continuing and discontinued operations	<b>(4,351)</b>	111
	<u>—</u>	<u>—</u>

	<b>Six months ended 30 September</b>	
	<b>2010</b>	2009
		(restated)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>1,708,018,045</b>	984,901,672
Effect of dilutive potential ordinary shares assumed exercise of share options	<b>N/A</b>	N/A
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<b>1,708,018,045</b>	984,901,672

The computation of diluted loss per share did not assume the exercise of the Company's outstanding warrant and options as their exercise would reduce the loss per share for the period ended 30 September 2010.

The weighted average number of ordinary shares for the period ended 30 September 2009 was restated and adjusted for the effect of the Open Offer which was completed in December 2009 and the Share Subdivision which became effective in January 2010.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2010

### 11. CAPITAL EXPENDITURE

	Property, plant and equipment HK\$'000
Net book value as at 1 April 2010	2,545
Additions	8,602
Acquisition of subsidiaries	159
Depreciation	(763)
Currency translation differences	(5)
	<hr/>
Net book value as at 30 September 2010	<b>10,538</b>

### 12. MINING RIGHTS

	Coal mining rights HK\$'000	Gold mining rights HK\$'000	Total mining rights HK\$'000
Net book value as at 1 April 2010	241,530	—	241,530
Acquisition of subsidiaries	—	86,296	86,296
Amortisation	(710)	(320)	(1,030)
Currency translation differences	811	—	811
	<hr/>	<hr/>	<hr/>
Net book value as at 30 September 2010	<b>241,631</b>	<b>85,976</b>	<b>327,607</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2010

### 13. TRADE AND OTHER RECEIVABLES

An aged analysis of the Group's trade and other receivables as at 30 September 2010 is as follows:

	<b>30 September 2010 HK\$'000</b>	31 March 2010 HK\$'000
<b>Trade receivables, with aged analysis</b>		
Current to 90 days	7,158	2,837
91 days to 180 days	2,175	—
181 days to 365 days	—	—
Over 365 days	—	—
	<hr/> 9,333	<hr/> 2,837
Less: accumulated impairment	—	—
	<hr/> 9,333	<hr/> 2,837
<b>Total trade receivables as shown under current assets</b>		
Deposits paid for acquisition of subsidiaries	—	33,000
Deposits paid for purchase of goods	—	15,521
Prepayments, deposits and other receivables	20,715	5,456
	<hr/> 20,715	<hr/> 53,977
	<hr/> 30,048	<hr/> 56,814

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2010

### 14. TRADE AND OTHER PAYABLES

An aged analysis of the Group's trade and other payables as at 30 September 2010 is as follows:

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
<b>Trade payables, with aged analysis</b>		
Current to 90 days	46	—
91 days to 180 days	—	—
181 days to 365 days	—	—
Over 365 days	—	—
	<hr/>	<hr/>
<b>Total trade payables as shown under current liabilities</b>	<b>46</b>	<b>—</b>
	<hr/>	<hr/>
Other payables and accruals	32,381	1,815
Amounts due to non-controlling shareholders	—	206
	<hr/>	<hr/>
	<b>32,381</b>	<b>2,021</b>
	<hr/>	<hr/>
	<b>32,427</b>	<b>2,021</b>
	<hr/>	<hr/>

### 15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 31 March 2010 and at 30 September 2010		
Ordinary shares of HK\$0.01 each	15,000,000,000	150,000
	<hr/>	<hr/>
Issued and fully paid:		
At 31 March 2010		
Ordinary shares of HK\$0.01 each	1,635,432,400	16,354
Issue of new shares under a placing agreement	80,000,000	800
Exercise of options	33,084,800	331
	<hr/>	<hr/>
At 30 September 2010		
Ordinary shares of HK\$0.01 each	1,748,517,200	17,485
	<hr/>	<hr/>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2010

### 16. PROMISSORY NOTE PAYABLE

On 3 September 2010, the Company issued a promissory note with a principal amount of HK\$30,000,000 to the vendor as part of the purchase consideration for the acquisition of 100% equity interests in Bestkin International Limited ("Bestkin") and full amount of the shareholder's loan owned by Bestkin to the vendor. The promissory note is transferable, unsecured, carried interest at 3.5% per annum and has a fixed term of two years from the date of issue.

### 17. OPERATING LEASES

#### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<b>30 September 2010 HK\$'000</b>	31 March 2010 HK\$'000
Within one year	900	935
In the second to fifth year inclusive	—	233
	<b>900</b>	<b>1,168</b>

### 18. PLEDGE OF ASSETS

As at 30 September 2010, the Group has no pledged deposits (31 March 2010: Nil).

### 19. CONTINGENT LIABILITIES

As at 30 September 2010, the Group did not have any significant contingent liabilities (31 March 2010: Nil).

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2010

### 20. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

Pursuant to a sale and purchase agreement dated 8 February 2010, the first supplemental agreement dated 14 May 2010 and the second supplemental agreement dated 2 July 2010, the Group acquired the entire equity interests in Bestkin International Limited ("Bestkin") and the full amount of the shareholder's loan owned by Bestkin to the vendor for an aggregate consideration of HK\$88,000,000. The acquisition was completed on 2 July 2010. Bestkin (through its subsidiary) was mainly involved in holding of gold mining rights to conduct mining activities in gold mine situated in Long Men Sou, District of the Chicheng County, Hebei Province, the PRC and had not carried out any other significant business transactions since its incorporation. In the opinion of the directors, the acquisition did not, therefore, constitute an acquisition of business as the Group principally acquired the mining rights through the acquisition. Therefore, the acquisition was not disclosed as a business combination in accordance with the requirements of HKFRS 3 Business Combinations.

The net assets acquired in the acquisition were as follows:

	HK\$'000
Net assets acquired:	
Mining rights	86,296
Property, plant and equipment	159
Inventory	55
Trade and other receivables	230
Bank balances	1,263
Trade and other payables	(3)
	<u>88,000</u>
Total consideration satisfied by:	
Cash consideration paid	58,000
Fair value of promissory note issued	30,000
	<u>88,000</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	(58,000)
Cash and bank balances acquired	1,263
	<u>(56,737)</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

*For the six months ended 30 September 2010*

### **21. EVENTS AFTER THE REPORTING PERIOD**

On 25 October 2010 and 7 December 2010, the Board announced that the Group is under negotiations or discussions regarding (i) a possible investment or acquisition of overseas gold mine(s); and (ii) a possible disposal of certain assets of the Group (collectively the "Possible Transactions"). Up to the date of this report, no legally binding agreements or contracts relating to any of the Possible Transactions have been entered into by the Group.

### **22. COMPARATIVE FIGURES**

Certain comparative figures have been re-classified in order to conform with the presentation of current period.

## INTERIM DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the operations of coal mines and gold mine and leasing of mining licences in the People's Republic of China (the "PRC") and sale of mineral products.

## BUSINESS REVIEW

During the period under review, the Group's continuing operations has recorded a turnover of approximately HK\$8,900,000 which represents an increase of 126% compared with the turnover recorded in the corresponding period of last year. The Group recorded a net loss from ordinary activities attributable to owners of approximately HK\$4,351,000 compared with a net profit from ordinary activities attributable to owners of approximately HK\$111,000 for the corresponding period of last year.

## COAL MINING

The Group owns five coal mining rights in the PRC including Tiechong Coal Mine, Xinghe Coal Mine, Shuishan Coal Mine, Lushan Coal Mine and the Dayan Coal Mine with respective production capacities of 90,000 tonnes, 150,000 tonnes, 90,000 tonnes, 90,000 tonnes and 300,000 tonnes per annum.

The Group leased the mining rights of Tiechong Coal Mine, Xinghe Coal Mine and Shuishan Coal Mine to Independent Third Parties during the period under review. The Group has not leased out the coal mining licences relating to the Lushan Coal Mine and the Dayan Coal Mine, the explorations of these two mines were in progress, no development or production activity has taken place at this stage. The Group has incurred approximately of HK\$7 million for the explorations of the mines during the period under review.

Since the Department of Energy of China has pointed out that it will initiate the formulation of coal regulations and policies, including some directions, among others, strengthening the management of coal resources, the improvement of coal planning and the protection of rights and interests of the miners, etc. The Board believes that the costs in the construction and production of coal mine for the coal enterprise will increase for fulfilling the new regulations and policies. Therefore, the Group is cautious on the coal mining.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### GOLD MINING

The Group acquired the entire equity interests in Bestkin International Limited (“Bestkin”) and the full amount of the shareholder’s loan owned by Bestkin to the vendor for an aggregate consideration of HK\$88,000,000. The acquisition was completed on 2 July 2010. Bestkin (through its subsidiary) was mainly involved in holding of gold mining rights to conduct mining activities in gold mine with a mining area of approximately 0.3611 sq. km and production capacity of 500 tonnes per annum. which is situated in Long Men Sou, District of the Chicheng County, Hebei Province, the PRC.

The Group has engaged an independent subcontractor with relevant experience in gold mining and production business to provide services include mining, drilling and other related operations at Long Men Sou Mine. The Group has incurred approximately of HK\$0.4 million for the explorations and development of the mine during the period under review.

### GUARANTY COMPANY

On 9 April 2010, Guizhou Baoxin Investment and Guaranty Co. Ltd. (the “PRC Subsidiary”) was established in Guizhou Province, the PRC. The PRC Subsidiary is indirectly wholly-owned by the Company, and has an approved operating term of 20 years.

The major scope of business of the PRC Subsidiary includes, among other things, (i) providing certain types of guarantees for entities and individuals to obtain various kinds of financing from banks or financial institutions in Guizhou including loans, bills discounting, leases financing and project financing; (ii) providing financing consultancy services relating to the guarantees business; and (iii) making investments.

The PRC Subsidiary is at the early stage of development of financial guarantee services in the PRC.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### PROSPECTS

The expectancy to unprecedented hyperinflation in a global scale triggered by the quantitative easing monetary policy of the USA, there will certainly be increasing demand for commodities such as gold. The Board is optimistic about the function of gold mining. Gold became a risk-resistance investment tool in 2010. In mid November 2010, gold price sharply increased to over US\$1,400 per ounce. We believed that this upward trend will continue in the next few years. We will enhance the existing production capacity and further acquisition of exploration and mining right all over the world. The Directors strategically focus to gold resources sectors and we expect it will bring new prospects and opportunities to the future of the Group.

The Group is actively seeking for potential investment opportunities. On 25 October 2010, the Board announced that the Group is under negotiations or discussions regarding (i) a possible investment or acquisition of overseas gold mine(s); and (ii) a possible disposal of certain assets of the Group (collectively the "Possible Transactions"). Up to the date of this report, no legally binding agreements or contracts relating to any of the Possible Transactions have been entered into by the Group.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2010, the Group's had no outstanding bank borrowings and no banking facilities.

The Group's gearing ratio as at 30 September 2010 was zero (31 March 2010: zero), calculated based on the Group's total zero borrowings (31 March 2010: HK\$Nil) over the Group's total assets of HK\$450,827,000 (31 March 2010: HK\$346,796,000).

As at 30 September 2010, the balances of cash and cash equivalents of the Group were approximately HK\$82,500,000 (31 March 2010: HK\$45,900,000) and were mainly denominated in United States dollars and Renminbi.

The Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long working relationship so as to minimize risks in its business.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCING

On 5 May 2010, the Company announced that an aggregate of 80,000,000 shares of HK\$0.01 each in the capital of the Company were placed to not fewer than six placees, at the placing price of HK\$0.50 per placing share, upon completion of the placing agreement dated 26 April 2010 entered into between the Company and VC Brokerage Limited as the placing agent. The net proceeds from the aforesaid placing amounted to approximately HK\$39,300,000 which were intended to be used for the general working capital of the Group and potential investments.

### FOREIGN EXCHANGE EXPOSURE

During the period ended 30 September 2010, the Group mainly operated in the PRC and the majority of the Group's transactions and balances as at and for the period ended 30 September 2010 was denominated in United States dollars and Renminbi. The Group currently does not have a foreign currency hedging policy. Nevertheless, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the period ended 30 September 2010.

## OTHER INFORMATION

### UNLISTED WARRANTS

The following table discloses movements in the Company's unlisted warrants issued to the subscribers during the six months ended 30 September 2010:

Date of warrant issued	Outstanding at beginning of the period	Granted during the period	Exercise during the period	Outstanding at end of the period	Subscription price HK\$	Exercise period	Percentage to total Company's shares in issue at end of the period
10 March 2010	323,848,000	—	—	323,848,000	0.160	10 March 2010– 9 March 2015	18.52%

## SHARE OPTION SCHEME

In the Company's special general meeting held on 4 January 2010, an ordinary resolution was passed by the Company's shareholders for adoption of a new share option scheme (the "2010 Share Option Scheme") (which is complied with amended Chapter 17 of the Listing Rules) and termination of the Company's share option scheme adopted on 28 August 2002. There were 47,877,200 options outstanding as at 30 September 2010 which represented approximately 2.74% of the total number of issued shares of the Company as at that date.

During the six months ended 30 September 2010, the movements of the options which have been granted under the 2010 Share Option Scheme are as follows:

Category and name of participants	Date of share option granted	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding at end of the period	Subscription price HK\$	Exercise period
<b>Directors</b>								
Li Hok Yin	2 March 2010	16,192,400	—	16,192,400	—	—	0.1846	2 March 2010 to 2 March 2012
Yuen Sau Ying, Christine (resigned on 28 June 2010)	2 March 2010	16,192,400	—	16,192,400	—	—	0.1846	2 March 2010 to 2 March 2012
<b>Employees of the Group</b>								
	2 March 2010	48,577,200	—	700,000	—	47,877,200	0.1846	2 March 2010 to 2 March 2012
		<u>80,962,000</u>	<u>—</u>	<u>33,084,800</u>	<u>—</u>	<u>47,877,200</u>		

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2010, the interests and short positions of the directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to (the Model Code for Securities Transactions by Directors of Listed Issues,) were as follows:

### Long positions in shares and underlying shares of the Company

Name of Director	Number of ordinary share		Number of underlying shares held under share options	Total	Percentage of the issued share capital of the Company
	Personal interests	Corporate interests			
Li Hok Yin	16,192,400	—	—	16,192,400	0.93%

Save as disclosed herein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2010 as defined in Section 352 of the SFO.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

### Persons who have an interest or short position which is discloseable under provisions of Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors of the Company, as at 30 September 2010, the following persons (including Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholders	Number of ordinary shares held	Underlying shares of equity derivatives (i.e. warrant)	Total interest	Percentage of issued ordinary shares as at 30 September 2010
Orient Best Holdings Limited (note 1)	—	323,848,000	323,848,000	18.52%
Cheever Capital Management (Asia) Limited (note 2)	128,000,000	—	128,000,000	7.32%
Newly Rich International Overseas Limited (note 3)	95,840,000	—	95,840,000	5.48%
Galaxy Asset Management (H.K.) Limited (note 4)	187,910,000	—	187,910,000	10.75%

## SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

### Persons who have an interest or short position which is discloseable under provisions of Divisions 2 and 3 of Part XV of the SFO

*(Continued)*

Notes:

- (1) 323,848,000 shares were unexercised unlisted warrants as at period end 30 September 2010. The entire share capital of Orient Best Holdings Limited is wholly-owned by World Channel Holdings Limited which in turn is wholly-owned by Mr. Chau Shing Yim, David.
- (2) Cheever Capital Management (Asia) Limited is wholly-owned by Cheung Siu Chung. Hence, Cheung Siu Chung is deemed to be interested in the Shares held by Cheever Capital Management (Asia) Limited for the purpose of SFO.
- (3) Newly Rich International Overseas Limited is wholly-owned by Cheever Asian Growth Fund Limited which in turn is owned as to 50% by Cheung Siu Chung and 50% owned by Zhang Lan. Hence, Cheung Siu Chung and Zhang Lan are deemed to be interested in the Shares held by Newly Rich International Overseas Limited for the purpose of SFO.
- (4) Of these 187,910,000 shares, 85,020,000 shares are indirectly held by Galaxy Asset Management (H.K.) Limited ("Galaxy (H.K.)") through Galaxy China Opportunities Fund, 70,890,000 shares are indirectly held by Galaxy (H.K.) through Galaxy China Deep Value Fund, 32,000,000 shares are indirectly held by Galaxy (H.K.) through Galaxy China Special Situations Fund SPC. Galaxy (H.K.) is deemed to be interested by virtue that Galaxy China Opportunities Fund, Galaxy China Deep Value Fund and Galaxy China Special Situations Fund SPC are wholly owned by Galaxy (H.K.) for the purpose of SFO. Deutsche Bank Aktiengesellschaft has given notification in respect of its security interest in 80,520,000 shares held by Galaxy (H.K.).

Save as disclosed above, as at 30 September 2010, the Directors of the Company were not aware of any other person who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## CORPORATE GOVERNANCE

### Audit Committee

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions as set out in the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee comprises three independent non-executive Directors, Mr. Chui Man Lung, Everett, Mr. Hui Wah Tat, Anthony and Mr. Li Kam Chung. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group, and to review the Company's annual and interim reports.

The audit committee has also reviewed the Group's unaudited results for the six months ended 30 September 2010.

### Compliance with Code on Corporate Governance Practices

None of the Directors is aware of any information that would reasonably indicate that the Group is not, or was not for any part of the accounting period covered by this interim report in compliance with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except for code provision A.2.1 and A.4.1 of the Code which stated below.

Code Provision A.2.1 requires the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. To make and to facilitate the implementation of decisions promptly and efficiently, the Company has not separated the roles of the chairman and the chief executive officer which are performed by the same individual, Mr. Li Ho Yin. The Company will review the current structure when and as it becomes appropriate in future.

Code Provision A.4.1 requires non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the bye-laws of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the securities transactions of the Directors of the Company. Having made specific enquiry to all Directors of the Company, they have confirmed that they complied with the required standard set out in the Model Code during the accounting period covered by this interim report.

By order of the Board

**Li Hok Yin**

*Chairman and Chief Executive Officer*

Hong Kong SAR, 10 December 2010