



中國金匯礦業有限公司
China Jin Hui Mining Corporation Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 462

Interim Report 2008/2009



聚光匯金
「礦」展未來

CONTENT

Corporate Information	2
Consolidated Income Statement (Unaudited)	3
Consolidated Balance Sheet (Unaudited)	4
Consolidated Statement of Change in Equity (Unaudited)	5
Condensed Consolidated Cash Flow Statement (Unaudited)	6
Notes to the Unaudited Interim Financial Report	7
Management Discussion and Analysis	23
Other Information	27

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Katherine Chan Wai Kay
Ms. Zuo Lihua

Non-Executive Director

Mr. He Changming (Chairman)

Independent Non-Executive Directors

Mr. Lee Kin Keung**
Mr. Xu Wen An**
Mr. Stephen Bryden Kerr**

* Audit Committee members

Remuneration Committee members

AUTHORISED REPRESENTATIVES

Ms. Katherine Chan Wai Kay
Mr. Navin K. Aggarwal

COMPANY SECRETARY

Mr. Navin K. Aggarwal

QUALIFIED ACCOUNTANT

Mr. Luk Chi Keung

AUDITORS

SHINEWING (HK) CPA Limited

LEGAL ADVISERS

In Hong Kong:

Kirkpatrick & Lockhart Preston Gates Eills
Solicitors

In Cayman Islands:

Conyers Dill & Pearman, Cayman

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
George Town
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 1801-1802
18th Floor, Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
DBS Bank (Hong Kong) Limited
The Hongkong & Shanghai
Banking Corporation

STOCK CODE

462

COMPANY WEBSITE

<http://www.linfair.net>
<http://www.aplushk.com/clients/0462CJH/index.html>

The Board of Directors (the "Board") of China Jin Hui Mining Corporation Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2008.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 September 2008

		Six months ended 30 September	
		2008	2007 (Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Continuing operations			
Turnover	2	46,317	13,508
Cost of contract works		(28,349)	(2,349)
Cost of sales		(10,735)	(8,997)
Gross profit		7,233	2,162
Other revenues	3	3,093	1,605
Impairment loss recognised in respect of inventories		(11,000)	(113)
Impairment loss recognised in respect of trade and other receivables		(167)	(615)
Selling and distribution expenses		(834)	(863)
General and administrative expenses		(20,679)	(16,369)
Loss from operations		(22,354)	(14,193)
Gain on disposal of a subsidiary	21	3,297	-
Impairment loss recognised in respect of mining rights		(90,394)	-
Finance costs	4	-	(515)
Loss before taxation	4	(109,451)	(14,708)
Income tax	5	(1,867)	-
Loss for the period from continuing operations		(111,318)	(14,708)
Discontinued operation			
Loss for the period from discontinued operation	6	-	(3,009)
Loss for the period		(111,318)	(17,717)
Dividends per share	7	-	-
Loss per share			
From continuing operations and discontinued operation	8		
Basic (cents per share)		(26.42)	(4.73)
Diluted (cents per share)		N/A	N/A
From continuing operations			
Basic (cents per share)		(26.42)	(3.93)
Diluted (cents per share)		N/A	N/A
From discontinued operation			
Basic (cents per share)		-	(0.80)
Diluted (cents per share)		N/A	N/A

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 September 2008

	Notes	At 30 September 2008 (Unaudited) HK\$'000	At 31 March 2008 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	72,388	18,267
Prepaid lease payments		768	779
Mining Rights	10	25,052	–
Deposits paid for acquisition of subsidiaries		–	30,000
		98,208	49,046
Current assets			
Inventories	11	17,975	3,870
Prepaid lease payments		20	20
Trade and bills receivables	12	9,368	11,536
Other receivables, deposits and prepayments	13	32,488	40,207
Tax recoverable		–	493
Pledged bank deposits		1,250	3,000
Bank balances and cash		26,936	86,257
		88,037	145,383
Subsidiary held-for sales – assets		–	24,458
Current liabilities			
Bank overdraft		293	–
Trade and bills payables	14	34,220	24,122
Other payables and accrued charges	15	33,977	41,513
Tax payables		1,656	–
		70,146	65,635
Liabilities associated with assets classified as subsidiary held-for sales		–	27,805
Net current assets			
		17,891	76,401
Total assets less current liabilities			
		116,099	125,447
Equity			
Share capital	16	42,133	42,133
Reserves		(26,155)	83,193
Total equity		15,978	125,326
Non-current liabilities			
Payables for acquisition of subsidiaries	22	100,000	–
Deferred tax liabilities		121	121
		100,121	121
		116,099	125,447

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY (UNAUDITED)

For the six months ended 30 September 2008

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (note a)	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 April 2007	33,821	73,600	(14,990)	(2,046)	6,437	(53,387)	43,435
Loss for the period	-	-	-	-	-	(17,717)	(17,717)
Exchange differences arising on translation of foreign operations	-	-	-	-	5,328	-	5,328
Share issued under Pre-IPO Share Options (note b)	312	1,719	-	-	-	-	2,031
Share issued pursuant to placement (note c)	3,000	28,500	-	-	-	-	31,500
Expenses on placement	-	(397)	-	-	-	-	(397)
Shares issued pursuant to top-up subscription (note d)	5,000	95,000	-	-	-	-	100,000
Expenses on top-up subscription	-	(3,147)	-	-	-	-	(3,147)
Released upon sales of available-for-sale investments	-	-	-	2,046	-	-	2,046
At 30 September 2007	<u>42,133</u>	<u>195,275</u>	<u>(14,990)</u>	<u>-</u>	<u>11,765</u>	<u>(71,104)</u>	<u>163,079</u>
At 1 April 2008	42,133	195,275	(14,990)	-	859	(97,951)	125,326
Loss for the period	-	-	-	-	-	(111,318)	(111,318)
Exchange differences arising on translation of foreign operations	-	-	-	-	1,970	-	1,970
At 30 September 2008	<u>42,133</u>	<u>195,275</u>	<u>(14,990)</u>	<u>-</u>	<u>2,829</u>	<u>(209,269)</u>	<u>15,978</u>

Notes:

- The merger reserve of the Group represented the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital of the subsidiaries acquired pursuant to the Group reorganisation in May 2005.
- During the six months ended 30 September 2007, an aggregate of 3,126,000 new shares of the Company were issued at the exercise price of HK\$0.65 pursuant to the Pre-IPO Share Options.
- On 11 May 2007, 30,000,000 new shares of the Company were issued at the price of HK\$1.05 per share for cash by way of placing.
- On 22 August 2007, 50,000,000 new shares of the Company were issued at the price of HK\$2 per share for cash by way of top-up subscription.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 September 2008

	Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000
Cash used in operations	(31,320)	(9,376)
Income tax paid	—	8
Net cash used in operating activities	(31,320)	(9,368)
Net cash (used in)/generated from investing activities	(31,402)	1,385
Net cash generated from financing activities	1,750	105,522
Net (decrease)/increase in cash and cash equivalents	(60,972)	97,539
Cash and cash equivalents at 1 April	86,257	44,562
Effect of foreign exchange rates changes	1,358	255
Cash and cash equivalents at 30 September	26,643	142,356
Analysis of the balance of cash and cash equivalents, represented by:		
Bank balances and cash	26,936	142,356
Bank overdraft	(293)	—
	26,643	142,356

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. ORGANISATION AND BASIS OF PREPARATION

(a) The Company and the principal place of business

China Jin Hui Mining Corporation Limited (the "Company"), formerly known as Linfair Holdings Limited, is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law of the Cayman Islands on 8 October 2002. The address of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of this report.

The interim financial report is presented in Hong Kong dollars, which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

(b) Basis of preparation

This interim financial report for the six months ended 30 September 2008 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 22 December 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the preparation of the Company's 2008 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The interim financial report is unaudited, but has been reviewed by the Company's audit committee.

The financial information relating to the financial year ended 31 March 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2008 are available from the Company's registered office. The auditors have expressed a qualified opinion arising from limitation of audit scope on those financial statements in their report dated 25 July 2008.

2. TURNOVER AND SEGMENT INFORMATION

The Group's turnover and result for the six months ended 30 September 2008 and 2007 analysed in respect of the Group's business and geographical segments are as follow. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

- Provision of engineering systems contracting services;
- Sales of consumable and spare parts; and
- Production and sales of iron ore.

	Provision of engineering systems contracting services HK\$'000	Sales of consumable and spare parts HK\$'000	Production and sales of iron ore HK\$'000	Consolidated HK\$'000
(Six months ended 30 September 2008)				
Continuing operations				
Revenue from external customers	35,611	5,232	5,474	46,317
Segment results	7,096	4,081	(12,688)	(1,511)
Unallocated operating income and expenses				(20,843)
Loss from operations				(22,354)
Gain on disposal of subsidiaries				3,297
Impairment loss recognised in respect of mining rights	-	-	(90,394)	(90,394)
Loss before taxation				(109,451)
Income tax				(1,867)
Loss for the period from continuing operations				(111,318)

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Provision of engineering systems contracting services HK\$'000	Sales of consumable and spare parts HK\$'000	Production and sales of iron ore HK\$'000	Consolidated HK\$'000
(Six months ended 30 September 2007)				
Continuing operations				
Revenue from external customers	3,512	9,996	–	13,508
Segment results	1,163	999	–	2,162
Unallocated operating income and expenses				(16,355)
Loss from operations				(14,193)
Finance costs				(515)
Loss before taxation				(14,708)
Income tax				–
Loss for the period from continuing operations				(14,708)
Discontinued operation				
Revenue from external customers	3,970	6,459	–	10,429
Segment results	815	1,407	–	2,222
Unallocated operating income and expenses				(5,230)
Loss from operation				(3,008)
Finance costs				(1)
Loss before taxation				(3,009)
Income tax				–
Loss for the period from discontinued operation				(3,009)

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Geographical segments

The Group's operations are principally located in Hong Kong, the other regions of PRC, Taiwan, and the Southeast Asia respectively. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/ services:

	Sales revenue by geographical market		Contribution to loss before taxation	
	Six months ended 30 September		Six months ended 30 September	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Hong Kong	5,368	3,415	(1,082)	(3,718)
PRC	35,010	6,803	(109,038)	(7,407)
Taiwan	3,744	435	(755)	(473)
Southeast Asia	–	2,455	–	(2,673)
Others	2,195	400	(443)	(437)
	46,317	13,508	(111,318)	(14,708)
Discontinued operation				
PRC	–	3,848	–	(1,110)
Taiwan	–	6,581	–	(1,899)
	–	10,429	–	(3,009)
Total	46,317	23,937	(111,318)	(17,717)

3. OTHER REVENUES

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Commission	15	53
Dividend income	–	15
Reversal for impairment loss in respect of trade and other receivables	2,423	–
Interest income	394	991
Other income	50	73
Service income	211	473
	3,093	1,605

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on borrowings	—	515
(b) Other items		
Depreciation and amortisation (<i>Note 1</i>)	17,813	2,190
Gain on disposal of a subsidiary	(3,297)	—
Impairment loss recognised in respect of inventories	11,000	113
Impairment loss recognised in respect of mining rights	90,394	—
Impairment loss recognised in respect of trade and other receivables	167	615
Loss on disposal of available-for-sale investment	—	1,184

Note:

- Included in cost of sales was amortisation of mining rights of HK\$14,896,000 (2007: Nil), which had also been included in depreciation and amortisation disclosed above.

5. INCOME TAX

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Current tax:		
Outside Hong Kong	1,867	—

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. No Hong Kong Profits Tax has been provided for as the Group had no estimated assessable profits in Hong Kong and no deferred tax asset has been recognised in respect of the estimated tax losses due to unpredictability of the future profit streams for the six months ended 30 September 2008 and 2007.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DISCONTINUED OPERATION

The Group entered into an agreement to dispose 100% equity interest in Linfair Engineering Company Limited ("LEC") and the disposal has been completed on 23 July 2008. LEC is a limited liability company incorporated in Samoa and is principally engaged in provision of engineering systems contracting services and sales of related parts.

	Six months ended 30 September 2007 HK\$'000
Turnover	10,429
Cost of contract works	(3,155)
Cost of sales	(5,052)
Gross profit	2,222
Other revenues	767
Selling and distribution expenses	(66)
General and administrative expenses	(5,931)
Loss from operations	(3,008)
Finance costs	(1)
Loss before taxation	(3,009)
Income tax	—
Loss for the period from discontinued operations	(3,009)

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2008 (six months ended 30 September 2007: nil).

No dividend payable to equity shareholders of the Company attributable to the previous financial years has been approved or paid during the current period.

8. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 September 2008 is based on the loss attributable to equity shareholders of the Company of approximately HK\$111,318,000 (six months ended 30 September 2007: HK\$17,717,000) and the weighted average number of shares in issue during the period of 421,334,000 shares (six months ended 30 September 2007: 374,477,154).

No dilutive loss per share is presented for the respective six months ended 30 September 2008 and 2007 as the exercise of the potential ordinary shares would result in reduction in loss per share in both periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment amounting to approximately HK\$57,339,000 (six months ended 30 September 2007: approximately HK\$2,763,000) including approximately HK\$53,061,000 of those arising from acquisitions of subsidiaries (six months ended 30 September 2007: nil).

10. MINING RIGHTS

	HK\$'000
At cost	
At 1 April 2008	–
Acquisition of subsidiaries	130,342
	<hr/>
At 30 September 2008	130,342
	<hr style="border-top: 1px dashed black;"/>
Amortisation and impairment	
At 1 April 2008	–
Charge for the period	14,896
Impairment loss recognised	90,394
	<hr/>
At 30 September 2008	105,290
	<hr style="border-top: 1px dashed black;"/>
Carrying value	
At 30 September 2008	25,052
	<hr style="border-top: 3px double black;"/>
At 31 March 2008	–
	<hr style="border-top: 3px double black;"/>

The mining rights represent the rights granted to conduct mining activities in Tengfei Magnetite in Chengde County, Hebei Province, the PRC, for a period of five years. In the opinion of the directors of the Company (“Directors”), the Group will be able to renew the mining rights with the relevant government authorities at minimal charges.

10. MINING RIGHTS (Continued)

Other than the mining rights in Tengfei Magnetite, the Group also holds another mine in Chengde County, Gangzicum Donggou Magnetite, covering a total area of approximately 2.74 square kilometers. The Group presently carries exploration work on the Gangzicum Donggou Magnetite. The mining licence of Gangzicum Donggou Magnetite up to the date of this report, has been applied but yet to be granted. The Directors are of the opinion that such approval will be granted to the Group in due course.

The mining rights are amortised over the remaining period of the mining rights.

The fair value of mining rights at 30 September 2008 have been arrived at on the basis of a valuation carried out on that day by 深圳市鵬盛星輝資產評估事務所, independent qualified professional valuers not connected with the Group. Impairment loss of approximately HK\$90,394,000 have been recognised. Such loss is mainly due to the decrease in global market price of iron ore and the continuing increase in production cost.

11. INVENTORIES

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
Consumables and spare parts	3,967	3,870
Iron ore	14,008	–
	17,975	3,870

Included in the above were the amounts of consumables and spare parts and iron ore approximately HK\$172,000 (31 March 2008: HK\$82,000) and HK\$11,230,000 (31 March 2008: nil) respectively were carried at net realisable values.

12. TRADE AND BILLS RECEIVABLES

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
Trade receivables	54,082	55,096
Less: impairment recognised	(44,714)	(46,970)
	9,368	8,126
Bills receivables	–	3,410
	9,368	11,536

An aged analysis of the trade receivables is as follows:

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
0 to 90 days	5,767	3,131
91 to 180 days	237	2,483
181 to 365 days	2,354	570
Over 1 year but not more than 2 years	3,619	12,388
Over 2 years	42,105	36,524
	54,082	55,096
Less: impairment recognised	(44,714)	(46,970)
Total trade receivables	9,368	8,126

Trade receivables are due within 3 to 12 months from the date of billing. In addition, for certain customers with long-established relationship and good past repayment histories, a longer period may be granted, and the balance of the contract sum are being paid by way of instalments over a period of up to 18 months. The Group has no collateral from its customers.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments is an amount of approximately HK\$14,731,000 (31 March 2008: HK\$30,852,000) in respect of deposits paid for the provision of engineering systems contracting services.

14. TRADE AND BILLS PAYABLES

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
Trade payables	34,220	23,615
Bills payables	–	507
	<u>34,220</u>	<u>24,122</u>

Ageing analysis of trade payables is as follows:

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
0 to 90 days	19,499	5,657
91 to 180 days	285	1,374
181 to 365 days	870	777
Over 1 year but not more than 2 years	6,596	10,749
Over 2 years	6,970	5,058
Total trade payables	<u>34,220</u>	<u>23,615</u>

15. OTHER PAYABLES AND ACCRUED CHARGES

Included in other payables and accrued charges is an amount of approximately HK\$20,811,000 (31 March 2008: HK\$33,345,000) in respect of deposits received for the provision of engineering systems contracting services.

16. SHARE CAPITAL

(a) The share capital as at 30 September 2008 and 31 March 2008 is as follows:

	No. of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each	<u>421,334,000</u>	<u>42,133</u>

(b) Terms of unexpired and unexercised share options at the balance sheet date are as follows:

Exercise period	Exercise price	At 30 September 2008	At 31 March 2008
11 December 2005 to 30 March 2015	HK\$0.65	<u>3,666,000</u>	<u>3,666,000</u>

17. PLEDGE OF ASSETS

At the balance sheet date, the banking facilities of the Group were secured by the following assets:

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
Property, plant and equipment	<u>1,099</u>	1,928
Bank deposits	<u>1,250</u>	<u>3,000</u>
	<u>2,349</u>	<u>4,928</u>

18. COMMITMENTS

(a) Capital commitments

The Group did not have any material capital commitments.

(b) Operating lease commitments

At the balance sheet date, the Group had committed for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
Within one year	1,282	2,425
In the second to fifth year inclusive	385	385
	1,667	2,810

19. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liability in relation to performance bonds of approximately HK\$1,227,000 (At 31 March 2008: HK\$1,227,000).

20. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following significant transaction and balances with related parties during the period:

(a) Transaction and balance with the Group's Directors and their close family members

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
Amount due to a director, included in other payables and accrued charges	<u> -</u>	<u> 17</u>

The amount is interest-free, unsecured and repayable on demand.

	Six months ended 30 September 2008 HK\$'000	2007 HK\$'000
Directors' fees	<u> 1,778</u>	<u> 1,172</u>

(b) Balance with the Group's affiliated companies

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
Amount due to a related party, included in other payables and accrued charges	<u> -</u>	<u> 14</u>

The amount is interest-free, unsecured and repayable on demand and made on the same terms with other independent third parties.

21. DISPOSAL OF A SUBSIDIARY

On 5 June 2008, the Group entered into the agreement with an independent third party for the disposal of 100% equity interest in LEC, a wholly-owned subsidiary of the Group, for an aggregate consideration of HK\$2,000,000. The financial cut-off date was set at 31 March 2008 ("Cut-Off Date"). The disposal has been completed on 23 July 2008. A gain of approximately HK\$3,297,000 resulted in the disposal.

The net liabilities of LEC at the Cut-Off Date were as follows:

	HK\$'000
<hr/>	
Assets/(liabilities) disposed of:	
Property, plant and equipment	250
Trade and bills receivables	11,676
Other receivables, deposits and prepayments	14,506
Bank balances and cash	76
Trade and bills payables	(18,883)
Other payables and accrued charges	(8,922)
	<hr/>
Net liabilities disposal of	(1,297)
Gain on disposal	3,297
	<hr/>
Total consideration	2,000
	<hr/>
Satisfied by:	
Cash consideration	2,000
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration	2,000
Bank balances and cash disposed of	(76)
	<hr/>
	1,924
	<hr/>

22. ACQUISITION OF SUBSIDIARIES

On 7 December 2007, the Group entered into a share transfer agreement with Citywin Pacific Limited ("Citywin"), an independent third party, to acquire 100% equity interest in Qingdao Yongxinhui Mining Company Limited ("Qingdao Yongxinhui") at a consideration of HK\$130 million ("Acquisition"). Qingdao Yongxinhui is engaged in the operation of two mines namely Tengfei Magnetite and Gangzicum Donggou Magnetite which situated in Chengde County, Hebei Province, the PRC through its wholly-owned subsidiary namely Chengde Shenlong Mining Company Limited. The consideration is satisfied by cash consideration of HK\$30 million and the issue of HK\$100 million convertible bond with the maturity of 4 years from the date of issue. The Acquisition was completed on 14 June 2008 and Qingdao Yongxinhui became a wholly-owned subsidiary of the Group. The Group has applied to issue the convertible bond to settle the balance of the consideration. Up to the date of this report, the application is still in progress.

The net assets acquired in the Acquisition were as follows:

	Carrying amount before combination	Fair value adjustment	Fair value
	HK\$'000	HK\$'000	HK\$'000
Net assets acquired:			
Property, plant and equipment	53,061	–	53,061
Mining rights	–	130,342	130,342
Inventories	3,580	–	3,580
Prepayments, deposits, and other receivables	1,750	–	1,750
Bank balances and cash	413	–	413
Trade and bills payables	(43,296)	–	(43,296)
Other payables and accrued charges	(15,570)	–	(15,570)
Tax payable	(280)	–	(280)
Net identifiable assets and liabilities	<u>(342)</u>	<u>130,342</u>	<u>130,000</u>
Satisfied by:			
Cash consideration			30,000
Issue of convertible bond			100,000
			<u>130,000</u>
Net cash outflow arising on acquisition			
Cash consideration			30,000
Bank balances and cash acquired			(413)
			<u>29,587</u>
Consideration payable at 30 September 2008			<u>100,000</u>

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations (“Ints”) which are not yet effective for the six months ended 30 September 2008 and which have not been adopted in this interim financial report:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
Revised HKAS 1	Presentation of financial statements	1 January 2009
Revised HKAS 23	Borrowing costs	1 January 2009
Amendments to HKFRS 2	Share-based payment – Vesting conditions and cancellations	1 January 2009
Revised HKFRS 3	Business combinations	Applicable to business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
HK(IFRIC) – Int 15	Agreements for the construction of real estate	1 January 2009
Revised HKAS 27	Consolidated and separate financial statements	1 July 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and Int are expected to be in the period of initial application but has so far concluded that these new HKFRSs would not have a significant impact on the Group’s results of operations and financial position.

24. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified and restated to conform with the current period’s presentation and accounting treatment.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Revenue of the Group in the first half of 2008 was HK\$46,317,000, representing an increase of HK\$22,380,000 (or 93.5%) over the corresponding period of 2007.
- Loss attributable to equity holders of the Company for the first half of 2008 was HK\$111,318,000, representing an increase of HK\$93,601,000 (or 528.3%) over the corresponding period of 2007.
- Basic loss per share for the first half of 2008 was HK\$26.42 cents, representing an increase of HK\$21.69 cents over the corresponding period of 2007.
- In addition to the existing business, the Group starts its mining business by the acquisition of the entire interest in Qingdao Yangxinhui Mining Company Limited (“Qingdao Yangxinhui”) for the mining development of the Tengfei Magnetite and Gangzicum Donggou Magnetite and started commercial production in June 2008.

Business Review

The Group is principally engaged in the provision of consultancy and engineering systems contracting and supporting services; the sale of related spare parts and consumables; and the production and sales of iron ore.

The Group broadened its business scope and earning base as well as to diversify its risk from concentrating on the engineering business. The Group has expanded its business beyond the engineering business by acquiring two mines situated in Chengde County, Hebei Province, the PRC, namely Tengfei Magnetite and Gangzicum Donggou Magnetite. The Acquisition was completed on 14 June 2008.

Market Outlook

In 2002, the Macau government ended the monopoly system and six casino operating concessions and sub-concessions are granted. With the opening of the Sands Macau in 2004, Wynn Macau in 2006, Venetian Macau in 2007 and followed by MGM Grand Macau, numerous hotel casinos are opened. Following the opening of such hotel casinos in Macau and the grand completion of Beijing Olympic in September 2008, it is expected that the market demand for the engineering system of audio-visual broadcast would be despondent. Further, the coming global economic recession due to U.S. subprime crisis induces a pessimistic view at the industry.

In the first half of 2008, the Chinese economy maintained rapid growth. According to the National Bureau of Statistics of China, gross national production for the first half of 2008 was RMB13.0619 trillion, a 10.4% real growth over the corresponding period last year. Furthermore, total retail sales of consumer goods amounted to RMB6.8439 trillion, a 21.9% real growth over the corresponding period last year. Urban and rural residents' income continued to grow rapidly and average per capita disposable income for urban and rural areas amounted to RMB8,065 and RMB2,528 respectively, a 6.3% and 10.3% growth over the corresponding period last year.

In the first half of 2008, the PRC government introduced macro-economic control measures in response to the concern over the extent of the increase in inflation and the overheating of economic growth. During the period under review, the relevant PRC government authorities started to adopt tight monetary policies and prudent financial policies. The People's Bank of China required that the total incremental credit of financial institutions in 2008 should not exceed against the actual incremental credit in 2007, and raised the reserve ratio against Renminbi deposits of deposit-taking financial institutions for 5 times to alleviate the inflationary pressure and lower the market liquidity.

The iron ore market recorded a heavy fluctuation with no motivation for significant hike in the first half of 2008 due to narrow supply-demand gap and the spot price has been dropping since May 2008. The producer price of 66-percent moisture fine iron ore powder (tax included) in Tangshan, Hebei Province, were RMB1,000 – 1,030 per ton in August, a decrease of 16.67% from RMB1,200 – 1,210 per ton in May.

The price dropped due to the falling demand under the influences of home and abroad. Firstly, steel export slowed down amid global economic recession due to U.S. subprime crisis, resulting in the fall of steel demand, which in turn led to a falling demand for iron ores. Secondly, around 70-million-ton iron ores stockpiles at Chinese ports put a heavy pressure on the market; and thirdly, the steel demand weakened with the state macro control taking effect. Besides, the supply-demand condition is loose resulting from increasing supply and weak consumption. The shrinking market demand withdrew support for price hike and it could be expected that the domestic spot price of iron ore will keep in concussion to adjust at a later stage.

Looking ahead, despite the iron ore prices would stay low for a while, as further state macro control would slow such steel-consuming industries such as real estate and motor vehicle, forcing the steel enterprises to limit or even stop production. However, the steel demand in China will bounce back in the long run, with the development of industrialisation and urbanisation. The growth rate might not be as big as before and the prices of iron ores would go moderate amid fluctuations.

Financial Review

Turnover: Turnover comprises of project revenue from engineering system contracting services; the consumables and spare parts sold as after sales services incident and ancillary to the engineering systems and the production and sales of the iron ore. There was an increase of 93.5% in turnover as compared with last corresponding period. The substantial increase was mainly due to the increase in the project revenue from the engineering system contracting services and the newly acquired mining business.

The overall gross profit margin for the current period is 15.6% and keep stable with last corresponding period.

Other revenues: the increment was mainly due to the reversal for impairment loss in respect of trade and other receivables.

Impairment loss recognised in respect of inventories: the increment was mainly due to the loss recognised in iron ore inventories in respect of the drop in the market price.

Selling and distribution expenses: the selling and distribution expenses maintained at a stabilised level when compared with last corresponding period.

Administrative expenses: the administrative expenses maintained at a stabilised level when compared with last corresponding period. The major expense included was the staff cost which represented 47.0% of total administrative expenses.

Gain on disposal of a subsidiary: In July 2008, the Group disposed of the 100% equity interest in LEC to an independent third party at a consideration of HK\$2,000,000. As LEC was in net liabilities position, the disposal generated a net gain of approximately HK\$3,297,000.

Impairment loss recognised in respect of mining rights: In June 2008, the Group acquired 100% equity interest in Qingtao Yongxiuhui. The mining right acquired initial valued at approximately HK\$130 million at the date of Acquisition. As there is significant drop in market price of iron ore during the period and it is an indication the mining rights might be impaired, impaired loss of approximately HK\$90,394,000 is recognised upon impairment testing conducted by valuer.

Segment Analysis

While principally engaged in the provision of engineering system contract services and sales of consumables and spare parts, the Group expects stronger recurring cash flow from the production and sales of iron ore business. During the six months ended September 2008, approximately 76.9% (2007: 31.3%) of the turnover was attributed to the provision of engineering system contract services; 11.3% (2007: 68.7%) of the turnover was attributed to the sales of consumables and spare parts; and 11.8% (2007: nil) of the turnover was attributed to the production and sales of the iron ore.

Liquidity, Financial Resources and Gearing

Bank balances and cash and pledged deposits as at 30 September 2008 amounted to approximately HK\$28.2 million (31 March 2008: HK\$89.3 million) which including AUD5,000, EUR14,000, GBP5,000, HK\$13,355,000, JPY2,498,000, MOP402,000, RMB12,138,000 and USD22,000. The Group's total liabilities divided by total assets as at 30 September 2008 was 91.4% (31 March 2008: 42.7%).

As at 30 September 2008, the Group had current assets of approximately HK\$88.0 million (31 March 2008: HK\$169.8 million) and current liabilities of approximately HK\$70.1 million (31 March 2008: HK\$93.4 million). The Group's current ratio as at 30 September 2008 was 1.3 (31 March 2008: 1.8).

Mortgages and Charge

As at 30 September 2008, the Group did not have any outstanding mortgage loan (31 March 2008: nil). Time deposits of approximately HK\$1.3 million (31 March 2008: HK\$3 million) of the Group were pledged to secure the general banking facilities granted at 30 September 2008.

Exposure to Fluctuation in Exchange Rates and Related Hedges

The majority of the transactions of the Group's are principally denominated in EUR, HKD, RMB, and USD. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its balance sheet exposure as at 30 September 2008. The Group monitors its foreign exchange exposure by matching the timing and the currencies of its trading receipts with payments.

Contingent Liabilities

Save for the bank guarantee of approximately HK\$1,227,000 (31 March 2008: HK\$1,227,000) granted to secure the performance in the provision of engineering system contracting services, the Group had no material contingent liabilities as at 30 September 2008.

Treasure Policies and Capital Structure

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Employees

As at 30 September 2008, the Group employed a work force of approximately 210 staff. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses, and long term incentive (such as Pre-IPO Share Options and Share Option Scheme). Total staff cost incurred for the six months ended 30 September 2008 was approximately HK\$9,726,000.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: nil).

OTHER INFORMATION

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES OF DEBENTURES

As at 30 September 2008, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (with the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under 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 Issuers (the "Model Code") were as follows:

Long position in the shares of the Company

Name of Director	Number of shares			Number of underlying shares held under equity derivatives	Total	Percentage of aggregate interest to total number of shares in issue ^(*) %
	Personal Interests	Family Interests	Corporate Interests			
Katherine Chan Wai Kay ⁽¹⁾	-	-	55,000,000	25,000,000	80,000,000	18.99

Notes:

- This represents interests held by Ms. Katherine Chan Wai Kay through Anton Capital Limited. Ms. Katherine Chan Wai Kay has 100% interest in Anton Capital Limited, she is therefore deemed to be interested in 80,000,000 shares of the Company.

* The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 September 2008 (i.e. 421,334,000 shares).

Save as disclosed above, as at 30 September 2008, none of the Directors had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

As at 30 September 2008, at no time during the period was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 September 2008, the interests of those persons (other than the Directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which shares were held	Number of shares	Number of underlying shares held under equity derivatives	Approximate percentage of total issue shares ^(*) %
Polestar Assets Limited ⁽¹⁾	Beneficial	116,360,000 (L)	–	27.62
		–	95,000,000 (S)	22.55
Citywin Pacific Limited ⁽²⁾	Beneficial	–	105,000,000 (L)	24.92
Oriental Gem Group Limited ⁽³⁾	Beneficial	–	70,000,000 (L)	16.61
Anton Capital Limited ⁽⁴⁾	Beneficial	55,000,000 (L)	25,000,000 (L)	18.99

(L): long position, (S): short position

Notes:

- These shares are directly held by Polestar Assets Limited which is owned as to 80% by Mr. Chang Ei Eu, and 20% by Ms. Hsieh Ming Chiu, the wife of Mr. Chang Ei Eu.
 - These shares include the 50,000,000 conversion shares issuable pursuant to the exercise of a convertible bond and the 55,000,000 shares to be subscribed by Citywin Pacific Limited, details of the transaction were disclosed in a circular of the Company dated 31st January 2008. Citywin Pacific Limited is owned as to 42.5% by Mr. Liu Yong and as to 7.5% and 50% by two other PRC individuals respectively.
 - These shares are directly held by Oriental Gem Group Limited which is owned as to 100% by Mr. Wong Woon Hing.
 - These shares are directly held by Anton Capital Limited which is owned as to 100% by Ms. Katherine Chan Wai Kay. Ms. Katherine Chan Wai Kay is an executive Director of the Company.
- * The percentage has been adjusted based on the total number of shares of the Company in issue as at 30th September 2008 (i.e. 421,334,000 shares)

Save as disclosed above, as at 30 September 2008, the Company had not been notified of any interests and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION

On 30 March 2005, in recognition of the contributions made by employees of the Group towards its growth and success, an aggregate of 15,000,000 share options of the Company (the "Pre-IPO Share Options") have been granted by the Company to, and accepted by the relevant employees prior to listing of the Company's share on the Stock Exchange. On 20 May 2005, a share option scheme (the "Share Option Scheme") was adopted by the shareholder's written resolution of the Company.

The Listing Committee of Stock Exchange has granted the listing of, and permission to deal in the shares of the Company which may fall to be issued pursuant to the exercise of the options which granted and/or may be granted under the Pre-IPO Share Options and/or Share Option Scheme, subsequently.

As at 30 September 2008, a total of 3,666,000 share options were outstanding which all of them were granted under the Pre-IPO Share Options.

The following is a summary of the principal terms of the Pre-IPO Share Options and the Share Option Scheme:

(a) Pre-IPO Share Options

Purpose

Recognition of the contributions made by employees of the Group towards its growth and success.

Exercise period

The Pre-IPO Share Options is not subject to any vesting condition precedent and the exercise period shall commence from the day following 6 months after 10 June 2005 (the "Listing Date") and end on 30 March 2010 (both dates inclusive).

Exercise price

The exercise price is HK\$0.65 per share.

Other conditions

- (i) The maximum number of shares which may be issued under the Pre-IPO Share Options is 15,000,000 shares.
- (ii) There is no restriction on the number of pre-IPO share options granted under the Pre-IPO Share Options to any grantee.
- (iii) Upon acceptance of the pre-IPO share options, each participant shall pay HK\$1 to the Company by way of consideration for the grant.
- (iv) a Pre-IPO Options shall lapse automatically (to the extent not already exercised) when the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally.

(b) Share Option Scheme

Purpose

Recognise and acknowledge the contributions that the grantees had made or may make to the Group.

Participants

Eligible participants include:

- (1) any employee, Director, supplier, customer, consultant, adviser, manager, officer or entity that provides research, development or other technological support of the Group or any entity in which the Group holds any equity interest ("Invested Entity"), including any executive Director of the Group or any Invested Entity;
- (2) a company wholly-owned by any employee, Director, supplier, customer, consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity; or
- (3) the trustee of any trust the beneficiary of which or an discretionary trust the discretionary objects of which include by any employee, Director, supplier, customer, consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity.

Exercise price

Determined by the Board and shall not be less than the higher of:

- (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the Board approves the making of the offer for the grant of option ("Date of Grant"), which must be a trading day;
- (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the Date of Grant; and
- (3) the nominal value of the share.

Total number of shares available for issue and the percentage of the issued share capital that it represents as at the date of this interim report

30,000,000 shares, being approximately 7.12% of the issued share of the Company.

Maximum entitlement of each participant

Not exceeding 1% of the shares of the Company in issue in any 12-month period.

Period within which the securities must be taken up under the option

Subject to the discretion by the Board and, in the absence of which, from the date of acceptance to the earlier of the date on which such option lapses and 10 years from the date of offer.

Amount payable on acceptance

HK\$1 payable upon acceptance of the offer.

Remaining life of the scheme

The scheme will be valid and effective for a period of 10 years commencing from 20 May 2005 (the "Adoption Date"), after which no further options will be granted but the provisions of the scheme shall remain in full force and effect in all other aspects. Options complying with the provisions of the Listing Rules which are granted during the duration of the scheme and remain unexercised immediately prior to the end of the ten-year period shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the scheme.

(c) Movements of the Pre-IPO Share Options

Movements of the share options, which were granted under the Pre-IPO Share Options, during the six months ended 30 September 2008 are listed below in accordance with rule 17.07 of the Listing Rules:

Category	As at 01.04.2008	During the period			As at 30.09.2008	Exercise price HK\$	Exercise period ⁽¹⁾
		Granted	Exercised	Lapsed/ cancelled			
Continuous Contract Employees	1,946,000	-	-	-	1,946,000	0.65	11.12.2005 – 30.03.2010
Other							
Chow Kin Ming ⁽²⁾	1,720,000	-	-	-	1,720,000	0.65	11.12.2005 – 30.03.2010
Total	<u>3,666,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,666,000</u>		

Notes:

1. The vesting period for all the options granted is six months from the Listing Date.
2. Mr. Chow Kin Ming retired as a non-executive Director of the Company on 8 April 2008. His 1,720,000 option shares has been re-classified from the Director's category to the Other's category.

(d) Movements of the Share Option Scheme

As at 30 September 2008, there were no share options granted under the Share Option Scheme since its adoption.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 September 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (the "Code") as stated in Appendix 14 to the Rules of Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). As far as the Code is concerned, the Company complies with all aspects of the Code.

AUDIT COMMITTEE

The Audit Committee comprises three members, all being independent non-executive Directors of the Company. The Audit Committee has reviewed the unaudited interim financial report for the six months ended 30 September 2008.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference to set out its authority and duties. The Remuneration Committee comprises three independent non-executive Directors.

NOMINATION COMMITTEE

The Company has not established a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no Director being involved in fixing his/her own terms of appointment and no independent non-executive Director being involved in assessing his/her own independence.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. On specific enquiries made, all Directors have confirmed that they have complied with the required standard as set out in the Model Code, during the six months ended 30 September 2008.

By order of the Board

Ms. Katherine Chan Wai Kay

Executive Director

Hong Kong, 22 December 2008