



WING HING INTERNATIONAL (HOLDINGS) LIMITED

永興國際(控股)有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 621)



The Directors of Wing Hing International (Holdings) Limited (the “Company”) are pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2009.

## **RESULTS**

For the six months ended 30 September 2009, the Group recorded a profit attributable to owners of the Company of approximately HK\$111,000 with profits of HK0.12 cents per share.

## **DIVIDEND**

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	Notes	Six months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>Continuing operations:</b>			
Revenue	3	177,029	285,734
Cost of sales		(168,785)	(304,147)
Gross profit/(loss)		8,244	(18,413)
Other income		5,270	4,416
Other gains and losses	5	(5)	72,105
Administrative and operating expenses		(12,880)	(16,254)
Share of profits/(losses) of jointly-controlled entities		1,983	(24,965)
Share of losses of associates		(456)	–
Finance costs		(440)	(2,039)
Profit before tax		1,716	14,850
Income tax expense	6	(951)	–
Profit for the period from continuing operations		765	14,850
<b>Discontinued operations:</b>			
Profit for the period from discontinued operation	7	–	518
Profit for the period	8	765	15,368
Other comprehensive income:			
Realisation of changes in fair value of property, plant and equipment		644	5
Realisation of reserve upon warrant expiry		–	1,000
Other comprehensive income for the period, net of tax		644	1,005
Total comprehensive income for the period		1,409	16,373

		<b>Six months ended 30 September</b>	
		<b>2009</b>	2008
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
Notes			
Profit/(Loss) for the period attributable to:			
	Owners of the Company	<b>111</b>	16,409
	Minority interests	<b>654</b>	(1,041)
		<b><u>765</u></b>	<u>15,368</u>
Total comprehensive income for the period attributable to:			
	Owners of the Company	<b>755</b>	17,414
	Minority interests	<b>654</b>	(1,041)
		<b><u>1,409</u></b>	<u>16,373</u>
Earnings per share			
From continuing and discontinued operations:			
	Basic and diluted	<b>4 0.12 cents</b>	22.82 cents
	From continuing operations:		
	Basic and diluted	<b>4 0.12 cents</b>	22.10 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

	Notes	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		4,198	6,481
Mining Rights		242,203	242,906
Interests in jointly-controlled entities		(10,557)	(12,540)
Interests in associates		2,348	2,804
Contract retention receivables	9	15,640	11,417
		<b>253,832</b>	<b>251,068</b>
<b>CURRENT ASSETS</b>			
Loan receivable		–	1,000
Trade and other receivables	9	91,864	113,489
Pledged bank deposits		18,764	24,362
Bank balances and cash		46,798	22,082
		<b>157,426</b>	<b>160,933</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	142,676	165,575
Current tax liabilities		1,542	591
		<b>144,218</b>	<b>166,166</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>13,208</b>	<b>(5,233)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>267,040</b>	<b>245,835</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	103,660	89,860
Reserves		68,589	62,238
Equity attributable to owners of the Company		172,249	152,098
Minority interests		73,127	72,473
<b>TOTAL EQUITY</b>		<b>245,376</b>	<b>224,571</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		997	997
Promissory note payable		20,667	20,267
		<b>21,664</b>	<b>21,264</b>
		<b>267,040</b>	<b>245,835</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

	Share capital and share premium (Unaudited) HK\$'000	Other reserves (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2009	144,186	64,096	(56,184)	72,473	224,571
Issue of new shares	20,040	-	-	-	20,040
Total comprehensive income for the period	-	(644)	644	-	-
Profit for the period	-	-	111	654	765
At 30 September 2009	<u>164,226</u>	<u>63,452</u>	<u>(55,429)</u>	<u>73,127</u>	<u>245,376</u>

	Share capital and share premium (Unaudited) HK\$'000	Other reserves (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2008	119,044	20,255	61,776	103,003	304,078
Issue of new shares	15,142	-	-	-	15,142
Total comprehensive income for the period	-	1,005	1,005	-	-
Realisation of fair value of disposal of subsidiaries	-	(8,712)	-	-	(8,712)
Profit/(Loss) for the period	-	-	16,409	(1,041)	15,368
At 30 September 2008	<u>134,186</u>	<u>10,538</u>	<u>79,190</u>	<u>101,962</u>	<u>325,876</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2009

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(443)	(85,024)
NET CASH GENERATING BY INVESTING ACTIVITIES	5,119	52,999
NET CASH GENERATING BY FINANCING ACTIVITIES	20,040	15,142
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	24,716	(16,883)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	22,082	58,619
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	46,798	41,736
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	46,798	41,736

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2009*

## 1. CORPORATE INFORMATION

The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is located at 14th Floor, Yau Lee Centre, 45 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

During the period ended 30 September 2009, the Group are principally engaged in (i) the undertaking of superstructure construction, foundation piling, substructure works, slope improvement, interior decoration and landscaping works in Hong Kong SAR; and (ii) the operations of coal mines and leasing of mining licences in the People Republic of China (the "PRC").

## 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 2009.

During this period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for accounting periods commencing on or after 1 April 2009.

### **HKFRS 8 "Operating Segments"**

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with the predecessor standard, HKAS 14 "Segment Reporting".



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

### HKAS 1 (revised 2007) "Presentation of Financial Statements"

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

The Group has not early applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised in 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 April 2010. The directors of the Company (the "Directors") anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. REVENUE

The Group is principally engaged in the (i) undertaking of superstructure construction, foundation piling, substructure works, slope improvement, interior decoration and landscaping works in Hong Kong and (ii) the operations of coal mines and leasing of mining licences in PRC. An analysis of the Group's revenue of the continuing operation for the period is as follows:

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Construction contract revenue	173,093	285,734
Revenue from leasing of mining licences	3,936	—
	<u>177,029</u>	<u>285,734</u>

#### 4. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share for the six months ended 30 September 2009 together with the comparative figures for 2008 are as follows:

	<b>Six months ended 30 September</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>		
Profit for the purpose of basic and diluted earnings per share	<u>111</u>	<u>15,891</u>
<b>Discontinued operation</b>		
Profit for the purpose of basic and diluted earnings per share	<u>–</u>	<u>518</u>
<b>Continuing and discontinued operations</b>		
Profits for the purpose of basic and diluted earnings per share	<u>111</u>	<u>16,409</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>92,046,885</u>	<u>71,907,869</u>
Effect of dilutive potential ordinary shares assumed exercise of share options	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>92,046,885</u>	<u>71,907,869</u>
<b>Earnings per share</b>		
<b>Continuing operations</b>		
Basic and diluted earnings per share	<u>0.12 cents</u>	<u>22.10 cents</u>
<b>Discontinued operation</b>		
Basic and diluted earnings per share	<u>– cents</u>	<u>0.72 cents</u>
<b>Continuing and discontinued operations</b>		
Basic and diluted earnings per share	<u>0.12 cents</u>	<u>22.82 cents</u>

## 5. OTHER GAINS AND LOSSES

	<b>Six months ended 30 September</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Gain on disposal of subsidiaries	–	72,046
Loss on disposal of property, plant and equipment	<b>(30)</b>	(8)
Impairment losses reversed in respect of trade receivables	<b>25</b>	67
	<b>(5)</b>	72,105

## 6. INCOME TAX EXPENSE

- (a) Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2008: 16.5%) of the estimated assessable profits for the period. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2008: 33%). No provision for Hong Kong Deferred Tax has been made as there were no estimated assessable profits for the six months ended 30 September 2008 and 2009.
- (b) The tax for the period is made up as follows:

	<b>Six months ended 30 September</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax		
– Hong Kong	–	–
– PRC	<b>951</b>	–
Deferred tax	–	–
	<b>951</b>	–

## 7. DISCONTINUED OPERATIONS

On 1 May 2008, the Group disposed of its entire equity interest in Wing Hing Group (BVI) Ltd. for the cash consideration of HK\$50,000,000 and promissory notes receivables of HK\$121,000,000. An analysis of the results and cash flows of the discontinued operations included in the condensed consolidated income statement and the condensed consolidated cash flows statement is as follows:

	Six months ended 30 September 2008 (Unaudited) HK\$'000
Revenue	–
Cost of sales	–
Gross profit	–
Other income	5
Other gains and losses	–
Administrative expenses	(69)
Share of profits of jointly-controlled entities	426
Share of profit of associates	156
Finance costs	–
Profit before tax	518
Income tax	–
Profit for the period from discontinued operations	518
<b>Cash flows from discontinued operations</b>	
Net cash generating by operating activities	513
Net cash generating by investing activities	5
Net cash generating by financing activities	–
Net increase in cash flows	518

## 8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Cost of services and inventories recognized as an expense	168,785	304,147
Depreciation for property, plant and equipment	2,780	1,813
Less: Amounts capitalized in construction contracts	(1,583)	(1,583)
	<u>1,197</u>	<u>230</u>
Minimum lease payments paid under operating leases during the period:		
Leasehold land and buildings	1,308	758
Less: Amounts capitalized in construction contracts	-	-
	<u>1,308</u>	<u>758</u>
Plant and machinery	178	232
Less: Amounts capitalized in construction contracts	(178)	(232)
	<u>-</u>	<u>-</u>
	<u>1,308</u>	<u>758</u>
Employee benefits expense (including directors' remuneration):		
Wages and salaries	21,669	27,932
Contributions to retirement benefits scheme	534	806
Less: Amounts capitalized in construction contracts	(15,690)	(18,981)
	<u>6,513</u>	<u>9,757</u>
Amortization of prepaid lease payments	-	2,313
Interest income	49	(523)

## 9. TRADE AND OTHER RECEIVABLES

An aged analysis of the Group's trade and other receivables, inclusive of contract retention receivables classified as non-current assets, as at 30 September 2009 is as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
<b>Accounts receivable, with aged analysis</b>		
Current to 90 days	24,974	61,184
91 days to 180 days	810	738
181 days to 365 days	60	794
Over 365 days	<u>18,170</u>	<u>22,634</u>
	<b>44,014</b>	85,350
Less: accumulated impairment	<u>(17,294)</u>	<u>(18,448)</u>
	<u>26,720</u>	<u>66,902</u>
<b>Contract retention receivables</b>		
Retentions held by contract customers	35,094	42,769
Less: accumulated impairment	<u>(9,951)</u>	<u>(11,345)</u>
	<u>25,143</u>	31,424
Less: contract retention receivables classified as non-current assets	<u>(15,640)</u>	<u>(11,417)</u>
	<u>9,503</u>	20,007
<b>Amounts due from contract customers</b>	<u>32,812</u>	4,540
<b>Total trade receivables as shown under current assets</b>	<u>69,035</u>	<u>91,449</u>
Prepayments, deposits and other receivables	13,048	11,007
Amounts due from jointly-controlled entities	2,510	2,510
Amounts due from associates	7,271	7,842
Amounts due from minority shareholders	–	681
	<u>22,829</u>	<u>22,040</u>
	<u><b>91,864</b></u>	<u>113,489</u>

## 9. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in trade and other receivables are amounts due from contract customers as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Contract costs incurred plus recognized profits less recognised losses to date	<b>661,593</b>	320,173
Less: progress billings	<b>(628,781)</b>	(315,633)
Amounts due from contract customers	<b>32,812</b>	4,540

## 10. TRADE AND OTHER PAYABLES

An aged analysis of the Group's trade and other payables as at 30 September 2009 is as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
<b>Accounts payable, with aged analysis</b>		
Current to 90 days	<b>41,207</b>	29,934
91 days to 180 days	<b>3,504</b>	6,385
181 days to 365 days	<b>6,115</b>	5,339
Over 365 days	<b>24,249</b>	22,749
	<b>75,075</b>	64,407
<b>Amounts due to contract customers</b>	<b>55,266</b>	85,895
<b>Total trade payables as shown under current liabilities</b>	<b>130,341</b>	150,302
Other payables and accruals	<b>4,560</b>	4,953
Amounts due to a director	<b>313</b>	313
Amounts due to jointly-controlled entities	<b>6,427</b>	8,966
Amounts due to minority shareholders	<b>1,035</b>	1,041
	<b>12,335</b>	15,273
	<b>142,676</b>	165,575

## 10. TRADE AND OTHER PAYABLES (Continued)

Included in trade and other payables are amounts due to contract customers as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Contract costs incurred plus recognized profits less recognized losses to date	<b>1,155,605</b>	1,262,186
Less: progress billings	<b>(1,210,871)</b>	(1,348,081)
Amounts due to contract customers	<b>(55,266)</b>	(85,895)

## 11. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
<i>Authorized:</i>		
At 31 March 2009 and at 30 September 2009 Ordinary shares of HK\$1 each	<u>150,000,000</u>	<u>150,000</u>
<i>Issued and fully paid:</i>		
At 31 March 2009		
Ordinary Shares of HK\$1 each	89,860,000	89,860
Issue of new share	<u>13,800,000</u>	<u>13,800</u>
At 30 September 2009		
Ordinary Shares of HK\$1 each	<u>103,660,000</u>	<u>103,660</u>

## 12. CONTINGENT LIABILITIES

At balance sheet date, the Group had the following contingent liabilities:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Guarantees in respect of performance bonds in favour of contract customers	<b>28,060</b>	28,583

Save as disclosed above, there was no material change in the Group's contingent liabilities as compared to the most recent published annual report.



### 13. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. 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. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

An analysis of the Group's revenue and result by principal activities, in respect of the Group's operations for the six months ended 30 September 2009 is as follows:

#### 2009

	Superstructure construction works HK\$'000	Foundation piling, substructure works and slope improvement works HK\$'000	Interior decoration and landscaping works HK\$'000	Energy- related Investment HK\$'000	Corporate and other HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>							
External sales	150,667	22,235	191	3,936	-	-	177,029
Inter-segment sales	-	36	1,865	-	-	(1,901)	-
<b>Total</b>	<b>150,667</b>	<b>22,271</b>	<b>2,056</b>	<b>3,936</b>	<b>-</b>	<b>(1,901)</b>	<b>177,029</b>
Inter-segment sales are charged at prevailing market rates.							
<b>RESULT</b>							
Segment result	9,401	1,968	(1,115)	3,805	-	(594)	13,465
Unallocated income							74
Unallocated corporate expenses							(12,910)
Share of (losses)/profits of							
- associates							1,983
- jointly-controlled entities							(456)
Finance costs							(440)
<b>Profit before tax</b>							<b>1,716</b>
Income tax expense							(951)
<b>Profit for the period</b>							<b>765</b>

### 13. SEGMENT INFORMATION (Continued)

2008

	Continuing Operations						Discontinued Operation				Consolidated
	Superstructure construction works	Foundation piling, substructure works and slope improvement works	Interior decoration and landscaping works	Energy-related investment	Corporate and others	Eliminations	Total	Superstructure construction works	Corporate and other	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>											
External sales	284,957	375	402	-	-	-	285,734	-	-	-	285,734
Inter-segment sales	-	23,549	4,804	-	-	(28,353)	-	-	-	-	-
<b>Total</b>	<b>284,957</b>	<b>23,924</b>	<b>5,206</b>	<b>-</b>	<b>-</b>	<b>(28,353)</b>	<b>285,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>285,734</b>
Inter-segment sales are charged at prevailing market rates.											
<b>RESULT</b>											
Segment result	(8,269)	(8,271)	507	-	12,096	(155)	(4,092)	-	-	-	(4,092)
Unallocated income							74,226			5	74,231
Unallocated corporate expenses							(28,280)			(69)	(28,349)
Share of (losses)/profits of											
- associates							-			156	156
- jointly-controlled entities							(24,965)			426	(24,539)
Finance costs							(2,039)			-	(2,039)
Profit before tax							14,850			518	15,368
Income tax credit							-			-	-
<b>Profit for the period</b>							<b>14,850</b>			<b>518</b>	<b>15,368</b>

## 14. OPERATING LEASES

### The Group as lessee

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

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Within one year	<b>2,519</b>	1,015
In the second to fifth year inclusive	<b>703</b>	1,168
	<b><u>3,222</u></b>	<u>2,183</u>

Save as disclosed above, there was no material change in the Group's commitments as compared to the most recent published annual report.

## 15. PLEDGE OF ASSETS

At 30 September 2009, the Group's pledged deposits of approximately amounted HK\$18,764,000 (six months ended 30 September 2008: HK\$24,362,000).

## 16. SUBSEQUENT EVENTS

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:

	<b>Six months ended 30 September 2009 (Unaudited) HK\$'000</b>
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 profit of associates	<u>(456)</u>
Profit before tax	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>

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECTS OF THE GROUP

The Group is principally engaged in the operation of coal mines and leasing of mining licences in the PRC.

### Business Review

During the period under review, the Group has recorded a turnover of approximately HK\$177 million which represents a decrease of 38% compared with the turnover recorded in the corresponding period of last year. The Group recorded a net profit from ordinary activities attributable to owners of approximately HK\$0.11 million compared with a net profit from ordinary activities attributable to owners of approximately HK\$16.41 million for the corresponding period of last year.

### Construction

The Group has secured a contract during the last financial year, which is the construction of the Joint-User Complex and Wholesale Fish Market in Area 44, Tuen Mun, New Territories with a contract sum of HK\$237 million.

As regards major completed projects, the Group has satisfactorily completed an industrial development at No. 37–39 Wing Hong Street and the additional columbarium at Diamond Hill.

In the leisure market, the Group's associated company, Hypsos Leisure Asia Macau Limited, has successfully completed the design and build contract for the Manchester United Experience in the Venetian Hotel and Complex in Macau. The company has also secured a contract for the Exhibit Fabrication and Installation of Jockey Club Environmental Conservation Gallery in the Hong Kong Science Museum with a contract sum of HK\$7.5 million.

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 Directors consider that the disposal of Club Ace Holdings Limited together with the shareholder's loan represents a good opportunity for the Group to (i) dispose its loss making businesses; (ii) reduce its capital expenditure commitment and ensure that no operation cash flow will be required to support the construction operations of the Group; and (iii) to strengthen the financial position of the Group. In October 2009, the Company completed such disposal of construction group to Ng Tat Leung, George, including the existing construction contract, licenses, man power and technical know-now. The Group will concentrate on the coal mining business to maximize Shareholders' benefit.

## Coal Mining

In view of the flourishing mineral resources market in the PRC (especially when coal is the primary energy resource in the PRC which represents over 65% of total energy consumption), the Group has injected its resources into coal mining business since 2008. The Group has acquired five small-scale coal mines in Guizhou during November 2008, while at that time the Group originally planned to raise fund through debt financing for the speed up of the expansion of the coal mines, enhancement of production capacity, revenue growth, acquisition and merger of more potential coal mines with high return so as to strengthen the competitiveness in mineral resources business. However, it was difficult to secure funding under the impact of the global financial crisis and in the meantime the price of coal products dropped significantly; those factors disabled the expansion plan of the Group. Currently, two of the coal mines are undergoing expansion and the remaining three which include Shuishan, Tiechong and Xinghe coal mines are temporarily leased back to the former owners to operate so as to release the pressure of cash flow for operating costs. Meanwhile, the Group is recruiting mining professionals or reliable teams to prepare for the mining work after the completion of mine expansion. Although coal mining business does not generate much income at the moment, but we are working on improving its operating efficiency.

## Prospects

Taking advantage of the PRC's initiatives in enhancing national economic development with investment plans totalling RMB4 trillion aimed at stimulating domestic demand, and bearing in mind 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 and energy, thus owners of gold and energy, among others, will be benefited from the continuous increase in their values. As such, the Directors, had strategically shift the group's investment focus to mining and resources sectors. We expect such move will bring new prospects and opportunities to the future of the Group.

On 7 October 2009, the Board announced that the Company entered into a memorandum of understanding with the vendor in relation to the Possible Acquisition. Based on the information provided by vendor, Richome Enterprises Limited, through its subsidiary, is engaged in, among others, the provision of consultation services in relation to coal bed methane, coke thermal energy, coal further processing and energy saving technology. As at the Latest Practicable Date, Richome Enterprises Limited, through its subsidiary, was acquiring controlling equity interests in 山西月明焦化有限公司 (Shanxi Yue Ming Coke Company Limited) and 古交一一焦化有限公司 (Gujiao Yi Yi Coke Company Limited). These two companies are producing over one million tonnes of coke coal per year.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2009, the Group's had no outstanding bank borrowings. As at 30 September 2009, the Group's banking facilities were supported by (i) pledged deposits of approximately HK\$18,764,000 of the Group; (ii) corporate guarantees to the extent of approximately HK\$34.6 million in aggregate executed by the Company in respect of the banking facilities granted to certain subsidiaries of the company; and (iii) cross guarantees amongst certain subsidiaries of the Company.

The Group's gearing ratio as at 30 September 2009 was 0.05 (31 March 2009: 0.049), calculated based on the Group's total borrowings of HK\$20,666,000 (31 March 2009: HK\$20,267,000) over the Group's total assets of HK\$411,258,000 (31 March 2009: HK\$412,001,000).

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.

## EMPLOYEES

As at 30 September 2009, the total number of employees, excluding workers under exclusive sub-contracting arrangement, of the Group was approximately 100. Performance of the staff is normally reviewed on an annual basis with adjustment compatible to the market. There is no material change in the information as compared to the most recently published annual report.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Since the functional currencies of the Group's operations are mainly Hong Kong dollars, the Directors consider that the potential foreign exchange exposure of the Group during the six months ended 30 September 2009 is limited.

## PURCHASE, SALE OR REDEMPTION OF 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 2009.

## SHARE OPTION SCHEME

In the Company's annual general meeting held on 27 August 2003, an ordinary resolution was passed by the Company's shareholders for adoption of a new 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 22 November 1995. No share options have been granted by the Company under both of the above-mentioned share option schemes.

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

As at 30 September 2009, no interests and short positions of the Directors and the chief executive of the Company in the shares should be disclosed, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (i) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealing of securities by Directors of the Company.

As at 30 September 2009, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealing of securities by Directors of the Company.



## 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 2009, 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 Shareholder	Number of Shares	Approximate percentage of issued share capital of the Company
Newly Rich International Overseas Limited ( <i>Note 1</i> )	12,786,081	12.33
Galaxy Asset Management (H.K.) Limited ( <i>Note 2</i> )	12,744,600	12.29
Cheever Capital Management (Asia) Limited ( <i>Note 3</i> )	12,000,000	11.58
Total Success Worldwide Limited ( <i>Note 4</i> )	10,772,700	10.39

#### Notes:

1. The issued share capital of Newly Rich International Overseas Limited is owned as to 50% by Heung Kit Ha and 50% by Liu Pui Lan.
2. Of these 12,744,600 Shares, 4,314,000 Shares are indirectly held by Galaxy Asset Management (H.K.) Limited ("Galaxy (H.K.)") through Galaxy China Opportunities Fund (in which Galaxy (H.K.) is deemed to be interested by virtue that Galaxy China Opportunities Fund is wholly owned by Galaxy (H.K.) for the purpose of SFO) and 8,430,600 Shares are indirectly held by Galaxy (H.K.) through Galaxy China Deep Value Fund (in which Galaxy (H.K.) is deemed to be interested by virtue that Galaxy China Deep Value Fund is wholly owned by Galaxy (H.K.) for the purpose of SFO). Deutsche Bank Aktiengesellschaft has given notification in respect of its security interest in 12,744,600 Shares held by Galaxy (H.K.).
3. The 12,000,000 existing Shares were held by Cheever Capital Management (Asia) Limited. Cheever Capital Management (Asia) Limited is wholly-owned by Cheung Siu Chung. By virtue of his interest in Cheever Capital Management (Asia) Limited, Cheung Siu Chung is deemed to be interested in such 12,000,000 new Shares held by Cheever Capital Management (Asia) Limited for the purpose of SFO.

4. Total Success Worldwide Limited owns 10,772,700 Shares of the Company. The entire issued share capital of Total Success Worldwide Limited is owned as to approximately 92.92% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming. Accordingly, Mr. Ng Tak Leung, George is deemed to be interested in all the shares in which Total Success Worldwide Limited is interested pursuant to the SFO.

Save as disclosed above, as at 30 September 2009, 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 PRACTICES**

### **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. Chan Kam Fuk, 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 2009.

### **Directors' Securities Transactions**

The Company has established written guidelines for required standard of dealings in securities by Directors of the Company. The Company confirms that, having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings with respect to the securities dealing of the Company.

## 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 the following:

1. The Company considers that the marketing network established by Mr. He is critical for the business and future development of the Company. Hence, the Company believes that it is in the best interest of its shareholders that Mr. He will remain the Chairman and the chief executive officer of the Company. However, the Company will review the current structure when and as it becomes appropriate in future.
2. 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 Company's Articles of Association.

## DIRECTORS

As at the date of this report, the Executive Directors of the Company are Dr. Peter He, Ms. Leung Pui Kwan, Mr. Shen Junchen and Mr. Chan Wah Fan. The non-executive director is Ms. Yuen Sau Ying, Christine. The Independent Non-executive Directors of the Company are Mr. Hui Wah Tat, Anthony, Mr. Li Kam Chung and Mr. Chan Kam Fuk.

On behalf of the Board

**Peter He**

*Chairman and Executive Director*

Hong Kong SAR, 18 December 2009