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WING HING INTERNATIONAL (HOLDINGS) LIMITED



(Incorporated in Bermuda with limited liability)

(Stock Code: 621)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF ENTIRE INTEREST IN A SUBSIDIARY

THE SALE AND PURCHASE AGREEMENT

On 7 October 2011 (after trading hours), the Company as the vendor entered into the Sale and Purchase Agreement with the Purchaser and the Guarantor, pursuant to which, the Purchaser conditionally agreed, among other things, to purchase and the Company conditionally agreed to sell the Sale Share, which represents the entire issued share capital of the Target, and the Sale Loan, for an aggregate consideration of HK\$195,000,000 which will be satisfied as to (i) HK\$25,000,000 in cash as refundable deposit upon signing of the Sale and Purchase Agreement; and (ii) HK\$170,000,000 by way of issue of the Promissory Notes upon Completion.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

On 7 October 2011 (after trading hours), the Company as the vendor entered into the Sale and Purchase Agreement with the Purchaser and the Guarantor, pursuant to which, the Purchaser conditionally agreed, among other things, to purchase and the Company conditionally agreed to sell the Sale Share, which represents the entire issued share capital of the Target, and the Sale Loan, for an aggregate consideration of HK\$195,000,000.

Principal terms of the Sale and Purchase Agreement are set out as follows.

THE SALE AND PURCHASE AGREEMENT

Date : 7 October 2011

Parties : (1) Vendor : Wing Hing International (Holdings) Limited
(2) Purchaser : Hua Xiong Development Limited
(3) Guarantor : Zhou Shou Xiang

The entire issued share capital of the Purchaser is legally and beneficially owned by the Guarantor. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties, the Purchaser is principally engaged in investment holding and the Guarantor is a merchant.

Assets to be disposed of

The Sale Share, which represents the entire issued share capital of the Target, and the Sale Loan.

Consideration

The Consideration for the Sale Share and Sale Loan shall be satisfied by the Purchaser in the following manner:

- (a) HK\$25,000,000 has been paid in cash by the Purchaser to the Company upon signing of the Sale and Purchase Agreement as refundable deposit; and
- (b) the balance of HK\$170,000,000 by way of issuing the Promissory Notes by the Purchaser to the Company (or its nominee) upon Completion.

The Consideration was determined after arm's length negotiation between the Purchaser and the Company with reference to (i) consolidated net assets value of the Target Group attributable to the Company as at 31 July 2011 of approximately HK\$1 million; and (ii) the amount of Sale Loan. Having considered the above and the factors described under the section headed "Reasons for the Disposal" below, the Directors (including the independent non-executive Directors) are of the opinion that the Consideration is fair and reasonable and on normal commercial terms and that the entering into the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon and subject to:

- (a) all relevant regulatory requirements (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong) in relation to the transactions contemplated under the Sale and Purchase Agreement having been complied with and satisfied; and
- (b) the Purchaser having completed the due diligence in relation to the Target Group and having notified the Company that the Purchaser is satisfied with the result of the due diligence.

Condition (a) above is not waivable under the Sale and Purchase Agreement. If the conditions have not been fulfilled (or, as the case may be, waived) on or before 31 March 2012, or such later date as the Company and the Purchaser may agree, the Sale and Purchase Agreement shall cease and determine, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. The Company shall forthwith return the deposit(s) received to the Purchaser in accordance with the terms and conditions of the Sale and Purchase Agreement.

Completion

Completion shall take place on the date falling within two Business Days after the fulfillment or waiver (as the case may be) (or such later date as the parties hereto may agree) of the conditions or such later date as may be agreed between the parties to the Sale and Purchase Agreement.

Upon Completion, the Target will cease to be a subsidiary of the Company and the results of the Target Group will not be consolidated into the consolidated financial statements of the Group after the Completion. After Completion, the Remaining Group shall be principally engaged in the gold mines related business and sales of minerals.

Guarantee

Under the Sale and Purchase Agreement, the Guarantor has guaranteed to the Company the due and punctual performance of the Purchaser of its obligations under the Sale and Purchase Agreement.

TERMS OF PROMISSORY NOTES

The terms of the Promissory Notes have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Purchaser

Principal amount

The principal amount of the First Promissory Note, the Second Promissory Note, the Third Promissory Note and the Fourth Promissory Note is HK\$42,500,000, HK\$42,500,000, HK\$42,500,000 and HK\$42,500,000 respectively.

Interest

The Promissory Notes carries interest at a rate of 2% per annum payable in arrears on the respective dates of repayment of the Promissory Notes.

Maturity

The maturity date of the First Promissory Note, the Second Promissory Note, the Third Promissory Note and the Fourth Promissory Note is on the date of six months, one year, eighteen months and two years after the date of issue respectively.

Security

The Promissory Notes are secured by the Share Charge for the Sale Share in favour of the Company.

Early repayment

The Purchaser could, at its option, repay the Promissory Notes in whole or in part by giving a prior written notice to the Company, commencing on the date of the Promissory Notes up to the date immediately prior to the maturity date of the Promissory Notes.

Assignment

The Promissory Notes may be transferred or assigned by the holder of the Promissory Notes to any party with prior written notice to the issuer of the Promissory Notes.

INFORMATION ON THE TARGET GROUP

The Target

The Target was incorporated in the British Virgin Islands and is wholly-owned by the Company. The Target is principally engaged in investment holding.

The BVI Subsidiary, the HK Subsidiary and the PRC Subsidiary

The BVI Subsidiary, a direct 70% owned subsidiary of the Target was incorporated in British Virgin Islands and is principally engaged in investment holding. The HK Subsidiary, a direct wholly-owned subsidiary of the BVI Subsidiary, was incorporated in Hong Kong and is principally engaged in investment holding. The PRC Subsidiary, a direct wholly-owned subsidiary of the HK Subsidiary, was established in the PRC and is principally engaged in leasing of mining licenses, coal mining, metal refining, coal exploitation and trading. As at the date of this announcement, the PRC Subsidiary is the holder of the Mining Licences.

According to the consolidated financial information of the Target Group for the year ended 31 March 2010 prepared under Hong Kong Financial Reporting Standards, the net profit before and after taxation of the Target Group for the year ended 31 March 2010 was approximately HK\$7 million and HK\$5 million respectively. The consolidated net liabilities value of the Target Group as at 31 March 2010 attributable to the Company was approximately HK\$1 million.

According to the consolidated financial information of the Target Group for the year ended 31 March 2011 prepared under Hong Kong Financial Reporting Standards, the net loss before and after taxation of the Target Group for the year ended 31 March 2011 was approximately HK\$9 million and HK\$9 million respectively. The consolidated net assets value of the Target Group as at 31 March 2011 attributable to the Company was approximately HK\$1 million.

THE MINING LICENCES

As set out in the Licences Disposal Announcement, the PRC Subsidiary entered into the Licences Disposal Agreement in relation to the disposal of the Tiechong Licence, the Shuishan Licence and the Lushan Licence to an independent third party. As at the date of this announcement, the disposal contemplated under the Licences Disposal Agreement has been terminated and the PRC Subsidiary is the beneficial owner of all the Mining Licences. The detailed information of the Mining Licences is set out as follows.

(i) Xinghe Licence

Holder of licence: the PRC Subsidiary

Date of issue: 13 November 2008

Valid period: November 2008 to November 2013

Type of mine: Coal

Mining method: Underground mining

Production capacity: 150,000 tons

Mining area: 13.5446 sq. km.

(ii) Dayan Licence

Holder of licence: the PRC Subsidiary
Date of issue: 13 November 2008
Valid period: November 2008 to November 2013
Type of mine: Coal
Mining method: Underground mining
Production capacity: 300,000 tons per annum
Mining area: 1.7630 sq. km.

(iii) Tiechong Licence

Holder of licence: the PRC Subsidiary
Date of issue: 10 November 2008
Valid period: November 2008 to November 2013
Type of mine: Coal
Mining method: Underground mining
Production capacity: 90,000 tons
Mining area: 2.9149 sq. km.

(iv) Shuishan Licence

Holder of licence: the PRC Subsidiary
Date of issue: 10 November 2008
Valid period: November 2008 to November 2013
Type of mine: Coal
Mining method: Underground mining
Production capacity: 90,000 tons
Mining area: 2.8745 sq. km.

(v) Lushan Licence

Holder of licence: the PRC Subsidiary
Date of issue: 11 November 2008
Valid period: November 2008 to November 2013
Type of mine: Coal
Mining method: Underground mining
Production capacity: 90,000 tons
Mining area: 3.931 sq. km.

INFORMATION ON THE COAL MINES

(i) Xinghe Coal Mine

The Xinghe Coal Mine is located proximal to the township of Baimang and approximately 25 km west of Duyun City. Xinghe Coal Mine is a new mine which incorporates Lashan (to the north), Zhongshan (central) and Zhengxin (to the south). The current production capacity is 150,000 tons per year. The mine was constructed in 2002, with upgrades conducted in 2005 and recommencement of production in 2007.

Based on the technical report prepared by SRK Consulting, the estimate coal resource of the Xinghe Coal Mine is approximately 9.23 million tons as at 31 March 2008. Out of the total coal resource, approximately 1.14 million tons can be converted into estimated

reserve category of which about 0.68 million tons remain non-depleted. Further exploration is required to convert the remaining resources into reserve. As at 31 March 2011, the estimated resources of Xinghe Coal Mine is 9.05 million tons.

(ii) Dayan Coal Mine

The Dayan Coal Mine occupies an area of 1.76 sq. km in Zhijin County in the southwestern part of Guizhou Province. The Dayan Coal Mine is a newly-built coal mine which combines three small scale mines: the Dazhai, Linshan and Dayan Coal Mines. The new mine focuses on the development and utilisation of coal in order to become a modern, high-yield and safe coal mine with the designed productive capacity of 450,000 tons per annum. The Dayan Coal Mine was founded in February 2007.

Based on the technical report prepared by SRK Consulting, the estimate coal resource of the Dayan Coal Mine is approximately 30.92 million tons as at 31 March 2008. As at 31 March 2011, the estimated resources of Dayan Coal Mine is 30.92 million tons.

Information relating to Tiechong Coal Mine, Shuishan Coal Mine and Lushan Coal Mine are set out in the Licences Disposal Announcement.

As at the date of this announcement, the Target Group has not leased out any of the Mining Licences.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the operation of gold mine and coal mines and sales of minerals.

The Board has from time to time reviewed the business operations and financial position of the Group with a view to achieving the best interests of the Company and the Shareholders. As set out in the Licences Disposal Announcement, although the Group has invested funds in the expansion and development of the coal mining business, the coal mining business has not generated satisfactory income. To the best knowledge, information and belief of the Directors, certain new coal mine related regulations and policies, including some directions for, among others, strengthening the management of coal resources, improvement of coal planning and protection of rights and interests of the mine holders will be implemented.

The Board expects that the costs in the production and operation of coal mines will likely increase upon the aforesaid policies are implemented, which will directly lead to a decrease in the profitability of coal related business of the Group. In view of the aforesaid, the Group realises that the operation of small-scale coal mines will be increasingly difficult and the Group decides to realise its investments in the coal related business.

The Board is optimistic about the prospects of gold mining business. It is the intention and development plan of the Group to allocate its resource for the development of gold mining related business. Further, as set out in the 2011 annual report of the Company and the Taung Gold Circular, the Company has undertaken to enter into agreement to either (i) dispose of the 70% of the issued share capital of the BVI Subsidiary; or (ii) procure disposal of the Dayan Licence and the Xinghe Licence held by the PRC Subsidiary.

The Directors consider that the Disposal represents a good opportunity for the Group to realise its investment in the coal related business and to strengthen the financial position of the Group. Taking into account of the above, the Directors, including the independent non-executive Directors, consider that the terms of the Sale and Purchase Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

As a result of the Disposal, the Group is expected to record an unaudited gain on disposal of approximately HK\$2 million with reference to the unaudited net assets value of the Target Group as at 31 July 2011 of approximately HK\$1 million; the Consideration of HK\$195 million; the Sale Loan of approximately HK\$191 million and all relevant expenses.

The Directors intend to utilise the net proceeds from the Disposal of approximately HK\$194 million as general working capital and as fund for future development of the Group when investment opportunities arise.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI Subsidiary”	Union Sense Development Limited (聯成發展有限公司), a company incorporated in the British Virgin Islands, whose issued share capital is beneficially owned as to 70% by the Target and as to 30% by Xiong Jiwei, an Independent Third Party
“Coal Mines”	the Tiechong Coal Mine, the Xinghe Coal Mine, the Shuishan Coal Mine, the Lushan Coal Mine and the Dayan Coal Mine
“Company”	Wing Hing International (Holdings) Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Share and the assignment of the Sale Loan in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

“Consideration”	the consideration of HK\$195,000,000 payable by the Purchaser to the Company for the Disposal and to be satisfied in the manner as described in this announcement
“Dayan Coal Mine”	the coal mine located in Zhijin County in the southwestern part of Guizhou Province
“Dayan Licence”	the mining rights licence no. 5200000711044 granted by Ministry of Land and Resources PRC in relation to the Dayan Coal Mine
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share and the Sale Loan by the Company as contemplated under the Sale and Purchase Agreement
“First Promissory Note”	the promissory note in the principal amount of HK\$42,500,000 and with a maturity date of six (6) months from the date of issue to be executed by the Purchaser for the purpose of settling part of the Consideration
“Fourth Promissory Note”	the promissory note in the principal amount of HK\$42,500,000 and with a maturity date of two years from the date of issue to be executed by the Purchaser for the purpose of settling part of the Consideration
“Group”	the Company and its subsidiaries
“Guarantor”	Zhou Shou Xiang, the sole shareholder and sole director of the Purchaser, an Independent Third Party
“HK Subsidiary”	Pacific Land International Investments Limited (利寶國際投資有限公司), a company incorporated in Hong Kong, whose issued share capital is indirectly owned as to 70% by the Target
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Licences Disposal Agreement”	the conditional sale and purchase agreement dated 31 December 2010 entered into between the PRC Subsidiary and Cheng Wai in relation to the sale and purchase of the Tiechong Licence, the Shuishan Licence and the Lushan Licence, details of which are set out in the Licences Disposal Announcement
“Licences Disposal Announcement”	the announcement of the Company dated 31 December 2010 in relation to, among other things, the disposal of the Tiechong Licence, the Shuishan Licence and the Lushan Licence by the PRC Subsidiary
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lushan Coal Mine”	the coal mine located in the southeastern part of the Guizhou Province and is situated proximal to Dafengdong Town and some 35 km from Kaili City

“Lushan Licence”	the mining rights licence no. 5200000730035 granted by Ministry of Land and Resources PRC in relation to the Lushan Coal Mine
“Mining Licences”	the Tiechong Licence, the Xinghe Licence, the Shuishan Licence, the Lushan Licence and the Dayan Licence
“PRC”	the People’s Republic of China
“PRC Subsidiary”	貴州金億達礦業有限公司 (translated as Guizhou Jinyida Mining Company Limited), a wholly foreign owned enterprise established in the PRC, whose registered share capital is indirectly owned as to 70% by the Target
“Promissory Notes”	the First Promissory Note, the Second Promissory Note, the Third Promissory Note and the Fourth Promissory Note to be executed by the Purchaser for the purpose of settling part of the Consideration
“Purchaser”	Hua Xiong Development Limited (華雄發展有限公司), a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which are beneficially owned by the Guarantor
“Remaining Group”	the Group upon the Completion
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 7 October 2011 entered into between the Purchaser, the Company and the Guarantor in relation to the sale and purchase of the Sale Share and the Sale Loan
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target to the Company on or at any time prior to the Completion which as at the date of the Sale and Purchase Agreement, amounted to approximately HK\$191,000,000
“Sale Share”	1 ordinary share in the issued share capital of the Target, representing the entire issued share capital of the Target
“Second Promissory Note”	the promissory note in the principal amount of HK\$42,500,000 and with a maturity date of one year from the date of issue to be executed by the Purchaser for the purpose of settling part of the Consideration
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Share Charge”	the share charge to be executed by the Purchaser in favour of the Company upon Completion in relation to the charge of the Sale Share by the Purchaser to the Company as security for the performance of the payment obligations under the Promissory Notes by the Purchaser
“Shareholder(s)”	holder(s) of the Share(s)
“Shuishan Coal Mine”	the coal mine located in Majiang County in the southeastern part of the Guizhou Province and is situated about 9.5 km northeast of Majiang City

“Shuishan Licence”	the mining rights licence no. 5200000540312 granted by Ministry of Land and Resources PRC in relation to the Shuishan Coal Mine
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Bless Luck International Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company
“Target Group”	the Target and the its subsidiaries
“Taung Gold”	Taung Gold Limited, a company incorporated under the laws of the Republic of South Africa with limited liability
“Taung Gold Agreement”	the conditional sale and purchase agreement dated 28 January 2011 entered into by the Company, TG Sellers (as defined in the Taung Gold Circular), Mandra Materials Limited and Gold Commercial Services Limited for the acquisition of the TG Sale Shares, the Other TG Sale Shares and the Arctic Sale Shares (as respectively defined in the Taung Gold Circular), as amended by the Amendment Agreement (as defined in the Taung Gold Circular), principal details of the agreement are set out in Taung Gold Circular
“Taung Gold Circular”	the circular of the Company dated 28 July 2011 in relation to, among other things, the Taung Gold Agreement and the transactions contemplated thereunder
“Third Promissory Note”	the promissory note in the principal amount of HK\$42,500,000 and with a maturity date of eighteen (18) months from the date of issue to be executed by the Purchaser for the purpose of settling part of the Consideration
“Tiechong Coal Mine”	the coal mine located proximal to the Xiping village within Majiang County, some 15 km south of Majiang City
“Tiechong Licence”	the mining rights licence no. 5200000540313 granted by Ministry of Land and Resources PRC in relation to the Tiechong Coal Mine
“Xinghe Coal Mine”	the coal mine located in proximal to the township of Baimang, and approximately 25 km west of Duyun City
“Xinghe Licence”	the mining rights licence no. 5200000711403 granted by Ministry of Land and Resources PRC in relation to the Xinghe Coal Mine
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Wing Hing International (Holdings) Limited
Li Hok Yin
Chairman

Hong Kong, 7 October 2011

As at the date of this announcement, the Board comprises six Directors. The Executive Directors are Mr. Li Hok Yin, Ms. Cheung Pak Sum and Mr. Shen Junchen. The Independent Non-executive Directors are Mr. Chui Man Lung, Everett, Mr. Hui Wah Tat, Anthony and Mr. Li Kam Chung.