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WING HING INTERNATIONAL (HOLDINGS) LIMITED



(Incorporated in Bermuda with limited liability)

(Stock Code: 621)

DISCLOSEABLE TRANSACTION DISPOSAL OF THE MINING LICENCES

On 31 December 2010 (after trading hours), the Vendor, an indirect subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Mining Licences at a total consideration of RMB76,600,000 (equivalent to approximately HK\$90,000,000).

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.

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

THE SALE AND PURCHASE AGREEMENT

Date : 31 December 2010

Parties : (1) Vendor : 貴州金億達礦業有限公司 (transliterated as Guizhou Jinyida Mining Company Limited)

(2) Purchaser : Cheng Wei

The Vendor is principally engaged in leasing of mining licences, metal refining and trading. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Purchaser is an Independent Third Party. As at the date of the Sale and Purchase Agreement, the Purchaser and his associates are interested in 15,892,400 Shares, representing approximately 0.86% of the existing issued share capital of the Company.

Assets to be disposed of

The Mining Licences

Consideration

The Consideration of RMB76,600,000 for the sale and purchase of the Mining Licences shall be satisfied by the Purchaser in the following manner:

- (a) RMB17,000,000 (equivalent to approximately HK\$20,000,000) has been paid in cash by the Purchaser to the Vendor on the date of the Sale and Purchase Agreement as deposit; and
- (b) RMB59,600,000 (equivalent to approximately HK\$70,000,000) shall be payable in cash by the Purchaser to the Vendor upon Completion.

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor with reference to (i) aggregate annual coal production volume under the Mining Licences; and (ii) the preliminary valuation of the Mining Licences as at 30 November 2010 of approximately RMB75,600,000 conducted by Asset Appraisal Limited, an independent qualified valuer, in accordance with the Hong Kong Business Valuation Forum — business valuation standards by adopting the market approach. Having considered the above and the factors described under the section headed “Reasons for and benefit of the Disposal” below, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Sale and Purchase Agreement are 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 on the following conditions being satisfied or waived in accordance with the Sale and Purchase Agreement.

- (a) all relevant regulatory requirements (including but not limited to those under Listing Rules and all relevant regulatory requirements in Hong Kong) in relation to the transactions under the Sale and Purchase Agreement having been complied; and
- (b) the approvals from relevant regulatory body of transferring the Mining Licences to the Purchaser having been obtained.

The above conditions are not waivable under the Sale and Purchase Agreement. If the above conditions have not been fulfilled on or before 30 June 2011, or such later date as the Vendor 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.

Completion

Completion shall take place at 11:00 a.m. on the date falling two Business Days after the fulfilment of the condition on or before 30 June 2011 or such later date as may be agreed between the parties to the Sale and Purchase Agreement.

THE MINING LICENCES

As at the date of this announcement, the Vendor is the holder of the Mining Licences. The detailed information of the Mining Licences is set out as follows.

(i) Tiechong Licence

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

(ii) Shuishan Licence

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

(iii) Lushan Licence

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

INFORMATION ON THE COAL MINES

(i) Tiechong Coal Mine

The Tiechong Coal Mine is located proximal to the Xiping village within Maijiang County, some 15 km south of Majiang City. The Tiechong Coal Mine was constructed in 2005, and commenced production of coal in 2007. The current production capacity is 90,000 tons per annum.

Based on the technical report prepared by SRK Consulting, a mining engineering consultant and an Independent Third Party, the estimate coal resource of the Tiechong Coal Mine is approximately 5.96 million tons as at 31 March 2008. Out of the total coal resource, approximately 0.1 million tons can be converted into estimated reserve category of which about 40,000 tons remain non-depleted. Up to the 30 September 2010, approximately 110,000 tons has been extracted from the Tiechong Coal Mine.

(ii) Shuishan Coal Mine

The Shuishan Coal Mine is located in Majiang County in the southeastern part of the Guizhou Province. The mine is situated about 9.5 km northeast of Majiang City. Construction of the Shuishan Coal Mine commenced in March 2003. The Guizhou Land and Resources Bureau initially issued a 1.28 sq. km mining licence with a total coal production permit of 30,000 tons per year in December 2005. Technical overhauls were carried out from June 2007, and the mine is still in the early phase of development. The current production capacity is 90,000 tons per annum.

Based on the technical report prepared by SRK Consulting, the estimate coal resource of the Shuishan Coal Mine is approximately 8.47 million tons as at 31 March 2008. Up to the 30 September 2010, approximately 120,000 tons has been extracted from the Shuishan Coal Mine.

(iii) Lushan Coal Mine

The Lushan Coal Mine is located in the southeastern part of the Guizhou Province. The Lushan Coal Mine is situated proximal to Dafengdong Town, and some 35 km from Kaili City. Construction of the Lushan Coal Mine commenced in March 2003. The Guizhou Land and Resources Bureau initially issued a 3.93 sq. km mining licence with a total coal production permit of 90,000 tons per year in December 2005. Technical overhauls were carried out from August 2006.

Based on the technical report prepared by SRK Consulting, the estimate coal resource of the Lushan Coal Mine is approximately 6.62 million tons as at 31 March 2008. Up to the 30 September 2010, no production activity has been conducted at the Lushan Coal Mine.

For the six months ended 30 September 2010, the Vendor leased the mining licences of Tiechong Coal Mine and Shuishan Coal Mine to Independent Third Parties for an aggregate rental fee and net profit before tax of approximately HK\$1.2 million and HK\$0.8 million respectively; and the Vendor has not leased out the mining licences relating to the Lushan Coal Mine.

For the year ended 31 March 2010, the Vendor leased the mining licences of Tiechong Coal Mine and Shuishan Coal Mine to Independent Third Parties for an aggregate rental fee and net profit before tax of approximately HK\$2.3 million and HK\$1.6 million respectively; and the Vendor has not leased out the mining licences relating to the Lushan Coal Mine.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the operation of coal mines and gold mines, leasing of mining licences in the PRC and sale of mineral products.

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. 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 mine 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 mine will be increasingly difficult and the Group decides to realise its investments in the Mining Licences.

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, including the net proceeds from the Disposal, for the development of gold mine related business and business relating to sale of mineral products.

The Directors consider that the Disposal represents a good opportunity for the Group to realise its investment in the Mining Licences 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 of approximately HK\$6 million which is calculated with reference to the Consideration and the unaudited net assets value of the Mining Licences as at 30 September 2010 of approximately HK\$84 million.

The net proceeds from the Disposal of approximately HK\$89,800,000 will be applied as general working capital and as funds for future development of the Group when investment opportunities arise. Accordingly, the Disposal will enable the Group to increase its working capital, and will improve the liquidity and strengthen the overall financial position of the Group.

IMPLICATION OF THE DISPOSAL UNDER 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:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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
“Coal Mines”	the Tiechong Coal Mine, the Shuishan Coal Mine and the Lushan 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 Mining Licences 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 RMB76,600,000 (equivalent to approximately HK\$90,000,000) payable by the Purchaser to the Vendor for the Disposal and to be satisfied in the manner as described in this announcement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Mining Licences by the Vendor as contemplated under the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s), if applicable, which are independent of the Company and its connected persons
“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 Shuishan Licence and the Lushan Licence

“PRC”	the People’s Republic of China
“Purchaser”	Cheng Wei, an Independent Third Party
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 31 December 2010 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Mining Licences
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“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
“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
“Vendor”	貴州金億達礦業有限公司 (transliterated as Guizhou Jinyida Mining Company Limited), a wholly foreign owned enterprise established in the PRC and an indirect subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 31 December 2010

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.