NEW SMART ENERGY

Interim Report

2009

New Smart Group

NEW SMART ENERGY GROUP LIMITED

Stock code : 91

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Tong Nai Kan *(Chairman)*
Lo Tai In
Tam Tak Wah
Tsang Ching Man

Independent Non-Executive Directors
Chan Kin Sang
Liu Ngai Wing
Pang Yuen Shan, Christina

AUDIT COMMITTEE

Chan Kin Sang
Liu Ngai Wing
Pang Yuen Shan, Christina

REMUNERATION COMMITTEE

Liu Ngai Wing
Pang Yuen Shan, Christina

COMPANY SECRETARY

Tsang Ching Man

CHIEF FINANCIAL OFFICER

Tsang Ching Man

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited

SOLICITORS

Angela Ho & Associates
D.S. Cheung & Co.

AUDITORS

CCIF CPA Limited
20/F., Sunning Plaza,
10 Hysan Avenue,
Causeway Bay, Hong Kong

REGISTERED OFFICE

19th Floor,
Bank of East Asia Harbour View Centre,
56 Gloucester Road,
Wanchai, Hong Kong

SHARE REGISTRARS

Tricor Standard Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

LISTING EXCHANGE

The Stock Exchange of Hong Kong Limited
Stock code : 91

COMPANY WEBSITE

www.newsmartgroup.com

The Board of Directors (the "Board" or "Directors") of New Smart Energy Group Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 (the "Period").

RESULTS

For the Period, the Group's turnover was HK$66,300,000 (2008: HK$68,780,000), representing a decrease of 3.6%. Such decrease of turnover was mainly due to a 26.7% decrease of revenues generated by the sales of electronic components from HK$26,722,000 in 2008 to HK$19,592,000 in 2009, representing 29.6% of the Group's turnover. The revenues generated from the natural gas operating subsidiaries in Chongqing amounted to HK$45,912,000 (2008: HK$42,058,000), representing an increase of 9.2% and was 69.2% of the Group's turnover. The Coalbed Methane ("CBM") exploration and exploitation operating subsidiary contributed HK$796,000 (2008: nil) to the Group in 2009, representing 1.2% of the Group's turnover. The gross profit decreased by 12.0% to HK$16,368,000 from HK$18,604,000 in 2008. The loss for the Period was HK$479,247,000 (2008: HK$10,012,000), representing an increase of 4,686.7%.

The substantial part of the Group's loss was mainly due to the accounting treatments of various items, such as fair value loss on convertible bonds' embedded derivatives amounted to HK$375,228,000 (2008: nil), of which representing 78.3% of the Group's loss, imputed interest on promissory notes amounted to HK$26,792,000 (2008: nil) and convertible bonds amounted to HK$12,052,000 (2008: nil), the deferred tax income amounted to HK$15,574,000 (2008: nil), impairment on doubtful debts amounted to HK$2,853,000 (2008: nil), and amortization of the Production Sharing Contract ("PSC") in respect of CBM amounted to HK$62,297,000 (2008: nil). The aggregate net result of the abovementioned accounting loss for 2009 was HK$463,648,000.

For comparison purpose, the loss after tax for 2009 and 2008, if excluding those accounting loss, was HK$15,599,000 and HK$10,012,000 respectively, a substantial increase in loss of 55.8% was mainly due to the net loss, amounted to HK$3,791,000, incurred by the CBM Business in Anhui started in November 2008.

The Board was of the opinion that the accounting loss mentioned above shall not have material impact on the cashflow position of the Group.

INTERIM DIVIDENDS

The Board does not recommend the payment of any dividend for the Period.

BONUS ISSUE OF WARRANTS

The Board intends to propose a bonus issue of new warrants to shareholders of the Company. The details of which will be disclosed in a separate announcement.

BUSINESS REVIEW

Coalbed Methane ("CBM") Business

On 16 July 2008, the Company, through its wholly-owned subsidiary, entered into a share transfer agreement with the vendors for the acquisition of entire issued share capital of Merit First Investments Limited ("Merit First"), at a total consideration of HK$2,500,000,000. Canada Can-Elite Energy Limited ("Can-Elite"), an indirectly wholly-owned subsidiary of Merit First, is a company incorporated in Canada. The principal business activities of Can-Elite are, include but not limited to, coalbed methane exploration, development and production. Pursuant to a Production Sharing Contract for Exploitation of Coalbed Methane Resources in Sunan Area in Anhui province in the PRC (the "Production Sharing Contract") entered into between China United Coalbed Methane Corporation Limited ("China United") and Can-Elite, Can-Elite can exploit the coalbed methane resources in a total exploration area of approximately 356.80 square kilometres, which was amended subsequently to 567.843 square kilometres which is located in Sunan area, Anhui province in the PRC, for a term of 30 years from the date of commencement of the production of coalbed methane from any coalbed methane field proposed and announced by joint management committee. At the acquisition date on 26 November 2008, the CBM business has been commenced with 7 gas wells operating in the contract area.

Pursuant to the Production Sharing Contract, the profit sharing ratio between China United and Can-Elite is 30:70. It is expected that the products of coalbed methane and liquid hydrocarbons will be sold within the Anhui Province of the PRC enterprises for industrial use and to residents for household use including cooking.

For the period, the turnover of the CBM business was HK$796,000 (2008: Nil). The segment results was a loss of HK$66,088,000, of which HK$62,297,000 was the amortization of the production sharing contract ("PSC"). The unfavourable results were due to the drop of demand from the industrial and residential users because of the short-term unfavourable market condition following the financial tsunami. It was expected that the demand will be recovered in the coming periods.

Natural Gas Business

Sanxia Gas (BVI) Investment Limited ("Sanxia Gas") indirectly owns 100% equity interest of Chongqing Yunyang Natural Gas Company Limited ("First Yunyang"), Yunyang Three Gorges Compressed Natural Gas Company Limited ("Second Yunyang"), Fengjie Three Gorges Wind Natural Gas Company Limited ("Fengjie Gas") and Wushan Three Gorges Wind Natural Gas Company Limited ("Wushan Gas"). The principal activities of these subsidiaries are the sale and distribution of piped natural gas and/or compressed natural gas in Yunyang, Fengjie, and Wushan of the Chongqing Province.

For the Period, the turnover and profit of Sanxia Gas sub-group were HK$45,912,000 (2008: HK$42,058,000) and HK$4,854,000 (2008: HK$2,852,000). The increase in the profit was mainly due to the lower distribution cost incurred.

As at 30 June 2009, the Sanxia Gas sub-group had more than 72,000 customers with details as follows:

No. of customers	First Yunyang	Fengjie Gas	Wushan Gas	Total
As at 31 December 2008	34,316	19,534	11,072	64,922
As at 30 June 2009	38,305	21,440	12,337	72,082
% growth	11.62%	9.75%	11.42%	11.02%

For the Period, Second Yunyang, a natural gas filling station for motor vehicles with gas sales increased 34.61% from 2,976,000 cubic meters in 2008 to 4,006,000 cubic meters in 2009.

Technology-related Business

Strong Way International Limited ("SWIL"), the Group's 60% equity interest subsidiary, is principally engaged in design and distribution of "SONIX" brand integrated circuits for toy manufacturing in Hong Kong and the South East Asia Region. Started from last year, SWIL continuously enlarged its sales network in Mainland China through an established sales agent in Guangzhou which has already built up good business relationship with a number of household appliances manufacturers. However, due to the unfavourable market condition, the turnover from sales of electronic components amounted to HK$19,592,000 for the year 2009 with a decrease of 26.7% comparing to HK$26,722,000 in 2008. The segment results was loss of HK$562,000 for 2009 (2008: profit of HK$85,000).

FINANCIAL REVIEW

As at 30 June 2009, the Group had current assets of HK$44,049,000 (31 December 2008: HK$71,256,000) and current liabilities of HK$522,146,000 (31 December 2008: HK$244,028,000) of which HK$436,778,000 was the embedded derivatives of convertible bonds with a term of five years due in 2013 and cash and bank balances of HK$9,002,000 (31 December 2008: HK$38,857,000).

PROSPECTS

The Natural Gas Business in Chongqing allows the Group to diversify into a solid business with a steady income and enter into energy-related business in Mainland China.

The Coalbed Methane ("CBM") Business in Auhui enables the Group to enter into the clean energy sector, which is supported by the PRC government with reference to the Eleventh Five-Year Plan adopted by the National Development and Reform Commission of the PRC in 2006.

The Group will actively invest in the existing Coalbed Methane Business in Anhui and Natural Gas Business in Chongqing, which are both the energy-related business, so as to bring in significant improved returns and contribute enhanced value to our shareholders.

SHARE OPTION SCHEME

Under the terms of the share option scheme (the "Scheme") of the Company approved by the shareholders on 29 December 2004, the Directors may, at their discretion, offer any eligible participants (including any Directors) of the Company or of any of its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme.

Details of the share options as at 30 June 2009 which have been granted under the Scheme are as follows:-

				Number of share options					
Categories of participant	Date of grant	Exercise price *(HK$)*	Exercisable period	As at 1 January 2009	Granted	Exercised	Cancelled/ Lapsed	As at 30 June 2009	Closing price immediately before the date of grant *(HK$)*
Employees	27-Sep-05	0.2500	27 October 2005 to 26 September 2010	800,000	–	–	800,000	–	0.1090
Directors	8-Mar-06	0.2648	8 April 2006 to 7 March 2011	1,830,000	–	–	1,830,000	–	0.2440
Employees	1-Jun-06	0.2900	1 July 2006 to 31 May 2011	8,500,000	–	–	8,500,000	–	0.2850
Employees	1-Mar-07	0.2620	1 April 2007 to 29 February 2012	2,600,000	–	–	2,600,000	–	0.2550
				13,730,000	–	–	13,730,000	–	

DIRECTORS' INTERESTS IN CONTRACT

There is no contract of significance in relation to the Group's business to which the Company or any of its subsidiary companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2009, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained 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") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares of the Company:

Name of Director	Nature of interest	Number of shares	Percentage
Tong Nai Kan *(Note a)*	Corporate	60,000,000	1.45%
Chow Sim Chu, Shirley	Personal	1,310,000	0.03%

Note a: These shares are beneficially owned by and registered in the name of Gold Blue Group Limited, which is 100% beneficially owned by Mr. Tong Nai Kan, Chairman of the Company.

Save as disclosed above, as at 30 June 2009, none of the Directors and 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 or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained by the Company under Section 336 of the SFO shows that as at 30 June 2009, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

Long positions in underlying shares of the Company – Convertible Notes:

Name	**Nature of interest**	**Number of underlying shares comprised in the Convertible Notes**	**Approximate Percentage of the Company issued share capital**
Joyous Wing Investments Limited ("Joyous Wing")	Beneficial	3,400,000,000	81.92%
Liu Kanwei *(Note 1)*	Corporate	3,400,000,000	81.92%
Pearl Day Group Limited ("Pearl Day")	Beneficial	3,400,000,000	81.92%
He Zhitao *(Note 2)*	Corporate	3,400,000,000	81.92%

Notes:

1. Mr. Liu Kanwei is the beneficial owner of the entire issued share capital of Joyous Wing.

2. Mr. He Zhitao is the beneficial owner of the entire issued share capital of Pearl Day.

Save as disclosed above, as at 30 June 2009, no persons, other than the Directors and Chief Executive of the Company whose interests are set out in the section "Directors' and Chief Executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, had notified the Company of any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations that was required to be recorded pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company had complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the Period with the following major deviations:-

Non-executive Directors (Deviation from Code Provision A.4.1)

Under the code provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election.

None of the existing independent non-executive Directors ("INEDs") of the Company is appointed for a specific term. This constitutes a deviation from the code provision A.4.1. However, more than one-third of the Directors (including executive and non-executive) are subject to retirement by rotation at each annual general meeting under the articles of association of the Company (the "Articles"). As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Appointments, Re-election and Removal of Directors (Deviation from Code Provision A.4.2)

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles. The Board as a whole is responsible for reviewing the Board composition, monitoring the appointment of Directors and assessing the independence of INEDs.

In accordance with the Articles of the Company, every Director are subject to retirement by rotation at least once every three years and any new Directors appointed to fill a casual vacancy or as an addition to the Board should be subject to election by shareholders at the next following annual general meeting after their appointment.

According to the Company's Articles, the Chairman of the Board and the Managing Director of the Company were not subject to retirement by rotation, which thus constitutes a deviation from the code provision A.4.2. Since the Chairman is responsible for the formulation and implementation of the Company's strategies, which is essential to the stability of the Company's business and thus the Board considers that the deviation is acceptable.

HUMAN RESOURCES

As at 30 June 2009, the Group had 237 employees, of which 36 were in Hong Kong and 201 were in Mainland China. Employee remunerations are in accordance with the nature of their duties and remain competitive under current market trend. Staff benefits include medical scheme, share option scheme, Mandatory Provident Fund scheme for Hong Kong employees and the state-managed employee pension scheme for employees in Mainland China.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on exactly the terms and required standard contained in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions throughout the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities in the Company during the Period under review.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the Period have been reviewed by the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the relevant code provisions of the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises all the independent non-executive Directors including Mr. Chan Kin Sang, Mr. Liu Ngai Wing and Ms. Pang Yuen Shan, Christina.

The unaudited condensed interim financial report has been reviewed by the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the independence Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to our shareholders for their support and to our staff for their contributions and diligence during the Period.

On behalf of the Board
New Smart Energy Group Limited
Tong Nai Kan
Chairman

Hong Kong, 16 September 2009

CCIF
CCIF CPA LIMITED
陳葉馮會計師事務所有限公司
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

TO THE BOARD OF DIRECTORS OF NEW SMART ENERGY GROUP LIMITED
(incorporated in Hong Kong with limited liability)

Introduction
We have reviewed the interim financial information set out on pages 12 to 34, which comprises the condensed consolidated balance sheet of New Smart Energy Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review
We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material aspects, in accordance with HKAS 34.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 16 September 2009

Leung Chun Wa
Practising Certificate Number P04963

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

		Unaudited Six months ended 30 June	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Turnover	5	**66,300**	68,780
Cost of sales		**(49,932)**	(50,176)
Gross profit		**16,368**	18,604
Other income		**641**	850
Administrative expenses		**(31,471)**	(26,946)
Selling and distribution expenses		**(1,297)**	(998)
Fair value change of convertible bonds' embedded derivatives		**(375,228)**	–
Other operating expenses		**(62,297)**	–
Finance costs	7	**(41,234)**	(1,170)
Loss before income tax		**(494,518)**	(9,660)
Income tax	8	**15,271**	(352)
Loss for the period		**(479,247)**	(10,012)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**3,637**	18,605
Total comprehensive income for the period attributable to equity shareholders of the Company		**(475,610)**	8,593
Loss per share	9		
– Basic and diluted		**(16.12 cents)**	(0.52 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Note	**Unaudited 30 June 2009 *HK$'000***	Audited 31 December 2008 *HK$'000*
Non-current assets			
Property, plant and equipment	10	**175,997**	180,019
Prepaid lease payments	10	**2,224**	2,322
Other intangible assets	11	**3,669,580**	3,726,902
Available-for-sale financial assets		**2,771**	2,771
		3,850,572	3,912,014
Current assets			
Inventories		**4,330**	2,898
Prepaid lease payments	10	**202**	202
Debtors and prepayments	12	**30,515**	16,882
Amounts due from related parties		**–**	12,417
Cash and bank balances		**9,002**	38,857
		44,049	71,256
Total assets		**3,894,621**	3,983,270
Capital and reserves			
Share capital	13	**1,037,609**	737,609
Reserves		**(406,300)**	619
Total equity		**631,309**	738,228

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Note	**Unaudited 30 June 2009** *HK$'000*	Audited 31 December 2008 *HK$'000*
Non-current liabilities			
Borrowings	15	**36,580**	28,149
Promissory notes	16	**177,365**	160,154
Convertible bonds – liability portion	17	**1,606,115**	1,877,351
Deferred tax liabilities	18	**921,106**	935,360
		2,741,166	3,001,014
Current liabilities			
Borrowings	15	**31,363**	44,337
Trade and other payables	19	**51,370**	49,847
Convertible bonds – embedded derivatives	17	**436,778**	146,953
Amounts due to related parties		**2,514**	1,779
Current taxation		**121**	1,112
		522,146	244,028
Total liabilities		**3,263,312**	3,245,042
Total equity and liabilities		**3,894,621**	3,983,270
Net current liabilities		**(478,097)**	(172,772)
Total assets less current liabilities		**3,372,475**	3,739,242

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2009

	Share capital *HK$'000*	Other reserves *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2009	737,609	245,463	(244,844)	738,228
Changes in exchange rates	–	3,637	–	3,637
Loss for the period	–	–	(479,247)	(479,247)
Total comprehensive income for the six-month period ended 30 June 2009	–	3,637	(479,247)	(475,610)
Issue of new shares on conversion of convertible bonds	300,000	68,691	–	368,691
Share options forfeited	–	(1,771)	1,771	–
At 30 June 2009	1,037,609	316,020	(722,320)	631,309
At 1 January 2008	475,109	266,253	(416,242)	325,120
Changes in exchange rates	–	18,605	–	18,605
Loss for the period	–	–	(10,012)	(10,012)
Total comprehensive income for the six-month period ended 30 June 2008	–	18,605	(10,012)	8,593
Issue of placing shares	62,500	–	–	62,500
Share options forfeited	–	(22,774)	22,774	–
At 30 June 2008	537,609	262,084	(403,480)	396,213

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	Unaudited Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Net cash used in operating activities	**(23,056)**	(20,026)
Net cash used in investing activities	**(1,686)**	(1,505)
Net cash (used in) / generated from financing activities	**(4,580)**	54,828
Net (decrease) / increase in cash and cash equivalents	**(29,322)**	33,297
Cash and cash equivalents at beginning of period	**38,857**	41,511
Changes in exchange rates	**(533)**	(579)
Cash and cash equivalents at end of period	**9,002**	74,229

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

The principal activities of the Company and its subsidiaries (together the "Group") are the selling and distribution of natural gas for residential, commercial and industrial consumption, exploration, exploitation and production of coalbed methane and technology related business. The Company is a limited liability company incorporated in Hong Kong and has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office is 19th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

This condensed consolidated interim financial information (the "Interim Financial Statements") has been approved by the Board of Directors on 16 September 2009.

2. Basis of preparation

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

At 30 June 2009, the Group had net current liabilities of approximately HK$478 million of which approximately HK$437 million was the convertible bonds' embedded derivatives, which will not involve actual cash outflow in the next 12 months. The directors of the Company are of the opinion that the Group will be able to finance its future working capital and financial requirements, given that:

(i) New Alexander Limited, the holder of the Company's convertible bonds at par value of HK$1,252 million and promissory note at par value of HK$227 million, has agreed not to demand repayment of the promissory note with maturity falling in 26 May 2010 shortly until the Company has sufficient working capital;

(ii) the substantial shareholder of the Company, Joyous Wing Investments Limited, has agreed to provide continuous financial support as is necessary to enable the Group to meet its financial obligations as and when they fall due; and

(iii) pursuant to the placing agreement dated 25 August 2009 and the supplemental placing agreement dated 2 September 2009 entered into between the Company and the subscriber for the subscription of 670,000,000 placing shares of the Company at a price of HK$0.103 per placing share, the Company raised net proceeds amounted to approximately HK$67 million, as disclosed in note 23(ii).

The directors of the Company are confident that the Group will be able to meet its financial obligations as and when they fall due in the foreseeable future and be able to operate as a going concern basis. Accordingly, the interim financial statements have been prepared on a going concern basis.

The condensed consolidated financial statements have been prepared on the historical costs basis, except for certain financial instruments, which are measured at fair values.

2. Basis of preparation *(Continued)*

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

The adoption of the above new or revised standards, interpretations and amendments did not have significant effect on the unaudited condensed consolidated financial statements or result in any significant changes in the Group's significant accounting policies except as described below.

(a) HKFRS 8, "Operating Segments". It replaces HKAS 14, "Segment reporting" and requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

(b) HKAS 1 (Revised), "Presentation of Financial Statements". The revised standard prohibits the presentation of items of income and expenses (relating to non-owner change in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to shown in a performance statement.

3. Financial risk management

All aspects of the financial risk management objectives and policies of the Group are consistent with those disclosed in the annual financial statements for the year ended 31 December 2008.

4. Critical accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group are consistent with those used in the annual financial statements for the year ended 31 December 2008.

5. Segment information

The chief operating decision makers have been identified as the directors of the Company (the “Directors”). The Directors review the Group’s internal reporting in order to assess performance and allocate resources. Management determined the operating segments based on these reports.

The Group’s operating segments under HKFRS 8 are as follows:

– Sales of natural gas
– Sales of technology products
– CBM exploration and exploitation

The following is an analysis of the Group’s revenue and profit/(loss) by operating segments:

For the six months ended 30 June 2009 – Unaudited

	Natural gas *HK$’000*	Technology products *HK$’000*	CBM exploration and exploitation *HK$’000*	Corporate *HK$’000*	Total *HK$’000*
Turnover	**45,912**	**19,592**	**796**	**–**	**66,300**
Segment results	**4,854**	**(562)**	**(66,088)**	**–**	**(61,796)**
Unallocated corporate expenses	**–**	**–**	**–**	**(13,407)**	**(13,407)**
Finance costs	**(1,239)**	**–**	**(39,995)**	**–**	**(41,234)**
Impairment on doubtful debts	**(2,853)**	**–**	**–**	**–**	**(2,853)**
Fair value change of convertible bonds’ embedded derivatives	**–**	**–**	**(375,228)**	**–**	**(375,228)**
Profit/(loss) before taxation	**762**	**(562)**	**(481,311)**	**(13,407)**	**(494,518)**

5. Segment information *(Continued)*

For the six months ended 30 June 2008 – Unaudited

	Natural gas *HK$'000*	Technology products *HK$'000*	CBM exploration and exploitation *HK$'000*	Corporate *HK$'000*	Total *HK$'000*
Turnover	42,058	26,722	–	–	68,780
Segment results	2,852	85	–	–	2,937
Unallocated corporate expenses	–	–	–	(11,427)	(11,427)
Finance costs	(1,170)	–	–	–	(1,170)
Profit/(loss) before taxation	1,682	85	–	(11,427)	(9,660)

Segment profit/(loss) represents the profit/(loss) generated by each segment without allocation of central administration costs and non-recurring expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities exclude corporate assets and liabilities (including corporate cash and borrowings), which are managed on a central basis. These are part of the reconciliation to total consolidated assets and liabilities. Segment assets and liabilities reported to the Directors are measured in a manner consistent with that in the consolidated balance sheet.

As at 30 June 2009 – Unaudited

	Natural gas ***HK$'000***	**Technology products** ***HK$'000***	**CBM exploration and exploitation** ***HK$'000***	**Total** ***HK$'000***
Segment assets	**180,455**	**7,150**	**3,691,353**	**3,878,958**
Segment liabilities	**27,015**	**16,563**	**3,172,154**	**3,215,732**

As at 31 December 2008 – Audited

	Natural gas *HK$'000*	Technology products *HK$'000*	CBM exploration and exploitation *HK$'000*	Total *HK$'000*
Segment assets	185,624	2,627	3,743,867	3,932,118
Segment liabilities	27,507	11,873	3,150,331	3,189,711

5. Segment information *(Continued)*

Reportable segment assets are reconciled to total assets as follows:

	Unaudited 30 June 2009 *HK$'000*	Audited 31 December 2008 *HK$'000*
Segment assets	**3,878,958**	3,932,118
Corporate assets	**15,663**	51,152
Total assets per the consolidated balance sheet	**3,894,621**	3,983,270

Reportable liabilities are reconciled to total liabilities as follows:

	Unaudited 30 June 2009 *HK$'000*	Audited 31 December 2008 *HK$'000*
Segment liabilities	**3,215,732**	3,189,711
Corporate liabilities	**47,580**	55,331
Total liabilities per the consolidated balance sheet	**3,263,312**	3,245,042

6. Operating loss

	Unaudited Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Operating loss is arrived at after charging:		
Staff costs (including Directors' emoluments)		
– Salaries and other emoluments	**12,726**	12,245
– Contributions to retirement scheme	**561**	831
	13,287	13,076
Depreciation	**5,959**	4,653
Amortisation		
– Leasehold land and land use rights	**101**	99
– Production sharing contract *(note 11)*	**62,297**	–
– Right to use gas pipelines *(note 11)*	**284**	276
	62,682	375
Impairment on doubtful debts	**2,853**	–
Operating lease rental expenses for land and buildings	**2,141**	2,458

7. Finance costs

	Unaudited Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Interest expenses on the following borrowings wholly repayable within five years:		
– Promissory notes	**26,792**	–
– Convertible bonds	**12,052**	–
– Bank loans and overdrafts	**2,352**	1,170
– Finance lease obligations	**38**	–
	41,234	1,170

8. Income tax

	Unaudited Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Income tax credit/(charge):		
Current taxation		
– Hong Kong profits tax *(note (a))*	**–**	–
– PRC enterprise income tax *(note (b))*	**(303)**	(352)
Deferred tax credit *(note (c))*	**15,574**	–
	15,271	(352)

Notes:

(a) No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no significant assessable profits in Hong Kong for both periods. Overseas taxation is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

(b) The subsidiaries in the People's Republic of China (the "PRC") are subject to an income tax rate of 25% (2008: 25%), being the current preferential tax rate applicable. As approved by the Chongqing Municipal Tax Bureau, the subsidiaries in PRC are exempted from enterprise income tax for two years commencing from their first profit-making year of operation in 2007 and thereafter, entitled to a 50% relief from enterprise income tax for the following three years.

(c) The deferred tax credit arose from the reversal of the temporary difference arising from the amortisation of the Production Sharing Contract in respect of CBM as referred to note 11.

9. Loss per share

(a) *Basic*

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

	Unaudited Six months ended 30 June	
	2009	2008
Loss attributable to equity holders *(HK$'000)*	**(479,247)**	(10,012)
Issued ordinary shares at 1 January	**2,950,434,391**	1,900,434,391
Effect of conversion of convertible bonds	**22,252,747**	–
Effect of placing subscription	**–**	20,718,232
Weighted average number of ordinary shares at 30 June	**2,972,687,138**	1,921,152,623
Basic loss per share *(HK cents)*	**(16.12)**	(0.52)

(b) *Diluted*

The diluted loss per share for the period ended 30 June 2009 is same as the basis loss per share as the exercise price of outstanding convertible bonds during the year was higher than the average market price of the Company's share and accordingly, there was no dilutive effect on the basic loss per share.

The diluted loss per share for the period ended 30 June 2008 has not been presented as the effect of the potential ordinary shares under the outstanding granted share options would be anti-dilutive.

10. Capital expenditure and leasehold land and land use rights

	Unaudited	
	Property, plant and equipment *HK$'000*	**Leasehold land and land use rights** *HK$'000*
Net book amount as at 1 January 2009	180,019	2,524
Changes in exchange rates	251	3
Additions	1,686	–
Depreciation/amortization	(5,959)	(101)
Net book amount as at 30 June 2009	175,997	2,426

11. Other intangible assets

	Production sharing contract ("PSC") *(note (a))* *HK$'000*	Right to use gas pipelines *(note (b))* *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2008	–	7,104	7,104
Acquisition of subsidiaries	3,741,200	–	3,741,200
Exchange adjustments	(10,110)	426	(9,684)
At 31 December 2008 and 1 January 2009	3,731,090	7,530	3,738,620
Exchange adjustments	5,238	10	5,248
At 30 June 2009	3,736,328	7,540	3,743,868
Accumulated amortisation and impairment			
At 1 January 2008	–	744	744
Exchange adjustments	81	50	131
Charge for the year	10,283	560	10,843
At 31 December 2008 and 1 January 2009	10,364	1,354	11,718
Exchange adjustments	(11)	–	(11)
Charge for the period	62,297	284	62,581
At 30 June 2009	72,650	1,638	74,288
Carrying amount			
At 30 June 2009	3,663,678	5,902	3,669,580
At 31 December 2008	3,720,726	6,176	3,726,902

11. Other intangible assets *(Continued)*

Notes:

(a) Through the acquisition of 100% equity interest in Merit First Investments Limited on 26 November 2008, the Group has obtained a coalbed methane production sharing contract which was entered into between Canada Can-Elite Energy Limited ("Can-Elite") and China United Coalbed Methane Corporation Limited on 8 November 2007 ("PSC"). The interests of China United and Can-Elite under the PSC are in the proportion of 30% and 70% respectively, or in proportion to their participating interests in the development costs.

On 31 March 2008, the PSC was approved from the Ministry of Commerce of the PRC in relation to (i) the execution and implementation of the PSC; (ii) the terms of the PSC; and (iii) 70:30 profit sharing ratio between Can-Elite and China United. Beijing Z&D Law Firm, the legal adviser of the Company as to the PRC laws, advised that China United and Can-Elite had obtained all relevant approvals in relation to the execution and implementation of the PSC.

China United was established in 1996 and its principal business includes the exploitation, exploration, development, production and delivery and transportation of coalbed methane in the PRC and provision of ancillary services in relation thereto. The State Council had in 1996 granted an exclusive right to China United to explore, develop and produce coalbed methane in cooperation with overseas companies to exploit the coalbed methane resources in the contract area in a block covering approximately 568 square kilometres in the Su'nan Area of Auhui Province in the PRC under the PSC together with modification dated on 28 February 2009 ("CBM Contract Area"). Pursuant to the PSC, Can-Elite is engaged as a foreign partner to provide advanced technology and assign its competent experts to explore, develop, produce and sell coalbed methane, liquid hydrocarbons or coalbed methane products extracted from the CBM Contract Area. China United shall, among others, facilitate local approvals and liaison with local and government bodies and market the coalbed methane and liquid hydrocarbons and sell the same to prospective buyers.

The PSC provides a term of thirty consecutive years, with production period not more than twenty consecutive years commencing on a date determined by the joint management committee which is set up by Can-Elite and China United, pursuant to the PSC, to oversee the operations in the CBM Contract Area.

Pursuant to the PSC and its modification dated on 28 February 2009, during the exploration period, Can-Elite shall (i) drill an aggregate of nine wells for exploration; and (ii) invest at least an aggregate amount of RMB28,400,000 (equivalent to approximately HK$31,910,000) in the exploration period. Can-Elite shall first bear all the exploration costs, bearing no interest, which shall be recovered in kind out of coalbed methane and liquid hydrocarbons produced from any coalbed methane field, after the exploration costs have been converted into quantities of coalbed methane and liquid hydrocarbons based on the prevailing free market price of coalbed methane and liquid hydrocarbons. If no coalbed methane or liquid hydrocarbon is discovered in the CBM Contract Area, the exploration costs incurred by Can-Elite shall be deemed as its losses.

11. Other intangible assets *(Continued)*

Notes: (Continued)

(a) *(Continued)*

Can-Elite and China United shall be reimbursed the costs incurred during the development and production periods in the proportion of 70% and 30% respectively, or in proportion to their participating interests of each coalbed methane field. Upon extraction of the coalbed methane and liquid hydrocarbons, the coalbed methane and liquid hydrocarbons products shall be sold by China United and the proceeds will be deposited into a bank account jointly opened and operated by China United and Can-Elite, and distribute the profits between the parties in the proportion of their participating interests in the development costs, or any other marketing approaches and procedures to be agreed by Can-Elite and China United.

For all assistance to be provided by China United, the administrative fee is in the sum of US$30,000 (equivalent to HK$234,000) and US$50,000 (equivalent to HK$390,000) payable by Can-Elite to China United during the exploration period, and the development and production period, respectively, as agreed by Can-Elite and China United with reference to the administrative fee payable by other foreign investors with China United in other production sharing contracts. In the opinion of the directors of the Company, the administrative fee payable by the Can-Elite is comparable to that payable by other foreign investors with China United in other production sharing contracts.

The interest on the development costs incurred by Can-Elite and China United for each coalbed methane field within the CBM Contract Area shall be calculated at a fixed annual compound interest rate of 9% per annum.

The PSC is amortised on straight-line basis over the remaining contract terms of the PSC.

(b) The right to use gas pipelines is amortised on a straight-line basis over the useful life of 12 years.

12. Debtors and prepayments

	Unaudited 30 June 2009 HK$'000	Audited 31 December 2008 HK$'000
Trade debtors	**9,640**	5,849
Provision for impairment	**–**	(168)
	9,640	5,681
Other debtors	**863**	6,788
Deposits and prepayments	**20,012**	4,413
	30,515	16,882

The credit terms granted to trade debtors in respect of sales of electronic components are usually 30 to 90 days. Sale of natural gas and gas connection fees are due upon presentation of payment advice.

The ageing analysis of the trade debtors, based on the dates of the invoices, net of provision for impairment, is as follows:

	Unaudited 30 June 2009 HK$'000	Audited 31 December 2008 HK$'000
Below 30 days	**7,093**	4,567
30 to 90 days	**1,968**	937
91 to 180 days	**37**	17
Over 180 days	**542**	160
	9,640	5,681

13. Share capital

	Number of Shares	*HK$'000*
Authorised:		
At 1 January 2008, ordinary shares of HK$0.25 each	10,000,000,000	2,500,000
Increase during the year *(note a)*	10,000,000,000	2,500,000
At 31 December 2008 and 30 June 2009, ordinary shares of HK$0.25 each	20,000,000,000	5,000,000
Issued and fully paid:		
At 1 January 2008, ordinary shares of HK$0.25 each	1,900,434,391	475,109
Issue of new shares for cash *(note b)*	250,000,000	62,500
Acquisition of subsidiaries *(note c)*	800,000,000	200,000
At 31 December 2008 and 1 January 2009, ordinary shares of HK$0.25 each	2,950,434,391	737,609
Issue of new shares upon conversion of convertible bonds *(note d)*	1,200,000,000	300,000
At 30 June 2009, ordinary shares of HK$0.25 each	4,150,434,391	1,037,609

Notes:

(a) By an ordinary resolution passed by the shareholders on 19 November 2008, the authorised share capital of the Company was increased from HK$2,500,000,000 to HK$5,000,000,000 by creation of 10,000,000,000 new shares of HK$0.25 each.

(b) On 16 June 2008, pursuant to a subscription agreement dated 6 June 2008, the Company issued 250,000,000 ordinary shares at a price of HK$0.25 per share to Shine Channel Corporation Limited.

(c) The Company issued 800,000,000 ordinary shares (the "Consideration Shares") at an issue price of HK$0.25 per share on 26 November 2008 as part of the purchase consideration for the acquisition of the entire issued share capital of Merit First Investments Limited.

(d) During the period, convertible bonds amounted to HK$300,000,000 were converted into 1,200,000,000 shares of the Company of HK$0.25 each at a conversion price of HK$0.25 per share.

All the new shares rank pari passu to the existing shares.

14. Share option scheme

The Company operates a share option scheme (the "Scheme") approved by the shareholders on 29 September 2004, under which the Directors of the Company may, at their discretion, offer any eligible participants (including any Directors) of the Company or of any of its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. For each lot of the share options granted, the participants will pay a nominal consideration of HK$1. The period within which the shares must be taken up under an option is determined by the Board from time to time, except that such period shall not expire more than ten years from the date of grant of the options. All of the share options were forfeited during the period.

Movements in the numbers of share options during the period/year were as follows:

	Unaudited Six months ended 30 June 2009	Audited Year ended 31 December 2008
At beginning of period/year	**13,730,000**	187,210,000
Share options forfeited	**(13,730,000)**	(173,480,000)
At end of period/year	**–**	13,730,000

15. Borrowings

	Unaudited 30 June 2009 *HK$'000*	Audited 31 December 2008 *HK$'000*
Secured bank loans wholly repayable within five years *(note)*	**26,607**	26,004
Short term loans, unsecured	**40,470**	45,524
Finance lease obligations wholly repayable within five years	**866**	958
	67,943	72,486
Current portion included in current liabilities		
Secured bank loans wholly repayable within five years *(note)*	**12,454**	20,351
Short term loans, unsecured	**18,714**	23,799
Finance lease obligations wholly repayable within five years	**195**	187
	31,363	44,337
Non-current portion	**36,580**	28,149

Note: Bank loans amounting to HK$26,607,000 (31 December 2008: HK$22,612,000) are secured by the right to collect revenue on sales of natural gas of the gas operating subsidiaries.

16. Promissory notes

On 26 November 2008, the Company issued HK$240,000,000 unsecured redeemable promissory notes in connection with the acquisition of the 100% equity interest in Merit First Investments Limited. The promissory notes are repayable in one lump sum on maturity of 1.5 years. The promissory notes bear zero coupon rate. The Company has the right to redeem the promissory notes prior to the maturity date by serving a written notice to the note-holders. The fair value of promissory notes is approximately HK$155,457,000, as at the issue date, based on the independent valuation performed by Asset Appraisal Limited, a firm of professional valuers. The promissory notes are carried at amortised cost using the effective interest rate method. The effective interest rate of the promissory notes was determined at 33% per annum at the issue date on 26 November 2008, with reference to the similar instruments in the market. The promissory notes are classified as non-current liabilities and carried at amortised cost until extinguishment on redemption. On 18 June 2009, promissory notes in an aggregated principal amount of HK$12,417,000 (carrying amount of HK$9,582,000) were redeemed. The amortised and imputed effective interest expenses of promissory notes amounting to HK$26,792,000 was charged to the income statement for the six months ended 30 June 2009 (year ended 31 December 2008: HK$4,697,000).

17. Convertible bonds

On 26 November 2008, the Company issued convertible bonds with an aggregate principle amount of HK$2,000,000,000 with a term of five years in connection with the acquisition of 100% equity interest in Merit First Investments Limited. The bonds carry zero coupon rate. The bonds are convertible into ordinary shares of the Company at an initial conversion price of HK$0.25 per conversion share at any time during the period commencing from the date of issue of convertible bonds.

As the functional currency of the Group is Renminbi, the conversion option of the convertible bonds denominated in Hong Kong dollar will not result in settlement by the exchange of a fixed amount of cash for a fixed number of equity instrument. The embedded conversion option is therefore separated from the host contract and accounted for as an embedded derivative carried at fair value through profit and loss.

The fair value of the liability portion and embedded derivatives portion of the convertible bonds were determined as of the date of issue by an independent professional valuer, Asset Appraisal Limited. The fair value of the convertible bonds as at the date of issue was HK$2,000,000,000 comprising a liability portion of HK$1,875,030,000 and embedded derivatives portion of HK$124,970,000. During the period, convertible bonds in an aggregated amount of HK$300,000,000 were converted into 1,200,000,000 ordinary shares of the Company of HK$0.25 each at a conversion price of HK$0.25 per share. As at 30 June 2009, the fair value of the embedded derivatives portion of the convertible bonds was revalued by an independent professional valuer, Asset Appraisal Limited, at HK$436,778,000. The increase in fair value of the embedded derivatives of HK$375,228,000 has been recognised and charged to the condensed consolidated statement of comprehensive income for the period.

18. Deferred taxation

	HK$'000
At 1 January 2008	5,506
Acquisition of subsidiaries	935,300
Credit to condensed consolidated statement of comprehensive income	(3,223)
Exchange adjustments	(2,223)
At 31 December 2008 and 1 January 2009	935,360
Credit to condensed consolidated statement of comprehensive income	(15,574)
Exchange adjustments	1,320
At 30 June 2009	921,106

19. Trade and other payables

	Unaudited 30 June 2009 *HK$'000*	Audited 31 December 2008 *HK$'000*
Trade creditors	**21,367**	12,916
Other creditors	**27,045**	31,989
Accrued operating expenses	**2,958**	4,942
	51,370	49,847

The ageing analysis of the trade creditors, based on the dates of the invoices, is as follows:

	Unaudited 30 June 2009 *HK$'000*	Audited 31 December 2008 *HK$'000*
Below 30 days	**4,628**	7,831
30 to 90 days	**11,114**	2,891
91 to 180 days	**3,535**	647
Over 180 days	**2,090**	1,547
	21,367	12,916

20. Commitments

(i) Capital commitments

The Group had the following capital commitments at 30 June 2009:

	Unaudited 30 June 2009 *HK$'000*	Audited 31 December 2008 *HK$'000*
Authorised but not contracted for		
– Production sharing contract	**11,954**	17,626
Contracted but not provided for		
– Production sharing contract	**32,914**	20,972
– Natural gas	**–**	1,830
– Investment *(note)*	**12,228**	–
	57,096	40,428

Note: At 30 June 2009, the capital commitment for investment of approximately RMB10,800,000, equivalent to approximately HK$12,228,000 represented the commitment to acquire 36% equity interest in 重慶市江津區津港燃氣有限公司.

(ii) Operating lease commitments

The future aggregate minimum lease rental expense of the Group in respect of land and buildings under non-cancellable operating leases is payable in the following years:

	Unaudited 30 June 2009 *HK$'000*	Audited 31 December 2008 *HK$'000*
Within 1 year	**5,922**	6,493
After 1 year but within 5 years	**1,548**	3,865
	7,470	10,358

21. Contingent liabilities

During the period ended 30 June 2009, 雲陽縣天然氣開發辦公室 ("開發辦") lodged a petition to 重慶市第二中級人民法院 against 重慶三峽燃氣集團有限公司 ("重慶三峽") (2009 渝二民初字第25號) in breach of the exploitation and operation contract and requested to terminate the exploitation and operation contract, pay for the plant and equipment of 雲陽縣天然氣有限公司 and 雲陽縣壓縮天然氣有限公司 to claim the amount of RMB4,500,000 as damages for violating the exploitation and operation contract; and to pay for the existing nature gas users' installation costs. The Company filed its defence on 28 August 2009. The Company has been advised by its PRC lawyer that it has good grounds to resist the petition. In the opinion of the directors of the Company, the exposure is remote.

22. Related party transactions

The directors of the Company represented key management of the Group. During the period, directors' remuneration of HK$3,478,000 (2008: HK$3,450,000) was charged to the statement of comprehensive income.

23. Events after balance sheet date

(i) On 21 July 2009, the Court granted an order confirming the proposal of capital reorganization, which involve (a) capital reduction by reducing the nominal value of the then issued shares ordinary from HK$0.25 to HK$0.01 each; (b) reducing each authorized but unissued share capital of the Company from HK$0.25 to HK$0.01 each. As a result of the capital reorganization, the authorized share capital has been reduced from HK$5,000,000,000 divided into 20,000,000,000 ordinary shares of HK$0.25 each to HK$200,000,000 divided into 20,000,000,000 ordinary shares of HK$0.01 each and the issued share capital was reduced to approximately HK$41,504,000, with a credit transfer to a special capital reserve approximately HK$996,105,000 so cancelled in the capital reduction.

(ii) Pursuant to the Placing Agreement dated 25 August 2009 and the Supplemental Placing Agreement dated 2 September 2009 entered into between the Company and China Merchants Securities (HK) Co., Limited ("China Merchants"), China Merchants has procured not fewer than six placees to subscribe 670,000,000 placing shares at a price of HK$0.103 per share. The net proceeds received by the Company amounted to approximately HK$67 million, which is intended to be used for the settlement of part of the outstanding promissory notes issued by the Company, the general working capital of the Group and potential investments to be identified.

(iii) During August 2009, convertible bonds with principal amount of HK$337,583,000 were converted into 1,350,332,000 shares of the Company of HK$0.01 each at a conversion price of HK$0.25 per share.

24. Comparative figures

As a result of the application of HKAS 1 (revised 2007), Presentation of Financial Statements, and HKFRS 8, Operating Segments, certain comparative figures have been adjusted to confirm to the current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.