



恒发能源
EVERBEST ENERGY

Everbest Energy Holdings Limited

(Incorporated in Bermuda with limited liability) Stock Code: 578

Interim Report 2007



The board of directors (the “Directors”) of Everbest Energy Holdings Limited (the “Company”) are pleased to present the unaudited interim financial statements (all in condensed form) of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 (referred to herein as “Interim Accounts”).

FINANCIAL RESULTS

The Group’s turnover of continuing and discontinued operations for the six months ended 30 June 2007 amounted to approximately HK\$270.4 million, representing a 289.6% increase from approximately HK\$69.4 million for the six months ended 30 June 2006. The gross profit has increased by 3,812.0% to approximately HK\$97.8 million as compared to HK\$2.5 million for the last corresponding period.

The increase of approximately HK\$201.0 million in turnover was due to the principal activities of the Group has been successfully diverted from electricity generation to coal mine operations during the period. Since the completion of acquisition of the coal mine business in October 2006 and the completion of disposal of the business of coal-fired electricity power plant (the “Power Plant”) in May 2007, the Group is now only engaging in the coal production and sale in the People’s Republic of China (“PRC”).

The gross profit contributed from the coal mine business for the six months ended 30 June 2007 was approximately HK\$90.2 million and contributed from Power Plant was approximately HK\$7.6 million. The gross profit margin of coal mine business and Power Plant was 42.7% and 12.9% respectively. The higher gross profit margin derived from coal mine business comparing with Power Plant is the major reason for the company to consider to divert it’s business to coal mine operation.

The unaudited profit attributable to shareholders for the period was approximately HK\$27.1 million while it was HK\$6.6 million loss for the same period in 2006. The increase in profit attributable to shareholders was mainly due to the reasons as explained above.

MANAGEMENT DISCUSSION AND ANALYSIS

Following the acquisition of entire interests of Clear Interest Limited (“CIL”), CIL and its subsidiaries (“CIL Group”) contributed approximately HK\$211.5 million to the Group’s turnover and approximately HK\$48.9 million to the Group’s profit for the six months ended 30 June 2007. The wholly owned subsidiary of CIL, Zhong Yue Energy Development (Shenzhen) Company Limited, which owns 90% of interest of Jinfeng Industrial and Trading Company Limited (“Jinfeng”). The principal activities of Jinfeng are the production and sale of coal in the PRC. Details of the acquisition have been disclosed in the circular dated 28 August 2006.

As disclosed in the circular dated 30 April 2007, the Group had entered a disposal agreement with a third party on 8 February 2007 to dispose Royce Group Limited (“RGL”) and its subsidiaries (“RGL Group”), RGL was a wholly owned subsidiary of the Company. RGL is an investment holding company which indirectly held 53.1% equity interest in Longyan Hengfa Electric Industry Co. Ltd., which principally engaged in the power plant operation. Upon the completion of the disposal of RGL Group in May 2007, the Company has no more business in sale of electricity.

As at 30 June 2007, the Group owns certain coal mines, namely Xiaohe One Coal and Xiaohe Two Coal were acquired in the very substantial acquisition which was completed in October 2006 and Xiaohe Three Coal was acquired during the first six months ended 30 June 2007. All the coal mines acquired are located in Dengfeng City, Zhengzhou, the PRC.

The increase in overall gross profit for the six months ended 30 June 2007 as compare to the last corresponding period was due to the change of principal activities of the Group from power plant business to coal mine business. Besides the market nature of coal mine, better cost control is one of the reasons which make coal mine business has better results than power plant operation. In addition, major customers of Jinfeng are located within Zhengzhou and they bear the transportation cost by themselves which is one of the favorable factors for cost control.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2007, the net asset value of the Group is approximately HK\$247.9 million (31 December 2006: approximately HK\$292.6 million) and the total cash and bank balance is approximately HK\$40.6 million (31 December 2006: approximately HK\$30.7 million). The Group’s total bank loans of approximately HK\$110.0 million (31 December 2006: approximately HK\$46.0 million) is repayable within one year.

As at 30 June 2007, the Group’s gearing ratio, which was calculated as a ratio of non-current liabilities to equity attributable to equity holders of the Company, was 89.7%, showing a decrease of 68.3% from 158.0% as at 31 December 2006. The decrease was mainly due to partial repayment of promissory note during the period.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group has a total of 2,200 employees located in Hong Kong and the PRC. The Group recognizes the importance of the strength of its human resources for its success. Remuneration for employees is maintained at competitive levels and promotion and salary increments are assessed on a performance basis. To provide incentives and rewards to the employee, the Company adopted a share option scheme in October 2004. At 30 June 2007, the Company had 37,050,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 37,050,000 additional ordinary shares of the Company and additional share capital of approximately HK\$7.4 million and share premium of approximately HK\$5.7 million (before issue expenses).

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007.

PROSPECT

The Directors were optimistic about its coal mine business in the PRC given the increasing demand for energy resources by the various sectors of the PRC. Under the consolidation and technological reform required by the PRC government, certain individual small-scale coal mines in the PRC would be required to be gradually closed down. According to the Group's business strategy, the Group intends to concentrate its business operations and development in the field of nature resources and related business, and has been identifying suitable mining rights and mining assets for acquisition in the PRC. As disclosed in the Company's announcement dated 27 August 2007, one more coal mine, called Xiangyang Coal, is proposed to acquire in the second half of 2007. The acquisition aligns with the Group's business strategy and will further enhance the coal reserve of the Group. In addition, the Group will continuously identify appropriate coal mines and fund raising strategy for the future expansion of the Group.

Apart from the future business plan as discussed above, the Company will continue to put efforts on the aspects of operational improvement and cost-effectiveness enhancement in order to achieve higher returns to shareholders.

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

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2007, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the ordinary shares of the Company

Name of Director	Number of shares held, capacity and nature of interest	Percentage of the Company's issued share capital
	Through controlled corporation	
Mr. Bao Hongkai ("Mr. Bao")	90,000,000*	14.04%

* Such Shares were held through Dragon Rich Resources Limited ("Dragon Rich"), a company incorporated in the British Virgin Islands which is beneficially owned as to 40% by Mr. Bao, as to 20% by Mr. Wu Jiahong ("Mr. Wu"), as to 20% by Mr. Xu Lidi ("Mr. Xu") and as to 20% by Mr. Wang Xinkai respectively. Mr. Bao and Mr. Wu are the executive directors of the Company. Mr. Xu is a senior management of the Company. Mr. Bao, Mr. Wu and Mr. Xu are the directors of Dragon Rich. Dragon Rich also holds a convertible bond ("Bond") of the Company with the face value of HK\$20,000,000. As at 30 June 2007, the Bond remained outstanding. Upon full conversion thereof at an initial conversion price of HK\$0.35 per share, a total of 57,142,857 Shares will be issued to Dragon Rich.

(b) Long positions in the shares of associated corporations of the Company

Name of Directors	Name of subsidiaries	Number of shares held, capacity and nature of interest			Percentage of the equity interest
		Shares	Number of Shares held/ Amount of capital paid	Capacity and nature of interest	
Mr. Bao Hongkai	登封市金豐工贸有限责任公司 (Jinfeng Industrial and Trading Company Limited) ("Jinfeng")	N/A	RMB1,600,000	Beneficial owner	10%

Save as disclosed above, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange as at 30 June 2007.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

So far as was known to the Directors or chief executive of the Company, as at 30 June 2007, the person, other than the Directors or chief executive of the Company, who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, were as follows:

Long positions in the shares

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of shareholding
Century Enterprise Investments Inc. ⁽¹⁾	Beneficial owner	105,642,250	16.48%
Dragon Rich Resources Limited ⁽²⁾	Beneficial owner	90,000,000	14.04%
Hopeview Consultants Limited ⁽³⁾	Beneficial owner	75,000,000	11.70%

Notes:

- (1) Century Enterprise Investments Inc. is beneficially and wholly owned by Mr. He Peng. He is independent and not related to the Board or management of the Company.
- (2) Dragon Rich Resources Limited is beneficially owned as to 40% by Mr. Bao Hongkai, as to 20% by Mr. Wu Jiahong, as to 20% by Mr. Xu Lidi and as to 20% by Mr. Wang Xinkai respectively. Mr. Bao Hongkai and Mr. Wu Jiahong are the Executive Directors. Mr. Xu Lidi is a senior management of the Company.
- (3) Hopeview Consultants Limited is beneficially and wholly-owned by Mr. Liu Changsong. He is independent and not related to the Board or management of the Company.

Save as disclosed above, the Directors or the chief executive of the Company were not aware that there was any party (not being Directors and chief executives of the Company) who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited Interim Accounts.

CORPORATE GOVERNANCE

The Board places importance on corporate governance and reviews its corporate governance practices from time to time to protect the interests of the Group and the shareholders.

In light of the Code of Corporate Governance Practice (the “Code”) set out in Appendix 14 of the Listing Rules which came into effect on 1 January 2005, the Board has reviewed the corporate governance practices of the Group with the adoption and improvement of various relevant procedures. The Company has applied the principles of and complied with the applicable code provisions in the Code during the six months ended 30 June 2007.

Bao Hongkai
Chairman

Hong Kong, 13 September 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		Unaudited	
	Notes	From 1 January 2007 to 30 June 2007 HK\$'000	From 1 January 2006 to 30 June 2006 HK\$'000
Continuing operations:			
Revenue		211,483	–
Cost of sales		(121,240)	–
Gross profit		90,243	–
Other operating income		6,348	1
Selling expenses		(1,101)	–
Administrative expenses		(16,509)	(866)
Other operating expenses		(271)	–
Loss on disposal of subsidiaries	15	(358)	–
Operating profit/(loss)		78,352	(865)
Finance costs	3	(16,524)	–
Profit/(Loss) before income tax	4	61,828	(865)
Income tax expenses	5	(29,856)	–
Profit/(Loss) for the period from continuing operations		31,972	(865)
Discontinued operations:			
Profit/(Loss) for the period from discontinued operations		813	(7,990)
Profit/(Loss) for the period		32,785	(8,855)
Attributable to:			
Equity holders of the Company		27,138	(6,648)
Minority interests		5,647	(2,207)
Profit/(Loss) for the period		32,785	(8,855)
Earnings/(Loss) per shares			
	6		
– Basic (HK cents)			
From continuing and discontinued operations		4.581	(1.770)
From continuing operations		4.521	–
– Diluted (HK cents)			
From continuing and discontinued operations		4.151	N/A
From continuing operations		4.098	N/A



CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Notes	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	51,248	37,338
Prepaid lease payments		1,215	1,477
Goodwill		268,746	268,746
Mining rights		35,820	24,962
Other intangible assets		510	60
		357,539	332,583
Current assets			
Inventories	8	7,468	1,942
Account receivables	9	71,822	58,448
Prepayments, deposits and other receivables		248,780	185,384
Cash and cash equivalents		40,592	30,683
		368,662	276,457
Assets classified as held for sale		-	298,985
		368,662	575,442
Current liabilities			
Account payables	10	6,375	3,073
Other payables and accruals		97,566	68,226
Provision for tax		19,680	41,542
Bank loans	11	110,000	46,000
		233,621	158,841
Liabilities associated with assets classified as held for sale		-	168,110
		233,621	326,951
Net current assets		135,041	248,491
Total assets less current liabilities		492,580	581,074
Non-current liabilities			
Convertible bonds	12	16,479	15,701
Promissory notes	13	205,853	272,747
		222,332	288,448
Net assets		270,248	292,626
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14	128,213	108,173
Reserves		119,695	74,373
		247,908	182,546
Minority interests		22,340	110,080
Total equity		270,248	292,626

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2007

	Attributable to equity holders of the Company											Minority Interest	Total
	Equity component of			Share option reserve	Capital redemption reserve	Other reserve	Contributed surplus	Exchange fluctuation reserve	(Accumulated losses)/ Retained profits	Statutory reserve fund	Total		
	Share capital	Share premium	convertible bonds										
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January, 2007	108,173	156,771	4,582	5,216	50	3,211	3,284	11,793	(125,050)	14,516	182,546	110,080	292,626
Fixed assets acquired at no cost	-	-	-	-	-	153	-	-	-	-	153	-	153
Transfer from profit for the period	-	-	-	-	-	-	-	-	(8,349)	8,349	-	-	-
Issue of placement shares	20,000	18,000	-	-	-	-	-	-	-	-	38,000	-	38,000
Employee share option exercised	40	31	-	-	-	-	-	-	-	-	71	-	71
Disposal of subsidiaries	-	-	-	-	-	-	-	(12,435)	17,277	(4,842)	-	(93,387)	(93,387)
Profit for the period	-	-	-	-	-	-	-	-	27,138	-	27,138	5,647	32,785
At 30 June, 2007	128,213	174,802	4,582	5,216	50	3,364	3,284	(642)	(88,984)	18,023	247,908	22,340	270,248
At 1 January, 2006	75,173	150,321	-	-	50	-	3,284	1,919	(29,483)	4,227	205,491	105,134	310,625
Dividend paid to minority shareholder	-	-	-	-	-	-	-	-	-	-	-	(8,849)	(8,849)
Loss for the period	-	-	-	-	-	-	-	-	(6,648)	-	(6,648)	(2,207)	(8,855)
At 30 June, 2006	75,173	150,321	-	-	50	-	3,284	1,919	(36,131)	4,227	198,843	94,078	292,921

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Unaudited From 1 January 2007 to 30 June 2007 HK\$'000	From 1 January 2006 to 30 June 2006 HK\$'000
Net cash (outflow)/inflow from operating activities	(32,552)	9,517
Net cash (outflow)/inflow from investing activities	(12,232)	3,052
Net cash inflow/(outflow) from financing activities	22,971	(9,418)
Net (decrease)/increase in cash and cash equivalents	(21,813)	3,151
Cash and cash equivalents at beginning of period	62,405	27,176
Cash and cash equivalents at end of period	40,592	30,327

Notes:

1. BASIS OF PREPARATION

This unaudited condensed consolidated financial statements of the Group has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The interim financial statements should be read in conjunction with the 2006 audited consolidated annual financial statements.

In the current interim period, the Group has applied a number of new standards, amendments and interpretations (“HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2007. The application of these new HKFRSs has had no material effect on how the Group’s results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

Potential impact arising on the new accounting standards not yet effective

The Group has no early applied the following new standards, amendment and interpretations that have been issued but are not yet effective and are pertinent to the operation of the Group. The Directors of the Company (“Directors”) anticipate that the application of these new standards, amendment and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	“Borrowing cost” ¹
HKFRS 8	“Operating Segments” ¹
HK(IFRIC) Interpretation 11	HKFRS 2 – “Group and Treasury Share Transactions” ²
HK(IFRIC) Interpretation 12	“Service Concession Arrangements” ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

2. SEGMENT INFORMATION

The Group’s operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and return that are different from those of the other business segments. Summary details of the business segments are as follows:

- (i) the production and sale of coal segment involves the sale of coal;
- (ii) the generation and sale of electricity segment involves the sale of electricity; and
- (iii) the “others” segment comprises, principally, the Group’s trading and holding of equity investments.

There was no inter-segment sale and transfer during the period (2006: Nil).

The Group has successfully changed its business operations into coal mine business and withdrawn from the business of operation of generation and sale of electricity in the first half of 2007.

(a) Business segments

	Continuing operations						Discontinued operations			
	Production and sale of coal		Others		Total		Generation and sale of electricity		Consolidated	
	From	From	From	From	From	From	From	From	From	
	1 Jan 2007 to 30 Jun 2007	1 Jan 2006 to 30 Jun 2006	1 Jan 2007 to 30 Jun 2007	1 Jan 2006 to 30 Jun 2006	1 Jan 2007 to 30 Jun 2007	1 Jan 2006 to 30 Jun 2006	1 Jan 2007 to 30 Jun 2007	1 Jan 2006 to 30 Jun 2006	1 Jan 2007 to 30 Jun 2007	1 Jan 2006 to 30 Jun 2006
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		
Segment revenue:										
Sales to customers	211,483	-	-	-	211,483	-	58,925	69,370	270,408	69,370
Segment results	82,307	-	(3,597)	(865)	78,710	(865)	3,818	(4,625)	82,528	(5,490)
Loss on disposal of subsidiary	-	-	(358)	-	(358)	-	-	-	(358)	-
Operating profit/(loss)	82,307	-	(3,955)	(865)	78,352	(865)	3,818	(4,625)	82,170	(5,490)
Finance costs	(3,540)	-	(12,984)	-	(16,524)	-	(2,651)	(3,204)	(19,175)	(3,204)
Profit/(Loss) before income tax	78,767	-	(16,939)	(865)	61,828	(865)	1,167	(7,829)	62,995	(8,694)
Income tax expenses	(29,856)	-	-	-	(29,856)	-	(354)	(161)	(30,210)	(161)
Profit/(Loss) for the period	48,911	-	(16,939)	(865)	31,972	(865)	813	(7,990)	32,785	(8,855)
	30 Jun 2007	31 Dec 2006	30 Jun 2007	31 Dec 2006	30 Jun 2007	31 Dec 2006	30 Jun 2007	31 Dec 2006	30 Jun 2007	31 Dec 2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	453,612	597,391	272,589	11,649	726,201	609,040	-	298,985	726,201	908,025
Segment liabilities	233,096	111,688	222,857	289,601	455,953	401,289	-	168,110	455,953	569,399
Unallocated liabilities	-	-	-	-	-	46,000	-	-	-	46,000
Total liabilities	233,096	111,688	222,857	289,601	455,953	447,289	-	168,110	455,953	615,399

(b) Geographical segments

A geographical analysis of the Group's revenue, certain asset and expenditure information is not presented as the Group's revenue, results and assets in geographical segments other than the PRC are less than 10% of the aggregate amount of all segments.

3. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	From	From	From	From	From	From
	1 Jan 2007 to 30 Jun 2007	1 Jan 2006 to 30 Jun 2006	1 Jan 2007 to 30 Jun 2007	1 Jan 2006 to 30 Jun 2006	1 Jan 2007 to 30 Jun 2007	1 Jan 2006 to 30 Jun 2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest charge on bank loans:						
– wholly repayable within five years	2,871	–	2,651	3,204	5,522	3,204
Bank charges and interest	669	–	–	–	669	–
Effective interest expense on convertible bonds	778	–	–	–	778	–
Effective interest expenses on promissory notes	12,206	–	–	–	12,206	–
	16,524	–	2,651	3,204	19,175	3,204

4. PROFIT/(LOSS) BEFORE INCOME TAX

	Continuing operations		Discontinued operations		Consolidated	
	From	From	From	From	From	From
	1 Jan 2007 to 30 Jun 2007	1 Jan 2006 to 30 Jun 2006	1 Jan 2007 to 30 Jun 2007	1 Jan 2006 to 30 Jun 2006	1 Jan 2007 to 30 Jun 2007	1 Jan 2006 to 30 Jun 2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold	117,834	–	51,257	66,825	169,091	66,825
Depreciation	11,236	–	9,029	9,219	20,265	9,219
Operating lease charges on land and buildings	380	–	–	311	380	311
Amortisation of prepaid lease payment	262	–	201	233	463	233
Amortisation of mining rights	3,065	–	–	–	3,065	–
Employee benefit expense (including retirement benefit scheme contributions)	25,362	–	5,079	7,295	30,441	7,295

5. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Consolidated	
	From	From	From	From	From	From
	1 Jan 2007 to	1 Jan 2006 to	1 Jan 2007 to	1 Jan 2006 to	1 Jan 2007 to	1 Jan 2006 to
	30 Jun 2007	30 Jun 2006	30 Jun 2007	30 Jun 2006	30 Jun 2007	30 Jun 2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax						
– PRC income tax	29,856	–	354	161	30,210	161

Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2006: Nil).

Pursuant to a circular of Min Gao Shui Fa (2002) Number 88 (閩國稅法【2002】88號) issued by the Fujian Provincial Government on 10 April 2002, the estimated assessable profits of Longyan Hengfa Electric Industry Co. Ltd (“Longyan Hengfa”) (龍岩恒發電業有限公司) arising in the PRC starting from 1 January 2003 were subjected to an applicable corporate income tax rate of 24%. According to a circular of Min Guo Shui Xian (2004) Number 47 (閩國稅函【2004】47號) issued by the Fujian Office of National Tax Bureau on 3 February 2004, a preferential corporate income tax rate of 15% has been granted to Longyan Hengfa starting from February 2004.

Income tax arising from other regions in the PRC is calculated at 33% (2005: Nil) of the estimated assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC.

The Company did not have any significant unprovided deferred tax liabilities at the balance sheet date (2006: Nil).

6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share from continuing and discontinued operations is based on the net profit of approximately HK\$27.1 million attributable to equity holders of the Company for the six months ended 30 June 2007 (2006: net loss of approximately HK\$6.6 million) and on the weighted average number of approximately 592,341,067 (2006: 375,862,000) ordinary shares in issue during the period.

The calculation of basic earnings/(loss) per share from continuing operations is based on the net profit of approximately HK\$26.8 million attributable to equity holders of the Company for the six months ended 30 June 2007 (2006: Nil) and on the weighted average number of approximately 592,341,067 (2006: 375,862,000) ordinary shares in issue during the period.

Diluted earnings per share from continuing and discontinued operations for the six months ended 30 June 2007 is 4.151 HK cents and the diluted earnings per share from continuing operations is 4.098 HK cents. No diluted loss per share has been shown for the period ended 30 June 2006 because there were no dilutive potential ordinary shares in existence during the period.

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Plant and machineries <i>HK\$'000</i>	Mining related machinery and equipment <i>HK\$'000</i>	Furniture, fixtures, equipment and leasehold improvement <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net book value at 1 Jan 2007	18,301	4,563	6,549	3,016	4,909	-	37,338
Additions	12,733	4,877	-	868	1,405	5,263	25,146
Depreciation	(7,784)	(2,560)	(12)	(187)	(693)	-	(11,236)
Net book value at 30 Jun 2007	23,250	6,880	6,537	3,697	5,621	5,263	51,248

8. INVENTORIES

	Unaudited 30 Jun 2007 <i>HK\$'000</i>	Audited 31 Dec 2006 <i>HK\$'000</i>
Coal	3,988	1,719
Spare part and consumables	-	223
Raw materials	3,480	-
	7,468	1,942

9. ACCOUNT RECEIVABLES
Ageing analysis

	Unaudited 30 Jun 2007 <i>HK\$'000</i>	Audited 31 Dec 2006 <i>HK\$'000</i>
Current – 90 days	71,822	58,448

10. ACCOUNT PAYABLES
Ageing analysis

	Unaudited 30 Jun 2007 <i>HK\$'000</i>	Audited 31 Dec 2006 <i>HK\$'000</i>
Current – 90 days	5,786	3,073
91 – 180 days	117	-
Over 180 days	472	-
	6,375	3,073

11. BANK LOANS

	Unaudited 30 Jun 2007 HK\$'000	Audited 31 Dec 2006 HK\$'000
Bank loans repayable (unsecured):		
Within one year	110,000	46,000
Portion classified as current liabilities	(110,000)	(46,000)
Non-current portion	-	-

12. CONVERTIBLE BONDS

	Unaudited 30 Jun 2007 HK\$'000	Audited 31 Dec 2006 HK\$'000
Proceeds of issue	20,000	20,000
Equity component	(4,582)	(4,582)
Liability component on initial recognition	15,418	15,418
Interest accrued:		
– previous years	283	-
– current year	778	283
Liability component	16,479	15,701

13. PROMISSORY NOTES

	Unaudited 30 Jun 2007 HK\$'000	Audited 31 Dec 2006 HK\$'000
Fair value of promissory notes at date of issue	267,851	267,851
Repayment	(79,100)	-
Interest accrued:		
– previous years	4,896	-
– current year	12,206	4,896
	205,853	272,747

14. SHARE CAPITAL

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 <i>HK\$'000</i>
Authorised:		
1,000,000,000 ordinary shares of HK\$0.20 each	200,000	200,000
Issued and fully paid:		
At 1 Jan 2007 – 540,862,614 ordinary shares of HK\$0.20 each	108,173	75,173
Placement of new shares – 100,000,000 ordinary shares of HK\$0.20 each	20,000	15,000
Employee share option exercised – 200,000 ordinary shares of HK\$0.20 each	40	–
Acquisition of CIL	–	18,000
At 30 Jun 2007 – 641,062,614 (31 Dec 2006: 540,862,614) ordinary shares of HK\$0.20 each	128,213	108,173

15. DISPOSAL OF SUBSIDIARIES

On 8 February 2007, the Company entered into an agreement with Whole Gain International Limited ("Whole Gain"), a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. Pursuant to which the Company has agreed to sell, and Whole Gain has agreed to purchase the Company's entire equity interest of the issued share capital of Royce Group Limited ("RGL") at a consideration of approximately HK\$39.1 million.

	Unaudited 30 June 2007 HK\$'000
Net assets disposed of:	
Property, plant and equipment	178,693
Prepaid lease payments	4,331
Inventories	15,286
Account receivables	25,234
Prepayments, deposits and other receivables	23,065
Cash and cash equivalents	10,740
Account payables	(2,396)
Other payables and accruals	(10,511)
Amount due to a director	(1,480)
Loans from minority shareholders	(16,435)
Provision for tax	(638)
Bank loans	(94,200)
Minority interest	(93,387)
	38,302
Add: Professional expenses incurred on disposal	1,156
	39,458
Loss on disposal of subsidiaries	(358)
	39,100
Total consideration	39,100
Satisfied by:	
Cash	39,100

16. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2007 (31 December 2006: Nil).

17. RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with related parties during the period:

- (a) The interest accrued from Convertible Bonds and Promissory Notes payable to Dragon Rich Resources Limited (notes 12 & 13).
- (b) Compensation of key management personnel.

	Unaudited	
	From	From
	1 Jan 2007 to	1 Jan 2006 to
	30 Jun 2007	30 Jun 2006
	HK\$'000	HK\$'000
Total remuneration of directors and other members of key management during the period	906	453

18. SUBSEQUENT EVENTS

Save as those disclosed elsewhere in the Interim Accounts, the Group had the following significant subsequent events:

On 25 July 2007, Shenzhen Zhongzhou Energy Company Limited ("Zhongzhou", a subsidiary of which the Company indirectly holds 90% of its equity interests) as the purchaser, and Henan Zhongbang Hauye Investment Company Limited ("Henan Zhongbang", an independent third party) as the vendor, entered into the Xiangyang Acquisition Agreement pursuant to which Zhongzhou has conditionally agreed to acquire and Henan Zhongbang has conditionally agreed to sell the entire equity in Xiangyang Coal at a cash consideration of RMB450 million. Details of the acquisition has been disclosed in the announcement dated 27 August 2007.

On 31 July 2007, the Company, the respective guarantors and Deutsche Bank entered into the DB Subscription Agreement in relation to the issue and subscription of the DB Convertible Note in the aggregate principal amount of RMB191 million. Details of the DB convertible note has been disclosed in the announcement dated 27 August 2007.

CORPORATE INFORMATION

DIRECTORS

Mr. Bao Hongkai (*Chairman*)
Mr. Wu Jiahong (*Managing Director*)
Mr. Cheng Koon Cheung
Mr. Chan Kin Sang*
Mr. Ng Wing Hang, Patrick*
Mr. Choi Man Chau, Michael*

* *Independent Non-Executive Director*

AUDIT COMMITTEE

Mr. Ng Wing Hang, Patrick
Mr. Chan Kin Sang
Mr. Choi Man Chau, Michael

NOMINATION COMMITTEE

Mr. Wu Jiahong
Mr. Ng Wing Hang, Patrick
Mr. Chan Kin Sang
Mr. Choi Man Chau, Michael

REMUNERATION COMMITTEE

Mr. Wu Jiahong
Mr. Ng Wing Hang, Patrick
Mr. Chan Kin Sang
Mr. Choi Man Chau, Michael

SECRETARY

Mr. Li Chun On

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L. Lau & Co.

PRINCIPAL REGISTRAR

The Bank of Bermuda Limited

REGISTRAR IN HONG KONG

Tengis Limited

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited