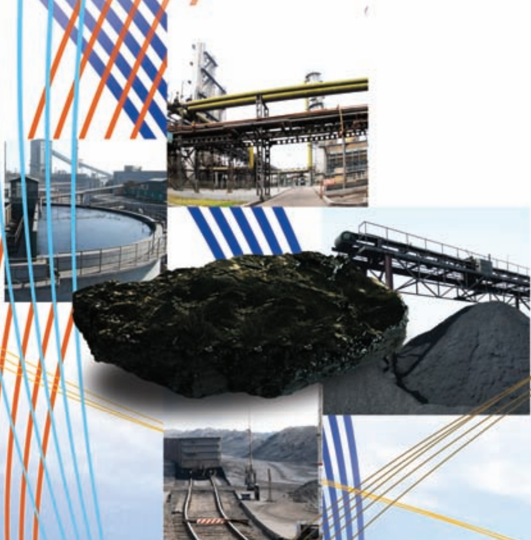
LOUDONG GENERAL NICE RESOURCES (CHINA) HOLDINGS LIMITED
樓東俊安資源(中國)控股有限公司

(Incorporated in Bermuda with limited liability)



2009
Interim Report 中期報告

Stock Code 股份代號：00988

Corporate Information

EXECUTIVE DIRECTORS

Cai Sui Xin *(Chairman)*
Zhao Cheng Shu *(Deputy Chairman)*
Lau Yu
Ng Tze For
Li Xiao Juan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lo Tung Sing, Tony
Cheung Siu Chung
Li Xiao Long
Choy So Yuk, *JP*

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Lo Tung Sing, Tony
Cheng Siu Chung
Li Xiao Long
Choy So Yuk, *JP*

AUTHORIZED REPRESENTATIVES

Ng Tze For
Leung Yuen Wing *CPA, ACA, FCCA*

COMPANY SECRETARY

Leung Yuen Wing *CPA, ACA, FCCA*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7/F Lippo Leighton Tower
103 Leighton Road
Causeway Bay
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Notes	Six months ended 30 June **2009** **(unaudited)** **HK$'000**	 2008 (unaudited) HK$'000
CONTINUING OPERATIONS			
REVENUE		**602,964**	–
Cost of sales		**(382,120)**	–
Gross profit		**220,844**	–
Other income		**40,780**	6,225
Selling & distribution costs		**(32,911)**	–
Administrative expenses		**(39,027)**	(3,255)
Other operating expenses		**(2,666)**	–
OPERATING PROFIT		**187,020**	2,970
Finance costs		**(36,861)**	(81)
PROFIT BEFORE TAX	4	**150,159**	2,889
Income tax expense	5	**(37,583)**	(1,996)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**112,576**	893
DISCONTINUED OPERATIONS	6		
Profit for the period from discontinued operations		**4,796**	602
PROFIT FOR THE PERIOD		**117,372**	1,495
OTHER COMPREHENSIVE INCOME			
Exchange differences arising on translation of foreign operations		**1,847**	–
Total comprehensive income for the period		**119,219**	1,495

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		(unaudited)	(unaudited)
	Notes	**HK$'000**	HK$'000
Profit for the period attributable to:			
Owners of the Company		**37,854**	1,495
Non-controlling interests		**79,518**	–
		117,372	1,495
Total comprehensive income attributable to:			
Owners of the Company		**38,780**	1,495
Non-controlling interests		**80,439**	–
		119,219	1,495
EARNINGS PER SHARE	7		
Basic			
– For profit for the period		**7.101 cents**	0.414 cents
– For profit from continuing operations		**6.201 cents**	0.247 cents
Diluted			
– For profit for the period		**N/A**	N/A
– For profit from continuing operations		**N/A**	N/A

Condensed Consolidated Statement of Financial Position

At 30 June 2009

	Notes	**30 June 2009 (unaudited) HK$'000**	31 December 2008 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	**2,479,655**	2,494,182
Investment properties		**9,660**	9,660
Prepaid land premiums		**36,851**	37,772
Interests in an associate		**5,786**	5,783
Available-for-sale investment		**5,446**	5,443
Goodwill		**50,083**	50,083
Deferred tax assets		**21,837**	20,865
TOTAL NON-CURRENT ASSETS		**2,609,318**	2,623,788
CURRENT ASSETS			
Inventories		**266,824**	256,304
Trade and bills receivables	9	**306,637**	221,530
Prepayments, deposits and other receivables		**1,009,948**	787,762
Equity investments at fair value through profit or loss		**3,674**	7,074
Amounts due from related companies		**4,923**	5,028
Cash and cash equivalents		**32,729**	13,746
		1,624,735	1,291,444
Assets of a disposal group classified as held for sale		**–**	143,224
TOTAL CURRENT ASSETS		**1,624,735**	1,434,668
CURRENT LIABILITIES			
Trade and bills payables	10	**642,171**	494,882
Other payables and accruals		**228,837**	296,408
Interest-bearing bank and other borrowings		**331,398**	306,158
Amounts due to related companies		**12,575**	8,443
Amount due to a shareholder		**8,601**	987
Tax payable		**265,329**	244,904
		1,488,911	1,351,782
Liabilities directly associated with the assets classified as held for sale		**–**	224

Condensed Consolidated Statement of Financial Position

At 30 June 2009

	Notes	30 June 2009 (unaudited) HK$'000	31 December 2008 (audited) HK$'000
TOTAL CURRENT LIABILITIES		**1,488,911**	1,352,006
NET CURRENT ASSETS		**135,824**	82,662
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,745,142**	2,706,450
NON-CURRENT LIABILITIES			
Long-term bank loans		**12,217**	3,550
Loans from related companies		**635,856**	747,898
Loan from a shareholder		**830**	830
Loans from non-financial institutions		**13,593**	24,402
Convertible notes		**902,602**	868,953
Deferred tax liabilities		**27,706**	27,698
Total non-current liabilities		**1,592,804**	1,673,331
Net assets		**1,152,338**	1,033,119
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	**5,331**	5,331
Equity component of convertible notes		**153,480**	153,480
Exchange realignment		**(4,176)**	(5,102)
Reserves		**147,642**	109,788
		302,277	263,497
Non-controlling interests		**850,061**	769,622
Total equity		**1,152,338**	1,033,119

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Issued capital HK$'000	Equity component of convertible notes HK$'000	Exchange realignment HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2008 (audited)	3,611	–	–	338,368	1,026	(14,453)	328,552	–	328,552
Profit for the period	–	–	–	–	–	1,495	1,495	–	1,495
Balance at 30 June 2008 (unaudited)	3,611	–	–	338,368	1,026	(12,958)	330,047	–	330,047
Balance at 1 January 2009 (audited)	**5,331**	**153,480**	**(5,102)**	**686,648**	**1,026**	**(577,886)**	**263,497**	**769,622**	**1,033,119**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**37,854**	**37,854**	**79,518**	**117,372**
Exchange differences arising on translation of foreign operations	**–**	**–**	**926**	**–**	**–**	**–**	**926**	**921**	**1,847**
Total comprehensive income for the period	**–**	**–**	**926**	**–**	**–**	**37,854**	**38,780**	**80,439**	**119,219**
Balance at 30 June 2009 (unaudited)	**5,331**	**153,480**	**(4,176)**	**686,648**	**1,026**	**(540,032)**	**302,277**	**850,061**	**1,152,338**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		(unaudited)	(unaudited)
	Notes	**HK$'000**	HK$'000
Net cash from operating activities		**8,934**	888
Additions to property, plant and equipment		**(46,198)**	(2,336)
Proceeds on disposal of subsidiaries		**143,000**	–
Proceeds from disposal of property, plant and equipment		**–**	8,061
Other investing cash flows (net)		**3,546**	2,040
Net cash from investing activities		**100,348**	7,765
New bank loans raised		**303,529**	–
Repayments of bank loans		**(280,627)**	(48)
Other financing cash flows (net)		**(112,486)**	(81)
Net cash used in financing activities		**(89,584)**	(129)
Net increase in cash and cash equivalents		**19,698**	8,524
Cash and cash equivalents at 1 January		**13,746**	163,211
Net foreign exchange loss		**(715)**	–
Cash and cash equivalents at 30 June		**32,729**	171,735
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**32,729**	171,735

1. 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 (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and equity investments at fair values through profit or loss that are measured at revalued amounts or fair values, as appropriate.

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 on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Amendments to HKAS 32 Financial Statements: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instrument and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 First-time Adoption of HKFRS and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Amendments to HKFRS 7 Financial Instruments: Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Amendments to HK(IFRIC) – Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programme
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning 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 principal effects of adopting these new and revised HKFRSs, which give rise to changes in accounting policies, are as follows:

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure standard that requires the identification of operation segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Amendment to HKAS 39 Financial Instrument: Recognition and Measurement – Eligible Hedged Items1
HKFRS 1 (Amendment)	Amendment to HKFRS 1 Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Amendment to HKFRS 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfer of Assets from customers[4]

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

[3] Effective for annual periods beginning on or after 1 January 2010

[4] Effective for transfer of assets from customers received on or after 1 July 2009

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the Group's board of directors) in order to allocate resources to segments and to assesses its performance. In contrast, the predecessor standard, HKAS 14 "Segment Reporting" required an entity to identity two sets of segments (business and geographical), using the risks and rewards approach, with the entity's "system of internal financing reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reporting segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, primary segment information was analysed on the basis of three operating divisions:

i) Coke – coal processing and production of industrial coke and coal-related chemicals and supplies electricity;

ii) Corporate – head office and treasury functions; and

iii) The discontinued operations comprised of hotel management and property investment.

However, information reported to the Directors for the purposes of resource allocation and performance assessment only focuses on the consolidated results of the two continuing operating divisions, inclusion of any income, expenses and tax charges.

As a result, there is only one reportable segment for the Group under HKFRS 8, which is "coal processing and production of industrial coke and coal-related chemicals and supplies electricity". Information regarding this segment can be made reference to the condensed consolidated financial statements as a whole.

4. PROFIT BEFORE TAX

The Group's profit before tax for the period is arrived at after charging/(crediting) the followings:

	Six months ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**362,611**	–
Minimum lease payments under operating leases:		
Operating lease rentals – land and buildings	**183**	243
Staff costs (including directors' remuneration)	**17,893**	2,266
Depreciation	**61,652**	621
Amortization of prepaid land premiums	**944**	533
Convertible notes interest expense	**33,649**	–
Loss on disposal of subsidiaries	**4,646**	–
Reversal of provision for bad debt	**(14,750)**	–
Gain on disposal of property, plant and equipment	**–**	(1,980)
Unrealised gain on equity investments at fair value through profit or loss	**(142)**	–

5. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The major components of income tax expense for the period are as follows:

	Six months ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the period	**–**	252
Current – Elsewhere	**37,583**	–
Deferred tax	**–**	1,744
Total tax charge for the period	**37,583**	1,996

6. DISPOSALS OF SUBSIDIARIES AND DISCONTINUED OPERATIONS

Property investment business

On 12 January 2009, the Group disposed of New Fortune Development Limited, which carried out the property investment business of the Group, to Mr. Lee Sammy Sean, a former director of the Company who resigned on 5 August 2009. The disposal proceed of HK$63,000,000 was received in cash. The property investment business of the Group ceased accordingly.

Hotel operation business

On 22 January 2009, the Group disposed of Rolling Development Limited and New Point Management Limited, which carried out the hotel operation business of the Group, to Mr. Lee Sammy Sean, a former director of the Company who resigned on 5 August 2009. The disposal proceed of HK$80,000,000 was received in cash. The hotel operation business of the Group ceased accordingly.

The above two connected transactions had been approved by the shareholders of the Company in the special general meeting held on 5 December 2008.

The profit for the period from the discontinued property investment business and hotel operation business is analysed as follows:

	From 1 January to 22 January 2009 (unaudited) HK$'000	Six months ended 30 June 2008 (unaudited) HK$'000
Gain of property investment business and hotel operation business for the period	**4,796**	602
Loss on disposals of property investment business and hotel operation business	**(4,646)**	–
	150	602

6. DISPOSALS OF SUBSIDIARIES AND DISCONTINUED OPERATIONS (CONTINUED)

The results of the property investment business and hotel operation business for the relevant periods were as follows:

	From 1 January to 22 January 2009 (unaudited) HK$'000	Six months ended 30 June 2008 (unaudited) HK$'000
Revenue	**6,454**	3,633
Operating costs	**(510)**	(3,031)
Profit before tax	**5,944**	602
Income tax charge	**(1,148)**	–
Profit after tax	**4,796**	602

The net assets of New Fortune Development Limited, Rolling Development Limited and New Point Management Limited at the date of disposal were as follows:

	HK$'000
Net assets disposed of	144,835
Attributable goodwill	2,811
	147,646
Loss on disposals	(4,646)
Total consideration	143,000
Satisfied by cash, and net cash inflow arising on disposals	143,000

No tax charge or credit arose on the disposals of New Fortune Development Limited, Rolling Development Limited and New Point Management Limited.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company, adjusted to reflect the interest on the convertible notes, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. A diluted earnings per share has not been disclosed as the convertible notes outstanding had an anti-dilutive effect on the basic earnings per share.

The calculations of basic earnings per share are based on:

	For the six months ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation:		
From continuing operations	**33,058**	893
From discontinued operations	**4,796**	602
	37,854	1,495

	Number of shares Six months ended 30 June	
	2009	2008
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**533,115**	361,115

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment with a cost of approximately HK$46,198,000 (for the six months ended 30 June 2008: approximately HK$2,336,000). Depreciation for items of property, plant and equipment was approximately HK$61,652,000 during the period (for the six months ended 30 June 2008: approximately HK$621,000).

In addition, during the current period, the Group had not disposed of any property, plant and equipment. During the six months ended 30 June 2008, the Group disposed of a building with a carrying amount of HK$6,081,000 for proceeds of about HK$8,061,000.

9. TRADE AND BILLS RECEIVABLES

	30 June 2009 (unaudited) HK$'000	31 December 2008 (audited) HK$'000
Trade receivables	**351,856**	260,472
Bills receivables	**2,554**	26,408
Impairment	**(47,773)**	(65,350)
	306,637	221,530

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the date of invoice, is as follows:

	30 June 2009 (unaudited) HK$'000	31 December 2008 (audited) HK$'000
Within 1 year	**299,943**	221,626
1 to 2 years	**41,926**	28,865
Over 2 years	**9,987**	9,981
	351,856	260,472

10. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the date of invoice, is as follows:

	30 June 2009 (unaudited) HK$'000	31 December 2008 (audited) HK$'000
Within 1 year	**611,420**	477,703
1 to 2 years	**19,937**	6,392
Over 2 years	**10,814**	10,787
	642,171	494,882

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

11. ISSUED CAPITAL

Issued capital as at 30 June 2009 amounted to HK$5,331,154, comprising 533,115,372 ordinary shares of HK$0.01 each. There was no movement in the issued capital of the Company in the current interim reporting period.

12. POST BALANCE SHEET EVENTS

Open offer

On 16 June 2009, the board of directors announced a proposed open offer to raise not less than HK$140.7 million before expenses by issuing 213,246,148 offer shares at the subscription price of HK$0.66 per offer share on the basis of two offer shares for every five shares held on the record date of 29 June 2009.

The number of offer shares issued pursuant to the terms of the open offer represents 40% of the Company's issued share capital on 16 June 2009 and approximately 28.57% of the Company's issued share capital as enlarged by the issue of the offer shares.

Pursuant to the underwriting agreement dated 16 June 2009 entered into amongst the Company, General Nice Resources (Hong Kong) Limited ("GNR") and Enlighten Securities Limited ("Enlighten"), (i) GNR has undertaken to accept its entitlements under the open offer for 40,000,000 shares at the aggregate subscription price of HK$26.4 million and settled in cash; (ii) GNR has agreed with the Company to settle its underwriting obligation under the underwriting agreement in cash to the extent that it, together with the parties acting in concert with it, will not hold or control such amount of the Company's voting power at general meetings as may trigger a mandatory general offer under the Takeovers Code; and (iii) Enlighten has agreed with the Company to settle its underwriting obligation under the underwriting agreement in cash. The offer shares were underwritten by GNR first to the extent that all shares held by GNR and its associates after the open offer, shall represent an aggregate of approximately 29.90% of the issued share capital of the Company, and the remaining offer shares would be underwritten by Enlighten.

12. POST BALANCE SHEET EVENTS (CONTINUED)

Open offer (Continued)

All the conditions precedent to the open offer had been fulfilled on 21 July 2009 and the open offer had become unconditional. A total of 520 valid acceptances of offer shares had been received for a total of 146,930,110 offer shares, representing approximately 68.90% of the total number of the offer shares available for subscription under the open offer. There were 66,316,038 offer shares available for excess application, and a total of 897 valid applications had been received for a total of 319,817,513 excess offer shares, representing approximately 4.82 times of the offer shares available for excess application. Dealings in the offer shares on The Stock Exchange of Hong Kong Limited have commenced at 9:30 a.m. on 28 July 2009. After the completion of the open offer, the number of issued ordinary shares of the Company increased from 533,115,372 to 746,361,520.

The Company has raised net proceeds of approximately HK$138.5 million from this open offer. Of the net proceeds, approximately HK$2 million has been utilized for working capital and approximately HK$30 million has been used for the minerals trading business. The remaining balance has not yet been utilized and is intended to be used as to HK$20 million for payment of annual interest for the convertible note; as to HK$40 million for minerals trading business; and HK$46.5 million for general working capital purpose.

Pursuant to the terms and conditions of the convertible note issued by the Company, the conversion price of the outstanding convertible note has been adjusted from HK$2.50 per share to HK$2.204 per share as a result of the open offer. The said adjustment took effect retroactively on 30 June 2009 (being the day following the record date of 29 June 2009).

Placing of existing shares and top up subscription of new shares

On 27 August 2009, GNR as the subscriber and the Company entered into an agreement with China Merchants Securities (HK) Co. Ltd. (the "Placing Agent") pursuant to which the Placing Agent agreed to place the placing shares comprising 106,500,000 existing shares at the placing price of HK$1.28 per placing shares to not less than six placees who and whose ultimate beneficial owners are independent third parties; and GNR agreed to subscribe up to 106,500,000 new shares at the same price as the placing price of HK$1.28.

The placing is unconditional. The subscription is conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval for the listing of, and permission to deal in, the subscription shares (and such permission and listing not subsequently being revoked prior to the allotment and issue of the subscription shares); (ii) the successful completion of the placing; and (iii) the Company obtaining all consents and approvals from the relevant authorities in respect of the transactions contemplated under the agreement, if applicable.

The placing price was arrived at after arm's length negotiations between the Company, GNR and the Placing Agent. The placing shares represent approximately 14.27% of the issued share capital of the Company on 27 August 2009 and the subscription shares represent approximately 12.49% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares.

12. POST BALANCE SHEET EVENTS (CONTINUED)

Placing of existing shares and top up subscription of new shares (Continued)

The subscription shares were issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 3 June 2009.

In view of the recent economic growth and stock market performance, the Company intends to further strengthen its financial position by raising funds from this exercise which would enable the Company to expand its capital base for future development of the Group.

Following the completion of the placing on 2 September 2009 and the granting of the listing of and the permission to deal in the subscription shares by the Listing Committee on 8 September 2009, all conditions under the agreement have been fulfilled and the subscription was completed on 9 September 2009. An aggregate of 106,500,000 subscription shares were issued to GNR on 9 September 2009 in accordance with the terms of the agreement. After completion of the subscription, there are 852,861,520 shares in issue and GNR and its parties acting in concert are interested in 140,000,000 issued shares, representing approximately 16.42% of the issued share capital of the Company.

The Company has raised net proceeds of approximately HK$131.8 million and the directors intend to use the funds as general working capital of the Group.

Pursuant to the terms and conditions of the convertible note issued by the Company, the conversion price of the outstanding convertible note has been adjusted from the adjusted conversion price of HK$2.204 per share to HK$2.168 per share as a result of the placing and subscription. The said adjustment took effect retroactively on 27 August 2009.

Grant of share options

On 9 July 2009, the Company had granted 20,500,000 share options to directors and 1,200,000 share options to employees of the Company under the Company's share option scheme adopted on 25 June 2007 ("2007 Share Option Scheme"). The grantees are entitled to subscribe an aggregate of 21,700,000 ordinary shares of HK$0.01 each in the capital of the Company. The exercise price of the option granted is HK$0.886 per share. The options are valid from 9 January 2010 (being six months from the date of grant of the options) to 24 June 2017 (being the last effective date of the 2007 Share Option Scheme).

12. POST BALANCE SHEET EVENTS (CONTINUED)

Memorandum of understanding in respect of the possible acquisition of the remaining 49.9% equity interest of Shanxi Loudong General Nice Coking and Gas Company Limited ("MOU 1")

At the moment, the Group is holding 50.1% equity interest of Shanxi Loudong General Nice Coking and Gas Company Limited ("Shanxi Loudong"). On 7 August 2009, the Group has entered into the non-legally binding MOU 1 with Hing Lou Resources Limited (the "Vendor") in relation to the possible acquisition by the Group from the Vendor of the entire equity interest of General Nice-Loudong Coal & Coke Limited (the "Target Company") as contemplated in the MOU 1 ("Possible Acquisition"). Subject to the due diligence to be conducted and the completion of the reorganization to be conducted by the Vendor and the Target Company, such that the Target Company will be interested in 49.9% equity interest of Shanxi Loudong, the Group would enter into the formal sale and purchase agreement in relation to the Possible Acquisition with the Vendor. The consideration for the Possible Acquisition shall be subject to further negotiation between the parties, the due diligence to be conducted by the Group on the Target Company and Shanxi Loudong, and the reorganization.

The Target Company is an investment holding company and wholly-owned by the Vendor. Upon completion of the reorganization as mentioned in the above paragraph, 49.9% equity interest of Shanxi Loudong will be owned by the Target Company.

The Vendor, is an investment holding company and is a connected person of the Company, as its ultimate beneficial owner, Xiaoyi Loudong Industry & Trading Group Company Limited, is a substantial shareholder of Shanxi Loudong, a non-wholly owned subsidiary of the Company.

The directors expect that the Possible Acquisition if materialized will be a good opportunity for the Group to further strengthen its business in the coal processing and production of coke and coal-related chemicals industry in the PRC. Taking into account of the following factors (i) the prospect of the coal processing and production of coke and coal-related chemicals industry in the PRC; and (ii) the continuous robust growth of the economy in the PRC, the Board is of the view that the terms and conditions of the Possible Acquisition are fair and reasonable and the Possible Acquisition is in the interests of the Company and the shareholders as a whole.

If the Possible Acquisition is materialized, it will constitute a notifiable and/or connected transaction on the part of the Company pursuant to the Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or shareholders' approval requirements under the Listing Rules. Further announcement in respect of the Possible Acquisition will be made by the Company in the event the formal agreement has been signed.

12. POST BALANCE SHEET EVENTS (CONTINUED)

Memorandum of understanding in respect of the possible acquisition of 49% equity interest of Shanxi Linxian Taiye Coal Mining Company Limited ("MOU 2")

On 16 September 2009, Shanxi Loudong has entered into the non-legally binding MOU 2 with the vendors (who are three PRC citizens and independent third parties) in relation to the possible acquisition of 49% equity interest of Shanxi Linxian Taiye Coal Mining Company Limited ("Linxian Taiye") held by the vendors. Under MOU 2, both Shanxi Loudong and the vendors will negotiate for a legally-binding formal agreement on or before the date falling 90 days from the date of MOU 2 (or such later date to be agreed by the parties thereto). The signing of the formal agreement shall be subject to the valuation of Linxian Taiye and the underlying coal mine and the result of the due diligence to be conducted by the Group. The vendors will not, within 90 days from the date of MOU 2, negotiate with another party for the disposal of their 49% equity interest of Linxian Taiye. A refundable deposit of HK$200 million was paid by the Group to the vendors upon the signing of MOU 2. As security for the performance of each of the vendors to repay the deposit if necessary, a share charge has been executed by each of the vendors in favour of Shanxi Loudong. The directors consider that the deposit, in exchange for an exclusivity period agreed by the vendors, is determined and negotiated by the parties on an arm's length basis and is fair and reasonable and under normal commercial terms. If no legally-binding formal agreement is entered into on or before the expiry of the exclusivity period or any extension, the deposit will be refunded to the Group in full (without interest) within two business days and the share charge as stated above will be released accordingly.

According to the information provided by the vendors, Linxian Taiye is in possession with the relevant permits for coal mining issued by the relevant government authorities. The coal mine has a general mining area of approximately 6.50 square kilometers, an estimated coal reserve of not less than 80,000,000 metric tonnes and an annual approved production capacity of 1,200,000 metric tonnes (subject to the opinion of valuer and technical adviser). Subject to the due diligence to be conducted by the Group, the directors expected that the acquisition, if materialized, will mark a significant step towards the Group's strategy to build the Group into a leading integrated coal and coke enterprise consisting of coal mining, coke manufacturing and related logistics operations. Taking into account of the following factors: (i) the prospect of the coking coal mining industry in the PRC; (ii) the synergistic effect of the coal mining and coking operations; and (iii) the continuous robust growth of the economy in the PRC, the directors are of the view that the terms and conditions of MOU 2 are fair and reasonable and the possible acquisition of the 49% equity interest in Linxian Taiye is in the interests of the Company and the shareholders as a whole.

If the formal agreement is entered into, it is expected that the acquisition will constitute a notifiable transaction on the part of the Company. In the regard, the Company will comply with the reporting, disclosure and/or shareholders' approval requirements under the Listing Rules in the event the formal agreement is signed.

13. CAPITAL COMMITMENTS

As at 30 June 2009, the Group had no material capital commitment (31 December 2008: approximately HK$12,750,000 in respect of the purchase of an office premise).

14. RELATED PARTY TRANSACTIONS

Transactions with related party

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

	For the six months ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Transportation fee paid to an associate (Note 1)	**3,094**	–
Proceeds from disposals of subsidiaries to a director (Note 2)	**143,000**	–

Notes:

1. The transportation fees paid were according to the published prices and conditions offered by the related company to their major customers.

2. The subsidiaries in the property investment business and hotel operation business were disposed to Mr. Lee Sammy Sean, a former director of the Company who resigned on 5 August 2009, at an aggregate proceeds of HK$143,000,000. The connected transactions were approved by the shareholders of the Company in the special general meeting held on 5 December 2008.

14. RELATED PARTY TRANSACTIONS (CONTINUED)

Outstanding balances with a shareholder and related parties

The balances with a shareholder and related parties are unsecured, interest-free and have no fixed terms of repayment except for the non-current balances, which the related parties have agreed not to request for repayment before 1 September 2010. These balances represented cash advances to or from those related parties and were non-trade in nature. The detailed breakdown of amounts with related parties and a shareholder is as follows:

Outstanding balances with related parties:

(i) Current portion

	30 June 2009 (unaudited) HK$'000	31 December 2008 (audited) HK$'000
Due from related companies		
Shanxi Minmetals Industrial & Trading Co. Ltd.	**4,732**	4,732
Shanxi Nan Tie Lou Jun Coke Transportation Co., Ltd. ("Nan Tie")	**191**	296
	4,923	5,028
Due to related companies		
GND	**583**	–
Nan Tie	**11,992**	8,443
	12,575	8,443

(ii) Non-current portion

	30 June 2009 (unaudited) HK$'000	31 December 2008 (audited) HK$'000
Loan from related companies		
GND	**193,864**	193,749
General Nice (Tianjin) Industry Co., Ltd.	**142,390**	301,891
Da Jin International (Group) Corporation	**11,346**	17,009
Xiaoyi Loudong Industry & Trading Group Co., Ltd.	**288,256**	235,249
	635,856	747,898

14. RELATED PARTY TRANSACTIONS (CONTINUED)

Outstanding balances with a shareholder and related parties (Continued)

Outstanding balances with a shareholder:

(i) Current portion

	30 June 2009 (unaudited) HK$'000	31 December 2008 (audited) HK$'000
Due to a shareholder		
GNR	**8,601**	987

(ii) Non-current portion

	30 June 2009 (unaudited) HK$'000	31 December 2008 (audited) HK$'000
Loan from a shareholder		
GNR	**830**	830

Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2009 (unaudited) HK$'000	2008 (unaudited) HK$'000
Short term employee benefits	**1,682**	1,273
Post-employment benefits	**41**	27
Total compensation paid to key management personnel	**1,723**	1,300

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

During the six months ended 30 June 2009, the Group's total revenue increased to approximately HK$603 million. Profit attributable to owners of the Company increased significantly to approximately HK$37,854,000 (2008: approximately HK$1,495,000).

As the Group commenced coke manufacturing business in September 2008, basic earnings per share for the six months ended 30 June 2009 surged significantly to HK7.101 cents from HK0.414 cents for the corresponding period in 2008. As at 30 June 2009, the net assets value per share also recorded a significant increase of 136% to HK$2.162 from HK$0.914 as at 30 June 2008.

Business Review

The first half of 2009 was a tough and challenging period for our operations.

It started when the financial tsunami hit steel manufacturers – a few of which are our major customers. Battered by the shrinking demand for steel from the onset of 4Q 2008, steel manufacturers accumulated large inventory in store. As a result, demand for metallurgical coke, which is used as a raw ingredient in the production of steel productions, declined accordingly.

In addition, the PRC government introduced trade policies to discourage coke exports. Customs duty imposed on the exports of metallurgical coke increased, and has in turn push our export prices of coke up relative to the prices of our international competitors. With that, our trading revenue for the six months period ended 30 June 2009 mainly came from domestic sales within China. Almost 100% of the sales in the first half of 2009 were domestic sales compared with 84% for the corresponding six months in 2008. The average selling price of the best quality metallurgical coke during the six months ended 30 June 2009 was RMB1,688 compared to RMB1,760 for the same period in 2008. The decline was across the board, mirroring the weakness in prices of commodities around the world.

Also, as the export price of coke is higher than the domestic price, yet we had a smaller percentage of export sales, our average selling price was lowered in 2009. In the six-month period in 2009, approximately 289,780 metric tonnes of metallurgical coke was sold, which represents a decrease of 46% from the corresponding period in 2008.

The lingering effect of the financial tsunami may not be a disadvantage to the Group. Firstly, many inefficient competitors in the coke manufacturing industry in the PRC have been eliminated. Secondly, the Group has been able to take advantage of the low prices in the market to buy raw materials at a lower cost. Throughout this period, the Group has made efforts to strengthen business relationships with the major suppliers. The lower cost of sales has made it possible for the gross profit margin for the six months ended 30 June 2009 to be maintained at a reasonable level of 35%, compared with 39% for the same period in June 2008.

With various economic stimulation policies from the PRC government to develop and improve infrastructure within the country, steel manufacturers are recovering. Average selling price and quantity of metallurgical coke have rebounded in the later part of the review period.

As such, the management believes that the overall market demand for the raw materials needed for manufacturing steel is improving. Together with China's long term plan to enhance infrastructure construction within the country, the Group expects its overall operation environment to improve in the foreseeable future.

The debtors' turnover day of the Group has changed from 93 days in 2008 to 160 days in the first half of 2009. The figure increased as a result of longer credit terms granted to the steel manufacturers and coke traders in China. The management of Shanxi Loudong closely monitors the repayment status of the debtors on a continual basis. If there is any substantial delay in repayment, credit terms granted to debtors will be adjusted accordingly and dedicated staff members will be assigned the responsibility to follow up with the recovery of the debts. And if the balances due from the debtors become doubtful, appropriate bad and doubtful debt provision will be provided in due course. So far no significant recoverability problem has emerged.

Outlook

Well equipped to ride on the recovery of the steel industry, the Group expects a stronger second half as the positive effects of the RMB4 trillion stimulus package promulgated kick in and the world economy gradually moves out from the doldrums of the prolonged financial meltdown. Along with the government's long term plan to develop better infrastructure across China, the Group looks forward to sharpening its competitive edge and to expanding its market share in the resources sector.

As announced on 7 August 2009, the Group intends to acquire the remaining 49.9% equity interest of Shanxi Loudong. The directors expect that the proposed acquisition, upon completion, will further strengthen its business in the coal processing and production of coke and coal-related chemicals in the PRC.

In line with our ambition to groom the Group into a leading integrated coal and coke enterprise in China, the Group has been continuously seeking opportunities to move upstream into coal mining, and to eventually evolve into a first class, fully integrated resources operator. As a major step to realize this strategy, the Group has entered into a memorandum of understanding to acquire 49% equity interest in Shanxi Linxian Taiye Coal Mining Company Limited ("Linxian Taiye") on 16 September 2009. Linxian Taiye owns a coking coal mine with a general mining area of approximately 6.5 square kilometers and estimated coal reserves of not less than 80,000,000 metric tonnes, subject to the assessments by valuers and technical advisers. The approved production capacity of the coal mine is 1,200,000 metric tonnes per year.

Shanxi is China's leading coal producing province with annual production capacity of 900 million metric tonnes. The province is launching a massive restructuring in the coal sector, a move that will consolidate the number of coal mines in the province from 2,600 to around 1,000 to enhance the long-term growth of the coal industry. Our proposed acquisition of Linxian Taiye offers the Group a timely opportunity to move into this highly promising sector as well as unleashing synergistic benefits on our existing coking business.

Subject to further due diligence, the directors expected that the possible acquisition of Linxian Taiye, if materialized, will mark a significant step to realize our strategy to groom the Group into a leading integrated coal and coke enterprise consisting of coal mining, coke manufacturing and related logistics operations.

Capital Structure, Liquidity, Financial Resources and Borrowings

As at 30 June 2009, the Group's net current assets were approximately HK$135,824,000, as compared to net current assets approximated to HK$82,662,000 as at 31 December 2008. Current assets amounted to approximately HK$1,624,735,000 (31 December 2008: HK$1,434,668,000), of which approximately HK$427,476,000 (31 December 2008: HK$308,325,000) was fixed and pledged deposits, cash and bank balances. In terms of the quality of current assets, the Group was therefore in a healthy liquidity position.

As at 30 June 2009, the Group had short term bank borrowings of approximately HK$331,398,000 (31 December 2008: HK$306,158,000), which will be due within one year, and long term bank borrowings of approximately HK$12,217,000 (31 December 2008: HK$3,550,000). The Group's borrowings were principally denominated in Renminbi. Shanxi Loudong, a subsidiary of the Company operating the coking plant in China, has maintained a very good credit record with those Chinese banks having business relationship. Based on past experiences, Shanxi Loudong has been able to have all loans renewed and/or granted extension by banks upon request and the Board expects this would continue in the foreseeable future.

After the placement of 72,000,000 shares of the Company completed on 3 September 2008 and the issuance of 100,000,000 shares to GNR on the same day as part of the consideration for acquiring the coke manufacturing business, the total number of issued shares had been enlarged to 533,115,372 shares since then and stay the same as of 30 June 2009. Convertible notes with principal amount of HK$1,000,000,000 was also issued to GNR as part of the consideration for the acquisition of coke manufacturing business. Up to the date of this report, no conversion has been made on the convertible notes.

Treasury Policy

The Group adopts a conservative approach towards its treasury policy. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Material Acquisition or Disposal of Subsidiaries and Affiliated Companies

During the period under review, the Group had disposed of the hotel operation business and the property investment business to Mr. Lee Sammy Sean, a former director of the Company who resigned on 5 August 2009, for a total consideration of HK$143,000,000. The disposals were approved by the shareholders of the Company in the special general meeting held on 5 December 2008. Save as disclosed above, the Group has no material acquisition and disposal during the six months ended 30 June 2009.

Employees

As at 30 June 2009, the total number of employees of the Group was approximately 1,670 (30 June 2008: 19). The substantial increase in employees was contributed by the coke manufacturing subsidiary acquired in September 2008. Apart from the basic remuneration, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as individual's performance. The Group also has a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Other benefits include retirement schemes.

Charge of Assets

As at 30 June 2008 and 2009, the investment properties in Beijing and the office premise in Hong Kong were pledged to banks to secure mortgage loans granted to subsidiaries of the Company. No other material charge of assets was noted.

Gearing Ratio

The gearing ratio of the Group as at 30 June 2009 measured in terms of total net debt divided by total capital plus net debt was approximately 32% (31 December 2008: 36%). Compared with internally generated cash flow to finance the Group's operations in prior period, the coke manufacturing business is capital intensive. This is the major reason for the significant increase in both the total borrowings and gearing ratio compared with the period before acquiring the coke manufacturing business.

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

The Group has adopted Hong Kong Dollar as its functional and presentation currency. A subsidiary is operated in the People's Republic of China, and is therefore exposed to foreign exchange risk. However in view of the stable currency policies adopted by the PRC government, the directors consider that the foreign exchange risk is insignificant.

The Group currently does not have a foreign exchange rate hedging policy in respect of commercial transactions denominated in foreign currencies. However, the directors monitor exchange rate exposure and will consider hedging significant exchange rate exposure should the need arises.

Contingent Liabilities

As at 30 June 2009, the Group has discounted bill receivables with total amount of approximately HK$2,555,000 (31 December 2008: approximately HK$53,748,000), which have not reached maturity.

DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009. (30 June 2008: nil)

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

At 30 June 2009, the interests of the directors and chief executive of the Company in the shares of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions – Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lee Sammy Sean (Note 1)	Interest of a controlled corporation	137,842,000	25.86%
Cai Sui Xin (Note 2)	Interest of a controlled corporation	500,000,000	18.76%
Lau Yu	Beneficial interest	5,030,000	0.94%
Li Xiao Juan	Beneficial interest	450,000	0.08%

Notes:

1 These shares include 137,842,000 shares held by Mastermind Assets Management Limited ("Mastermind"), a company wholly-owned by Mr. Lee Sammy Sean. Mr. Lee has resigned as the director of the Company on 5 August 2009.

2 GNR is interested in 100,000,000 issued shares of the Company and 400,000,000 underlying shares which may be allotted and issued upon the exercise of the conversion rights attaching to the convertible notes with the principal amount of HK$1,000,000,000 at an initial conversion price of HK$2.50 per conversion share. Approximately 80% of the issued shares of GNR is owned by General Nice Development Limited ("GND"). 50% of the issued shares of GND is owned by Vantage Region International Limited ("Vantage") and 5% directly by Mr. Cai Sui Xin. Vantage is a company wholly-owned by Mr. Cai Sui Xin. Accordingly, Mr. Cai is deemed to be interested in the 100,000,000 shares and the 400,000,000 underlying shares of the Company held by GNR under the SFO.

Other than as disclosed above, neither the directors nor the chief executive, nor any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2009. The Company has no outstanding share option as at 30 June 2009.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions – Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mastermind (Note 1)	Beneficial interest	137,842,000	25.86%
GNR (Note 2)	Beneficial interest	100,000,000 400,000,000 (Note 2)	18.76%
GND (Note 3)	Interest of a controlled corporation	100,000,000 400,000,000 (Note 2)	18.76%
Vantage (Note 4)	Interest of a controlled corporation	100,000,000 400,000,000 (Note 2)	18.76%
Mr. Tsoi Ming Chi (Note 5)	Interest of a controlled corporation	100,000,000 400,000,000 (Note 2)	18.76%
Royal London Asset Management Limited	Investment manager	37,200,000	6.98%

Notes:

1 Mastermind, a company wholly-owned by Mr. Lee Sammy Sean, a director who resigned on 5 August 2009. Accordingly, Mr. Lee was deemed to be interested in the 137,842,000 shares held by Mastermind under the SFO.

2 GNR is interested in 100,000,000 issued shares of the Company and 400,000,000 underlying shares which may be allotted and issued upon the exercise of the conversion rights attaching to the convertible notes with the principal amount of HK$1,000,000,000 at an initial price of HK$2.50 per conversion share.

3 GND holds approximately 80% equity interest in GNR and is deemed to be interested in the 500,000,000 shares or underlying shares held by GNR.

4 Vantage holds 50% interest in GND and is deemed to be interested in the 500,000,000 shares or underlying shares held by GNR.

5 Mr. Tsoi Ming Chi holds 35% equity interest in GND and is deemed to be interested in the 500,000,000 shares or underlying shares held by GNR.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2009.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Board strives to implement the best practices embodied in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules where feasible and as far as practicable.

The independent non-executive directors of the Company are not appointed for a specific term as required by the code provision A 4.1 of the Code. However, all independent non-executive directors are subject to retirement by rotation in accordance with the Company's Bye-laws. In the opinion of the directors, other than the above, the Company has complied with all code provisions set out in the Code throughout the six months ended 30 June 2009.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Company, having made specific enquiry of all directors, confirmed that all directors have complied with the required standard of dealings set out therein throughout the six months ended 30 June 2009.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee was established with written terms of reference based on terms no less exacting than the required standard as set out in the Code on Corporate Governance Practices (Appendix 14 of the Listing Rules). The Audit Committee comprises four members, namely, Mr. Lo Tung Sing Tony, Mr. Cheung Siu Chung, Mr. Li Xiao Long and Ms. Choy So Yuk, JP, all are independent non-executive directors of the Company.

The Audit Committee has reviewed with management the unaudited consolidated interim results of the Group for the six months ended 30 June 2009.