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)

(於百慕達註冊成立之有限公司)

2010
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 *(Chief Executive Officer)*
Ng Tze For
Li Xiao Juan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Siu Chung
Li Xiao Long
Choy So Yuk

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Cheng Siu Chung
Li Xiao Long
Choy So Yuk

EXECUTIVE COMMITTEE

Lau Yu
Zhao Cheng Shu
Ng Tze For
Li Xiao Juan

AUTHORIZED REPRESENTATIVES

Ng Tze For
Kwok Kam Tim

COMPANY SECRETARY

Kwok Kam Tim

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 12th Floor
Lippo Leighton Tower
103 Leighton Road
Causeway Bay
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

ADR DEPOSITARY

The Bank of New York Mellon Corporation
101 Barclay Street
22nd Floor
New York
NY 10286
USA

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
  Hong Kong Branch
Citic Bank International Limited
DBS Bank (Hong Kong) Limited

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Six months ended 30 June **2010** **(unaudited)** **HK$'000**	 2009 (unaudited) HK$'000
CONTINUING OPERATIONS			
REVENUE	4	**770,830**	602,964
Cost of sales		**(485,124)**	(382,120)
Gross profit		**285,706**	220,844
Other income	4	**13,318**	40,780
Selling & distribution costs		**(19,409)**	(32,911)
Administrative expenses		**(41,364)**	(39,027)
Other operating expenses		**(8,048)**	(2,666)
OPERATING PROFIT		**230,203**	187,020
Finance costs		**(24,943)**	(36,861)
PROFIT BEFORE TAX	5	**205,260**	150,159
Income tax expense	6	**(55,040)**	(37,583)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**150,220**	112,576
DISCONTINUED OPERATIONS	7		
Profit for the period from discontinued operations		**–**	4,796
PROFIT FOR THE PERIOD		**150,220**	117,372
OTHER COMPREHENSIVE INCOME			
Exchange differences arising on translation of foreign operations		**17,816**	1,847
Total comprehensive income for the period		**168,036**	119,219

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 (unaudited) HK$'000	2009 (unaudited) HK$'000
Profit for the period attributable to:			
Owners of the Company		**63,471**	37,854
Non-controlling interests		**86,749**	79,518
		150,220	117,372
Total comprehensive income for the period attributable to:			
Owners of the Company		**72,397**	38,780
Non-controlling interests		**95,639**	80,439
		168,036	119,219
EARNINGS PER SHARE	9		
Basic			
– For profit for the period		**4.998 cents**	7.101 cents
– For profit from continuing operations		**4.998 cents**	6.201 cents
Diluted			
– For profit for the period		**4.957 cents**	N/A
– For profit from continuing operations		**4.957 cents**	N/A

Consolidated Statement of Financial Position

At 30 June 2010

	Notes	30 June 2010 (unaudited) HK$'000	31 December 2009 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**2,552,146**	2,266,238
Investment properties		**5,110**	11,199
Prepaid land premiums		**49,306**	50,716
Interest in an associate		**5,856**	5,792
Available-for-sale investment		**5,741**	5,679
Goodwill		**330,083**	330,083
Other long-term asset		**200,000**	200,000
Deferred tax assets		**7,032**	6,814
TOTAL NON-CURRENT ASSETS		**3,155,274**	2,876,521
CURRENT ASSETS			
Inventories		**648,424**	473,849
Trade and bills receivables	11	**106,722**	184,908
Prepayments, deposits and other receivables		**388,854**	595,374
Equity investments at fair value through profit or loss		**574**	568
Amounts due from related companies	16	**29,939**	34,673
Pledge deposits		**139,220**	134,908
Cash and cash equivalents		**293,607**	59,068
TOTAL CURRENT ASSETS		**1,607,340**	1,483,348
CURRENT LIABILITIES			
Trade and bills payables	12	**281,104**	244,819
Other payables and accruals		**201,886**	212,183
Interest-bearing bank and other borrowings		**416,610**	222,095
Amount due to related companies	16	**5,599**	6,592
Amount due to a shareholder	16	**294,538**	291,223
Amount due to a director		**–**	12
Tax payable		**230,064**	274,540
TOTAL CURRENT LIABILITIES		**1,429,801**	1,251,464

Consolidated Statement of Financial Position

At 30 June 2010

	Notes	**30 June 2010 (unaudited) HK$'000**	31 December 2009 (audited) HK$'000
TOTAL CURRENT LIABILITIES		**1,429,801**	1,251,464
NET CURRENT ASSETS		**177,539**	231,884
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,332,813**	3,108,405
NON-CURRENT LIABILITIES			
Long-term bank loans		**9,789**	9,532
Loans from related companies	16	**318,080**	524,840
Loan from a shareholder	16	**840**	–
Loan from non-financial institutions		**13,756**	13,606
Convertible notes		**–**	638,117
Tax payable		**90,089**	89,108
Other long-term payables		**13,577**	13,429
Deferred tax liabilities		**34,526**	34,526
Total non-current liabilities		**480,657**	1,323,158
NET ASSETS		**2,852,156**	1,785,247
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	**14,859**	9,912
Equity component of convertible notes		**–**	107,436
Exchange realignment		**5,277**	(3,649)
Reserves		**1,816,230**	751,397
		1,836,366	865,096
Non-controlling interests		**1,015,790**	920,151
TOTAL EQUITY		**2,852,156**	1,785,247

Consolidated Statement of Changes in Equity

Fot the six months ended 30 June 2010

	Issued capital HK$'000	Equity component of convertible notes HK$'000	Share option reserve 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 2009 (audited)	5,331	153,480	–	(5,102)	686,648	1,026	(577,886)	263,497	769,622	1,033,119
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
Balance at 1 January 2010 (audited)	**9,912**	**107,436**	**10,085**	**(3,649)**	**1,267,758**	**13,011**	**(539,457)**	**865,096**	**920,151**	**1,785,247**
Issue of ordinary shares through placement	**1,675**	**–**	**–**	**–**	**247,446**	**–**	**–**	**249,121**	**–**	**249,121**
Conversion of convertible notes	**3,262**	**(107,436)**	**–**	**–**	**753,129**	**–**	**–**	**648,955**	**–**	**648,955**
Exercise of share options	**10**	**–**	**(418)**	**–**	**1,205**	**–**	**–**	**797**	**–**	**797**
Total comprehensive income for the period	**–**	**–**	**–**	**8,926**	**–**	**–**	**63,471**	**72,397**	**95,639**	**168,036**
Balance at 30 June 2010 (unaudited)	**14,859**	**–**	**9,667**	**5,277**	**2,269,538**	**13,011**	**(475,986)**	**1,836,366**	**1,015,790**	**2,852,156**

Consolidated Statements of Cash Flows

Fot the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		(unaudited)	(unaudited)
	Notes	**HK$'000**	HK$'000
Net cash from operating activities		**316,428**	8,934
Additions to property, plant and equipment		**(322,358)**	(46,198)
Proceeds on disposal of subsidiaries		**–**	143,000
Other investing activities		**3,240**	3,546
Net cash (used in) from investing activities		**(319,118)**	100,348
New bank loans raised		**348,799**	303,529
Repayments of bank loans		**(155,592)**	(280,627)
Proceeds from share placement		**249,121**	–
Repayment to loans from related companies		**(231,209)**	(112,486)
Other financing activities		**25,642**	–
Net cash from (used in) financing activities		**236,761**	(89,584)
Net increase in cash and cash equivalents		**234,071**	19,698
Cash and cash equivalents at 1 January		**59,068**	13,746
Effect of foreign exchange rate changes		**468**	(715)
Cash and cash equivalents at 30 June		**293,607**	32,729
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**293,607**	32,729

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 investment 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 2009, except as described below.

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.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of leases. No reclassification considered necessary because none of the leasehold land qualifies for finance lease classification.

The application of other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2010, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company (the "Directors") anticipate that the application of the 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

Following the disposal of the discontinued operations in 2009, management has reassessed the Group's reportable segment in the context of HKFRS 8, which is only one reportable segment for the Group state as "coal processing and production of industrial coke and coal-related chemicals and supply of electricity". Information regarding this segment can be obtained by reference to the consolidated financial statements as a whole.

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the People's Republic of China ("PRC"), and over 90% of the Group's assets are located in PRC.

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for trade discounts during the period.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Revenue		
Sales of goods	**770,830**	602,964
Other income		
Reversal of provision for bad debt	**–**	14,750
Collection of a trade receivable previously written off	**–**	71
Rental income from leasing property, plant and equipment	**–**	100
Bank interest income	**3**	31
Reversal of inventory provision	**–**	18,119
Subsidy income	**9,052**	6,941
Government award	**2,274**	–
Others	**1,989**	768
	13,318	40,780

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**445,256**	362,611
Staff costs (including Directors' remuneration)	**20,396**	17,893
Depreciation	**61,696**	61,652
Amortization of prepaid land premiums	**1,080**	944
Convertible notes interest expense	**14,921**	33,649
Loss on disposal of subsidiaries	**–**	4,646
Loss on disposal of property, plant and equipment	**490**	–

6. INCOME TAX EXPENSES

Taxes on profits assessable elsewhere have been calculated at the rates of tax applicable to the subsidiaries operating therein, based on existing legislation, interpretations and practices in respect thereof. Shanxi Loudong – General Nice Coking & Gas Co., Ltd. ("Shanxi Loudong") is subject to a statutory tax rate of 25%.

No provision for Hong Kong Profit Tax has been made in the financial information as the Group's Hong Kong operation had no assessable profit for the period.

The income tax expense for the period is as follows:

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Tax charge for the period for PRC	**55,040**	37,583

7. DISPOSALS OF SUBSIDIARIES AND DISCONTINUED OPERATIONS

No disposal of subsidiaries nor discontinued operations occurred in the first half of 2010.

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 ("Mr. Lee"), 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.

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. 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 ended 30 June 2009 from the discontinued property investment business and hotel operation business is analysed as follows:

	From 1 January to 22 January 2009 (unaudited) HK$'000
Gain of property investment business and hotel operation business for the period	4,796
Loss on disposals of property investment business and hotel operation business	(4,646)
	150

7. 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
Revenue	6,454
Operating costs	(510)
Profit before tax	5,944
Income tax expense	(1,148)
Profit after tax	4,796

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.

8. DIVIDENDS

The Board has declared an interim dividend of HK0.5 cent per share (2009: Nil). The declaration and the payment of such interim dividend will be conditional upon the implementation of a capital reorganization of the Company which will involve, among other matters, the set off the accumulated losses of the Company against its share premium account.

9. 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 for the period 30 June 2009 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	
	2010	2009
	(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	**63,471**	33,058
From a discontinued operation	**–**	4,796
	63,471	37,854

	Number of shares Six months ended 30 June	
	2010	2009
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,269,912**	533,115
Effect of dilutive potential ordinary shares relating to:		
– Outstanding share options	**10,624**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earning per share	**1,280,536**	533,115

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment with a cost of approximately HK$322,358,000 (for the six months ended 30 June 2009: approximately HK$46,198,000). Depreciation for items of property, plant and equipment was approximately HK$61,696,000 during the period (for the six months ended 30 June 2009: approximately HK$61,652,000).

During the period, the Group disposed of certain plant and machinery with a carrying amount of HK$490,000 with no consideration, resulting in a loss on disposal of HK$490,000 (for the six months ended 30 June 2009: nil).

11. TRADE AND BILLS RECEIVABLES

	30 June 2010 (unaudited) HK$'000	31 December 2009 (audited) HK$'000
Trade receivables	**134,278**	138,091
Bills receivables	**–**	74,071
Impairment	**(27,556)**	(27,254)
	106,722	184,908

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 and mainly concentrated in steel making industry, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the date of invoice, is as follows:

	30 June 2010 (unaudited) HK$'000	31 December 2009 (audited) HK$'000
Within 1 year	**113,535**	98,092
1 to 2 years	**6,082**	30,996
Over 2 years	**14,661**	9,003
	134,278	138,091

12. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the date of invoice, is as follows:

	30 June 2010 (unaudited) HK$'000	31 December 2009 (audited) HK$'000
Within 1 year	**250,237**	222,076
1 to 2 years	**23,180**	22,743
Over 2 years	**7,687**	–
	281,104	244,819

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

13. ISSUED CAPITAL

	30 June 2010 (unaudited)		31 December 20009 (audited)	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
Authorised:				
Ordinary shares of HK$0.01 each	**200,000,000,000**	**2,000,000,000**	200,000,000,000	2,000,000,000
Issued and fully paid:				
At 1 January	**991,237,903**	**9,912,379**	533,115,372	5,331,154
Share raised from open offer (Note 1)	**–**	**–**	213,246,148	2,132,461
Issue of shares through placement (Note 2)	**167,502,000**	**1,675,020**	106,500,000	1,065,000
Conversion of convertible notes (Note 3)	**326,188,254**	**3,261,883**	138,376,383	1,383,764
Exercise of share options (Note 4)	**1,019,654**	**10,196**	–	–
At 30 June/31 December	**1,485,947,811**	**14,859,478**	991,237,903	9,912,379

Notes:

1. On 16 June 2009, the Company announced a proposed open offer offering 213,246,148 offer shares at the subscription price of HK$0.66 per offer share to its shareholders on the basis of two offer shares for every five shares held on 29 June 2009. All conditions of the open offer were fulfilled on 21 July 2009 and 213,246,148 shares were issued on 24 July 2009.

2. On 27 August 2009, the Company entered into an agreement with China Merchants Securities (HK) Limited ("CM Securities") and General Nice Resources (Hong Kong) Limited ("GNR") pursuant to which CM Securities agreed to place 106,500,000 existing ordinary shares of the Company at the placing price of HK$1.28 per placing share and GNR agreed to subscribe up to 106,500,000 new ordinary shares of the Company at the subscription price equivalent to the placing price. Upon completion of the subscription on 9 September 2009, 106,500,000 new shares were issued.

   On 15 January 2010, the Company entered into a placing agreement with GNR and Enlighten Securities Limited ("Enlighten") pursuant to which Enlighten agreed to place up to 167,502,000 existing ordinary shares at the placing price of HK$1.50 per placing share and GNR agreed to subscribe up to 167,502,000 new shares of the Company at the subscription price equivalent to the placing price. Upon completion of the subscription on 27 January 2010, 167,502,000 new shares were issued.

13. ISSUED CAPITAL (CONTINUED)

Notes: (Continued)

3. On 25 September 2009, the Company received a conversion notice from GNR for conversion of the convertible note in an amount of HK$300,000,000 at adjusted conversion price of HK$2.168 per share, 138,376,383 conversion shares were issued to GNR on the same date. (The conversion price was further adjusted to HK$2.146 on 15 January 2010 as a result of placing and subscription of new shares of the company in January 2010.)

   During the six months ended 30 June, 2010, convertible notes in an aggregate amount of HK$700,000,000 convertible into 326,188,254 shares of the Company at adjusted conversion price of HK$2.146 per share were converted.

4. During the six months ended 30 June 2010, share options to subscribe for 1,019,654 shares were exercised at adjusted subscription price of HK$0.782 per share.

14. EVENTS AFTER THE END OF THE INTERIM PERIOD

Completion of the acquisition of the 39.9% equity interest of Shanxi Loudong

Upon completion of the acquisition of 39.9% equity interest of Shanxi Loudong from Hing Lou Resources Limited on 27 July 2010, convertible notes (the "Convertible Notes") in the principal amount of HK$250 million was issued to Hing Lou Resources Limited as part of the consideration for the acquisition pursuant to a sale and purchase agreement dated 9 November 2009 as supplemented by a supplemental agreement dated 25 May 2010. The Convertible Notes shall not bear any interest and are convertible at the option of the noteholders into ordinary shares of the Company at conversion price of HK$1.50 per share. Any Convertible Notes not previously converted, redeemed or cancelled shall be redeemed by the Company upon maturity on 26 July 2013. For further details, please refer to the Company's announcements dated 18 November 2009, 26 May 2010 and 27 July 2010 and the circular dated 21 June 2010.

Placing of existing shares and top-up subscription of new shares and placing of new shares

On 3 August 2010, the Company entered into: (i) a placing agreement with GNR and BOCOM International Securities Limited ("BOCOM") pursuant to which BOCOM agreed to place up to 29,133,000 existing shares at the placing price of HK$1.20 per share on a best effort basis to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons; and (ii) a subscription agreement with GNR pursuant to which GNR agreed to subscribe up to 29,133,000 new shares of the Company at the subscription price of HK$1.20 per subscription share.

On 3 August 2010, the Company entered into a new shares placing agreement with BOCOM pursuant to which BOCOM agreed to place, on a best effort basis, up to 200,010,000 new shares at the new shares placing price of HK$1.20 per new placing share to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons.

The subscription and the placing of new shares were completed on 12 August 2010 and 17 August 2010 respectively. Details of the aforesaid placing and subscription had been disclosed in the Company's announcements dated 3 August 2010, 4 August 2010 and 17 August 2010.

14. EVENTS AFTER THE END OF THE INTERIM PERIOD (CONTINUED)

Waiver of the increased consideration for the acquisition of 50.1% equity interest of Shanxi Loudong

Pursuant to a sale and purchase agreement dated 8 December 2007, as supplemented by supplemental agreements, entered into between GNR and Buddies Power Enterprises Limited, a subsidiary of the Company, the consideration for the acquisition of 50.1% equity interest of Shanxi Loudong shall be increased by HK$280 million in the event that the aggregate audited attributable net profits of 50.1% equity interest of Shanxi Loudong for the financial year ending 31 December 2008 and the financial year ending 31 December 2009 exceeds HK$ 230 million, such increased amount is to be satisfied by way of Buddies Power Enterprises Limited procuring the Company to issue a promissory note in the principal amount of the increased consideration of HK$280 million to the GNR. The targeted profits for abovesaid financial years were made.

On 26 August 2010, GNR, Buddies Power Enterprises Limited and the Company entered into a deed of waiver pursuant to which GNR agreed to waive the obligations of the Group under the agreements to issue a promissory note for the increased consideration of HK$280 million. Details of the waiver had been disclosed in the Company's announcement dated 26 August 2010.

15. CAPITAL COMMITMENTS

	Group	
	30 June 2010 (unaudited) HK$'000	31 December 2009 (unaudited) HK$'000
Contracted, but not provided for:		
– Acquisition of 30.0% equity interest in Linxian Taiye (Note 1)	**595,410**	–
– Acquisition of 39.9% equity interest in Shanxi Loudong (Note 2)	**600,000**	–
	1,195,410	–
Authorised, but not contracted for:		
– Acquisition of 39.9% equity interest in Shanxi Loudong (Note 2)	**–**	600,000

Notes:

1. On 4 May 2010, Shanxi Loudong entered into an agreement with a third party to acquire 30% equity interest of Linxian Taiye at a total consideration of RMB700 million (equivalent to HK$795,410,000). An initial deposit amounted to HK$200 million was paid upon signing of the memocandum of understanding in 16 September 2009. As additional time is required to finalise certain information, the acquisition has not been completed.

2. On 9 November 2009, the Group has entered into negotiations to acquire a further 39.9% equity interest in Shanxi Loudong at consideration of HK$600 million satisfied by cash of HK$350 million and convertible notes of HK$250 million. The acquisition has been completed on 27 July 2010.

16. 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	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Transportation fee paid to an associate (Note 1)	**6,337**	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, 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.

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 2011. 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:

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Outstanding balances with a shareholder and related parties (Continued)

Outstanding balances with related parties:

(i) Current portion

	30 June 2010 (unaudited) HK$'000	31 December 2009 (audited) HK$'000
Due from related companies		
General Nice (Tianjin) Industry Co., Ltd. ("GNT")	**29,564**	29,564
Shanxi Minmetals Industrial & Trading Co. Ltd.	**–**	4,739
Shanxi Nan Tie Lou Jun Coke Transportation Co., Ltd. ("Nan Tie")	**375**	370
	29,939	34,673
Due to related companies		
General Nice Development Limited ("GND")	**1,703**	583
Nan Tie	**3,896**	6,009
	5,599	6,592

(ii) Non-current portion

	30 June 2010 (unaudited) HK$'000	31 December 2009 (audited) HK$'000
Loans from related companies		
GND	**241,384**	271,994
GNT	**31,913**	108,668
Xiaoyi Loudong Industry & Trading Group Company	**44,783**	144,178
	318,080	524,840

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Outstanding balances with a shareholder and related parties (Continued)
Outstanding balances with a shareholder:

(i) Current portion

	30 June 2010 (unaudited) HK$'000	31 December 2009 (audited) HK$'000
Due to a shareholder		
GNR	**294,538**	291,223

(ii) Non-current portion

	30 June 2010 (unaudited) HK$'000	31 December 2009 (audited) HK$'000
Loan from a shareholder		
GNR	**840**	–

Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2010 (unaudited) HK$'000	2009 (unaudited) HK$'000
Short term employee benefits	**602**	1,682
Post-employment benefits	**45**	41
Total compensation paid to key management personnel	**647**	1,723

General Information

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

During the six months ended 30 June 2010, the Group's total revenue increased to approximately HK$771 million from about HK$603 million for the corresponding period in 2009, a 28% increase on a year-on-year basis. Profit attributable to owners of the Company for the interim period surged by 68% to approximately HK$63 million from approximately HK$38 million for the corresponding period in 2009.

Basic earnings per share for the six months ended 30 June 2010 decreased to HK4.998 cents from HK7.101 cents for the corresponding period in 2009. As at 30 June 2010, the net assets value per share recorded a decrease of 11% to HK$1.919 from HK$2.162 as at 30 June 2009.

Business Review

As the Group's principal subsidiary, Shanxi Loudong – General Nice Coking & Gas Co., Ltd. ("Shanxi Loudong"), is primarily engaged in the manufacture and sale of metallurgical coke, which is a key ingredient for steel production, the rebound steel market and the continued robust Chinese economy had boosted the Group's performance in the first half of 2010.

According to the State Statistical Bureau, China's crude steel output amounted to about 323 million tons in the first half of 2010, representing a 21% YoY growth. In line with the strong demand from steel mills, China's coke production rose by 21% to reach 193 million tons in the first six months of the year, out of which the coke output from Shanxi province, China's largest coke producing province, reached 41.3 million tons.

Given the favorable market in the first half of 2010, the Company sold approximately 427,000 metric tonnes of metallurgical coke, which represented a significant increase of 47% compared with the corresponding period in 2009. The unit price for metallurgical coke bounced back from the lowest RMB1,450 per tonne in March 2009 to the highest of approximately RMB2,000 per tonne in May 2010.

The debtor's turnover day of the Group has changed from 59 in 2009 to 69 days in the first half of 2010. The figures were similar between the two periods, which was mainly due to our continuation of reinforcement of normal credit terms for the Group. The management of the Group adopts a prudent credit terms. If there are any irregularities in repayment, credit terms granted to debtors will be adjusted accordingly. If the balance due from debtors becomes doubtful, appropriate doubtful debt provision will be provided for.

On 3 August 2010, the Company entered into placing agreements and a subscription agreement with BOCOM International Securities Limited and General Nice Resources (Hong Kong) Limited ("GNR") for placing existing and new shares of the Company up to a total of 229,143,000 shares at the placing price of HK$1.2 per share. On 12 and 17 August 2010, the Company completed the subscription and the placing, raising gross proceeds of approximately HK$275 million. The fund raised from the abovesaid transaction is intended to use for part payment of the acquisition of the equity interests of Shanxi Linxian Taiye Coal Mining Company Limited ("Linxian Taiye") and partly as general working capital of the Group.

On 26 August 2010, GNR and the Group entered into a deed of waiver whereby GNR agreed to waive the amount payable of HK$280 million by the Group pursuant to the sale and purchase agreement and the supplementary agreements for the acquisition of 50.1% equity interest of Shanxi Loudong. The Directors believed that the waiver is beneficial to the Group and indicates the commitment and support from its substantial shareholder GNR.

Outlook

According to China's Ministry of Industry and Information Technology, about 26 million tons of technology backward coking capacity, or 7% of the country's total, have to be closed down before the end of September 2010. This consolidation measure of the coking industry will likely provide an improved business environment for the Group's coking business in the short run. Over the next few years, we expect more inefficient and polluted coking capacities to be eliminated, thus benefitting the Group to secure its position as one of the leading integrated coal and coke manufacturers in China.

In Shanxi province, the restructuring of the coal mining sector since 2009 equally offered the Group opportunities to vertically integrating its operations in coal mining, coke manufacturing and logistics. The Directors believe such fully integrated value chain operation will ensure a long-term stable supply of raw materials and sustainable profitability for the Group.

On 27 July 2010, the Group completed its acquisition of a further 39.9% equity interest in Shanxi Loudong, making it a 90%-owned subsidiary. It will further strengthen the Group's business in coal processing and production of coke and coal-related chemicals in China. In longer term, the Directors believe that the Group has the competitive edge to benefit from the next stage of coking consolidation program which will eliminate weaker coking players in the market in the years ahead.

On 16 September 2009, the Group entered into a memorandum of understanding to acquire a 49% equity interest in Linxian Taiye. 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 assessment by valuers and technical advisors. The approved production capacity of the coal mine is 1,200,000 metric tonnes per year. Subject to satisfactory due diligence, the Directors expect that the possible acquisition of Linxian Taiye, if materialised, will mark as a major milestone for the Group to transform into a leading integrated coal and coke enterprise in China consisting of coal mining, coke manufacturing and related logistics operations. On 4 May 2010, the Group announced that, after further negotiations, the equity interests of Linxian Taiye to be acquired will be revised to 30% for a total consideration of RMB700,000,000 (equivalent to HK$795,410,000). As additional time is required to finalise certain information, completion of this acquisition has not been taken place.

On 4 May 2010, the Company entered into another memorandum of understanding to acquire 30% equity interest of Shanxi LvLiang Lishi Dan Tan Gou Mining Co., Ltd, which owns an estimated coal reserves of not less than 21,556,000 metric tonnes. The approved production capacity of the coal mine is 900,000 metric tonnes per year.

The Board believes that, the above acquisitions, upon materialised, will substantially increase the attributable profits from both coke manufacturing business and coal mining business.

General Information

Capital Structure, Liquidity, Financial Resources and Borrowings

As at 30 June 2010, the Group had total bank borrowings in the amount of HK$426,399,000 (as at 31 December 2009: HK$231,627,000), representing a increase of HK$194,772,000. The maturity profile of the Group's bank borrowings of HK$426,399,000 was spread with HK$416,610,000 repayable within 1 year, HK$381,000 repayable in the second year, HK$1,144,000 repayable in the third to fifth year and HK$8,264,000 repayable beyond 5 years.

The Group's total bank borrowings of HK$426,399,000 were 98% denominated in Renminbi ("RMB") with fixed interest rate and 2% denominated in Hong Kong dollars ("HKD") with floating interest rate. The Group's cash and bank balances of HK$293,607,000 were 12% denominated in RMB and 88% in HKD.

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 evaluation of the financial condition 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, there was no material acquisition or disposal of subsidiaries and affiliated companies. In future, there are several acquisitions and possible acquisition, which include (i) the acquisition of 39.9% equity interest of Shanxi Loudong, which was completed on 27 July 2010; (ii) the acquisition of 30% equity interest in Linxian Taiye; and (iii) the possible acquisition of 30% equity interest of Shanxi LvLiang Lishi Dan Tan Gou Mining Co., Ltd. Announcements regarding those acquisitions were issued on 4 May 2010 and 26 May 2010. Further details will be announced accordingly in the near future.

Employees

As at 30 June 2010, the total number of employees of the Group were approximately 1,860 (30 June 2009: 1,670). Apart from the basic remuneration, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as the individual's performance. The Group also has adopted 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. As at 30 June 2010, there were 23,338,727 (30 June 2009: Nil) outstanding share options granted under such scheme.

Charge of Assets

As at 30 June 2010, the Group pledged investment properties with a carrying value of approximately HK$5,110,000 (30 June 2009: HK$9,660,000) and a property with a carrying value of approximately HK$15,534,000 (30 June 2009: HK$15,830,000) as securities for the Group's banking facilities.

General Information

Gearing Ratio

As at 30 June 2010, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 14% (31 December 2009: 23%). Net debt represents the aggregate amount of the Group's interest-bearing bank borrowings and long term bank loan, non-current portion of loans from non-financial institutions and non-current portion of the loans due to related parties less cash and cash equivalents of the Group. Total capital includes equity attributable to the owners of the parent and the convertible notes due 2011 of the Company. As at 30 June 2010, all these convertible notes of the Company were converted to share capital. Thus based on the intention of the Company, we treated the convertible notes as equity rather than debt for better comparison.

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

The Group's reporting currency is denominated in HKD. The Group's monetary assets, loans and transactions were principally denominated in RMB and HKD. The Group was exposed to foreign currency risk arising from the exposure of HKD against RMB. However, the Group had a net exchange exposure to RMB as the Group's assets were principally located in China and the revenues were in RMB. Considering that the exchange rate between HKD and RMB has been relatively stable, the Group believed that the corresponding exposure to RMB exchange rate fluctuation was insignificant.

The Group does not have any derivative financial instruments or hedging instruments. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in future as may be necessary.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2010.

DIVIDENDS

The Board has declared an interim dividend of HK0.5 cent per share (2009: Nil) for the period. The declaration and the payment of such interim dividend will be conditional upon the implementation of a capital reorganization of the Company which will involve, among other matters, the set off the accumulated losses of the Company against its share premium account.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2010, the following Directors and the chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the shares and underlying shares of the Company

Name of Director	Number of ordinary shares Personal interests	Number of ordinary shares Corporate interests	Number of shares subject to share options	Total	Approximate percentage
Cai Sui Xin	Nil	278,376,383 (Note)	6,004,621	284,381,004	19.14%
Zhao Cheng Shu	Nil	Nil	4,531,792	4,531,792	0.30%
Lau Yu	7,342,000	Nil	4,531,792	11,873,792	0.80%
Ng Tze For	Nil	Nil	3,285,549	3,285,549	0.22%
Li Xiao Juan	630,000	Nil	3,965,318	4,595,318	0.31%
Cheung Siu Chung	Nil	Nil	226,590	226,590	0.02%
Li Xiao Long	Nil	Nil	226,590	226,590	0.02%
Choy So Yuk	Nil	Nil	226,590	226,590	0.02%

Note: These shares are beneficially owned by GNR and Mr. Cai Sui Xin is deemed to be interested in such shares under the SFO by virtue of the fact that each of General Nice Development Limited ("GND") and General Nice Investment (China) Limited ("GNI") holds 40% equity interest in GNR while Vantage Region International Limited ("Vantage Region") and Mr. Cai Sui Xin hold 50% and 5% equity interest in each of GND and GNI respectively. Vantage Region is in turn wholly owned by Mr. Cai Sui Xin.

Save as disclosed above, as at 30 June 2010, none of the Directors and the chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Interests of Directors and Chief Executive", and "Share Option" in this report, at no time during the period under review, was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION

The Company adopted a share option scheme on 25 June 2007. As at 30 June 2010, there were 23,338,727 share options outstanding. The movements in the share options of the Company during the period were set out as follows:–

Name or category of participants	At 01/01/2010 (Note 1)	Adjustment (Note 2)	Lapsed during the period	Exercised during the period	At 30/06/2010	Exercise period of the outstanding share options (Note 3)	Average closing reference price for exercise of options (Note 4)
Director							
Cai Sui Xin	5,300,000	6,004,621			6,004,621	09/01/2010 to 24/06/2017	
Zhao Cheng Shu	4,000,000	4,531,792			4,531,792	09/01/2010 to 24/06/2017	
Lau Yu	4,000,000	4,531,792			4,531,792	09/01/2010 to 24/06/2017	
Ng Tze For	2,900,000	3,285,549			3,285,549	09/01/2010 to 24/06/2017	
Li Xiao Juan	3,500,000	3,965,318			3,965,318	09/01/2010 to 24/06/2017	
Cheung Siu Chung	200,000	226,590			226,590	09/07/2010 to 24/06/2017	
Li Xiao Long	200,000	226,590			226,590	09/07/2010 to 24/06/2017	
Choy So Yuk	200,000	226,590			226,590	09/07/2010 to 24/06/2017	
Lo Tung Sing, Tony (resigned on 01/02/2010)	200,000	226,590	(226,590)		0		
Sub-total	20,500,000	23,225,432	(226,590)	–	22,998,842		
Other employees (in aggregate)	1,200,000	1,359,539	–	(1,019,654)	339,885	09/01/2010 to 24/06/2017	HK$1.559
Total	21,700,000	24,584,971	(226,590)	(1,019,654)	23,338,727		

Notes:

1. These share options were granted on 9 July 2009 at an exercise price of HK$0.886 per share.

2. As a result of completion of the open offer by the Company in July 2009, the exercise price of the share options was adjusted from HK$0.886 to HK$0.782 per share and the number of share options was adjusted accordingly.

3. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

4. The average closing reference price represented the average of the closing prices of the Company's shares immediately before the dates on which the options were exercised during the period, weighted by the number of the options exercised.

5. During the period, no option was granted or cancelled.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed under the section headed "Interests of Directors and Chief Executive" above, as at 30 June 2010, the following persons had an interest in the long positions in the shares and underlying shares of the Company as recorded in register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO.

Long positions in the shares of the Company

Name of shareholder	Capacity	Nature of interest	Number of ordinary shares (Note)	Approximate percentage
GNR	Beneficial owner	Corporate interests	278,376,383	18.73%
GND	Owner of controlled corporation	Corporate interests	278,376,383	18.73%
GNI	Owner of controlled corporation	Corporate interests	278,376,383	18.73%
Vantage Region	Owner of controlled corporation	Corporate interests	278,376,383	18.73%
Mr. Tsoi Ming Chi	Owner of controlled corporation	Corporate interests	278,376,383	18.73%

Note: These shares are beneficially owned by GNR. Each of GND and GNI holds 40% equity interest in GNR while Vantage Region and Mr. Tsoi Ming Chi hold 50% and 35% equity interests in each of GND and GNI respectively. Each of GND, GNI, Vantage Region and Mr. Tsoi Ming Chi was deemed to be interested in such shares held by GNR under the SFO.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 30 June 2010.

General Information

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Board 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.

In the opinion of the Directors, the Company has complied with all code provisions set out in the Code throughout the six months ended 30 June 2010, except the following deviations:–

Code Provision A.4.1
The independent non-executive Directors 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.

Code Provision E.1.2
Due to other commitments which must be attended by the chairman of the Company (the "Chairman"), the Chairman was not present at the annual general meeting of the Company held on 25 May 2010.

Mr. Lo Tung Sing, Tony had resigned as an independent non-executive Director, a member of the audit committee (the "Audit Committee") and a member of the remuneration committee of the Company with effect from 1 February 2010. The Board currently comprises five executive Directors, namely Mr. Cai Sui Xin, Mr. Zhao Cheng Shu, Mr. Lau Yu, Mr. Ng Tze For and Ms. Li Xiao Juan, and three independent non-executive Directors, namely Mr. Cheung Siu Chung, Mr. Li Xiao Long and Ms. Choy So Yuk.

The Company has established an executive committee with specific terms of reference. The executive committee comprises four executive Directors, namely Mr. Lau Yu (committee chairman), Mr. Zhao Cheng Shu, Mr. Ng Tze For and Ms. Li Xiao Juan. The Board has approved the delegation of certain functions, including the daily operation and management functions, implementation of the Group's strategy and planning, to the executive committee.

General Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2010.

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. The Audit Committee comprises three members, namely, Mr. Cheung Siu Chung, Mr. Li Xiao Long and Ms. Choy So Yuk, all being independent non-executive Directors.

The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2010.