



CHINA SONANGOL RESOURCES ENTERPRISE LIMITED

安中資源實業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)



2010

INTERIM REPORT

The board of directors (the "Board") of China Sonangol Resources Enterprise Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2010

		Six months ended 30 September	
	<i>Notes</i>	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Turnover	3	29,511	35,900
Cost of sales and services rendered		(24,846)	(19,528)
Gross profit		4,665	16,372
Other income		48	1,969
Selling and distribution expenses		(748)	(1,220)
Administrative expenses		(3,580)	(3,850)
Finance costs	4	(10,296)	(9,043)
(Loss) profit before taxation		(9,911)	4,228
Income tax expense	5	(97)	(632)
(Loss) profit for the period	6	(10,008)	3,596
Exchange differences on translation of foreign operations		594	(4,646)
Other comprehensive income (expense) for the period, net of tax		594	(4,646)
Total comprehensive expense for the period, net of tax		(9,414)	(1,050)
(Loss) profit attributable to:			
Owners of the Company		(9,147)	(2,457)
Non-controlling interests		(861)	6,053
		(10,008)	3,596
Total comprehensive income (expense) attributable to:			
Owners of the Company		(8,553)	(7,103)
Non-controlling interests		(861)	6,053
		(9,414)	(1,050)
Basic and diluted loss per share (HK cents)	8	(1.20)	(0.32)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	<i>Notes</i>	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	23,026	23,626
Intangible assets		136,514	139,168
Goodwill		15,065	15,065
Security deposit		1,854	1,844
		176,459	179,703
Current assets			
Inventories		67,092	63,407
Trade and other receivables	10	12,494	13,412
Bank balances and cash		219,447	286,711
		299,033	363,530
Current liabilities			
Trade and other payables	11	48,642	39,600
Amount due to related companies		192	168
Amount due to a minority shareholder		–	28,500
Tax payable		1,503	–
Convertible loan notes		190,489	180,410
		240,826	248,678
Net current assets		58,207	114,852
Total assets less current liabilities		234,666	294,555
Capital and reserves			
Share capital	12	76,537	76,537
Reserves		123,450	104,860
Equity attributable to owners of the Company		199,987	181,397
Non-controlling interests		–	78,004
Total equity		199,987	259,401
Non-current liabilities			
Deferred tax liabilities		32,879	33,364
Provision for close down, restoration and environmental costs		1,800	1,790
		34,679	35,154
		234,666	294,555

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Share capital HK\$'000	Share premium HK\$'000	Convertible loan notes reserve HK\$'000	Capital reserve HK\$'000	Reserve and enterprise expansion funds HK\$'000	Exchange translation reserve HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
As at 1 April 2010 (audited)	76,537	191,534	55,495	14,882	5,354	(1,272)	-	(161,133)	181,397	78,004	259,401
Loss for the period	-	-	-	-	-	-	-	(9,147)	(9,147)	(861)	(10,008)
Other comprehensive income for the period	-	-	-	-	-	594	-	-	594	-	594
Total comprehensive income (expense) for the period	-	-	-	-	-	594	-	(9,147)	(8,553)	(861)	(9,414)
Acquisition of further interest in subsidiaries	-	-	-	-	-	-	27,143	-	27,143	(77,143)	(50,000)
As at 30 September 2010 (unaudited)	76,537	191,534	55,495	14,882	5,354	(678)	27,143	(170,280)	199,987	-	199,987

For the six months ended 30 September 2009

	Share capital HK\$'000	Share premium HK\$'000	Convertible loan notes reserve HK\$'000	Capital reserve HK\$'000	Reserve and enterprise expansion funds HK\$'000	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
As at 1 April 2009 (audited)	76,537	191,534	55,495	14,882	629	(990)	(124,619)	213,468	-	213,468
Loss for the period	-	-	-	-	-	-	(2,457)	(2,457)	6,053	3,596
Other comprehensive expense for the period	-	-	-	-	-	(4,646)	-	(4,646)	-	(4,646)
Total comprehensive income (expense) for the period	-	-	-	-	-	(4,646)	(2,457)	(7,103)	6,053	(1,050)
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	96,243	96,243
As at 30 September 2009 (unaudited)	76,537	191,534	55,495	14,882	629	(5,636)	(127,076)	206,365	102,296	308,661

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash from (used in) operating activities	11,901	(13,476)
Net cash used in investing activities	(79,073)	(70,519)
Net cash used in financing activities	(217)	–
Net decrease in cash and cash equivalents	(67,389)	(83,995)
Cash and cash equivalents at 1 April	286,711	378,997
Effect of foreign exchange rate changes	125	160
Cash and cash equivalents at 30 September	219,447	295,162

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2010

1. General Information and Basis of Preparation

The Company was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors, the Company's parent company is Ascent Goal Investments Limited ("Ascent Goal"), a company incorporated in British Virgin Islands with limited liability and the Company's ultimate holding company is China Sonangol International Limited ("China Sonangol"), a company incorporated in Hong Kong with limited liability.

The address of the Company's principal place of business is Suites 1003-1006, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong. The condensed interim financial information is presented in Hong Kong dollars ("HK\$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and other of its subsidiaries are HK\$.

The principal activity of the Group are investment holding, marketing of clocks and other office related products, provision of management services related to oil trading and mining, sales and distribution of coal.

The condensed interim financial information has been prepared in accordance with the applicable disclosure provisions 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 (the "HKICPA").

2. Principal Accounting Policies

The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010 except as described below.

In the current 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 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
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	Distribution of Non-cash Assets to Owners

Except as described below, the application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. Principal Accounting Policies (Continued)

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. Under HKAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

In respect of the acquisition of further 49% equity interest in Star Fortune International Investment Company Limited ("Star Fortune") during the period, the impact of the change in accounting policy has been that the difference of approximately HK\$27,143,000 between the consideration paid and the decrease in the carrying amount of the non-controlling interests has been recognised directly in equity. Had the previous accounting policy been applied, this amount would have been recognised as gain on bargain purchase in the condensed consolidated statement of comprehensive income. Therefore, the change in accounting policy has resulted in increase in loss for the period of approximately HK\$27,143,000.

The Group has not early applied the following 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 ⁵
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First – time Adopters ²
HKFRS 7	Financial Instruments: Disclosures ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)–INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC)–INT 19	Extinguishing Financial Liabilities with Equity Instruments ²

2. Principal Accounting Policies (Continued)

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements (Continued)

- ¹ Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
- ² Effective for annual periods beginning on or after 1 July 2010.
- ³ Effective for annual periods beginning on or after 1 January 2011.
- ⁴ Effective for annual periods beginning on or after 1 July 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 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. Turnover and Segment Information

The Group’s reportable segments, based on information reported to the chief operating decision maker who are the executive directors of the Company (the “Executive Directors”) for the purposes of resource allocation and performance assessment are as follows:

- (a) the clocks and other office related products segment engages in the marketing of clocks and other office related accessories;
- (b) the provision of management services related to oil trading; and
- (c) the coal mine business segment engages in mining, sales and distribution of coal.

3. Turnover and Segment Information (Continued)

(a) Segment revenue and results

The following tables present turnover, results and certain asset, liability and expenditure information for the Group's business segments.

	Clocks and other office related products		Provision of management services		Coal mine business		Total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
For the six months ended 30 September								
TURNOVER								
Management service fees	-	-	-	3,000	-	-	-	3,000
Sales to external customers	-	368	-	-	29,511	32,532	29,511	32,900
Total	-	368	-	3,000	29,511	32,532	29,511	35,900
RESULT								
Segment results	-	(831)	-	(1,122)	5,904	12,986	5,904	11,033
Interest income							12	75
Net unallocated income and expenses							(5,531)	2,163
Finance costs							(10,296)	(9,043)
(Loss) profit before taxation							(9,911)	4,228

Segment result represents the profit earned by/loss from each segment without allocation of central administration costs, directors' and senior management's emoluments, interest income and finance costs. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

3. Turnover and Segment Information (Continued)

(b) Segment assets

At 30 September 2010

	Clocks and other office related products	Provision of management services	Coal mine business	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000		HK\$'000
ASSETS					
Segment assets	1	-	239,125	-	239,126
Unallocated assets					<u>236,366</u>
Total assets					<u>475,492</u>

At 31 March 2010

	Clocks and other office related products	Provision of management services	Coal mine business	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000		HK\$'000
ASSETS					
Segment assets	1	-	241,332	-	241,333
Unallocated assets					<u>301,900</u>
Total assets					<u>543,233</u>

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than goodwill, bank balances and cash and security deposit. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

4. Finance Costs

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest expenses on:		
– amount due to a minority shareholder	217	–
– effective interest expenses on convertible loan notes	10,079	9,043
	10,296	9,043

5. Income Tax Expense

The major components of income tax expense in the condensed consolidated income statement are:

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Current tax – other jurisdictions		
– current	97	632
Income tax expense	97	632

Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial information as there was no estimated assessable profit derived from Hong Kong for both periods ended 30 September 2010 and 30 September 2009.

5. Income Tax Expense (Continued)

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Pursuant to the laws and regulations in the PRC, one of the Group's subsidiaries operating in the PRC is entitled to exemption from PRC income tax in the first two years from the first profit-making year, followed by a 50% reduction of PRC income tax for the following three years.

6. Loss/Profit for the Period

(Loss) profit for the period is arrived at after charging:

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Allowance for doubtful debts	–	224
Amortisation of intangible assets	3,052	1,151
Cost of inventories sold	24,846	19,528
Depreciation of property, plant and equipment	1,355	259
Staff costs (excluding directors' remuneration)		
– Basic salaries and allowances	2,706	1,399
– Retirement benefits scheme contributions	289	35

7. Dividends

No interim dividend was paid, declared or proposed during the six months ended 30 September 2010 and 2009.

8. Loss Per Share

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share	(9,147)	(2,457)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	765,373,584	765,373,584

The calculation of diluted loss per share for the periods ended 30 September 2010 and 30 September 2009 do not assume the conversion of the convertible loan notes since its conversion would result in a decrease in loss per share. The basic and diluted loss per share are the same.

9. Property, Plant and Equipment

Acquisitions and disposals

During the six months ended 30 September 2010, the Group had disposed of certain plant and machinery with a carrying amount of approximately HK\$351,000, resulting in a gain on disposal of approximately HK\$4,000 (six months ended 30 September 2009: Nil).

During the six months ended 30 September 2010, the Group acquired assets with a cost of HK\$940,000 (six months ended 30 September 2009: HK\$1,159,000).

10. Trade and Other Receivables

The Group allows an average credit periods ranging from 90 to 180 days to its trade customers. The following is an analysis of trade receivables by age, presented based on invoice date (net of allowance for bad debts and doubtful debts):

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Within 90 days	7,569	7,248
91-180 days	5	4,383
181-365 days	562	–
Over 1 year	45	–
	<hr/>	<hr/>
Trade and bills receivables	8,181	11,631
Prepayments, deposits and other receivables	4,313	1,781
	<hr/>	<hr/>
Total trade and other receivables	12,494	13,412

11. Trade and Other Payables

At the end of reporting period, the aging analysis of the trade payables were as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Within 90 days	10,704	12,898
91-180 days	10	1,253
181-365 days	–	2,795
Over 1 year	1,207	655
	<hr/>	<hr/>
Trade payables	11,921	17,601
Receipt in advance	12,803	1,373
Other payables and accruals	23,918	20,626
	<hr/>	<hr/>
	48,642	39,600

The average credit period of purchases of goods is 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

12. Share Capital

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Ordinary Shares Authorised :		
At 31 March 2010 and 30 September 2010	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 31 March 2010 and 30 September 2010	<u>765,373,584</u>	<u>76,537</u>

13. Acquisition of Further Interest in Subsidiaries/Acquisition of Subsidiaries

For the six months ended 30 September 2010

On 17 August 2010, the Group completed the acquisition of further 49% equity interest in Star Fortune, at an aggregate consideration of HK\$50,000,000. The difference of approximately HK\$27,143,000 between the consideration paid and the decrease in the carrying amount of the non-controlling interests has been recognised directly in equity.

As at date of interim report, both the performance guarantee (please refer to paragraph below) for the First Annual Period (defined below) and the profit guarantee (please refer to paragraph below) have been met. In addition, as stated in the conditional agreement on 20 May 2010 to acquire the further 49% equity interest in Star Fortune, the performance guarantee for the Second Annual Period (defined below) has been waived. Details of which are set out in the Company's announcement dated 2 June 2010. The transaction was approved by independent shareholders of the Company at a special general meeting held on 12 August 2010.

13. Acquisition of Further Interest in Subsidiaries/Acquisition of Subsidiaries
(Continued)

For the six months ended 30 September 2009

On 3 July 2009, the Group completed the acquisition of 51% equity interest in Star Fortune, which engages in mining, sales and distribution of coal in the PRC, at an aggregate consideration of HK\$104,066,000 including legal and professional fees directly attributable to the acquisition amounting to approximately HK\$4,066,000. This transaction has been accounted for using the acquisition method of accounting.

The consideration is subject to further adjustment per profit guarantee with the vendor and vendor's guarantor, which stated that net profit after tax attributable to the shareholder of Star Fortune for shall not be less than HK\$40 million for the period from 1 January 2009 to 31 December 2009 in accordance with the HKGAAP. In the event of any shortfall in the guaranteed profit, the vendor shall pay the Group a maximum amount of HK\$28 million depending on the level of shortfall. In addition, the fair value of net assets is subject to further adjustment per performance guarantee with the vendor and the vendor's guarantor, which stated that the volume of coal sold by Star Fortune from 4 July 2009 to 3 July 2010 (the "First Annual Period"), and from 4 July 2010 to 3 July 2011 (the "Second Annual Period") respectively shall not be less than 900,000 tonnes for each period. If the said amount could not be achieved, the vendor and the vendor's guarantor shall deliver to Star Fortune a quantity of coal equivalent to the difference between the performance guarantee and the 12-month volume of coal sold by Star Fortune for each of the First Annual Period and the Second Annual Period. Details of which are set out in the Company's announcement dated 12 June 2009.

13. Acquisition of Further Interest in Subsidiaries/Acquisition of Subsidiaries (Continued)

For the six months ended 30 September 2009 (Continued)

The aggregate net assets acquired in the transaction, and the goodwill arising on acquisition, are as follows:

	Carrying amount before acquisition	Acquiree's fair value adjustments	Acquiree's fair value at acquisition date
	HK\$'000	HK\$'000	HK\$'000
Net assets acquired:			
Property, plant and equipment	18,790	–	18,790
Intangible assets	189,216	–	189,216
Inventories	70,297	–	70,297
Trade and other receivables	28,787	–	28,787
Bank balances and cash	32,461	–	32,461
Trade and other payables	(63,866)	–	(63,866)
Amount due to minority shareholder	(28,500)	–	(28,500)
Deferred tax liabilities	(44,613)	–	(44,613)
Taxation payable	(2,263)	–	(2,263)
	<u>200,309</u>	<u>–</u>	<u>200,309</u>
Net assets acquired			200,309
Non-controlling interests			<u>(96,243)</u>
Total consideration			<u>104,066</u>
Satisfied by:			
Deposits for acquisition of subsidiaries			2,000
Cash			<u>102,066</u>
			<u>104,066</u>
Net cash outflow arising on acquisition:			
Cash consideration			102,066
Bank balances and cash acquired			<u>(32,461)</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			<u>69,605</u>

The subsidiaries acquired during the period contributed HK\$32,532,000 to the Group's turnover and a profit for the year of HK\$12,352,000 between the date of acquisition and the end of the reporting period.

13. Acquisition of Further Interest in Subsidiaries/Acquisition of Subsidiaries (Continued)

If the acquisition had been completed on 1 April 2009, total group revenue for the period would have been HK\$95,993,000 and profit for the period would have been HK\$19,831,000. The pro forma information is for illustrative purpose only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

14. Related Party Transactions

Except as disclosed elsewhere in the condensed interim financial information, the Group entered into the following significant related party transactions:

- (i) Except as disclosed elsewhere in the condensed consolidated interim financial information, the significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Asia Peace Development Limited ("Asia Peace")		
– purchase of clocks, timepieces, gifts and premium products	–	700
– trade payables to Asia Peace	–	700
Ultra Good Electroplating Limited		
– purchase of electroplating services	–	74
Star Fortune International Development Company Limited ("SFID") (Note)		
– loan interest expenses	217	–
Artfield Industries (Shenzhen) Limited		
– rental expenses paid	–	120
China Sonangol		
– management fee income received	–	3,000
– rental expenses	240	240

Note: SFID was the holder of 49% equity interest of Star Fortune and is treated as the minority shareholder of the Group. From 17 August 2010 onwards after the acquisition of further 49% equity interest in Star Fortune, SFID is no longer a related party of the Company.

14. Related Party Transactions *(Continued)**(ii) Compensation of key management personnel*

The remuneration of the directors of the Company and other members of key management for the six months ended 30 September 2010 and 2009 was as follows:

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Short-term benefits	600	1,088
Post-employment benefits	–	28
	600	1,116

The remuneration of the directors of the Company and key executives is determined by the remuneration committee having regard to the performance of the individuals and the market trends.

15. Operating Lease Commitments

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due are as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Land and buildings		
Within one year	171	724
In the second to fifth years inclusive	–	10
	171	734

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a turnover of HK\$29,511,000 during the six months ended 30 September 2010, decreased by HK\$6,389,000 when compared with the same period last year.

The Group recorded a loss of HK\$10,008,000 during the period in concern and was mainly attributed to account of non-cash deemed interest expense for the convertible notes issued by the Group approximately HK\$10,296,000 (2009: HK\$9,043,000) as well as the amortization of intangible assets HK\$3,052,000 (2009: HK\$1,151,000).

During the period the Group completed the acquisition of further 49% equity interest from the joint venture partner in respect of our existing mining interest in Xinjiang Province and recorded approximately 790,000 tonnes of coal had been sold. The gross margin and the operating profit of coal mine business diminished to 16% (2009: 45%) and HK\$5,904,000 (2009: HK\$11,033,000) respectively due to the adverse effect of realizing obsolete stock and sluggish market activities in the second quarter of the year.

Nevertheless, strong business rebound was encountered starting from third quarter and the results was encouraging. We are positive about the whole year business result with cautions thinking in mind.

PROSPECTS

The Board believes that the demand for coal from various industries will continue to be robust and is confident our investments can add value for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2010, the Group had working capital of approximately HK\$58,207,000 (31 March 2010: HK\$114,852,000), and its current ratio, being the proportion of total current assets against total current liabilities, was 1.24 times (31 March 2010: 1.46 times). The Group continued to maintain a strong financial position. At 30 September 2010, the Group had cash and bank balances of approximately HK\$219,447,000 (31 March 2010: approximately HK\$286,711,000).

As at 30 September 2010, there was no bank and other borrowing in the Group (31 March 2010: HK\$Nil).

The gearing ratio of the Group was 137.76% (31 March 2010: 156.47%), calculated on the basis of the Group's total borrowings over equity attributable to equity holders of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES (AND RELATED HEDGES)

The Group mainly earns revenue and incurs cost in RMB and Hong Kong dollars. The Group is exposed to foreign exchange risk based on fluctuations between the Hong Kong dollars and the RMB arising from its operation in the PRC. In order to limit this foreign currency risk exposure, the Group maintained cash balance that approximate three to four months' of operating cash flows.

CHARGES ON ASSETS

As at 30 September 2010, no trade receivable was pledged to secure the borrowing, and no assets or fund of the Group were pledged to secure general banking facilities granted to the Group (2009: HK\$Nil).

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the six months ended 30 September 2010.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group did not have any significant contingent liabilities and capital commitments as at 30 September 2010.

HUMAN RESOURCES

The Group had approximately 120 employees as at 30 September 2010 (31 March 2010: 115).

Apart from the basic remuneration, the Group also provides other employee benefits including medical scheme and provident fund schemes. In addition, the Company 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 operations.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2010 (2009: Nil).

DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions

As at 30 September 2010, the interests and short positions of the directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Interests in an associated corporation of the Company

Name of director	Notes	Name of associated corporation	Capacity	Number of shares interested	Approximate percentage of the issued share capital
Ms. Lo Fong Hung	1	New Bright International Development Limited	Interests of controlled corporation	3,000(L)	30%
Mr. Wang Xiangfei	2	New Bright International Development Limited	Interests of controlled corporation	3,000(L)	30%

(L) denotes as long position

Notes:

1. Ms. Lo Fong Hung ("Ms. Lo") is interested in 3,000 shares in New Bright International Development Limited ("New Bright"), representing 30% of the issued share capital of New Bright, which currently owns 70% shareholding interests in China Sonangol. China Sonangol is the holding company of Ascent Goal, the controlling shareholder of the Company. The shareholding interests of Ascent Goal in the Company is set out in the section headed "Substantial Shareholders' Interests" below.

2. *Mr. Wang Xiangfei is the husband of Ms. Lo and is deemed to be interested in 3,000 shares of New Bright under the SFO.*
3. *Ms. Lo, an executive director of the Company, owns 30% of the issued share capital of New Bright which in turn is interested in 70% of China Sonangol. China Sonangol is the holding company of Ascent Goal. Thus, Ms. Lo has an attributable interest in 569,616,589 shares of the Company and HK\$200,000,000 convertible bond at the conversion price of HK\$0.20 ("Convertible Bond") giving rise to an interest in 1,000,000,000 underlying shares of the Company.*

Save for those disclosed above, as at 30 September 2010, none of the directors or chief executives of the Company or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

Save for those disclosed under the headings "Directors' and chief executives' interests and short positions" above and "Share option scheme" below, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company (including their spouses and children under the age of 18) to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Share option scheme

Pursuant to the share option scheme of the Company approved at the annual general meeting held on 28 August 2003 (the "Share Option Scheme"), the Board may, at its discretion, offer any directors of the Company and eligible participants options to subscribe for shares in the Company subject to the terms and conditions of the Share Option Scheme. The purpose of the Share Option Scheme is to provide incentives to directors of the Company and eligible participants, and it will expire on 27 August 2013.

The Company did not grant any share option under the Share Option Scheme during the six months ended 30 September 2010 and there was no outstanding share option under the Share Option Scheme as at 30 September 2010.

Substantial shareholders' interests

As at 30 September 2010, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares or underlying shares of the Company

Name of shareholder	Notes	Nature of interest	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company
Ascent Goal	1,4	Beneficial owner	569,616,589	1,000,000,000	1,569,616,589	205.08%
China Sonangol	2,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
New Bright	2,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
Ms. Fung Yuen Kwan, Veronica	3,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
Africa Israel Financial Assets and Strategies Ltd	5	Beneficial owner	45,000,000	-	45,000,000	5.88%
Africa Israel Investments Ltd	5	Interests of controlled corporation	45,000,000	-	45,000,000	5.88%
Mr. Lev Leviev	6	Beneficial owner	1,000,000	-	1,000,000	0.13%
	6	Interests of controlled corporation	74,000,000	-	74,000,000	9.67%

Notes:

1. *Ascent Goal was directly interested in 569,616,589 shares and a further 1,000,000,000 underlying shares which may be fully allotted and issued if the Convertible Bond are converted at the conversion price of HK\$0.20. These 1,569,616,589 shares were held by Ascent Goal directly as beneficial owner. It includes (i) interests in 569,616,589 shares and (ii) the Convertible Bond giving rise to an interest in 1,000,000,000 underlying shares .*
2. *Since Ascent Goal is a wholly-owned subsidiary of China Sonangol which is beneficially owned as to 70% by New Bright, the interests of Ascent Goal is deemed to be the interests of China Sonangol and in turn the interests of New Bright under the SFO.*
3. *Ms. Fung Yuen Kwan, Veronica is deemed to have interests in the shares and underlying shares through her 70% interests in New Bright.*
4. *The 569,616,589 shares and 1,000,000,000 underlying shares under the Convertible Bond represent 74.42% and 130.66% of the existing issued share capital of the Company respectively, thus the total of 569,616,589 shares and 1,000,000,000 underlying shares represent 205.08% of the existing issued share capital of the Company. The conversion rights attaching to the Convertible Bond will not be exercised and the Company will not issue the conversion shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange.*
5. *These 45,000,000 shares were held by Africa Israel Financial Assets and Strategies Ltd, a company wholly owned by Africa Israel Investments Ltd.*
6. *These 74,000,000 shares were held by Mr. Lev Leviev of these shares, 45,000,000 shares were held by Africa Israel Financial Assets and Strategies Ltd, a company controlled by Mr. Lev Leviev through his 74.89% interests in Africa Israel Investments Ltd; 29,000,000 shares were held by Memorand Management (1998) Ltd, a company controlled by Mr. Lev Leviev through his 99% interests in Memorand Ltd; and 1,000,000 shares were held by Mr. Lev Leviev directly.*
7. *The approximate percentage of shareholdings is based on 765,373,584 shares as at 30 September 2010, not the enlarged issued share capital of the Company upon full conversion of the Convertible Bond.*

Save as disclosed above, the directors of the Company are not aware of any other persons who, as at 30 September 2010, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2010.

CORPORATE GOVERNANCE

To the best knowledge and belief of the directors of the Company, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 September 2010, except for the code provision A.2.1 and E.1.2 which are summarised below:

Code Provision A.2.1

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Company did not have any officer with CEO title. Ms. Lo Fong Hung is currently the Chairperson and Managing Director of the Company. The duties of CEO were carried out by Ms. Lo Fong Hung. In view of the size of operation of the Company, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company's strategies.

Code Provision E.1.2

Code provision E.1.2 of the code provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to other business commitment, Ms. Lo Fong Hung, the Chairperson of the Board, was unable to attend the annual general meeting of the Company held on 10 August 2010.

CHANGE IN DIRECTORS' INFORMATION

Mr. Lam Ka Wai, Graham, an independent non-executive director of the Company, ceased to be an independent non-executive director of ZZNode Technologies Company Limited with effect from 6 October 2010, a company listed on the Main Board of The Stock Exchange. He was appointed as an independent non-executive director of Hao Wen Holdings Limited on 17 November 2010, a company listed on The Growth Enterprise Market of The Stock Exchange.

Save as information disclosed above, there is no other information required to be disclosed under Rule 13.51B(1) of the Listing Rules, since the date of the 2010 annual report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company. All directors of the Company have confirmed, following specific enquiry made by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2010.

AUDIT COMMITTEE

The audit committee of the Company (the "Committee") comprises three independent non-executive directors, namely Mr. Lam Ka Wai, Graham, Mr. Wong Man Hin, Raymond and Mr. Chan Yiu Fai, Youdey. The Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 September 2010.

By Order of the Board

Wang Xiangfei

Executive Director

Hong Kong, 23 November 2010

As at the date of this report, the Board comprises three executive Directors, namely Ms. Lo Fong Hung, Mr. Wang Xiangfei and Mr. Kwan Man Fai; and three independent non-executive Directors, namely Mr. Lam Ka Wai, Graham, Mr. Wong Man Hin, Raymond and Mr. Chan Yiu Fai, Youdey.