中国煤层气
CCBM

China CBM Group Limited
中國煤層氣集團有限公司

(formerly known as Dynamic Energy Holdings Limited)
(Incorporated in Bermuda with limited liability)
Stock code: 578

Interim Report 2011

The board (the "Board") of directors (the "Directors") of China CBM Group Limited (the "Company") is pleased to present the unaudited interim financial report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the six months ended 30 June 2011 (the "Period"), the Group has undergone a great change and has successfully diversified its business. Apart from the original coal production business, the Group has diversified its business into coal trading business and coalbed methane ("CBM") related business during the Period. Comparing with the same period of last year (the "Last Period"), the revenue generated from coal production business has dropped slightly during the Period, while the total revenue of the Group remained almost unchanged resulting from the increase in revenue generated from coal trading business and CBM related business.

During the Period, all coal mines owned by the Group have been temporarily suspended occasionally for a short period of time under the request of the relevant local government authorities. As at the date of this report, one of the coal mines owned by a subsidiary of the Company, namely Xiangyang Coal Mine is still in suspension. The suspensions have caused the production volume of coal reduced and the sales volume dropped during the Period. The suspensions have continued to cast uncertainties on coal production business of the Group.

Since the beginning of the year 2011, the Group has entered into CBM business, i.e. a new and clean energy sector which is highly advocated by the People's Republic of China (the "PRC") government recently. During the Period, the Group has generated certain amount of revenue from the CBM related business, i.e. sales of electricity which is generated by low concentrated gas. Low concentrated gas extracted from the coal mines is mainly used to provide electricity for the peripheral coal mines and the high concentrated coalbed gas is mainly provided for vehicles, commercial and industrial usage. The management wishes that the CBM related business sector, such as selling of CBM for commercial and industrial usage will continue to increase in the future.

Financial Review

Revenue

The Group's revenue for the Period amounted to approximately HK$443.7 million, which remained almost unchanged comparing with the Last Period (i.e. approximately HK$449.0 million). During the Period, the revenue was derived from three business sectors, they are (i) sales and production of coal, (ii) coal trading business and (iii) CBM related business.

(i) *Sales and Production of Coal*

Revenue generated from the sales and production of coal contributed approximately 83.9% of the total revenue during the Period. The revenue from sales and production of coal dropped by 17.1% from approximately HK$449.0 million for the Last Period to approximately HK$372.4 million for the Period. The decrease in revenue from sales and production of coal was mainly attributed to the reduction in sales volume (the Period: approximately 0.60 million tons ("mt"), the Last Period: approximately 0.87 mt) and production volume (the Period: approximately 0.60 mt, the Last Period: approximately 0.65 mt) resulting from the continue occasion suspension of coal mines and no coal was purchased from outsiders for production during the Period. Moreover, local stringent government policies on coal mines have caused the coal mines within the province to slow down the coal production in order to ensure the production safety. Under the circumstances of continuing high demand of coal and shortage of coal supply in the market, the selling price of coal was keeping to go up during the Period. The average selling price (net of value added tax) of coal was approximately RMB527.0 per ton for the Period, representing an increase of 17.4% as compared with approximately RMB448.8 per ton for the Last Period.

(ii) *Coal Trading Business*

Apart from the original business sector in sales and production of coal, the Group has diversified its business sector to coal trading business since the second half of year 2010. The Group has achieved revenue from the coal trading business amounted to approximately HK$70.0 million during the Period, which contributed approximately 15.8% of the total revenue of the Group. The Group will continue to put effort on the coal trading business to enhance the revenue.

(iii) *CBM Related Business*

From the beginning of this year, the Group has begun to explore the opportunities in the CBM business. The Company owns a subsidiary which is specialized in the CBM related business. CBM related business includes selling of CBM for commercial and industrial usage, sales of electricity which is generated by CBM and etc. During the Period, although the revenue generated from the CBM related business was only approximately HK$1.3 million and contributed approximately 0.3% of the total revenue of the Group, the management wishes that the CBM related business will become a new engine for the growth of the Group.

Gross Profit

The total gross profit achieved by the Group during the Period was approximately HK$185.0 million, which increased slightly by approximately 5.5% as compared with approximately HK$175.4 million for the Last Period. The overall gross profit margin of the Group also increased slightly from approximately 39.1% for the Last Period to approximately 41.7% for the Period. The increase in the total gross profit and overall gross profit margin of the Group for the Period was mainly due to the increase in average selling price of coal during the Period as explained in the precedent paragraph. The impact from the coal trading business and CBM related business on gross profit and gross profit margin during the Period was not significant to the Group because both of these two business sectors are still at the initial development stage.

Net Profit

The profit attributable to the owners of the Company for the Period was approximately HK$49.8 million and only have a slight difference comparing with the Last Period (i.e. approximately HK$52.2 million). It was expected that the growth in the sales and production of coal would not be very obvious. Other business sectors, i.e. coal trading business and CBM related business were still at the beginning stage and could only contribute less significance on the Group's total net profit during the Period. However, with the continuing development in the coal trading business and CBM related business, the Group wishes the net profit will be further improved in the future and add value to its shareholders.

PROSPECT

Year 2011 is a remarkable year for the Group as the Group have undergone repositioning of its business strategic direction. The Group was renamed as "China CBM Group Limited" in May 2011, signifying the Group's strategic focus and the commitment on the development of CBM related business in the PRC. The Company wishes that the CBM related business will become a new engine for the growth of the Group. A cooperative agreement namely "Comprehensive Management and Utilization of Coalbed Gas*" (「關於瓦斯綜合治理與利用的合作協議書」) was signed between Henan Huanglong New Energy Development Company Limited ("Huanglong", a controlling subsidiary of the Company) and China Pingmei Shenma Chemical Group Limited ("Zhongping Group"). As agreed, Huanglong has the exclusive operative rights to extract coalbed gas and integrate management and utilization of coalbed gas within the coalfields currently owned or to be owned by Zhongping Group. Zhongping Group currently owns three mega size coalfields in Henan Province with total coal mining areas of approximately 2,400 km^2, namely Pingdingshan Coalfield, Ruzhou Coalfield and Yuzhou Coalfield. According to the relevant local reserves report and local valuation report, the proven geological coalbed gas reserve within Pingdingshan Coalfield was approximately 52.2 billion m^3 and the estimated resources value was approximately RMB36.463 billion. The Group has engaged relevant professional parties from both local and overseas to assist the Group in its development in the CBM related business.

The Group has already obtained strong financial support for its future development in CBM related business from local banks. As announced by the Group in June 2011, three local banks in Henan Province have granted the letters of intent to Huanglong for providing up to RMB2.4 billion bank loans to finance Huanglong's future development in CBM related projects.

With tightening supply of local oil and petrochemical resources, the prospect of development and utilization of CBM is glorious and enticing due to its multiple advantages, i.e. safety effectiveness on prevention of gas induced accident; high calorific value which create enormous economic benefits; non-pollution and environment-friendly features which effectively reduce the greenhouse emissions. Currently, the development and utilization of CBM in the United States, Britain, Germany and other western countries have been built in scale. Although the PRC possesses the third highest volume of CBM reserves in the world, its development and utilization of CBM are still at the initial stage. From certain research information, there will be a deficit of 160 billion m^3 of natural gas in the next five years in the PRC, which needs to be partly satisfied by unconventional natural gas such as CBM. "CBM exploitation and utilization in 12th Five-Year Plan" prepared by National Energy Board stated that, the output of CBM in the PRC will be 20 to 24 billion m^3. In 2015 and 2020, the proven geological reserves will be increased by 1,000 billion m^3 and 2,000 billion m^3

respectively. In the PRC's 11th Five-Year Plan, CBM development has been gradually put on the agenda by the PRC central government. The PRC central government has directed specific implementation measures to advocate CBM development and utilization. This new and clean energy is continued to be highly advocated in the PRC's 12th Five-Year Plan. The government has also launched a number of supportive and incentives policies to encourage the exploitation and development of CBM, such as tax incentives, financial subsidies and so on to advocate the rapid development of CBM industry. Under the cooperative agreement in relation to the extraction of CBM signed between the Group and its business partner, the Group is also entitled with the income from CDM Rebate (i.e. subsidies to clean development mechanism under the Kyoto Protocol), government grants and other subsidies relevant to coalbed gas.

The Group believes the positive factors and strong economic development in the PRC will accelerate the demand for clean energy such as CBM, which would be beneficial to the Group's CBM business. The Group, with a focus on the CBM business, wishes to become one of the lead players in the clean energy industry in the PRC.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2011, the net asset value of the Group was approximately HK$1,853.3 million (as at 31 December 2010: approximately HK$1,367.5 million) and the total cash and bank balance (included pledged bank deposits) was approximately HK$945.1 million (as at 31 December 2010: approximately HK$238.8 million). As at 30 June 2011, the Group had net current assets of approximately HK$536.7 million (as at 31 December 2010: approximately HK$365.6 million) and its current ratio increased from 1.4 times to 1.5 times as at 30 June 2011.

As at 30 June 2011, the Group's total accounts receivable amounted to approximately HK$386.5 million (as at 31 December 2010: approximately HK$777.2 million) and certain accounts receivable were pledged to secure bank loans of the Group. Subsequent to 30 June 2011 and up to 25 August 2011, accounts receivable amounted to approximately HK$60.4 million has been settled.

As at 30 June 2011, bank deposits amounted to approximately HK$238.1 million (as at 31 December 2010: approximately HK$65.0 million) were pledged and not available for the operation or repayment of debts of the Group. Cash and cash equivalents which are not pledged amounted to approximately HK$707.0 million (as at 31 December 2010: approximately HK$173.8 million).

As at 30 June 2011, the Group's total bank loans were amounted to approximately HK$617.9 million (as at 31 December 2010: approximately HK$325.5 million).

As at 30 June 2011, the Group's bills payable amounted to approximately HK$277.2 million (as at 31 December 2010: approximately HK$82.7 million) were secured by the pledge of the Group's time deposits and of approximately HK$72.3 million (as at 31 December 2010: approximately HK$35.4 million) were also guaranteed by an independent third party and of approximately HK$36.2 million (as at 31 December 2010: HK$35.4 million) were co-guaranteed by an independent third party and a director of a major subsidiary of the Group. Bills payable amounted to approximately HK$72.2 million (as at 31 December 2010: Nil) were guaranteed by an independent third party and secured by one mining right.

The Group's gearing ratio, as a ratio of bank loans and loan from a shareholder plus liability components of the convertible bonds and divided by net assets, was 33.3% (as at 31 December 2010: 52.2%).

CHANGE OF COMPANY NAME

Pursuant to a special resolution of the Company passed in May 2011, the name of the Company has been changed from "Dynamic Energy Holdings Limited" to "China CBM Group Limited" and has adopted the Chinese name "中國煤層氣集團有限公司" as the secondary name of the Company with effect from 30 May 2011.

EXCHANGE RISK EXPOSURE

The sales and purchases of the Group are predominantly in RMB which is the functional currency of the related group entities. The Board therefore is of the opinion that the Group's sensitivity to the change in foreign currency is low and the Group does not hedge its foreign currency risk.

DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 June 2011.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2011, the Group has a total of approximately 3,600 employees located in Hong Kong and the PRC. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical insurance and pension funds. A share option scheme was adopted by the Group on 20 October 2004 to enable the Directors to grant share options to eligible participants including any employee of the Group as incentive to their valuable contribution to the Group.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive Directors ("INEDs") of the Company. The members of the audit committee have reviewed the unaudited financial report of the Group for the six months ended 30 June 2011 and are of the opinion that such report comply with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Directors are in the opinion that the Company had complied with the CG Code provisions during the six months ended 30 June 2011 save for the following exception.

CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The INEDs of the Company do not have a specific term of appointment, but subject to rotation in accordance with Bye-law 111 of the Bye-laws of the Company. As the INEDs of the Company are subject to rotation in accordance with the Bye-laws of the Company, the Board considers that the INEDs so appointed with no specific term will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in A.4 of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code throughout the six months ended 30 June 2011.

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

As at 30 June 2011, the interests and short positions of each Director of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Directors	Nature of interest	Number of shares	Number of underlying shares	Percentage of the Company's issued share capital
Dr. Wang Ruiyun ("Dr. Wang")	Interests of controlled corporation	4,700,000,000 *(Note 1)*	–	65.95%
Mr. Wu Jiahong ("Mr. Wu")	Personal interest	8,606,250	6,081,750 *(Note 2)*	0.21%
Mr. Xu Lidi ("Mr. Xu")	Personal interest	10,125,000	6,081,750 *(Note 2)*	0.23%
Mr. Li Chun On ("Mr. Li")	Personal interest	–	1,275,000 *(Note 2)*	0.02%

Notes:

(1) Such shares were held through Victory Investment China Group Limited ("Victory Investment") and Victory Asset Management HK Limited ("Victory Asset") which are beneficially and wholly owned by Dr. Wang. Dr. Wang was appointed as a non-executive director and a co-chairman of the Company on 27 May 2011.

(2) Mr. Xu, Mr. Wu and Mr. Li are interested as grantees of share options to subscribe for 6,081,750 shares, 6,081,750 shares and 1,275,000 shares of the Company under the share option scheme as disclosed in note 20 to the interim financial report respectively.

Save as disclosed above, none of the Directors and chief executive of the Company had any interest or short position in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange as at 30 June 2011.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Company's Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

So far as was known to the Directors or chief executive of the Company, as at 30 June 2011, the person, other than the Directors or chief executive of the Company, who had an interest or short position in the shares or underlying shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

(a) Long positions in the shares of the Company

Name of Shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Victory Investment *(Note 1)*	Beneficial owner	4,300,000,000	60.34%
Victory Asset *(Note 1)*	Beneficial owner	400,000,000	5.61%
Dragon Rich *(Note 2)*	Beneficial owner	460,735,713	6.46%
Mr. Bao Hongkai ("Mr. Bao") *(Note 2)*	Interest of controlled corporation	460,735,713	6.46%
	Personal interest	6,750,000	0.09%
Kingston Finance Limited ("Kingston") *(Note 3)*	Person having a security interest in share	1,200,000,000	16.84%
Ample Cheer Limited ("Ample Cheer") *(Note 3)*	Interest of controlled corporation	1,200,000,000	16.84%
Best Forth Limited ("Best Forth") *(Note 3)*	Interest of controlled corporation	1,200,000,000	16.84%
Chu Yuet Wah ("Mrs. Chu") *(Note 3)*	Interest of controlled corporation	1,200,000,000	16.84%

Notes:

(1) Victory Investment and Victory Asset are beneficially and wholly owned by Dr. Wang. Dr. Wang was deemed to be interested in the shares held by Victory Investment and Victory Asset.

(2) Dragon Rich is beneficially owned as to 40% by Mr. Bao, Mr. Bao was deemed to be interested in the shares held by Dragon Rich.

(3) Mrs. Chu held 100% interest in Best Forth. Best Forth held 80% interest in Ample Cheer and Ample Cheer held 100% interest in Kingston Finance. Kingston Finance is deemed to have a security interest in 1,200,000,000 shares in the Company held by Victory Investment. Accordingly, Mrs. Chu, Best Forth and Ample Cheer are also deemed to have security interest in 1,200,000,000 shares in the Company.

Save as disclosed above, no persons had an interest or a short position in the shares and the underlying shares as recorded in the register required to be kept under 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the connected transactions are included in note 24 to the interim financial report.

REVIEW OF UNAUDITED INTERIM RESULTS BY AUDITOR

The unaudited consolidated interim financial report of the Group for the six months ended 30 June 2011 have been reviewed by BDO Limited, the Group's auditor. The auditor's independent review report was set out on page 12 of this interim report.

By order of the Board

Xu Lidi
Co-Chairman

Hong Kong, 26 August 2011

* *For identification purposes only*

INDEPENDENT REVIEW REPORT

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REPORT ON REVIEW OF INTERIM FINANCIAL REPORT
TO THE BOARD OF DIRECTORS OF CHINA CBM GROUP LIMITED 中國煤層氣集團有限公司
(Formerly known as Dynamic Energy Holdings Limited 合動能源控股有限公司)
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 13 to 49, which comprises the consolidated statement of financial position of China CBM Group Limited and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34. Our responsibility is to express a conclusion on this interim financial report based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

BDO Limited
Certified Public Accountants
Li Wing Yin
Practising Certificate no. P05035

Hong Kong, 26 August 2011

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	Unaudited Six months ended 30 June 2011 HK$'000	2010 HK$'000
Revenue	4	**443,721**	449,032
Cost of sales		**(258,681)**	(273,626)
Gross profit		**185,040**	175,406
Other income	4	**6,857**	5,176
Selling expenses		**(5,446)**	(6,106)
Administrative expenses		**(66,947)**	(59,850)
Other operating expenses		**(10,534)**	(2,127)
Finance costs	5	**(32,948)**	(15,688)
Share of losses of jointly controlled entity	11	**(3,238)**	(292)
Excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost	22	**23,392**	–
Profit before income tax	6	**96,176**	96,519
Income tax expense	7	**(41,327)**	(37,439)
Profit for the period		**54,849**	59,080
Profit for the period attributable to:			
Owners of the Company		**49,807**	52,174
Non-controlling interest		**5,042**	6,906
		54,849	59,080
Earnings per share for profit attributable to the owners of the Company during the period	9		
– Basic (HK cents)		**0.984**	2.346
– Diluted (HK cents)		**0.764**	1.819

The notes on pages 20 to 49 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Profit for the period	**54,849**	59,080
Other comprehensive income for the period		
Exchange gain on translation of financial statements of foreign operations		
– subsidiaries	**30,077**	17,372
– jointly controlled entity	**1,753**	1,350
Total comprehensive income for the period	**86,679**	77,802
Total comprehensive income attributable to:		
Owners of the Company	**79,098**	69,251
Non-controlling interest	**7,581**	8,551
	86,679	77,802

The notes on pages 20 to 49 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	**Unaudited 30 June 2011 HK$'000**	Audited 31 December 2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**341,786**	283,950
Prepaid lease payments		**578**	714
Goodwill		**207,396**	207,396
Mining rights		**634,857**	630,134
Other intangible assets		**308**	434
Interest in jointly controlled entity	11	**89,040**	90,525
Deposits paid	12	**62,686**	–
		1,336,651	1,213,153
Current assets			
Inventories	13	**16,842**	14,774
Accounts receivable	14	**386,506**	777,177
Prepayments, deposits and other receivables		**375,512**	193,445
Financial assets at fair value through profit or loss		**–**	23,644
Pledged bank deposits		**238,081**	65,010
Cash and cash equivalents		**707,043**	173,823
		1,723,984	1,247,873
Current liabilities			
Accounts and bills payables	15	**297,126**	122,796
Other payables and accruals		**224,959**	200,064
Provision for reclamation obligations		**42,749**	33,660
Provision for tax		**4,576**	5,261
Bank loans	16	**617,893**	325,485
Loan from a shareholder	17	**–**	195,000
		1,187,303	882,266
Net current assets		**536,681**	365,607
Total assets less current liabilities		**1,873,332**	1,578,760

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

As at 30 June 2011

	Notes	**Unaudited 30 June 2011 HK$'000**	Audited 31 December 2010 HK$'000
Non-current liabilities			
Convertible bonds	17	**–**	193,728
Deferred tax liabilities	18	**20,075**	17,494
		20,075	211,222
Net assets		**1,853,257**	1,367,538
EQUITY			
Share capital	19	**712,674**	291,813
Reserves		**1,019,851**	962,574
Equity attributable to the owners of the Company		**1,732,525**	1,254,387
Non-controlling interest		**120,732**	113,151
Total equity		**1,853,257**	1,367,538

The notes on pages 20 to 49 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2011

	Attributable to owners of the Company												Non-controlling interest	Total
	Share capital	Share premium	Equity component of convertible bonds	Share option reserve	Capital redemption reserve	Other reserve	Contributed surplus	Exchange fluctuation reserve	Capital reserve	Retained profits	Statutory reserve fund	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	211,813	225,742	–	10,341	50	55,473	8,282	47,439	27,442	367,301	59,109	1,012,992	94,789	1,107,781
Share options forfeited	–	–	–	(1,881)	–	–	–	–	–	1,881	–	–	–	–
Issue of convertible bonds	–	–	28,993	–	–	–	–	–	–	–	–	28,993	–	28,993
Issue of ordinary shares on conversion of convertible bonds	80,000	59	(11,597)	–	–	–	–	–	–	–	–	68,462	–	68,462
Transactions with owners	80,000	59	17,396	(1,881)	–	–	–	–	–	1,881	–	97,455	–	97,455
Transfer to other reserve	–	–	–	–	–	4,706	–	–	–	(4,706)	–	–	–	–
Profit for the period	–	–	–	–	–	–	–	–	–	52,174	–	52,174	6,906	59,080
Other comprehensive income for the period														
– Exchange gain on translation of financial statements of foreign operations														
– subsidiaries	–	–	–	–	–	–	–	15,727	–	–	–	15,727	1,645	17,372
– jointly controlled entity	–	–	–	–	–	–	–	1,350	–	–	–	1,350	–	1,350
Total comprehensive income for the period	–	–	–	–	–	–	–	17,077	–	52,174	–	69,251	8,551	77,802
At 30 June 2010	291,813	225,801	17,396	8,460	50	60,179	8,282	64,516	27,442	416,650	59,109	1,179,698	103,340	1,283,038

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(CONTINUED)

For the six months ended 30 June 2011

	Attributable to owners of the Company												Non-controlling interest	Total
	Share capital HK$'000	Share premium HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Other reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Statutory reserve fund HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 January 2011	**291,813**	**225,801**	**30,829**	**8,389**	**50**	**65,945**	**8,282**	**98,735**	**27,442**	**414,247**	**82,854**	**1,254,387**	**113,151**	**1,367,538**
Share options forfeited	–	–	–	(4,017)	–	–	–	–	–	4,017	–	–	–	–
Issue of convertible bonds	–	–	23,323	–	–	–	–	–	–	–	–	23,323	–	23,323
Issue of ordinary shares on conversion of convertible bonds *(note 19(c))*	420,000	8,538	(54,152)	–	–	–	–	–	–	–	–	374,386	–	374,386
Exercise of share options *(note 19(b))*	861	995	–	(525)	–	–	–	–	–	–	–	1,331	–	1,331
Transactions with owners	**420,861**	**9,533**	**(30,829)**	**(4,542)**	**–**	**–**	**–**	**–**	**–**	**4,017**	**–**	**399,040**	**–**	**399,040**
Transfer to other reserve	**–**	**–**	**–**	**–**	**–**	**399**	**–**	**–**	**–**	**(399)**	**–**	**–**	**–**	**–**
Profit for the period	–	–	–	–	–	–	–	–	–	49,807	–	49,807	5,042	54,849
Other comprehensive income for the period														
– Exchange gain on translation of financial statements of foreign operations														
– subsidiaries	–	–	–	–	–	–	–	27,538	–	–	–	27,538	2,539	30,077
– jointly controlled entity	–	–	–	–	–	–	–	1,753	–	–	–	1,753	–	1,753
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29,291**	**–**	**49,807**	**–**	**79,098**	**7,581**	**86,679**
At 30 June 2011	**712,674**	**235,334**	**–**	**3,847**	**50**	**66,344**	**8,282**	**128,026**	**27,442**	**467,672**	**82,854**	**1,732,525**	**120,732**	**1,853,257**

The notes on pages 20 to 49 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Unaudited Six months ended 30 June **2011** **HK$'000**	 2010 HK$'000
Net cash generated from/(used in) operating activities	**620,391**	(50,048)
Net cash used in investing activities	**(385,225)**	(126,695)
Net cash generated from financing activities	**294,737**	114,640
Net increase/(decrease) in cash and cash equivalents	**529,903**	(62,103)
Cash and cash equivalents at 1 January	**173,823**	159,067
Effect of foreign exchange rate changes on cash and cash equivalents	**3,317**	2,778
Cash and cash equivalents at 30 June	**707,043**	99,742

The notes on pages 20 to 49 form part of this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2010, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations ("Int")) as disclosed in *note 2* to this interim financial report.

This interim financial report is unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

This interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

2. ADOPTION OF NEW OR REVISED HKFRSs

Adoption of new/revised HKFRSs – effective from 1 January 2011

HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issue
HK(IFRIC)-Int 14 Amendment	Amendment to HK(IFRIC)-Int 14 "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in 2010

The adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines. During the six months ended 30 June 2011, trading of coal was separated from production and sale of coal as a reportable segment as it was closely monitored by the executive directors to be of potential growth and is expected to contribute an essential part of the Group's revenue in the future. Comparative figures in the segment information have been restated according to the revised reportable segment. During the six months ended 30 June 2011, the Group has also engaged in the coalbed methane ("CBM") related business as a new product and service line.

The Group's reportable segments are as follows:

Production and sale of coal:	Production of coal and sale of coal in the People's Republic of China, except Hong Kong (the "PRC")
Trading of coal:	Trading of coal in the PRC
CBM related business:	Production and sale of CBM and related business in the PRC

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as operating approaches.

The measurement policies the Group uses for reporting segment results under Hong Kong Financial Reporting Standard 8 are the same as those used in its financial statements prepared under HKFRSs, except that, excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost, finance costs, share of losses of jointly controlled entity, income tax and corporate income and expenses which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

Segment assets include property, plant and equipment, prepaid lease payments, goodwill, mining rights, other intangible assets, inventories, receivables and operating cash and mainly exclude interest in jointly controlled entity, deposits paid, financial assets at fair value through profit or loss and corporate assets which are not directly attributable to the business activities of any operating segment.

3. SEGMENT INFORMATION *(CONTINUED)*

The revenue and profit generated by each of the Group's operating segments and the assets of each segment are summarised as follows:

	Production and sale of coal		Trading of coal		CBM related business		Total	
	Unaudited Six months ended 30 June		Unaudited Six months ended 30 June		Unaudited Six months ended 30 June		Unaudited Six months ended 30 June	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue								
Sales to external parties	**372,421**	449,032	**70,030**	–	**1,270**	–	**443,721**	449,032
Segment operating profit/(loss)	**119,250**	118,262	**279**	–	**(2,764)**	–	**116,765**	118,262

	Unaudited	Audited	**Unaudited**	Audited	**Unaudited**	Audited	**Unaudited**	Audited
	30 June	31 December	**30 June**	31 December	**30 June**	31 December	**30 June**	31 December
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**2,229,054**	1,936,359	**35,224**	75,530	**81,082**	–	**2,345,360**	2,011,889

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

3. SEGMENT INFORMATION *(CONTINUED)*

The Group's segment operating profit reconciles to the Group's profit before income tax as presented in its financial statements as follows:

	Unaudited Six months ended 30 June 2011 HK$'000	2010 HK$'000
Segment operating profit	**116,765**	118,262
Other operating income not allocated	**2,513**	742
Selling expenses not allocated	**(144)**	(185)
Administrative expenses not allocated	**(9,844)**	(6,320)
Other operating expenses not allocated	**(320)**	–
Finance costs	**(32,948)**	(15,688)
Share of losses of jointly controlled entity	**(3,238)**	(292)
Excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost	**23,392**	–
Profit before income tax	**96,176**	96,519

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

4. REVENUE AND OTHER INCOME

Turnover represents the revenue arising from the Group's principal activities which are the production and sale of coal, trading of coal and CBM related business.

Turnover and other income recognised during the period are as follows:

	Unaudited Six months ended 30 June 2011 HK$'000	 2010 HK$'000
Revenue/Turnover		
Production and sale of coal	**372,421**	449,032
Trading of coal	**70,030**	–
CBM related business	**1,270**	–
	443,721	449,032
Other income		
Bank interest income	**3,956**	3,373
Sale of consumable tools	**1,000**	655
Gain on disposals of property, plant and equipment	**204**	–
Gain on disposals of financial assets at fair value through profit or loss	**94**	–
Others	**1,603**	1,148
	6,857	5,176

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

5. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Interest charge on bank loans wholly repayable within one year	**20,345**	6,053
Effective interest expense on convertible bonds repayable within five years	**3,981**	1,710
Default interest expense on convertible bonds repayable within five years	**–**	1,809
Interest expenses on financial liabilities stated at amortised cost	**24,326**	9,572
Bank charges on bills receivable discounted without recourse	**8,622**	6,116
	32,948	15,688

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Unaudited Six months ended 30 June 2011 HK$'000	2010 HK$'000
Cost of inventories sold	**249,625**	266,550
Depreciation	**16,330**	13,460
Operating lease charges on land and buildings	**1,002**	810
Amortisation of prepaid lease payments	**149**	143
Amortisation of mining rights	**7,735**	8,447
Amortisation of intangible assets	**133**	23
Employee benefit expenses (including directors' remuneration and retirement benefit scheme contributions)	**101,053**	112,082
Exchange loss, net	**661**	329
Loss on disposals of property, plant and equipment	**–**	144
Provision for financial guarantee contracts issued	**4,226**	–

7. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2011 HK$'000	2010 HK$'000
Current tax		
– PRC income tax	**39,113**	35,335
Deferred tax *(note 18)*	**2,214**	2,104
	41,327	37,439

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

7. INCOME TAX EXPENSE *(CONTINUED)*

Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (Six months ended 30 June 2010: Nil).

Corporate income tax arising in the PRC is calculated at the statutory income tax rate of 25% (Six months ended 30 June 2010: 25%) of the estimated assessable profits as determined in accordance with the relevant income tax rules and regulations in the PRC.

8. DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (Six months ended 30 June 2010: Nil).

9. EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Profit		
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	**49,807**	52,174
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**3,981**	500
Profit for the purpose of diluted earnings per share attributable to the owners of the Company	**53,788**	52,674

9. EARNINGS PER SHARE *(CONTINUED)*

	Unaudited Six months ended 30 June	
	2011	2010
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,064,213**	2,224,208
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**6,114**	4,648
Convertible bonds	**1,970,166**	666,135
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,040,493**	2,894,991

Earnings per share attributable to the owners of the Company for the six months ended 30 June 2011 is based on the profit attributable to the owners of the Company of approximately HK$49.8 million (Six months ended 30 June 2010: approximately HK$52.2 million) and the weighted average of 5,064,213,000 ordinary shares (Six months ended 30 June 2010: 2,224,208,000) outstanding during the six months ended 30 June 2011.

Diluted earnings per share attributable to the owners of the Company for the six months ended 30 June 2011 is based on the profit attributable to the owners of the Company of approximately HK$53.8 million (Six months ended 30 June 2010: approximately HK$52.7 million) and the weighted average of 7,040,493,000 ordinary shares (Six months ended 30 June 2010: 2,894,991,000) outstanding during the six months ended 30 June 2011.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011,

(a) the Group incurred capital expenditure of approximately HK$3.6 million (Six months ended 30 June 2010: approximately HK$3.1 million) in buildings, approximately HK$2.0 million (Six months ended 30 June 2010: approximately HK$0.8 million) in plant and machinery, approximately HK$8.2 million (Six months ended 30 June 2010: approximately HK$2.6 million) in mining related machinery and equipment, approximately HK$0.2 million (Six months ended 30 June 2010: approximately HK$0.1 million) in furniture, fixtures, equipment and leasehold improvement, approximately HK$0.8 million (Six months ended 30 June 2010 approximately HK$0.8 million) in motor vehicles and approximately HK$21.8 million (Six months ended 30 June 2010: approximately HK$13.3 million) in construction in progress.

(b) the Group acquired, through the acquisition of a subsidiary *(note 22)*, certain items with fair value of approximately HK$30.1 million in plant and machinery, approximately HK$0.1 million in furniture, fixtures, equipment and leasehold improvement, approximately HK$1.1 million in motor vehicles and approximately HK$0.1 million in construction in progress. No property, plant and equipment of the Group were acquired through the acquisition of subsidiary for the six months ended 30 June 2010.

(c) the Group transferred certain items from construction in progress amounted to approximately HK$2.3 million to buildings and plant and machinery amounted to approximately HK$2.2 million and HK$0.1 million respectively upon completion of the respective constructions. No construction in progress of the Group was transferred to property, plant and equipment for the six months ended 30 June 2010.

(d) the Group disposed of certain items of property, plant and equipment with carrying value amounted to approximately HK$0.3 million (Six months ended 30 June 2010: approximately HK$3.2 million) and recognised a gain of approximately HK$0.2 million (Six months ended 30 June 2010: a loss of approximately HK$0.1 million) in the consolidated income statement for the six months ended 30 June 2011.

11. INTEREST IN JOINTLY CONTROLLED ENTITY

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Share of net assets	**89,040**	90,525

Particulars of the jointly controlled entity of the Group at 30 June 2011 were as follows:

Name of jointly controlled entity	Place of incorporation/ operations	Particulars of issued capital/ registered capital	Percentage of issued capital held by the Group	Principal activities
Indirectly held				
Henan Yulong Energy Development Co., Ltd.	PRC	RMB200,000,000	40%	Coal mine production safety and gas management

The following illustrates the summarised financial information of the Group's jointly controlled entity extracted from its management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group.

The Group's share of the jointly controlled entity assets, liabilities, income and expenses are as follows:

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Non-current assets	**25,190**	26,025
Current assets	**76,309**	84,332
Current liabilities	**(12,459)**	(19,832)
	89,040	90,525

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

11. INTEREST IN JOINTLY CONTROLLED ENTITY *(CONTINUED)*

	Unaudited Six months ended 30 June 2011 HK$'000	2010 HK$'000
Income	**1,411**	–
Expenses	**(4,649)**	(292)
Loss after income tax expense attributable to the Group	**(3,238)**	(292)

The Group has not incurred any contingent liabilities or other commitments relating to its jointly controlled entity.

12. DEPOSITS PAID

As at 30 June 2011, the Group paid deposits amounted to approximately HK$62.7 million (equivalent to RMB52.0 million) to independent third parties in relation to investments in certain foreign operations.

13. INVENTORIES

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Coal	**3,874**	1,471
Spare parts and consumables	**12,968**	13,303
	16,842	14,774

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

14. ACCOUNTS RECEIVABLE

The Group's sales are billed to customers according to the terms of the relevant agreement with normal credit periods ranging from 30 to 180 days are allowed. Based on the invoice dates, ageing analysis of the Group's accounts receivable at the reporting date is as follows:

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
0–90 days	**211,304**	467,022
91–180 days	**153,366**	136,251
181–365 days	**21,836**	185,249
Over 365 days	**11,571**	–
	398,077	788,522
Less: Provision for impairment	**(11,571)**	(11,345)
	386,506	777,177

Movement in the allowance for impairment of accounts receivable is as follows:

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
At 1 January	**11,345**	–
Recognition of impairment loss for the period/year	**–**	11,345
Exchange difference	**226**	–
At 30 June/31 December	**11,571**	11,345

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

15. ACCOUNTS AND BILLS PAYABLES

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Accounts payable	**19,972**	40,056
Bills payable	**277,154**	82,740
	297,126	122,796

The Group was granted by its suppliers' credit periods ranging from 30 to 90 days. Based on the invoice dates, ageing analysis of the Group's accounts payable at the reporting date is as follows:

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
0–90 days	**16,322**	37,822
91–180 days	**312**	214
Over 180 days	**3,338**	2,020
	19,972	40,056

16. BANK LOANS

	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Bank loans repayable within one year and classified as current liabilities	**617,893**	325,485

At 30 June 2011, bank loans of approximately HK$238.2 million (31 December 2010: approximately HK$242.8 million) were secured by certain mining rights, certain accounts receivable and certain deposits at bank (31 December 2010: secured by certain mining rights and certain accounts receivable).

At 30 June 2011, bank loans of approximately HK$409.3 million (31 December 2010: approximately HK$201.4 million) were guaranteed by an independent third party; bank loans of approximately HK$42.2 million (31 December 2010: approximately HK$23.6 million) was co-guaranteed by an independent third party and a director of a major subsidiary of the Group; and bank loans of approximately HK$24.1 million were guaranteed by a related party (31 December 2010: approximately HK$23.6 million were under inter-company guarantee by a related company *(note 23)*).

At 30 June 2011, all bank loans bear interest at fixed rates ranging from 4.82% to 8.20% per annum (31 December 2010: 4.47% to 11.52% per annum).

17. LOAN FROM A SHAREHOLDER/CONVERTIBLE BONDS

On 16 November 2007, the Company issued a zero coupon convertible bonds ("CB2") to Dragon Rich Resources Limited ("Dragon Rich") with principal amount of HK$230.0 million as settlement of the promissory notes issued by the Company. CB2 were issued with an initial conversion price of HK$1.1 per share and matured on 16 November 2010. The conversion price was subject to adjustment for consolidation, sub-division or reclassification of shares, capitalisation of profits or reserves, distribution, certain other dilutive and price reset. The conversion price was adjusted from HK$1.1 per share to HK$0.61 per share upon the approval of the bonus issue on 30 April 2009. The conversion price was further adjusted from HK$0.61 per share to HK$0.46 per share upon the open offer becoming unconditional on 1 December 2009. On 4 December 2009, part of CB2 with principal amount of HK$32.0 million was redeemed by the Company and a loss on redemption of approximately HK$7.3 million (being the redemption payment of CB2 of HK$32.0 million minus the liability component and compound derivative component of CB2 of HK$21.7 million and HK$3.0 million respectively) was recognised as finance costs. On 10 December 2009, the Company was in default of payment for other convertible bonds as shown below. According to subscription agreement of CB2, Dragon Rich had the right to demand immediate repayment when the Company defaulted in the repayment of any of its loan indebtedness. On 10 December 2009, loss on remeasuring a convertible bond from stating at amortised cost to its principal amount when the convertible bond is repayable on demand of approximately HK$39.8 million (being the accelerated liability component of CB2 of approximately HK$58.4 million minus the compound derivative component of CB2 of approximately HK$18.6 million) was recognised as finance costs. As at 31 December 2009, the holder of CB2 was Dragon Rich with remaining principal amount of HK$195.0 million and no demand for repayment was received from Dragon Rich and the CB2 was remained unsettled. On 29 November 2010, the Company and Dragon Rich entered into an agreement to waive all conversion rights of CB2 and to extend the maturity date for repayment of HK$195.0 million to 31 December 2010. As a result of the waive of conversion rights of CB2, the Company derecognised CB2 of HK$195.0 million and recognised the outstanding amount as loan from a shareholder on 29 November 2010. On 19 December 2010, the Company and Dragon Rich entered into a supplementary agreement to extend the maturity date of the loan to 31 December 2011. During the six months ended 30 June 2011, the loan from a shareholder amounted to HK$195.0 million was settled.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

17. LOAN FROM A SHAREHOLDER/CONVERTIBLE BONDS *(CONTINUED)*

On 10 December 2007, the Company issued a 2% coupon convertible bonds ("CB3") with principal amount of US$25.0 million (equivalent to approximately HK$194.5 million). CB3 were issued with an initial conversion price of HK$1.8 per share and would mature on 10 December 2010. The conversion price was subject to adjustment for consolidation, sub-division or reclassification of shares, capitalisation of profits or reserves, distribution, certain other dilutive and price reset. The conversion price was adjusted from HK$1.8 per share to HK$1.0 per share upon the approval of the bonus issue. According to the conversion price reset terms of the CB3, the conversion price was further adjusted from HK$1.0 per share to HK$0.88 per share with effect from 10 June 2009. The conversion price was further adjusted from HK$0.88 per share to HK$0.67 per share upon the open offer becoming unconditional on 1 December 2009. Both the Company and the holders of CB3 had redemption options. On 10 December 2009, the holders of CB3 would have the right at such holders' options, to require the Company to redeem all or some only of the CB3. On or at any time after 10 December 2009 and prior to the maturity date, the Company may redeem all or some only of the CB3 at their early redemption amount on the date fixed for such redemption if the average closing price per share for 20 consecutive trading days, the last of which occurs not more than five trading days prior to the date upon which notice of such redemption is published, is at least 160% of the early redemption amount in effect on such trading day divided by the conversion ratio. The CB3 was secured by the Company's entire interest in Clear Interest Limited and Zhong Yue Energy Development (Shenzhen) Company Limited, subsidiaries of the Group.

CB3 with principal amount of US$9.0 million (equivalent to approximately HK$70.0 million) was converted by its holders during 2009. On 10 December 2009, the holders of the CB3 exercised their rights to require the Company to fully redeem the remaining CB3 with principal amount of US$16.0 million (equivalent to approximately HK$124.5 million) at a premium of 12.7% on the principal amount. The premium arising on redemption of CB3 was approximately US$2.0 million (equivalent to approximately HK$15.9 million).

17. LOAN FROM A SHAREHOLDER/CONVERTIBLE BONDS *(CONTINUED)*

On 10 December 2009, the total amount of CB3 fell due (including outstanding principal of US$16.0 million (equivalent to approximately HK$124.5 million), redemption premium of US$2.0 million (equivalent to approximately HK$15.9 million) and accrued interest of US$0.2 million (equivalent to approximately HK$1.2 million)) was approximately US$18.2 million (equivalent to approximately HK$141.6 million). The Company was in default of payment and the related default interest of approximately US$0.03 million (equivalent to approximately HK$0.3 million) calculated at 3% per annum for the period from 10 December 2009 to 31 December 2009 was charged to finance costs. A loss on redemption of approximately HK$12.5 million (being HK$17.3 million for recognising the liability component of CB3 up to HK$141.8 million minus the compound derivative component of CB3 of HK$4.8 million) was recognised and charged to finance costs. As at 31 December 2009, the liability component of CB3 of HK$141.8 million remained unsettled. On 31 December 2009, an agreement was signed to transfer the remaining CB3 from the original bondholders to an independent third party, MCC International (Group) Company Limited.

On 4 June 2010, the total outstanding amount of CB3 was settled including outstanding principal of US$16.0 million (equivalent to approximately HK$124.5 million), redemption premium of approximately US$2.0 million (equivalent to approximately HK$15.9 million), accrued interest of approximately US$0.3 million (equivalent to approximately HK$2.5 million) and the related default interest of approximately US$0.3 million (equivalent to approximately HK$2.0 million) amounting to approximately US$18.6 million (equivalent to approximately HK$144.9 million).

On 12 March 2010, the Company and Victory Investment China Group Limited (the "Subscriber") entered into a subscription agreement (the "Subscription Agreement") in respect of the proposed issuance of zero coupon bonds ("CB4") in the maximum principal amount of HK$1,200.0 million. CB4 will be repayable after 3 years from the date of issuance or convertible into shares of the Company at the conversion price of HK$0.1 per share (subject to the standard adjustment clauses relating to share sub-division, share consolidation and/or rights issues).

On 31 May 2010, the Company issued zero coupon bonds in the principal amount of HK$200.0 million (the "First Tranche of CB4") mainly for the purpose of settlement of CB3. Partial of the First Tranche of CB4 with principal amount of HK$80.0 million was converted by its holder on 7 June 2010. On 3 September 2010, the Company issued zero coupon bonds in the principal amount of HK$100.0 million (the "Second Tranche of CB4").

17. LOAN FROM A SHAREHOLDER/CONVERTIBLE BONDS *(CONTINUED)*

On 7 January 2011, the Company issued zero coupon bonds in the principal amount of HK$100.0 million (the "Third Tranche of CB4"). On 11 January 2011, the Company issued zero coupon bonds in the principal amount of HK$100.0 million (the "Fourth Tranche of CB4").

On 28 January 2011, the Company announced that it received a conditional conversion notice from the Subscriber, stating that the Subscriber shall, subject to the conversion conditions, exercise its right under the Subscription Agreement, to convert the CB4 into the shares of the Company in the principal amount of HK$420.0 million at the conversion price of HK$0.1.

According to the terms and conditions of the CB4, a holder of CB4 may only exercise its conversion rights if the public float of the Company's shares of not less than 25% (or such lower percentage allowable under the Listing Rules) can be maintained. As the shares of the Company held by Dragon Rich, Mr. Bao Hongkai, Mr. Li Chun On and Mr. Xu Lidi shall not be considered as in the public hands under the Listing Rules, the maximum amount of CB4 that may be converted is HK$360.0 million and the maximum number of shares of the Company the Subscriber can convert pursuant to the conditional conversion notice will be 3,600,000,000 shares. The Subscriber agreed to only convert the CB4 in the principal amount of HK$360.0 million.

One of the conversion conditions is the grant of a waiver from the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "Whitewash Waiver") in respect of the obligation of the Subscriber to make a mandatory general offer to shareholders of the Company for all the issued shares of HK$0.1 each of the Company not already owned or agreed to be acquired by the Subscriber as a result of the Subscriber converting the CB4 under the Subscription Agreement in respect of 3,600,000,000 shares. The grant of the Whitewash Waiver was subject to approval by independent shareholders by way of poll at a special general meeting under Note 1 of the Notes on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers. Pursuant to an ordinary resolution passed in a special general meeting held on 21 March 2011, the independent shareholders approved the Whitewash Waiver. Accordingly, 3,600,000,000 shares have been issued, at the conversion price of HK$0.1, to the Subscriber upon the conversion of the CB4 with principal amount of HK$360.0 million. Remaining portion of First Tranche of CB4, Second Tranche of CB4, Third Tranche of CB4 and partial of Fourth Tranche of CB4 with principal amount of HK$120.0 million, HK$100.0 million, HK$100.0 million and HK$40.0 million respectively were converted by the Subscriber as a result on 21 March 2011.

17. LOAN FROM A SHAREHOLDER/CONVERTIBLE BONDS *(CONTINUED)*

The remaining portion of the Fourth Tranche of CB4 with principal amount of HK$40.0 million and HK$20.0 million were converted by its holders on 13 May 2011 and 24 June 2011 respectively.

Movement of liability component for the six months ended 30 June 2011 and 2010 is as follows:

	Unaudited 30 June 2011			
	CB2	**CB3**	**CB4**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
At beginning of the period	**–**	**–**	**193,728**	**193,728**
Initial recognition upon issuance of bonds	**–**	**–**	**176,677**	**176,677**
Interest expense	**–**	**–**	**3,981**	**3,981**
Conversion of convertible bonds	**–**	**–**	**(374,386)**	**(374,386)**
At end of the period	**–**	**–**	**–**	**–**

17. LOAN FROM A SHAREHOLDER/CONVERTIBLE BONDS *(CONTINUED)*

	Unaudited 30 June 2010			
	CB2	CB3	CB4	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At beginning of the period	195,000	141,839	–	336,839
Initial recognition upon issuance of bonds	–	–	171,007	171,007
Payment of interest	–	(4,520)	–	(4,520)
Payment of premium	–	(15,858)	–	(15,858)
Interest expense	–	1,210	500	1,710
Conversion of convertible bonds	–	–	(68,462)	(68,462)
Default interest expense	–	1,809	–	1,809
Amount redeemed	–	(124,480)	–	(124,480)
At end of the period	195,000	–	103,045	298,045

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rates of approximately 20.80%, 5.36%, 4.93%, 4.23% and 4.21% to the liability components of CB3, the First Tranche, the Second Tranche, the Third Tranche and the Fourth Tranche of CB4 respectively.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

18. DEFERRED TAX – GROUP

As at 30 June 2011, the Group has taxable losses arising in Hong Kong of approximately HK$1.8 million (31 December 2010: approximately HK$1.8 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and the unpredictability of future profits.

Movement in deferred tax liabilities during the six months ended 30 June 2011 and 2010 is as follows:

		Unaudited 30 June 2011			Unaudited 30 June 2010	
	Mining funds HK$'000	**Amortisation allowance on mining rights in excess of related amortisation HK$'000**	**Total HK$'000**	Mining funds HK$'000	Amortisation allowance on mining rights in excess of related amortisation HK$'000	Total HK$'000
At beginning of the period	**6,581**	**10,913**	**17,494**	3,744	9,545	13,289
Charged to profit or loss *(note 7)*	**100**	**2,114**	**2,214**	1,177	927	2,104
Exchange difference	**132**	**235**	**367**	65	149	214
At end of the period	**6,813**	**13,262**	**20,075**	4,986	10,621	15,607

Note: Pursuant to changes in certain regulations of the PRC government, the Group is required to set aside the mining funds (i.e. production maintenance fee and safety fund). The mining funds are deductible for tax purpose when they are set aside but are expensed for accounting purpose only when they are utilised, a deferred tax liability is provided for the temporary difference in respect of the excess fund set aside for tax purposes.

As at 30 June 2011, deferred tax liabilities amounted to approximately HK$68.0 million (31 December 2010: approximately HK$62.7 million) in respect of the aggregate amount of temporary differences of HK$679.6 million (31 December 2010: HK$627.0 million) associated with the undistributed earnings of certain of the Group's subsidiaries have not been recognised. No deferred tax liabilities have been recognised in respect of the differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

19. SHARE CAPITAL

	Notes	Unaudited 30 June 2011 Number of shares	Unaudited 30 June 2011 HK$'000	Unaudited 30 June 2010 Number of shares	Unaudited 30 June 2010 HK$'000
Authorised:					
At 1 January, ordinary shares of HK$0.1 each		**30,000,000,000**	**3,000,000**	3,000,000,000	300,000
Increase in authorised ordinary shares	*(a)*	**–**	**–**	27,000,000,000	2,700,000
At 30 June, ordinary shares of HK$0.1 each		**30,000,000,000**	**3,000,000**	30,000,000,000	3,000,000
Issued and fully paid:					
At 1 January		**2,918,130,674**	**291,813**	2,118,130,674	211,813
Exercise of share options for ordinary shares of HK$0.1 each	*(b)*	**8,606,250**	**861**	–	–
Conversion of convertible bonds for ordinary shares of HK$0.1 each	*(c)*	**4,200,000,000**	**420,000**	800,000,000	80,000
At 30 June		**7,126,736,924**	**712,674**	2,918,130,674	291,813

Notes:

(a) Pursuant to a special resolution passed on 27 May 2010, the authorised share capital of the Company was increased from HK$300.0 million divided into 3,000,000,000 ordinary shares of HK$0.1 each to HK$3,000.0 million divided into 30,000,000,000 ordinary shares of HK$0.1 each.

(b) During the six months ended 30 June 2011, 8,606,250 share options were exercised at the subscription price of HK$0.1547 per share, giving rise to the issue of 8,606,250 new ordinary shares of HK$0.1 each for a consideration of approximately HK$1.3 million. Accordingly, additional share capital of approximately HK$0.9 million and share premium of approximately HK$1.0 million, including the amount transferred from share option reserve, were resulted.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

19. SHARE CAPITAL *(CONTINUED)*

Notes: (Continued)

(c) During the six months ended 30 June 2011, 4,200,000,000 ordinary shares were issued in aggregate, at the conversion price of HK$0.1 per share upon the conversion of CB4. As a result, there was an increase in the share capital and share premium of HK$420.0 million and approximately HK$8.5 million respectively.

During the six months ended 30 June 2010, 800,000,000 ordinary shares in aggregate were issued, at the conversion price of HK$0.1 per share, to the Subscriber upon the conversion of CB4. As a result, there was an increase in the share capital and share premium of HK$80.0 million and approximately HK$0.06 million respectively.

The ordinary shares issued in above have the same rights as the other shares in issue.

20. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants ("Participants") of the Scheme include any employee of the Company or any of its subsidiaries (including any director of the Company or any of its subsidiaries). The Scheme was approved by shareholders at a special general meeting on 20 October 2004 in substitution of the old share option scheme of the Company adopted on 15 May 1997. The Scheme became effective on 20 October 2004 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

Under the Scheme, the board of directors of the Company (the "Board") may at its discretion grant options to the Participants to subscribe for shares provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed 10% of the shares in issue as at the adoption date. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed 30% of the shares in issue from time to time.

20. SHARE OPTION SCHEME *(CONTINUED)*

The Company allotted 20,400,000 share options to the directors of the Company and the employees of the Group according to the adjustment terms of the Scheme upon the approval of the bonus issue during 2009. The initial exercise prices of the share options were at HK$0.355 per share and HK$1.376 per share. Upon approval of the bonus issue, the exercise prices of the share options were adjusted to HK$0.197 per share and HK$0.764 per share respectively.

The Company allotted 12,100,000 share options to the directors of the Company and the employees of the Group according to the adjustment terms of the Scheme upon the open offer becoming unconditional on 1 December 2009. The exercise prices of the share options were further adjusted from HK$0.1972 per share and HK$0.7644 per share to HK$0.1547 per share and HK$0.5995 per share respectively.

No share options was granted nor allotted during the six months ended 30 June 2010 and 30 June 2011.

During the six months ended 30 June 2011, a director of the Company exercised options to subscribe for 8,606,250 ordinary shares of the Company. No share options were exercised during the six months ended 30 June 2010.

27,540,000 share options of the employees of the Group were forfeited during the six months ended 30 June 2011 (Six months ended 30 June 2010: 6,081,750 share options of a director).

21. CAPITAL COMMITMENTS

At 30 June 2011, the Group had capital expenditure commitments in relation to the purchase of property, plant and equipment contracted but not provided for, net of deposits paid, amounted to approximately HK$48.4 million (31 December 2010: approximately HK$16.4 million).

22. ACQUISITION OF A SUBSIDIARY

On 18 January 2011, the Group acquired 100% of the issued ordinary shares of CFT Henan (HK) Limited ("CFT"), a company incorporated in Hong Kong, at a consideration of HK$0.99 million, from a third party to develop in CBM related business. At the acquisition date, two directors of the Company were also the directors of CFT. The Group has control over CFT through nominating members to the board of directors of CFT. CFT is an investment holding company which has controlling interest in Henan Huanglong New Energy Development Company Limited which is principally engaged in CBM management.

Details of the net assets acquired and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost are as follows:

	HK$'000
Total consideration	990
Fair value of net assets acquired*	(24,382)
Excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost	(23,392)

* As at the date of this interim financial report, the Group has not finalised the fair value assessment for net assets acquired from CFT. The fair value of net assets acquired stated below are on a provisional basis.

In the opinion of the management, the excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost arose in the business combination was mainly attributable to the divestment by the precedent investor in view of the capital requirement for the development of the CBM project.

22. ACQUISITION OF A SUBSIDIARY *(CONTINUED)*

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	Acquirees' carrying amount HK$'000
Property, plant and equipment	31,439	31,439
Accounts receivable	1,426	1,426
Prepayments, deposits and other receivables	9,169	9,169
Cash and cash equivalents	3,414	3,414
Other payables and accruals	(3,336)	(3,336)
Bank loans	(17,730)	(17,730)
Net assets acquired	24,382	24,382
Total consideration satisfied by:		
Cash		990
Net cash inflow arising on acquisition:		
Cash consideration paid		(990)
Cash and cash equivalents acquired		3,414
		2,424

Since the acquisition, the subsidiary contributed approximately HK$1.3 million to the Group's turnover and a loss of approximately HK$3.2 million to the Group's profit for the six months ended 30 June 2011.

Had the combination taken place at 1 January 2011, the revenue and the profit of the Group for the six months ended 30 June 2011 would have been approximately HK$443.7 million and HK$54.7 million respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011 nor are they intended to be a projection of future results.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2011

23. FINANCIAL GUARANTEE CONTRACTS

On 2 March 2011 and 18 April 2011, Henan Jinfeng Coal Industrial Group Company Limited ("Jinfeng"), a subsidiary of the Group, executed guarantees with respect to certain bank loans, amounted to approximately HK$144.6 million and approximately HK$60.3 million respectively (equivalent to RMB170.0 million in aggregate), granted to an independent third party, under which Jinfeng would reimburse the loss of the bank if the bank is unable to recover these loans from this independent third party.

On 2 March 2010, Jinfeng and an independent third party entered into an agreement for an inter-company guarantee with a maximum amount up to approximately HK$118.2 million (equivalent to RMB100.0 million). On 1 December 2010, a director of a major subsidiary of the Group became the director of the independent third party, and therefore the independent third party was considered to be a related party to the Group by the directors of the Company. As at 31 December 2010, bank loan of approximately HK$23.6 million (equivalent to RMB20.0 million) was granted to the related party, under which Jinfeng would reimburse the loss of the bank if the bank is unable to recover the loan from the related party. The agreement for the inter-company guarantee was expired after the loan was fully repaid during the six months ended 30 June 2011.

As at 30 June 2011, included in other payables and accruals was the unamortised balance of the Group's deferred income arising from the guarantee contracts amounted to approximately HK$4.2 million (equivalent to approximately RMB3.5 million) (31 December 2010: Nil).

24. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the interim financial report, the Group had the following material transactions with related parties during the period:

(i) Compensation of key management personnel

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Total remuneration of key management personnel during the period	**3,187**	3,060

24. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(ii) Purchase of coal

During the six months ended 30 June 2011, the Group purchased coal of approximately HK$6.1 million (equivalent to approximately RMB5.1 million) from subsidiaries of the jointly controlled entity. The purchases were conducted in the Group's normal course of business. As at 30 June 2011, included in prepayments, deposits and other receivables were deposits amounted to approximately HK$9.5 million (equivalent to approximately RMB7.9 million) arising from the purchases of coal paid to the company.

During the six months ended 30 June 2010, the Group purchased coal of approximately HK$25.8 million (equivalent to approximately RMB22.5 million) from a company, in which a director of a major subsidiary of the Group is a director of this company. The purchases were conducted in the Group's normal course of business. During the six months ended 30 June 2011, none of the purchase of coal was from this company. As at 30 June 2011 and 31 December 2010, none of the accounts payable was due to this company.

(iii) Sales of coal

During the six months ended 30 June 2011, the Group sold coal of approximately HK$21.7 million (equivalent to approximately RMB18.2 million) to a company, in which a director of a major subsidiary of the Group became a director of the holding company of this company on 11 July 2010. The sales were conducted in the Group's normal course of business. As at 30 June 2011, accounts receivable amounted to approximately HK$24.6 million (equivalent to approximately RMB20.4 million) (31 December 2010: approximately HK$370.0 million (equivalent to approximately RMB313.0 million)) arose from the sales of coal to this company. The accounts receivable from this company are non-interest bearing and unsecured. A credit period of 180 days was granted to this company.

24. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(iv) Sales of consumable tools

During the six months ended 30 June 2011, the Group sold consumable tools of approximately HK$0.9 million (equivalent to approximately RMB0.8 million) to a company, in which a director of a major subsidiary of the Group is a director of this company on 1 December 2010. The sales were conducted in the Group's normal course of business. As at 30 June 2011, included in prepayments, deposits and other receivables are other receivables amounted to approximately HK$1.7 million (equivalent to approximately RMB1.4 million) (31 December 2010: approximately HK$1.6 million (equivalent to approximately RMB1.3 million)) arising from the sales of consumable tools to this company.

During the six months ended 30 June 2011, the Group sold consumable tools of approximately HK$3.2 million (equivalent to approximately RMB2.7 million) (Six months ended 30 June 2010: approximately HK$5.8 million (equivalent to approximately RMB5.1 million) to a company, in which a director of a major subsidiary of the Group is a director of the company. The sales were conducted in the Group's normal course of business. As at 30 June 2011, included in prepayments, deposits and other receivables are other receivables amounted to approximately HK$2.6 million (equivalent to approximately RMB2.2 million) (31 December 2010: approximately HK$8.8 million (equivalent to approximately RMB7.5 million)) arising from the sales of consumable tools to this company.

25. SUBSEQUENT EVENTS

On 1 August 2011, according to the notification given by the relevant local government authorities, one of the coal mines of the Group namely Xiaohe Coal Mine No. 3, was requested to suspend operations immediately for safety inspection. On 23 August 2011, approval from the relevant government authority for the resumption in operation of Xiaohe Coal Mine No. 3 was obtained and the operation of Xiaohe Coal Mine No. 3 has been resumed. As at the date of this report, Xiangyang Coal Mine is still in suspension. The Board cannot ascertain the duration of the suspension period and is unable to estimate the respective financial effects.

26. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

This unaudited interim financial report was approved and authorised for issue by the Board on 26 August 2011.

CORPORATE INFORMATION

DIRECTORS

Mr. Xu Lidi *(Co-Chairman)*
Mr. Wu Jiahong *(Managing Director)*
Mr. Li Chun On
Mr. Yang Hua
Dr. Wang Ruiyun# *(Co-Chairman)*
Mr. Wei Xiujun#
Mr. He Guangcai*
Ms. Wen Liman*
Mr. Xu Lian*

Non-Executive Directors
* *Independent Non-Executive Directors*

AUDIT COMMITTEE

Ms. Wen Liman
(Chairman of the Committee)
Mr. He Guangcai
Mr. Xu Lian

NOMINATION COMMITTEE

Mr. Wu Jiahong
(Chairman of the Committee)
Mr. He Guangcai
Ms. Wen Liman
Mr. Xu Lian

REMUNERATION COMMITTEE

Mr. Wu Jiahong
(Chairman of the Committee)
Mr. He Guangcai
Ms. Wen Liman
Mr. Xu Lian

COMPANY SECRETARY

Mr. Li Chun On

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