LOUDONG GENERAL NICE RESOURCES (CHINA) HOLDINGS LIMITED

樓東俊安資源(中國)控股有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

2011

INTERIM REPORT
中期報告

Stock Code 股份代號：00988

Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Xiao Long
Choy So Yuk, *JP*
Kwok Man To Paul
Gao Wen Ping

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Li Xiao Long
Choy So Yuk, *JP*
Kwok Man To Paul
Gao Wen Ping

EXECUTIVE COMMITTEE

Lau Yu *(Chairman)*
Zhao Cheng Shu
Ng Tze For
Li Xiao Juan

AUTHORISED REPRESENTATIVES

Ng Tze For
Kwok Kam Tim

COMPANY SECRETARY

Kwok Kam Tim

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

ADR DEPOSITARY

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

PRINCIPAL BANKERS

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

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 (unaudited) HK$'000	2010 (unaudited) HK$'000
REVENUE	4	**1,282,735**	770,830
Cost of sales		**(834,291)**	(485,124)
Gross profit		**448,444**	285,706
Other income	4	**7,840**	13,318
Selling & distribution costs		**(66,004)**	(19,409)
Administrative expenses		**(41,934)**	(41,364)
Other operating expenses		**(8,874)**	(8,048)
OPERATING PROFIT		**339,472**	230,203
Finance costs		**(48,466)**	(24,943)
PROFIT BEFORE TAX	5	**291,006**	205,260
Income tax expense	6	**(71,775)**	(55,040)
PROFIT FOR THE PERIOD		**219,231**	150,220
OTHER COMPREHENSIVE INCOME			
Exchange differences arising on translation of foreign operations		**60,884**	17,816
Total comprehensive income for the period		**280,115**	168,036

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 (unaudited) HK$'000	2010 (unaudited) HK$'000
Profit for the period attributable to:			
Owners of the Company		**206,464**	63,471
Non-controlling interests		**12,767**	86,749
		219,231	150,220
Total comprehensive income for the period attributable to:			
Owners of the Company		**264,277**	72,397
Non-controlling interests		**15,838**	95,639
		280,115	168,036
EARNINGS PER SHARE	8		
Basic			
– For profit for the period		**11.161 cents**	4.998 cents
Diluted			
– For profit for the period		**11.156 cents**	4.957 cents

Consolidated Statement of Financial Position

At 30 June 2011

	Notes	30 June 2011 (unaudited) HK$'000	31 December 2010 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**2,409,515**	2,402,761
Investment properties		**7,299**	7,299
Prepaid land premiums		**37,350**	37,336
Interests in associates		**23,840**	6,004
Available-for-sale investment		**6,423**	6,281
Goodwill		**330,083**	330,083
Other long-term assets		**452,713**	442,641
Deferred tax assets		**7,313**	7,063
TOTAL NON-CURRENT ASSETS		**3,274,536**	3,239,468
CURRENT ASSETS			
Inventories		**389,451**	323,603
Trade and bills receivables	10	**253,838**	367,778
Prepayments, deposits and other receivables		**1,072,178**	678,598
Equity investments at fair value through profit or loss		**1,204**	588
Due from an associate	15	**168,586**	–
Due from related companies	15	**140,324**	142,821
Derivative financial instruments		**–**	10,813
Pledge deposits		**872,783**	997,355
Cash and cash equivalents		**65,146**	34,726
TOTAL CURRENT ASSETS		**2,963,510**	2,556,282
CURRENT LIABILITIES			
Trade and bills payables	11	**230,139**	746,723
Other payables and accruals		**693,352**	570,310
Interest-bearing bank and other borrowings		**931,156**	366,376
Due to related companies	15	**121,347**	160,274
Due to shareholders	15	**163,403**	166,561
Tax payable		**118,854**	106,688
TOTAL CURRENT LIABILITIES		**2,258,251**	2,116,932

Consolidated Statement of Financial Position

At 30 June 2011

	Notes	**30 June 2011 (unaudited) HK$'000**	31 December 2010 (audited) HK$'000
TOTAL CURRENT LIABILITIES		**2,258,251**	2,116,932
NET CURRENT ASSETS		**705,259**	439,350
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,979,795**	3,678,818
NON-CURRENT LIABILITIES			
Long-term bank loans		**68,234**	57,823
Loan from related companies	15	**220,755**	212,593
Loan from a shareholder	15	**881**	862
Loan from non-financial institutions		**14,003**	14,103
Convertible notes		**–**	70,261
Promissory notes		**51,487**	49,586
Deferred tax liabilities		**43,549**	43,549
Total non-current liabilities		**398,909**	448,777
NET ASSETS		**3,580,886**	3,230,041
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	**19,411**	18,359
Equity component of convertible notes		**–**	33,721
Exchange realignment		**126,304**	68,491
Reserves		**3,282,082**	2,972,219
		3,427,797	3,092,790
Non-controlling interests		**153,089**	137,251
TOTAL EQUITY		**3,580,886**	3,230,041

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Issued capital HK$'000	Equity component of convertible notes HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Contribution surplus HK$'000	(Accumulated losses)/ retained earnings HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2010 (audited)	9,912	107,436	10,085	(3,649)	1,267,758	13,011	–	(539,457)	865,096	920,151	1,785,247
Issue of ordinary shares through placement	1,675	–	–	–	247,446	–	–	–	249,121	–	249,121
Conversion of convertible notes	3,262	(107,436)	–	–	753,129	–	–	–	648,955	–	648,955
Exercise of share options	10	–	(418)	–	1,205	–	–	–	797	–	797
Total comprehensive income for the period	–	–	–	8,926	–	–	–	63,471	72,397	95,639	168,036
Balance at 30 June 2010 (unaudited)	14,859	–	9,667	5,277	2,269,538	13,011	–	(475,986)	1,836,366	1,015,790	2,852,156
Balance at 1 January 2011 (audited)	18,359	33,721	5,066	68,491	459,684	632,930	1,784,427	90,112	3,092,790	137,251	3,230,041
Issue of ordinary shares through placement	400	–	–	–	40,947	–	–	–	41,347	–	41,347
Conversion of convertible notes	567	(33,721)	–	–	93,912	–	–	–	60,758	–	60,758
Exercise of share options	85	–	(3,486)	–	10,046	–	–	–	6,645	–	6,645
Final dividend	–	–	–	–	–	–	(38,020)	–	(38,020)	–	(38,020)
Total comprehensive income for the period	–	–	–	57,813	–	–	–	206,464	264,277	15,838	280,115
Balance at 30 June 2011 (unaudited)	19,411	–	1,580	126,304	604,589	632,930	1,746,407	296,576	3,427,797	153,089	3,580,886

Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Net cash from operating activities	**(634,031)**	316,428
Additions to property, plant and equipment	**(5,884)**	(322,358)
Decrease (increase) in pledge deposits	**147,264**	(2,837)
Other investing activities	**(18,302)**	6,077
Net cash from (used in) investing activities	**123,078**	(319,118)
New bank loans raised	**844,688**	348,799
Repayments of bank loans	**(278,922)**	(155,592)
Proceeds from share placement	**41,347**	249,121
Repayment to loans from related companies	**(12,629)**	(231,209)
Dividend paid	**(38,020)**	–
Other financing activities	**(56,162)**	25,642
Net cash from financing activities	**538,322**	236,761
Net increase in cash and cash equivalents	**27,369**	234,071
Cash and cash equivalents at 1 January	**34,726**	59,068
Effect of foreign exchange rate changes	**3,051**	468
Cash and cash equivalents at 30 June	**65,146**	293,607
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**65,146**	293,607

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations (the "new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in May 2010
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendments)	Prepayments of Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Application of the above new or revised HKFRSs has had no material effect on the amounts reported in the unaudited condensed consolidated financial statements and/or disclosures set out in the unaudited condensed consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has not early applied the following new and revised standards and interpretations that have been issued after the date the consolidated financial statements for year end 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosures of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

The Directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

The Group operates only in one business segment, being coal processing and production of industrial coke and coal-related chemicals and supply of electricity in the PRC. Accordingly, there are no further disclosures by the reportable segments based on business segment.

Geographical information

Revenue from external customers in respect of the continuing operations based on the location of the customers for the period ended 30 June 2011 and 30 June 2010 are as follows:

	30 June 2011 HK$'000	30 June 2010 HK$'000
Mainland China	**994,804**	770,830
Overseas	**287,931**	–
	1,282,735	770,830

The Group operates principally in the PRC. Over 90% of the Group's non-current assets are located in the PRC. Accordingly, no further geographical information on non-current assets was disclosed.

Revenue from the operations of approximately HK$572,644,000 (2010: HK$602,767,000) was derived from sales to a single customer.

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for trade discounts, the value of services rendered and gain on sales of marketable securities during the period.

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Revenue		
Sales of goods	**1,282,735**	770,830
Other income		
Exchange gain	**4,471**	1,641
Rental income from leasing property, plant and equipment	**60**	–
Bank interest income	**1**	3
Subsidy income	**3,263**	9,052
Government award	**–**	2,274
Others	**45**	348
	7,840	13,318

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**792,744**	445,256
Staff costs (including Directors' remuneration)	**19,291**	20,396
Depreciation	**48,907**	61,696
Amortization of prepaid land premiums	**827**	1,080
Convertible notes interest expenses	**1,310**	14,921
Promissory note interest expenses	**1,902**	–
Loss on disposal of property, plant and equipment	**–**	490

6. INCOME TAX EXPENSES

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

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

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Tax charge for the period for PRC	**71,775**	55,040

7. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
2011 interim – Nil (2010: HK0.5 cent per share):	–	9,125

The final dividend of HK2 cents per share, totalling HK$38,020,000, for the year ended 31 December 2010 was paid to the Company's shareholders on 24 June 2011.

8. EARNINGS PER SHARE

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

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company, adjusted to reflect the interest on the convertible notes, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

8. EARNINGS PER SHARE (CONTINUED)

The calculations of basic earnings per share are based on:

	For the six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**206,464**	63,471

	Number of shares six months ended 30 June	
	2011	2010
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,849,857**	1,269,912
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	**822**	10,624
Weighted average number of ordinary shares for the purpose of calculating diluted earning per share	**1,850,679**	1,280,536

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment with a cost of approximately HK$5,884,000 (for the six months ended 30 June 2010: approximately HK$322,358,000). Depreciation for items of property, plant and equipment was approximately HK$48,907,000 during the period (for the six months ended 30 June 2010: approximately HK$61,696,000).

During the period, the Group did not disposed of any plant and machinery. For the six months period ended 30 June 2010, the Group disposed of certain plant and machinery with a carrying amount of HK$490,000 with no consideration, resulting in a loss on disposal of HK$490,000.

10. TRADE AND BILLS RECEIVABLES

	30 June 2011 (unaudited) HK$'000	31 December 2010 (audited) HK$'000
Trade receivables	**246,613**	321,398
Bills receivables	**36,121**	74,632
Impairment	**(28,896)**	(28,252)
	253,838	367,778

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

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

	30 June 2011 (unaudited) HK$'000	31 December 2010 (audited) HK$'000
Current	**131,547**	93,245
31-60 days	**13,998**	193,790
61-90 days	**9,833**	3,297
91-365 days	**66,731**	10,851
over 1 year	**24,504**	20,215
	246,613	321,398

11. TRADE AND BILLS PAYABLES

	30 June 2011 (unaudited) HK$'000	31 December 2010 (audited) HK$'000
Trade payable	**119,249**	263,488
Bills payable	**110,890**	483,235
	230,139	746,723

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

	30 June 2011 (unaudited) HK$'000	31 December 2010 (audited) HK$'000
Current	**15,802**	168,161
31-60 days	**4,958**	61,595
61-90 days	**6,629**	942
91-365 days	**66,870**	13,731
over 1 year	**24,990**	19,059
	119,249	263,488

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

12. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	Issued Capital HK$
Authorised		
At 31 December 2010 and 30 June 2011	200,000,000,000	2,000,000,000
Issued and fully paid		
At 1 January 2010	991,237,903	9,912,379
Issue of shares by placing for cash in January 2010 (Note a)	167,502,000	1,675,020
Issue of shares by placing for cash in August 2010 (Note b)	229,143,000	2,291,430
Issue of shares upon conversion of convertible notes (Note c)	436,188,254	4,361,882
Issue of shares upon exercise of share options (Note d)	11,782,657	117,827
At 31 December 2010 and 1 January 2011	1,835,853,814	18,358,538
Issue of shares upon conversion of convertible notes (Note e)	56,666,666	566,667
Issue of shares upon exercise of share options (Note f)	8,497,110	84,971
Issue of shares by placing for cash in June 2011 (Note g)	40,002,000	400,020
At 30 June 2011	1,941,019,590	19,410,196

12. SHARE CAPITAL (CONTINUED)

Notes:

a. On 15 January 2010, the Company entered into a placing agreement with General Nice Resources (Hong Kong) Limited ("GNR") and Enlighten Securities Limited ("Enlighten") pursuant to which Enlighten agreed to place for GNR up to 167,502,000 existing ordinary shares of the Company at the placing price of HK$1.50 per placing share to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules); and GNR agreed to subscribe up to 167,502,000 new shares of the Company at the subscription price equivalent to the placing price. Upon completion of the subscription on 27 January 2010, a total of 167,502,000 new shares of the Company were issued at HK$1.50 per share.

b. On 3 August 2010, the Company entered into: (i) a placing agreement with GNR and BOCOM international Securities Limited ("BOCOM") pursuant to which BOCOM agreed to place for GNR up to 29,133,000 existing shares at the placing price of HK$1.20 per placing share to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules); and (ii) a subscription agreement with GNR pursuant to which GNR agreed to subscribe up to 29,133,000 new shares of the Company at the subscription price of HK$1.20 per subscription share. Upon completion of the subscription on 12 August 2010, a total of 29,133,000 new shares of the Company were issued at HK$1.20 per share.

   On 3 August 2010, the Company entered into a new share placing agreement with BOCOM pursuant to which BOCOM agreed to place, on a best effort basis, up to 200,010,000 new shares at the new shares placing price of HK$1.20 per new placing share to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules). Upon completion of the placing on 17 August 2010, a total of 200,010,000 new shares of the Company were issued at HK$1.20 per share.

c. During the year ended 31 December 2010, convertible notes in an aggregate amount of HK$700,000,000 were converted into 326,188,254 shares of the Company at an adjusted conversion price of HK$2.146 per share.

   During the year ended 31 December 2010, convertible notes in an aggregate amount of HK$165,000,000 were converted into 110,000,000 shares of the Company at a conversion price of HK$1.5 per share.

d. During the year ended 31 December 2010, share options to subscribe for 11,782,657 shares were exercised at an adjusted subscription price of HK$0.782 per share.

e. During the six months ended 30 June 2011, convertible notes in an aggregate amount of HK$85,000,000 were converted into 56,666,666 shares of the Company at conversion price of HK$1.50 per share.

f. During the six months ended 30 June 2011, share options to subscribe for 8,497,110 shares were exercised at an adjusted subscription price of HK$0.782 per share.

g. On 15 June 2011, the Company entered into a new share placing agreement with Enlighten, pursuant to which Enlighten agreed to place, on a best effort basis, up to 40,002,000 new shares at a placing price of HK$1.04 per placing share to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules). Upon completion of the placing on 27 June 2011, a total of 40,002,000 new shares of the Company were issued.

13. EVENTS AFTER THE END OF THE INTERIM PERIOD

There is no significant event subsequent to the end of the interim period.

14. CAPITAL COMMITMENTS

	Group	
	30 June 2011 (unaudited) HK$'000	31 December 2010 (audited) HK$'000
Contracted, but not provided for:		
– Acquisition of 30.0% equity interest in Shanxi Linxian Taiye Coal Mining Company Limited ("Linxian Taiye") (Note 1)	**400,225**	381,425
– Investment of 49% equity interest in Shanxi Guo Xin Loujin New Resources Limited	**11,799**	–
	412,024	381,425

Notes:

1. On 16 September 2009, Shanxi Loudong entered into a memorandum of understanding with independent third parties to acquire 49% equity interests in Linxian Taiye. A deposit of RMB176 million (equivalent to HK$200,000,000) was paid upon signing of the memorandum of understanding. On 4 May 2010, Shanxi Loudong entered into an agreement with one of the independent third parties for the acquisition of 30% equity interest in Linxian Taiye at a total consideration of RMB700 million (equivalent to HK$842,866,000, based on the exchange rate as at 30 June 2011). During the year of 2010, an additional amount of RMB200 million (equivalent to HK$242,641,000, based on the exchange rate as at 31 December 2010) was paid by the Group. The aggregate amount paid by the Group reached RMB376 million (equivalent to HK$442,641,000) at the end of the reporting period. As additional time is required to finalise certain information, the acquisition has not been completed at the date of approval of these financial statements.

2. On 24 May 2011, Shanxi Loudong co-operates with Shanxi Guo Xin Resources Development Group Limited to invest in a joint venture ("JV"), namely, Shanxi Guo Xin Loujin New Resources Limited, in the production project adopts coke oven gas compression, purification, methenation and separation process, to construct the manufacturing lines and ancillary facilities of synthesizing coke oven gas into natural gas with capacity of 50,000Nm^3/h. Shanxi Loudong will own 49% of the equity interest of the JV. The registered capital of the JV is RMB50 million. During the period, Shanxi Loudong contributed RMB14.7 million to the JV.

15. RELATED PARTY TRANSACTIONS

Transactions with related party

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

	For the six months ended 30 June	
	2011	2010
	(unaudited)	(audited)
	HK$'000	HK$'000
Transportation fee paid to an associate (Note 1)	**–**	6,337
Rental expenses paid to a director	**168**	168

Notes:

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

Outstanding balances with a shareholder and related parties

The balances with a shareholder and related parties are unsecured, interest-free and have no fixed terms of repayment. The non-current balances represented cash advances to or from those related parties and were non-trade in nature. The detailed breakdown of amounts with related parties and a shareholder is as follows:

Outstanding balances with related parties:

(i) Current portion

	30 June 2011	31 December 2010
	(unaudited)	(audited)
	HK$'000	HK$'000
Due from related companies		
General Nice (Tianjin) Industry Co., Ltd. ("GNT")	**29,564**	29,564
Shanxi Nan Tie Lou Jun Coke Transportation Co., Ltd. ("Nan Tie")	**393**	384
Shanxi Da Jin International (Group) Corporation	**110,367**	112,873
	140,324	142,821
Due to related companies		
General Nice Development Limited ("GND")	**584**	584
Tianjin General Nice Coke of Chemicals Co. Limited	**997**	997
Xiaoyi Loudong Industry & Trading Group Company	**119,766**	158,693
	121,347	160,274

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Outstanding balances with a shareholder and related parties (Continued)

Outstanding balances with related parties: (Continued)

(ii) Non-current portion

	30 June 2011 (unaudited) HK$'000	31 December 2010 (audited) HK$'000
Loans from related companies		
GND	**210,117**	209,857
GNT	**10,638**	2,736
	220,755	212,593

Outstanding balances with a shareholder:

(i) Current portion

	30 June 2011 (unaudited) HK$'000	31 December 2010 (audited) HK$'000
Due to a shareholder		
GNR	**12,127**	13,319
Hing Lou Resources Limited	**151,276**	153,242
	163,403	166,561

(ii) Non-current portion

	30 June 2011 (unaudited) HK$'000	31 December 2010 (audited) HK$'000
Loan from a shareholder		
GNR	**881**	862

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Outstanding balances with a shareholder and related parties (Continued)

Outstanding balance with an associate:

(i) Current portion

	30 June 2011 (unaudited) HK$'000	31 December 2010 (audited) HK$'000
Shanxi Guo Xin Loujin New Resources Limited	**168,586**	–

Compensation of key management personnel of the Group

The remuneration of directors and other members of key management during the period was as follow:

	For the six months ended 30 June	
	2011 (unaudited) HK$'000	2010 (unaudited) HK$'000
Short term employee benefits	**2,433**	2,258
Post-employment benefits	**30**	27
Total compensation paid to key management personnel	**2,463**	2,285

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

General Information

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

During the six months ended 30 June 2011, the Group's total revenue increased to approximately HK$1,283 million from about HK$771 million for the corresponding period in 2010, representing a 67% increase on a year-on-year basis. Profit attributable to owners of the Company for the interim period surged by 225% to approximately HK$206 million from approximately HK$63 million for the corresponding period in 2010. Apart from the operational improvement, the substantial increase for the profit attributable to owners of the Company contributed by the increased in majority shareholding in Shanxi Loudong-General Nice Coking & Gas Co., Ltd. from 50.1% in 30 June 2010 to 94.48% in 30 June 2011.

Basic earnings per share for the six months ended 30 June 2011 increased to HK11.161 cents from HK4.998 cents for the corresponding period in 2010. As at 30 June 2011, the net assets value per share recorded a decrease of 4% to HK$1.845 from HK$1.919 as at 30 June 2010.

Business Review

The Chinese economy is progressively rebounding and acts as the major force for the global recovery from the financial tsunami. One of the stimulants is the substantial development of domestic infrastructure, which pushes the demand of steel. As the key ingredient for steel production, metallurgical coke's market demand is significantly increasing accordingly.

According to the State Statistical Bureau, the production volume of metallurgical coke in China for the first half of 2011 amounted to 210 million tonnes, representing a growth of 11.7% over the corresponding period of 2010. China Coking Industry Association expect the production volume of metallurgical coke to reach to around 420 million to 450 million tonnes, which compared to 388 million tonnes reported in 2010.

Benefiting from the significant market demand of metallurgical coke in the market, the Company sold 631,000 metric tonnes of coke, representing a significant increase of 48% compared with the corresponding period of 2010. Export sales accounted for about 22% of total sales of metallurgical coke due to improved export market, compared to nil export sales records in the corresponding period of 2010. Production capacity utilization was about 70%, which was the high end of the output utilization range advocated by the province coking association. With a comparatively stable selling price for the two periods under review, the sales volume growth has driven the Group's revenue and profit to improve substantially.

The debtor's turnover day of the Group is 44 days for both 2010 and in the first half of 2011. The figures were same between the two periods due to our continuation of reinforcement of normal credit terms for the Group. The management of the Group adopts a prudent credit terms. If there are any irregularities in repayment, credit terms granted to debtors will be adjusted accordingly. If the balance due from debtors becomes doubtful, appropriate doubtful debt provision will be provided.

In June 2011, the Company had conducted placing of 40,002,000 shares and raised net proceeds of approximately HK$41.24 million as general working capital of the Group.

General Information

Outlook

During the period under review, the cost of raw coal increased, and the pressure from the steel factories to increase the selling price of metallurgical coke, the profit margin for the manufacturing sector shrinks. Besides, with the PRC Government's aim to enhance the production quality of coking industry to reduce pollution and eliminate smaller inefficient coking plants, another stage of consolidation among the coking industry is forthcoming in Shanxi province. However, the Group is well positioned for the challenge and believes to be one of the beneficial players in the consolidation.

First of all, the Group's acquisition of the 30% equity interests of Shanxi Linxian Taiye Coal Mining Company Limited ("Linxian Taiye") is proceeding well to complete in near future. Linxian Taiye owns a coking coal mine with a general mining area of approximately 6.5 square kilometers and coal reserves that are subject to the assessment by valuers and technical advisors. The approved production capacity of the coal mine is 1,200,000 metric tonnes per year. In addition, on 4 May 2010, the Group entered into a memorandum of understanding to acquire 30% equity interest of Shanxi LvLiang Lishi Dan Tan Gou Mining Co., Ltd, which owns an estimated coal reserves of not less than 21,556,000 metric tonnes with an approved production capacity of 900,000 metric tonnes per year. These acquisitions, upon materialised, will create significant synergies and supply cost benefits to the Group. Further, through the series of acquisition, the Group could sustain the leading edge in the industry, and benefit from the next stage of coking consolidation program which will eliminate weaker coking players in the market in the years ahead.

The Group has been continuously seeking suitable business opportunities to broaden the revenue base and to diversify its business scope. In pursuit of this strategy, the Group has entered into a cooperation agreement with Shanxi Guo Xin Resources Development Group Limited ("Guo Xin Resources", a large state-owned enterprise and one of the top 10 energy groups in Shanxi Province) on 24 May 2011 for investment in a synthetic natural gas production project (the "SNG Project") with total investment of RMB350 million through a joint venture company (the "JV") which is owned as to 51% by Guo Xin Resources and as to 49% by the Group. The JV would construct facilities and apply patented technology developed by The Southwest Research & Design Institute of Chemical Industry for synthesizing coke oven gas into natural gas and is listed as one of the government-supported new coal-based energy (clean energy) projects. The construction is estimated to take 24 months to complete and will have a capacity of 50,000Nm^3/h which will occupy a leading position of such type in the PRC. Upon completion of the construction, the SNG Project can produce 200 million m^3 of synthetic natural gas per annum, operating with long-term stability, safety and full capacity and has a promising market prospect and huge economic and social benefits for the Group.

Capital Structure, Liquidity, Financial Resources and Borrowings

As at 30 June 2011, the Group had total bank borrowings in the amount of HK$999,390,000 (as at 31 December 2010: HK$424,199,000), representing an increase of HK$575,691,000. The maturity profile of the Group's bank borrowings of HK$999,390,000 was spread with HK$931,156,000 repayable within 1 year, HK$60,543,000 repayable in the second year, HK$1,026,000 repayable in the third to fifth year and HK$6,665,000 repayable beyond 5 years.

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The Group's total bank borrowings of HK$999,390,000 were 99% denominated in Renminbi ("RMB") with fixed interest rate and 1% denominated in Hong Kong dollars ("HKD") with floating interest rate. The Group's cash and bank balances of HK$65,146,000 were 88% denominated in RMB and 12% in HKD.

Treasury Policy

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

Material Acquisition or Disposal of Subsidiaries and Affiliated Companies

During the period under review, the Group formed the JV with Guo Xin Resources and the Group owns 49% of the JV. The acquisition of the 30% equity interest in Linxian Taiye is proceeding well to complete in near future. Besides, the possible acquisition of 30% equity interest of Shanxi LvLiang Lishi Dan Tan Gou Mining Co., Ltd announced on 4 May 2010 will start to proceed subsequent to the completion of acquisition of Linxian Taiye. Further details will be announced accordingly.

Employees

As at 30 June 2011, the total number of employees of the Group were approximately 1,450 (30 June 2010: 1,860). Apart from the basic remuneration, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as the individual's performance. The Group also has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. As at 30 June 2011, there were 3,852,024 (30 June 2010: 23,338,727) outstanding share options granted under such scheme.

Charge of Assets

As at 30 June 2011, the Group pledged investment properties with a carrying value of approximately HK$7,299,000 (30 June 2010: HK$5,110,000) and a property with a carrying value of approximately HK$15,381,000 (30 June 2010: HK$15,534,000) as securities for the Group's banking facilities.

Gearing Ratio

As at 30 June 2011, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 25% (31 December 2010: 17%). Net debt represents the aggregate amount of the Group's interest-bearing bank borrowings and long term bank loan, non-current portion of loans from non-financial institutions and non-current portion of the loans due to related parties less cash and cash equivalents of the Group. Total capital includes equity attributable to the owners of the parent and the convertible notes. According to the intention of the Company, we treated the convertible notes as equity rather than debt for better comparison.

General Information

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

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

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

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2011.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: HK0.5 cent per share).

PURCHASE, SALE OR REDEMPTION OF SHARES

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.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2011, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange:

General Information

Long positions in the shares and underlying shares of the Company

Name of Director	Number of ordinary shares Personal interests	Corporate interests	Number of underlying shares subject to the outstanding share options	Total	Approximate percentage of the issued share capital
Mr. Cai Sui Xin	6,004,621	278,376,383 (Note)	–	284,381,004	14.65%
Mr. Zhao Cheng Shu	4,531,792	–	–	4,531,792	0.23%
Mr. Lau Yu	17,873,792	–	–	17,873,792	0.92%
Mr. Ng Tze For	–	–	3,285,549	3,285,549	0.17%
Ms. Li Xiao Juan	4,595,318	–	–	4,595,318	0.24%
Mr. Li Xiao Long	–	–	226,590	226,590	0.01%
Ms. Choy So Yuk	226,590	–	–	226,590	0.01%

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

Save as disclosed above, as at 30 June 2011, none of the Directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

General Information

SHARE OPTION

The Company adopted a share option scheme on 25 June 2007. As at 30 June 2011, there were 3,852,024 share options outstanding. The movements in the share options of the Company during the period were set out as follows:–

Name or category of participants	At 01/01/2011 (note 1)	Exercised during the period	At 30/06/2011	Exercise period of the outstanding share options	Average closing reference price for exercise of options (note 2)
Director					
Zhao Cheng Shu	4,531,792	(4,531,792)	–	N/A	1.04
Ng Tze For	3,285,549	–	3,285,549	09/01/2010 to 24/06/2017	
Li Xiao Juan	3,965,318	(3,965,318)	–	N/A	1.04
Li Xiao Long	226,590	–	226,590	09/07/2010 to 24/06/2017	
Sub-total	12,009,249	(8,497,110)	3,512,139		
Other employees (in aggregate)	339,885	–	339,885	09/01/2010 to 24/06/2017	
Total	12,349,134	(8,497,110)	3,852,024		

Notes:

1. These share options were granted on 9 July 2009 at an exercise price of HK$0.886 per share. As a result of completion of the open offer by the Company in July 2009, the exercise price of the share options was adjusted from HK$0.886 to HK$0.782 per share and the number of share options was adjusted accordingly.

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

3. During the period, no option was granted, lapsed or cancelled.

General Information

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

Save as disclosed under the section headed "Interests of Directors and chief executive" above, as at 30 June 2011, the following persons had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the shares/underlying shares of the Company

Name	Capacity	Nature of Interest	No. of shares/ underlying shares	Approximate percentage of the issued share capital
GNR	Beneficial owner	Corporate interests	278,376,383	14.34%
GND	Interest of controlled corporation	Corporate interests	278,376,383 (Note 1)	14.34%
GNI	Interest of controlled corporation	Corporate interests	278,376,383 (Note 1)	14.34%
Vantage Region	Interest of controlled corporation	Corporate interests	278,376,383 (Note 1)	14.34%
Tsoi Ming Chi	Interest of controlled corporation	Corporate interests	278,376,383 (Note 1)	14.34%
Hing Lou Resources Limited ("Hing Lou")	Beneficial owner	Corporate interests	268,215,149	13.82%
Xiaoyi Loudong Industry & Trading Group Company	Interest of controlled corporation	Corporate interests	268,215,149 (Note 2)	13.82%
Ng Ching Mui	Beneficial owner and interests of controlled corporation	Personal and corporate interests	110,008,999 (Note 3)	5.67%

Notes:

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

2. Xiaoyi Loudong Industry & Trading Group Company is deemed to be interested in the shares held by Hing Lou by virtue of the fact that Hing Lou is its wholly owned subsidiary.

3. Among the 110,008,999 shares, 50,001,000 shares are personal interests and 60,007,999 shares are corporate interests.

Save as disclosed above, the Directors are not aware of any other persons who, at 30 June 2011, had interests or short positions in the shares or underlying shares of the Company which are recorded in the register and required to be kept under Section 336 of the SFO.

General Information

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Directors, the Company has complied with all code provisions set out in the Code throughout the six months ended 30 June 2011, except the following deviations:–

Code Provision A.4.1

The independent non-executive Directors are not appointed for a specific term as required by the code provision A.4.1 of the Code. However, all independent non-executive Directors are subject to retirement by rotation in accordance with the Company's Bye-laws.

Code provision E.1.2

Due to other commitments which must be attended by the chairman of the Company (the "Chairman"), the Chairman was unable to attend the annual general meeting of the Company held on 31 May 2011. However, the representatives of the Board including executive and independent non-executive Directors were present at the meeting to answer questions thereat.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2011.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors subsequent to the date of the 2010 Annual Report are set out below:

Mr. Ng Tze For, an executive Director of the Company, was appointed as chief financial officer of Abterra Group (Abterra Ltd., a company listed on the Singapore Exchange Securities Trading Limited, and its subsidiaries) in April 2011.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee was established with written terms of reference based on terms no less exacting than the required standard as set out in the Code. The Audit Committee comprises four members, namely, Mr. Li Xiao Long, Ms. Choy So Yuk, Mr. Kwok Man To Paul and Mr. Gao Wen Ping, all being independent non-executive Directors.

The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2011.