

2012 INTERIM REPORT 中期報告

Stock Code 股份代號：00988



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)

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

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Cai Sui Xin (*Chairman*)
Zhao Cheng Shu
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

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

Website: <http://www.ldgnr.com>
E-mail: enquiry@ldgnr.com

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

ADR DEPOSITARY

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

PRINCIPAL BANKERS

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
REVENUE	4	1,214,649	1,282,735
Cost of sales		(913,636)	(834,291)
Gross profit		301,013	448,444
Other income	4	8,522	7,840
Selling & distribution costs		(48,400)	(66,004)
Administrative expenses		(57,151)	(41,934)
Other operating expenses		(12,031)	(8,874)
OPERATING PROFIT		191,953	339,472
Finance costs		(39,977)	(48,466)
PROFIT BEFORE TAX	5	151,976	291,006
Income tax expense	6	(43,510)	(71,775)
PROFIT FOR THE PERIOD		108,466	219,231
OTHER COMPREHENSIVE INCOME			
Exchange differences arising on translation of foreign operations		(30,950)	60,884
Total comprehensive income for the period		77,516	280,115

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Profit for the period attributable to:			
Owners of the Company		102,052	206,464
Non-controlling interests		6,414	12,767
		108,466	219,231
Total comprehensive income for the period attributable to:			
Owners of the Company		72,561	264,277
Non-controlling interests		4,955	15,838
		77,516	280,115
EARNINGS PER SHARE	8		
Basic			
– For profit for the period		4.381 cents	9.225 cents
Diluted			
– For profit for the period		4.381 cents	9.222 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2012

		30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,373,463	2,449,500
Investment properties		8,751	8,751
Prepaid land premiums		36,888	38,086
Interests in associates		24,167	24,392
Available-for-sale investment		11,394	11,500
Goodwill		330,083	330,083
Other long-term assets		458,930	463,203
Deferred tax assets		7,376	7,391
Due from an associate	15	171,363	172,492
TOTAL NON-CURRENT ASSETS		3,422,415	3,505,398
CURRENT ASSETS			
Inventories		291,709	322,579
Trade and bills receivables	10	644,028	252,866
Prepayments, deposits and other receivables		759,010	672,279
Equity investments at fair value through profit or loss		1,221	1,232
Due from related companies	15	31,358	31,340
Due from shareholders	15	263	10,119
Pledge deposits		1,268,042	1,075,586
Cash and cash equivalents		29,460	12,337
TOTAL CURRENT ASSETS		3,025,091	2,378,338
CURRENT LIABILITIES			
Trade and bills payables	11	836,862	661,647
Other payables and accruals		173,195	191,934
Interest-bearing bank and other borrowings		1,069,671	640,876
Due to related companies	15	15,869	167,300
Due to shareholders	15	16,568	13,674
Due to a director	15	2,050	–
Tax payable		182,712	196,485
TOTAL CURRENT LIABILITIES		2,296,927	1,871,916

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Notes	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
TOTAL CURRENT LIABILITIES		2,296,927	1,871,916
NET CURRENT ASSETS		728,164	506,422
TOTAL ASSETS LESS CURRENT LIABILITIES		4,150,579	4,011,820
NON-CURRENT LIABILITIES			
Long-term bank loans	15	17,813	38,743
Loan from related companies	15	218,223	137,765
Promissory notes		46,160	44,445
Deferred tax liabilities		53,344	53,344
Total non-current liabilities		335,540	274,297
NET ASSETS		3,815,039	3,737,523
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	23,292	19,411
Exchange realignment		160,027	189,518
Reserves		3,464,941	3,366,770
		3,648,260	3,575,699
Non-controlling interests		166,779	161,824
TOTAL EQUITY		3,815,039	3,737,523

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Equity					Attributable to owners						Non-controlling interests	Total
	component of		Share option reserve	Exchange fluctuation reserve	Share premium account	Capital reserve	Contribution surplus	Retained earnings	Company	of the			
	issued capital	convertible notes									HKS'000		
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		
Profit for the year	-	-	-	-	-	-	-	206,464	206,464	12,767	219,231		
Other comprehensive income for the year:													
Exchange differences on transaction of foreign operations	-	-	-	57,813	-	-	-	-	57,813	3,071	60,884		
Total comprehensive income for the year	-	-	-	57,813	-	-	-	206,464	264,277	15,838	280,115		
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)		
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		
Balance at 1 January 2012 (audited)	19,411	-	1,580	189,518	604,589	661,514	1,746,407	352,680	3,575,699	161,824	3,737,523		
Profit for the year	-	-	-	-	-	-	-	102,052	102,052	6,414	108,466		
Other comprehensive income for the year:													
Exchange differences on transaction of foreign operations	-	-	-	(29,491)	-	-	-	-	(29,491)	(1,459)	(30,950)		
Total comprehensive income for the year	-	-	-	(29,491)	-	-	-	102,052	72,561	4,955	77,516		
Bonus shares issued	3,881	-	-	-	-	-	(3,881)	-	-	-	-		
Balance at 30 June 2012 (unaudited)	23,292	-	1,580	160,027	604,589	661,514	1,742,526	454,732	3,648,260	166,779	3,815,039		

Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(unaudited) HK\$'000	(unaudited) HK\$'000
Net cash from operating activities	(232,715)	(634,031)
Additions to property, plant and equipment	(6,971)	(5,884)
(Increase) decrease in pledge deposits	(202,378)	147,264
Other investing activities	–	(18,302)
Net (used in) cash from investing activities	(209,349)	123,078
New bank loans raised	848,480	844,688
Repayments of bank loans	(431,826)	(278,922)
Proceeds from share placement	–	41,347
Loan from related companies	81,729	–
Repayment to loans from related companies	–	(12,629)
Dividend paid	–	(38,020)
Other financing activities	(38,262)	(56,162)
Net cash from financing activities	460,121	538,322
Net increase in cash and cash equivalents	18,057	27,369
Cash and cash equivalents at 1 January	12,337	34,726
Effect of foreign exchange rate changes	(934)	3,051
Cash and cash equivalents at 30 June	29,460	65,146
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	29,460	65,146

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

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 2011, 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”).

Amendment to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates Adopters
Amendment to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendment to HKAS 12	Deferred Tax: Recovery of Underlying Assets

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.

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

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 2011 were authorised for issuance and are not yet effective:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ¹
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine ²
Annual Improvements Project	Annual Improvements 2009-2011 Cycle ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the condensed consolidated financial statements.

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

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 2012 and 30 June 2011 are as follows:

	30 June 2012 HK\$'000	30 June 2011 HK\$'000
Mainland China	1,206,758	1,282,735
Overseas	7,891	–
	1,214,649	1,282,735

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\$472,151,000 (2011: HK\$572,644,000) was derived from sales to a single customer.

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

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	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue		
Sales of goods	1,214,649	1,282,735

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Other income		
Exchange gain	1,469	4,471
Rental income from leasing property, plant and equipment	–	60
Subsidy income	7,028	3,263
Others	25	46
	8,522	7,840

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

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	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	850,291	792,744
Staff costs (including Directors' remuneration)	23,905	19,291
Depreciation	60,439	48,907
Amortization of prepaid land premiums	984	827
Convertible notes interest expenses	—	1,310
Promissory note interest expenses	1,715	1,902
Bank charges	10,456	7,731

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	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Tax charge for the period for PRC	43,510	71,775

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

7. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
2012 interim – Nil (2011: Nil):	–	–

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.

The calculations of basic earnings per share are based on:

	For the six months ended 30 June	
	2012	2011
	(unaudited) HK\$'000	(unaudited) HK\$'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	102,052	206,464

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

8. EARNINGS PER SHARE (CONTINUED)

	Number of shares	
	Six months ended 30 June	
	2012	2011
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,329,222	2,238,060
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	–	822
Weighted average number of ordinary shares for the purpose of calculating diluted earning per share	2,329,222	2,238,882

All the convertible notes converted into ordinary shares in prior year, thus it was not take into account for any dilutive effect on the basic earnings per share in this period. In 2011, the convertible notes contributed an anti-dilutive effect on the basic earnings per share and were ignored in the calculation of diluted earnings per share. On the other hand, the market price of the company's share is lowered than the exercises price of the share option in this period, it contributed an anti-dilutive effect on the basic earnings per share, therefore it is disregarded from the calculation of the dilutive earnings per share.

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment with a cost of approximately HK\$6,971,000 (for the six months ended 30 June 2011: approximately HK\$5,884,000). Depreciation for items of property, plant and equipment was approximately HK\$60,439,000 during the period (for the six months ended 30 June 2011: approximately HK\$48,907,000).

During the period, the Group did not disposed of any plant and machinery (for the six months period ended 30 June 2011: nil).

10. TRADE AND BILLS RECEIVABLES

	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Trade receivables	631,908	213,838
Bills receivables	43,069	68,593
Impairment	(30,949)	(29,565)
	644,028	252,866

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.

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

10. TRADE AND BILLS RECEIVABLES (CONTINUED)

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 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Current	281,731	162,955
31-60 days	44,557	17,635
61-90 days	3,033	650
91-120 days	237,633	2,623
121-365 days	34,540	24,687
over 1 year	30,414	5,288
	631,908	213,838

11. TRADE AND BILLS PAYABLES

	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Trade payable	80,116	147,936
Bills payable	756,746	513,711
	836,862	661,647

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 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Current	29,166	75,508
31-60 days	8,003	10,554
61-90 days	3,058	8,072
91-120 days	2,858	3,347
121-365 days	30,088	6,326
over 1 year	6,943	44,129
	80,116	147,936

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

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

12. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Issued Capital HK\$
<i>Authorised</i>		
At 31 December 2011 and 30 June 2012	200,000,000,000	2,000,000,000
<i>Issued and fully paid</i>		
At 1 January 2011	1,835,853,814	18,358,538
Conversion of convertible notes (Note a)	56,666,666	566,667
Exercise of share options (Note b)	8,497,110	84,971
Placing shares for cash (Note c)	40,002,000	400,020
At 31 December 2011 and 1 January 2012	1,941,019,590	19,410,196
Bonus issue (Note d)	388,202,780	3,882,028
At 30 June 2012	2,329,222,370	23,292,224

Notes:

- In March 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.
- In April 2011, share options to subscribe for 8,497,110 shares were exercised at subscription price of HK\$0.782 per share.
- On 15 June 2011, the Company entered into a new share placing agreement with Enlighten Securities Limited ("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.
- On 28 March 2012, the Board proposed a bonus issue on the basis of 2 bonus shares for every 10 existing shares to shareholders whose names appeared on the register of members of the Company on 8 June 2012. The shareholders approved the bonus issue at the annual general meeting held on 30 May 2012, a total of 388,202,780 bonus shares were issued on 29 June 2012.

13. EVENTS AFTER THE END OF THE INTERIM PERIOD

On 11 July 2012, the Company entered into a placing agreement with Heng Shan Securities Limited ("Heng Shan"), pursuant to which Heng Shan agreed to place, on a best effort basis, up to 60,000,000 new shares at a placing price of HK\$0.38 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 1 August 2012, a total of 60,000,000 new shares were issued. Details of the placing had been disclosed in the Company's announcements dated 11 July 2012 and 1 August 2012.

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

14. CAPITAL COMMITMENTS

	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Contracted, but not provided for, in respect of:		
Acquisition of 30% equity interest in Shanxi Linxian Taiye Coal Mining Company Limited ("Linxian Taiye") (Note (i))	395,627	399,143
Capital contribution for interest in Shanxi Guo Xin Loujun New Resources Limited ("Guo Xin Loujun") (Note (ii))	11,961	12,073
Contribution for capital expenditure of Guo Xin Loujun relating to construction of production facilities (Note (ii))	8,544	8,624
Capital expenditure in respect to the construction in progress	35,273	45,219
	451,405	465,059

Notes:

- (i) 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. During the year ended 31 December 2010, an additional amount of RMB200 million was paid by the Group. The aggregate amount paid by the Group reached RMB376 million (equivalent to HK\$458,763,000) at the end of the reporting period. Accordingly, Shanxi Loudong had capital commitment of RMB324 million (equivalent to approximate HK\$395,627,000). As Linxian Taiye is undergoing a group coal mine resources consolidation and technical renovation, the acquisition has not been completed at the date of approval of these financial statements.
- (ii) On 24 May 2011, Shanxi Loudong and 山西省國新能源發展集團有限公司 Shanxi Guo Xin Resources Development Group Limited ("Guo Xin Resources") entered into a cooperation agreement ("Cooperation Agreement") pursuant to which Shanxi Loudong and Guo Xin Resources would establish a joint venture namely Guo Xin Loujun with registered capital of RMB50 million to engage in the provision of coke oven gas compression, purification, methanation and separation process, and synthesizing coke oven gas into natural gas. Pursuant to the Cooperation Agreement, Guo Xin Loujun is owned as to 51% by Guo Xin Resources and as to 49% by Shanxi Loudong. Shanxi Loudong should contribute RMB24.5 million to Guo Xin Loujun as equity capital. As at 30 June 2012, Shanxi Loudong had contributed RMB14.7 million. Accordingly, Shanxi Loudong had capital commitment of RMB9.8 million (equivalent to HK\$11,961,000).

Apart from the equity capital contribution, pursuant to the Cooperation Agreement, Shanxi Loudong should contribute RMB147 million to Guo Xin Loujun for the construction of production facilities. As at 30 June 2012, Shanxi Loudong had made shareholder's loan of RMB140 million to Guo Xin Loujun. Accordingly, Shanxi Loudong had capital commitment of RMB7 million (equivalent to HK\$8,544,000).

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

15. RELATED PARTY TRANSACTIONS

Transactions with related party

The Group had the following material transaction with related party during the period:

	For the six months ended 30 June	
	2012 (unaudited) HK\$'000	2011 (audited) HK\$'000
Rental expenses paid to a director	107	168

Outstanding balances with shareholders and related parties

The balances with shareholders 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 shareholders is as follows:

Outstanding balances with related parties:

- (i) Current portion

	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Due from related companies		
General Nice (Tianjin) Industry Co., Ltd. ("GNT")	29,564	29,564
General Nice (Shanxi) Economic & Trade Co., Ltd.	1,396	1,408
Shanxi Nan Tie Lou Jun Coke Transportation Co., Ltd. ("Nan Tie")	398	368
	31,358	31,340
Due to related companies		
General Nice Development Limited ("GND")	1,689	690
Tianjin General Nice Coke of Chemicals Co. Limited	997	997
Xiaoyi Loudong Industry & Trading Group Company	13,183	165,613
	15,869	167,300

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Outstanding balances with shareholders and related parties (Continued)

Outstanding balances with related parties: (Continued)

(ii) Non-current portion

	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Loans from related companies		
GND	214,493	136,863
GNT	2,837	–
General Nice Resources (Hong Kong) Limited ("GNR")	893	902
	218,223	137,765

Outstanding balances with shareholders:

(i) Current portion

	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Due from shareholders		
GNR	263	263
Hing Lou Resources Limited	–	9,856
	263	10,119
Due to shareholders		
GNR	14,443	13,656
Hing Lou Resources Limited	2,125	18
	16,568	13,674

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Outstanding balances with shareholders and related parties (Continued)

Outstanding balance with an associate:

- (i) Non-current portion

	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Due from an associate		
Guo Xin Loujun	171,363	172,492

Outstanding balance with a director

- (i) Current portion

	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Due to a director		
Lau Yu	2,050	–

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	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Short term employee benefits	2,684	2,433
Post-employment benefits	38	30
Total compensation paid to key management personnel	2,722	2,463

The remuneration of Directors and key executives is recommended by the remuneration committee of the Company and determined by the Board 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 2012, the total revenue of the Group decreased to approximately HK\$1,215 million from about HK\$1,283 million for the corresponding period in 2011, representing a 5.3% decrease on a year-on-year basis. Profit attributable to owners of the Company declined by 51% to approximately HK\$102 million from approximately HK\$206 million for the corresponding period in 2011. The profit decrease is primarily attributable to the drop in sales volume and the continuous decrease in the price of coke due to the global economic downturn and the slowdown in China's steel industry.

Basic earnings per share for the six months ended 30 June 2012 decreased to HK4.381 cents from HK9.225 cents for the corresponding period in 2011. As at 30 June 2012, the net assets value per share recorded a decrease of 11% to HK\$1.64 from HK\$1.84 as at 30 June 2011.

Business Review

The first half of 2012 was full of challenge. The consequence of financial crisis in Europe led to economic decline throughout the world. The production of metallurgical coke in the first half of 2012 in China was 222 million tonnes, representing a growth of 5.7% over the corresponding period in 2011. However, the selling price decreased for more than 10%.

Shanxi Loudong-General Nice Coking & Gas Co., Ltd., the Company's principal subsidiary, is primarily engaged in the manufacture and sale of metallurgical coke, which is a key ingredient for steel production. However, the demand of steel was weakened from the economic downturn, which led to the decrease in demand of metallurgical coke. As a result, stocks accumulated and the price of metallurgical coke squeezed. Our business was unavoidably detriment.

The Group's profit for the period decreased to approximately HK\$108 million for the six months ended 30 June 2012 from approximately HK\$219 million recorded in June 2011.

As of 30 June 2012, the Group's total equity increased by about 6.5% to approximately HK\$3,815 million from approximately HK\$3,581 million recorded on 30 June 2011.

The debtor's turnover day of the Group in June 2012 was 67 days compared with 44 days in June 2011. Since the economy is getting worse, in order to maintain a good relation with the customers, the Company releases the credit period for those credit wealthy customers to cope with their financial stress. In general, the management of the Group adopts a prudent credit policy to its customers by closely monitoring their repayment status and consistently reviews their credit terms. If there are any irregularities in repayment, credit terms granted to debtors will be adjusted accordingly. If the balance due from debtors becomes doubtful, appropriate doubtful debt provision will be provided for.

In March 2012, the Board resolved to propose a bonus issue on basis of 2 bonus shares for every 10 existing shares to the shareholders (the "Bonus Issue") in recognition of their continual support. The shareholders approved the Bonus Issue at the annual general meeting held on 30 May 2012 (the "2012 AGM") and a total of 388,202,780 bonus shares were issued.

General Information

In August 2012, the Company completed placing of 60,000,000 new shares of the Company and raised net proceeds of approximately HK\$22.54 million for general working capital of the Group.

Outlook

In March of 2012, China's National Development and Reform Commission announced the development of coal industry in the "Twelfth Five-Year Plan" (the "Plan"). According to the Plan, China's coal production will be 3.9 billion tonnes in 2015, and China will mainly increase the production of the coal for power generation. The Plan also requires reasonable arrangements for the production of high quality coking coal. Compared to the previous draft of the Plan, the expected number of coal production in 2015 is increased by 100 million tonnes. In 2011, China's coal production was 3.52 billion tonnes and the compound annual growth is expected to be 2.6% in the next 4 years. By the end of the "Twelfth Five-Year", China's coal supply is expected to reach 4.2 billion tonnes, of which 4.05 billion tonnes will be from domestic coal supply, and 150 million tonnes will be net imports.

The "Twelfth Five-Year" is an important period for the coal industry to speed up the changing of development patterns. The Plan emphasizes to continue adjusting the economic structure, and to improve the energy efficiency while reducing the environmental pollution and the public impact, in order to achieve the comprehensive, coordinated and sustainable development in the coal industry in the next five years.

The Company has been cautiously optimistic about its future development. It insists in the merger and acquisition of the upstream coal and coke business, as well as the downstream chemical, clean energy and logistics projects, to further improve the production chain and to merge the opportunities of the Plan. The acquisition of 30% equity interest of Shanxi Linxian Taiye Coal Mining Company Limited is proceeding, and the proposed acquisition of 30% equity interest of Shanxi LvLiang Lishi Dan Tan Gou Mining Co., Ltd. is still in negotiation.

On the other hand, although it is a challenging year for the business, it provides a chance for the Company to widen its market share. In economic downturn, weak players in the market will be eliminated. Thus, through our experienced management, and as one of the top coking enterprises in Shanxi which is China's top coal and coke producing province, the Company would convert this challenge into opportunity to sustain its growth.

Capital Structure, Liquidity, Financial Resources and Debt Maturity Profile

As at 30 June 2012, the Group had total bank borrowings in the amount of HK\$1,087,484,000 (as at 31 December 2011: HK\$679,619,000), representing an increase of HK\$407,865,000. The maturity profile of the Group's bank borrowings of HK\$1,087,484,000 was spread with HK\$1,069,671,000 repayable within 1 year, and HK\$17,813,000 repayable in the second year.

The Group's total bank borrowings of HK\$1,087,484,000 were 99% denominated in Renminbi ("RMB") with fixed interest rate and 1% denominated in Hong Kong dollars ("HK\$") with floating interest rate. The Group's cash and bank balances of HK\$29,460,000 were 98% denominated in RMB and 2% in HK\$.

General Information

Treasury Policy

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

Material Acquisition or Disposal of Subsidiaries and Affiliated Companies

During the period under review, there was no material acquisition or disposal of subsidiaries and affiliated companies.

Employees

As at 30 June 2012, the total number of employees of the Group were approximately 1,514 (30 June 2011: 1,450). 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 2012, there were 4,622,192, as adjusted subsequent to the Bonus Issue, (30 June 2011: 3,852,024) outstanding share options granted under such scheme.

Charge of Group Assets

As at 30 June 2012, the Group did not pledge any investment property (30 June 2011: pledged an investment property with a carrying value of approximately HK\$7,299,000) and a property with a carrying value of approximately HK\$14,891,000 (30 June 2011: HK\$15,381,000) as securities for the Group's banking facilities.

Gearing Ratio

As at 30 June 2012, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 26% (31 December 2011: 19%). Net debt represents the aggregate amount of the Group's interest-bearing bank borrowings and long term bank loan, non-current portion of the 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 HK\$. The Group's monetary assets, loans and transactions were principally denominated in RMB, USD and HK\$. 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.

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 2012.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2012 (2011: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2012, 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 2012, 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		Number of underlying shares subject to the outstanding share options	Total	Approximate percentage of the issued share capital
	Personal interests	Corporate interests			
Mr. Cai Sui Xin	7,205,545	334,051,660 (Note)	–	341,257,205	14.65%
Mr. Zhao Cheng Shu	5,438,150	–	–	5,438,150	0.23%
Mr. Lau Yu	21,448,550	–	–	21,448,550	0.92%
Mr. Ng Tze For	–	–	3,942,457	3,942,457	0.17%
Ms. Li Xiao Juan	5,514,380	–	–	5,514,380	0.24%
Mr. Li Xiao Long	–	–	271,894	271,894	0.01%
Ms. Choy So Yuk	271,908	–	–	271,908	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 General Nice Group Holdings Limited (“GNG”) and Mr. Cai Sui Xin hold 50% and 5% equity interests in each of GND and GNI respectively, GNG is in turn wholly owned by Mr. Cai Sui Xin.

Save as disclosed above, as at 30 June 2012, 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 2012, there were 4,622,192 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 01/01/2012 (note 1)	Exercised during the period	Adjustment (note 2)	At 30/06/2012	Exercise period of the outstanding share options
Director					
Ng Tze For	3,285,549	–	3,942,457	3,942,457	09/01/2010 to 24/06/2017
Li Xiao Long	226,590	–	271,894	271,894	09/07/2010 to 24/06/2017
Sub-total	3,512,139	–	4,214,351	4,214,351	
Other employees (in aggregate)	339,885	–	407,841	407,841	09/01/2010 to 24/06/2017
Total	3,852,024	–	4,622,192	4,622,192	

Notes:

1. These share options were granted on 9 July 2009 at an exercise price of HK\$0.886 per share. The vesting period of these share options is from the date of grant until the commencement of the exercise period. 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. Subsequent to completion of the Bonus Issue on 29 June 2012, the exercise price of the share options was further adjusted from HK\$0.782 per share to HK\$0.6517 per share and the number of outstanding share options was further adjusted.
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 2012, 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	334,051,660	14.34%
GND	Interest of controlled corporation	Corporate interests	334,051,660 (Note 1)	14.34%
GNI	Interest of controlled corporation	Corporate interests	334,051,660 (Note 1)	14.34%
GNG	Interest of controlled corporation	Corporate interests	334,051,660 (Note 1)	14.34%
Tsoi Ming Chi	Interest of controlled corporation	Corporate interests	334,051,660 (Note 1)	14.34%
Hing Lou Resources Limited ("Hing Lou")	Beneficial owner	Corporate interests	321,858,178	13.82%
Xiaoyi Loudong Industry & Trading Group Company	Interest of controlled corporation	Corporate interests	321,858,178 (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:

- These shares are beneficially owned by GNR. Each of GND and GNI holds 40% equity interest in GNR while GNG and Mr. Tsoi Ming Chi hold 50% and 35% equity interests in each of GND and GNI respectively. Accordingly each of GND, GNI, GNG and Mr. Tsoi Ming Chi is deemed to be interested in such shares held by GNR under the SFO.
- 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.
- According to the records of the Company, Ng Ching Mui held 110,008,999 shares (5.67%) at 8 June 2012, the record date of the Bonus Issue. After issue of the bonus shares and as at 30 June 2012, the issued share capital of the Company increased to 2,329,222,370 shares. Based on the shareholding of 110,008,999 shares, Ng Ching Mui entitled to 22,001,799 bonus shares, her aggregated shareholding in the Company increased to 132,010,798 shares (5.67%).

General Information

Save as disclosed above, the Directors are not aware of any other persons who, at 30 June 2012, 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.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Stock Exchange of Hong Kong Limited has made various amendments to the Code on Corporate Governance Practices (the “Old Code”) contained in Appendix 14 to the Listing Rules and renamed it as Corporate Governance Code (the “New Code”). The New Code came into effect on 1 April 2012.

In the opinion of the Directors, the Company has complied with all code provisions set out in the Old Code during the period from 1 January 2012 to 31 March 2012 and the New Code during the period from 1 April 2012 to 30 June 2012, except the following deviations:–

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing independent non-executive Directors of the Company was appointed for a specific term. However, all Directors are subject to the retirement provisions in the By-laws of the Company which provide that one-third of the Directors for the time being shall retire from office by rotation and every Director shall be subject to retirement at least once every three years.

Code Provisions A.6.7 and E.1.2

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The independent non-executive Directors, Mr. Gao Wen Ping, Mr. Li Xiao Long and Ms. Choy So Yuk, were not in Hong Kong and therefore could not attend the 2012 AGM.

Due to other commitments which must be attended by the chairman of the Company (the “Chairman”), the Chairman was unable to attend the 2012 AGM. Nevertheless, Mr. Ng Tze For, an executive Director, took the chair of the 2012 AGM, and Mr. Kwok Man To Paul, an independent non-executive Director, chairman of audit committee (the “Audit Committee”) and member of nomination committee (the “Nomination Committee”) and remuneration committee (the “Remuneration Committee”) of the Company attended the 2012 AGM, and answered questions from the shareholders of the Company.

NOMINATION COMMITTEE, AUDIT COMMITTEE AND REMUNERATION COMMITTEE

In March 2012, the Board has established the Nomination Committee with written terms of reference. The Nomination Committee comprises Mr. Cai Sui Xin (“Mr. Cai”), the Chairman, Mr. Zhao Cheng Shu, the deputy chairman of the Board and four independent non-executive Directors, namely, Mr. Li Xiao Long, Ms. Choy So Yuk, Mr. Kwok Man To Paul and Mr. Gao Wen Ping with Mr. Cai as its chairman. The duties of the Nomination Committee has set out in the corporate governance report contained in the 2011 Annual Report of the Company and are available for inspection at the Company’s website.

In March 2012, Mr. Kwok Man To Paul, being an independent non-executive Director and a member of the Audit Committee was appointed chairman of the Audit Committee.

General Information

In March 2012, Ms. Choy So Yuk, being an independent non-executive Director and a member of the Remuneration Committee was appointed chairman of the Remuneration Committee.

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 2012.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2011 Annual Report are set out below:

In July 2012, Mr. Cai Sui Xin, an executive Director and the Chairman, was appointed an executive director and the chairman of the board of directors of Digiland International Ltd. ("Digiland"), a company listed on the Singapore Exchange Securities Trading Limited.

In July 2012, Mr. Lau Yu, an executive Director and the chief executive officer of the Company, was appointed an executive director, vice chairman of the board of directors and member of audit committee, nominating committee and remuneration committee of Digiland.

The fee for the independent non-executive Directors, Ms. Choy So Yuk, Mr. Li Xiao Long, Mr. Kwok Man To Paul and Mr. Gao Wen Ping has been revised from HK\$120,000 per annum to HK\$150,000 per annum.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee comprises four members, namely, Mr. Kwok Man To Paul (chairman), Mr. Li Xiao Long, Ms. Choy So Yuk 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 2012.

On behalf of the Board
Cai Sui Xin
Chairman

Hong Kong, 24 August 2012