

Coolpoint Energy Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code 8032)

Interim Report **2010**



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This report, for which the directors (the “Directors”) of Coolpoint Energy Limited (the “Company”, which together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Development

On 31 May 2010, the Company had issued 5,479,452,054 redeemable convertible preferred shares to Lead Ahead Limited. Under the subscription agreement and the conditional supplemental agreement, the Company received total cash proceeds of HK\$400 million from Lead Ahead Limited. As of 30 June 2010, Lead Ahead Limited had converted 4,143,409,238 preferred shares to 10,077,930,000 ordinary shares and became the largest shareholder of the Company. Lead Ahead Limited is owned as to 60% by Mr. Li Ning and 40% by his brother, Mr. Li Chun. Mr. Li Ning is the founder of the LI-NING brand and chairman and an executive director of Li Ning Company Limited, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 2331). Mr. Li Ning is one of the most renowned and outstanding athletes in the 20th century.

Green Energy Business

This business unit has been focusing on the research and development, installation and manufacturing of its own brand energy saving air cooling and water heating equipment. Its patented technology and proprietarily developed equipment enjoys strong and consistent recognition from within the energy saving industry, governmental and academic bodies and customers. To our delight, the Group has entered into a memorandum of development on 8 February 2010 with Tsingdao Haier Air-conditioning Co., Limited, a subsidiary of Tsingdao Haier Co., Limited ("Haier"), the leading household appliances manufacturer in China, under which the Group will jointly develop with Tsingdao Haier Air-conditioning Co., Limited a five-in-one air-conditioning system for the domestic market in China. In May 2010, one of our 3 horsepower prototype machine was sent to the headquarters of Haier in Qingdao for formal testing and respective reporting result was satisfactory. The machine performed well in producing hot water and exceeded our national standard on coefficient of performance. Besides, our 1.5 horsepower and 5 horsepower prototype machines have also been sent to Haier in July 2010 for testing. We believe the combination of our know-how in water heating and flexibility in product development and Haier's quality assurance and marketing channels, this joint-development programme will finally strike success.

In addition, the Group has been actively participating in tradeshow to raise our profile amongst our target customers. In June 2010, we participated in the Asian Building Technologies Exhibition Show. Visitors included project developer, consultant, contractors, designer from various sectors including hotel, construction, manufacturing and our Hong Kong SAR government. They showed great interests in energy saving area. They also

inquired about our products application in restaurants and hospitality environment, hot water for usage in living area and as a replacement of traditional water heater, and how our products are applied for a large cooling area and rendered a dust free environment. With the effort from our sales team and the participation in tradeshow, we have already received several orders near the end of the second quarter and expect greater demand from customers will continue in the third quarter. We believe that there is immense potential for much wider application of our products in near future.

Future Plan and Business Development

Apart from the green energy business, the Group also intends to diversify into sports-related businesses such as sports themed community real estate development, sports talent management, organization of sports events, competitions and training programs, sports marketing, promotion and content distribution as well as sports facility and club management and development by leveraging on the connections of Mr. Li Ning.

FINANCIAL REVIEW

For the six months period ended 30 June 2010 (the "Interim Period"), the Group recorded a total revenue of HK\$1,242,000, of which HK\$27,000 was contributed from the business of sales of western generic medicine and nutraceutical Chinese herbal products, and HK\$1,215,000 was contributed from the business for manufacturing and trading of energy saving equipment and related services. Comparing to total revenue of HK\$4,012,000 for the same period in previous financial year, sales of western generic medicine and nutraceutical Chinese herbal products dropped by HK\$3,985,000 but was partially compensated by the HK\$1,215,000 increase in sales contribution from our new energy saving equipment and related services.

Our gross profit decreased from HK\$1,110,000 to a gross loss of HK\$175,000 mainly because the decline in sales of medicine and healthcare products and relatively low volume of sales quantities.

During the Interim Period, our selling, administrative and other operating expenses were HK\$8.9 million resulting in a net loss of HK\$11.8 million for the period, as compared to selling, administrative and other operating expenses of HK\$7.7 million and net loss of HK\$7.4 million for the same period last year respectively. The increase was mainly attributable to HK\$1.7 million general and administrative expenses in relation to the new management team and other office expenses at the headquarter as well as the recognised finance costs of HK\$3 million attributable to the issuance of the redeemable convertible preferred shares.

Losses for the six months period attributable to owners of the Company were HK\$11.3 million, representing a basic loss per share of HK cents 0.25, as comparing to a basic loss of HK cents 0.36 for the same period in previous financial year.

For the second quarter period ended 30 June 2010, the Group recorded a total revenue of HK\$908,000, representing an increase of HK\$574,000 (or 172%) by comparing to the first quarter. Although the business of sales of western generic medicine and nutraceutical Chinese herbal products is scaling down, the revenue from the business for manufacturing and trading of energy saving equipment and related services increased from HK\$315,000 in the first quarter to HK\$900,000 in the second quarter.

Our gross profit was HK\$43,000 for the second quarter in contrast to a gross loss of HK\$218,000 in the first quarter. Selling, administrative and other operating expenses were HK\$6.1 million, an increase of HK\$3.2 million from the first quarter. Net loss was HK\$8.8 million for the period.

For the period ended 30 June 2010, net assets of the Company was HK\$538.7 million, as compared to HK\$241.5 million as at 31 December 2009. The increase was mainly attributable to the issuance of redeemable convertible preferred shares and increase in bank and cash during the second quarter.

OTHER FINANCIAL INFORMATION

Liquidity, Financial Resources and Capital Structure

During the second quarter, the Group financed its operations mainly by cash generated from operations, proceeds of HK\$400 million from issuance of redeemable convertible preferred shares under the subscription agreement and approximately HK\$12.1 million consideration for exercise of share options.

As at 30 June 2010, the Group had cash and cash equivalents of approximately HK\$440.1 million (As at 31 December 2009: HK\$35.7 million).

The current ratio of the Group was about 3.9 times as at 30 June 2010 compared to 8.1 times as at 31 December 2009.

The Company has no external borrowings as at 30 June 2010 (As at 31 December 2009: Nil).

On 31 May 2010, the Company issued an aggregate of 5,479,452,054 redeemable convertible preferred shares to Lead Ahead Limited. The redeemable convertible preferred shares are convertible into ordinary shares pursuant to the articles of association of the Company, details of which were set out in the Company's circular dated 3 May 2010. As of 30 June 2010, an aggregate of 4,143,409,238 redeemable convertible preferred shares were converted into 10,077,930,000 ordinary shares. An aggregate of 3,249,629,762 ordinary shares are to be issued and allotted upon conversion of the remaining redeemable convertible preferred shares.

On 9 April 2010, the Company and Lead Ahead Limited entered into a conditional supplementary agreement pursuant to which Lead Ahead Limited will be entitled to demand the issue of, and the Company will be entitled to issue to Lead Ahead Limited convertible bonds with an aggregate principal amount of HK\$300 million subject to fulfillment or waiver of the conditions precedent, details of which were set out in the Company's circular dated 3 May 2010. In the events that the full amount of the convertible bonds is issued and fully converted into ordinary shares, an aggregate of 4,109,589,041 ordinary shares are to be issued and allotted.

Overall, as at 30 June 2010, the net assets of the Group were approximately HK\$538.7 million equivalent to approximately HK\$0.04 per ordinary share.

Exposure to foreign currency risk

Major currencies used for the Group's transactions were Hong Kong dollars and Renminbi. As the fiscal policy of the PRC government in relation to Renminbi is stable throughout the Interim Period, there was no significant currency exposure.

Pledge of the Group's Assets

As at 30 June 2010, no assets had been pledged (31 December 2009: Nil).

Commitments

As at the period end, the Group had operating lease commitment of approximately HK\$9.4 million (31 December 2009: HK\$0.66 million) and capital commitment of approximately HK\$1.2 million (31 December 2009: Nil).

Employees and remuneration policies

Remuneration of the staff comprised of monthly salary, provident fund contributions, medical benefits, education allowances and discretionary options issued based on their contribution to the Group. Staff costs including Directors' remuneration for the Interim Period amounted to HK\$3,858,000 (period ended 30 June 2009: HK\$532,000). The Group also engages professional consultants to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2010, the Group employed about 60 full time employees and their remuneration is determined with reference to market rates.

UNAUDITED CONSOLIDATED RESULTS

The board (the "Board") of directors announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the periods from 1 April 2010 to 30 June 2010 (the "Quarterly Period") and from 1 January 2010 to 30 June 2010 together with the comparative unaudited consolidated results for the corresponding periods in 2009 as follows:

Condensed Consolidated Statement of Comprehensive Income

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		(Unaudited) 2010 HK\$'000	(Unaudited) 2009 HK\$'000	(Unaudited) 2010 HK\$'000	(Unaudited) 2009 HK\$'000
Revenue	3	908	2,081	1,242	4,012
Cost of sales		(865)	(1,492)	(1,417)	(2,902)
Gross profit/(loss)		43	589	(175)	1,110
Other revenue	3	288	133	316	232
Selling, administrative and other operating expenses		(6,068)	(4,152)	(8,918)	(7,669)
Loss from operation	5	(5,737)	(3,430)	(8,777)	(6,327)
Finance costs		(3,013)	(341)	(3,014)	(1,079)
Loss before tax		(8,750)	(3,771)	(11,791)	(7,406)
Income tax expense	6	–	–	–	–
Loss for the period		(8,750)	(3,771)	(11,791)	(7,406)
Other comprehensive income for the period, net of income tax of nil – Exchange difference on translation of financial statements of foreign operations		–	389	–	471
Total comprehensive loss for the period		(8,750)	(3,382)	(11,791)	(6,935)
Loss for the period attributable to: Owners of the Company		(8,448)	(3,771)	(11,311)	(7,406)
Minority interest		(302)	–	(480)	–
		(8,750)	(3,771)	(11,791)	(7,406)
Total comprehensive income attributable to: Owners of the Company		(8,448)	(3,382)	(11,311)	(6,935)
Minority interest		(302)	–	(480)	–
		(8,750)	(3,382)	(11,791)	(6,935)
Loss per share attributable to the owners of the Company Basic and diluted (HK cents)	7	(0.14)	(0.18)	(0.25)	(0.36)

The accompany notes forms part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

		At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	9,800	10,419
Land use rights	9	5,092	5,172
Goodwill		188,434	188,434
Intangible assets	10	6	6
Long term deposits		1,091	–
		204,423	204,031
Current assets			
Inventories		6,147	5,765
Trade receivables	11	35	489
Other receivables, deposits and prepayments	12	1,546	818
Cash and cash equivalents		440,101	35,658
		447,829	42,730
Current liabilities			
Trade payables	13	(365)	(74)
Other payables and accruals	14	(10,761)	(1,318)
Receipts in advance		(1,263)	(280)
Amount due to a minority shareholder		(4,031)	(3,634)
Redeemable convertible preferred shares	14	(97,157)	–
		(113,577)	(5,306)
Net current assets		334,252	37,424
Net assets		538,675	241,455
EQUITY			
Share capital	15	134,938	33,119
Reserves		400,361	204,480
Equity attributable to owners of the Company		535,299	237,599
Minority interest		3,376	3,856
Total equity		538,675	241,455

The accompany notes forms part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners of the Company					Total	Minority interest	Total equity
	Share capital	Share premium	Share option reserve	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2009	20,427	399,251	4,310	12,832	(370,900)	65,920	-	65,920
Total comprehensive loss for the period	-	-	-	471	(7,406)	(6,935)	-	(6,935)
Balance at 30 June 2009	20,427	399,251	4,310	13,303	(378,306)	58,985	-	58,985
Balance at 1 January 2010	33,119	605,435	12,613	15	(413,583)	237,599	3,856	241,455
Total comprehensive loss for the period	-	-	-	-	(11,311)	(11,311)	(480)	(11,791)
Conversion of redeemable preferred shares	100,779	196,155	-	-	-	296,934	-	296,934
Exercise of share options	1,040	16,535	(5,498)	-	-	12,077	-	12,077
Balance at 30 June 2010	134,938	818,125	7,115	15	(424,894)	535,299	3,376	538,675

The accompanying notes forms part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash flows used in operating activities	(6,960)	(4,066)
Net cash flows used in investing activities	(174)	(4,913)
Net cash flows generated from financing activities	411,577	9,307
Increase in cash and cash equivalents	404,443	328
Cash and cash equivalents at beginning of period	35,658	–
Cash and cash equivalents at end of period	440,101	328

The accompany notes form part of these condensed consolidated financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Caymans Islands. Its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at Room 1001, 10th Floor, AON China Building, 29 Queen's Road Central, Hong Kong. The Company's shares are listed on GEM.

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the research and development, manufacturing, marketing and installation of proprietary energy saving environmental control and water heating equipment. Besides, they also engaged in manufacturing, marketing and distribution of western medicine and herbal supplements based on traditional Chinese medicine.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules, including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies and methods of computation used in the preparation of this unaudited financial statements are consistent with those adopted in preparing the annual audited financial statements for the period ended 31 December 2009.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE

	(Unaudited) 1.4.2010 to 30.6.2010 HK\$'000	(Unaudited) 1.4.2009 to 30.6.2009 HK\$'000	(Unaudited) 1.1.2010 to 30.6.2010 HK\$'000	(Unaudited) 1.1.2009 to 30.6.2009 HK\$'000
Revenue				
Sale of energy-saving equipment	892	–	1,202	–
Service rendered	8	–	13	–
Sale of western medicine & herbal products	8	2,081	27	4,012
	908	2,081	1,242	4,012
Other income				
Interest income	116	1	118	1
Sundry income	172	132	198	231
	288	133	316	232

4. SEGMENT INFORMATION

Segment information is presented by way of primary segment reporting basis, by business segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of the business segments are as follows:

- (a) the western medicine and herbal products segment engages in the trading of western medicine and Chinese herbal products;
- (b) the energy-saving equipment segment engages in the manufacturing, marketing and installation of proprietary energy saving environmental control and water heating equipment.

Business segments

The following table presents revenue and results for the Group's business segments for the period:

	Western medicine and herbal products		Energy saving equipment		Consolidated	
	For the six months ended 30 June					
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Segment Revenue*						
Turnover	27	4,012	1,215	–	1,242	4,012
Segment Results	11	1,110	(186)	–	(175)	1,110
Unallocated corporate expenses					(8,602)	(7,437)
Loss from operation					(8,777)	(6,327)
Finance costs					(3,014)	(1,079)
Loss before tax					(11,791)	(7,406)
Income tax expense					–	–
Loss for the period					(11,791)	(7,406)

* There were no inter-segment sales

5. LOSS FROM OPERATION

The Group's loss from operation is arrived at after charging/(crediting):

	(Unaudited) 1.4.2010 to 30.6.2010 HK\$'000	(Unaudited) 1.4.2009 to 30.6.2009 HK\$'000	(Unaudited) 1.1.2010 to 30.6.2010 HK\$'000	(Unaudited) 1.1.2009 to 30.6.2009 HK\$'000
Depreciation	704	866	714	1,732
Amortisation of intangible assets and land use rights	40	307	80	614
Net foreign exchange (gains)	-	50	-	78
Impairment of trade receivables	649	-	-	-
Minimum lease payments under operating leases in respect of land and buildings	489	-	539	-
Staff costs including directors' remuneration:				
Salaries and other benefits	2,197	283	3,858	532
Pension scheme contributions	62	3	126	6
	2,259	286	3,984	538

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the six months ended 30 June 2010 (2009: Nil). No provision for PRC corporate income tax has been made as the PRC subsidiary incurred a loss for the six months ended 30 June 2010 (2009: Nil).

There was no significant unprovided deferred taxation during the six months ended 30 June 2010.

7. LOSS PER SHARE

The calculation of basic loss per share are based on the loss attributable to owners of the Company for the Interim Period of approximately HK\$11,311,000 (Period ended 30 June 2009: approximately HK\$7,406,000) and on the weighted average number of shares of approximately 4,598,192,000 (Period ended 30 June 2009: 2,042,695,000) in issue during the period.

In respect of diluted loss per share amounts presented, no adjustment has been made to the basic loss per share amounts presented as the impacts of exercise of the share options and the redeemable preferred shares were anti-dilutive in respect of the period ended 30 June 2010; and the exercise price of the outstanding share options was higher than the average market price of the Company's ordinary shares in respect of the period ended 30 June 2009.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, disposal of property, plant and equipment and write off of property, plant and equipment amounted to approximately HK\$70,000 and approximately HK\$9,000 at net book value. Addition to property, plant and equipment amounted to approximately HK\$174,000 during the period.

9. LAND USE RIGHTS

The land use rights are valid for a period of 50 years up to the year 2042 and situated in the PRC.

10. INTANGIBLE ASSETS

The intangible assets represent trademarks of the Group.

11. TRADE RECEIVABLES

The Group allows an average credit period of 60 to 90 days to its trade customers. An aged analysis of the trade receivables as at the end of the reporting period, based on invoice date, and net of provisions was as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
0 – 90 days	7	120
Over 90 days	28	369
	35	489

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Other receivables	168	37
Utility and other deposits	817	439
Prepayments	561	342
	1,546	818

13. TRADE PAYABLES

As at 30 June 2010, the aged analysis of trade payables was as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
0 – 60 days	115	30
Over 60 days	250	44
	365	74

14. REDEEMABLE CONVERTIBLE PREFERRED SHARES

On 8 April 2010, the Company and Lead Ahead Limited (“Lead Ahead”) entered into a subscription agreement whereby Lead Ahead conditionally agreed to subscribe for, and the Company conditionally agreed to issue to Lead Ahead, 5,479,452,054 preferred shares at HK\$0.073 per preferred share (subject to adjustment) for a total consideration of HK\$400 million. On 9 April 2010, the Company and Lead Ahead entered into the conditional supplemental agreement pursuant to which the Company and Lead Ahead agreed that Lead Ahead will be entitled to demand the issue of, and the Company will be entitled to issue to Lead Ahead convertible bonds with an aggregate principal amount of HK\$300 million. The convertible bonds are convertible into the ordinary shares at the initial conversion price, being HK\$0.073 (subject to adjustment). Details of the above transactions (collectively referred to as “Transactions”) are set out in the Company’s circular dated 3 May 2010. The net proceeds received from the above Transactions of HK\$395 million have been split into two liability items in respect of the issuance of the preferred shares and the possible issuance of the convertible bonds which are included in the consolidated statement of financial position as “redeemable convertible preferred shares” and “other payables and accruals” respectively.

Details of movement of preferred share during the period are set out below:

	Number of shares		Nominal amount	
	30 June 2010 (Unaudited)	31 December 2009 (Audited)	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Authorised:				
Preferred shares of HK\$0.01 each (note 15)	6,000,000,000	–	60,000	–
Issued and fully paid preferred shares of HK\$0.01 each:				
Issued on 31 May 2010	5,479,452,054	–	54,794	–
Converted into ordinary shares	(4,143,409,238)	–	(41,434)	–
	1,336,042,816	–	13,360	–

The carrying amount of liability in respect of the issuance of preferred shares at inception, net of issue expenses, amounted to HK\$391,079,000. The amounts transferred to share capital and share premium upon conversion of the preferred shares amounted to HK\$100,779,000 and HK\$196,155,000 respectively. The carrying amount of liability in respect of the issuance of preferred shares at 30 June 2010 of HK\$97,157,000 included amortised interest charges of HK\$3,013,000.

15. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2010 (Unaudited)	31 December 2009 (Audited)	30 June 2010 (Unaudited) <i>HK\$'000</i>	31 December 2009 (Audited) <i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.01 each ("Share(s)")	45,000,000,000	5,000,000,000	450,000	50,000
Issued and fully paid ordinary shares of HK\$0.01 each:				
At beginning of the period	3,311,916,027	2,042,695,590	33,119	20,427
Placing of shares	-	300,000,000	-	3,000
Issued on acquisition of a subsidiary	-	959,220,437	-	9,592
Exercise of share options	104,000,000	10,000,000	1,040	100
Conversion of preferred shares	10,077,930,000	-	100,779	-
At end of the period	13,493,846,027	3,311,916,027	134,938	33,119

On 12 April 2010, the Company announced its proposal to increase its authorised capital from HK\$50,000,000 (divided into 5,000,000,000 ordinary shares of HK\$0.01 each) to HK\$510,000,000 (divided into 6,000,000,000 preferred shares of HK\$0.01 each and 45,000,000,000 ordinary shares of HK\$0.01 each) by the creation of additional 6,000,000,000 preferred shares of HK\$0.01 each and 40,000,000,000 new Shares of HK\$0.01 each. A circular detailing the proposed capital increase was made on 3 May 2010. An ordinary resolution was duly passed at the extraordinary general meeting held on 25 May 2010 and the proposed increase in authorised capital of the Company was approved.

16. MATERIAL RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties, other than those disclosed elsewhere in these condensed consolidated financial statements, are disclosed below:

- (i) Storage fee of HK\$10,000 and rental of HK\$16,000 were paid to All Stern (HK) Limited in accordance with the terms negotiated between the related parties. Mr. Fung Yiu Fai, Peter and Ms. Lam Wing Ah are the common directors of the subsidiaries of the Company and the related company.
- (ii) Administration fee of HK\$22,000 paid to Yu Ming Property Management Limited was charged in accordance with the terms negotiated between the relevant parties. Mr. Fung Yiu Fai, Peter and Ms. Lam Wing Ah are the common directors of the subsidiaries of the Company and the related company.

17. SUBSEQUENT EVENTS

- (a) On 2 July 2010, the Company granted share options to certain individuals, which include certain Directors, to subscribe for a total of 268,000,000 ordinary shares of HK\$0.01 each of the Company at an exercise price of HK\$0.78 per share, under the share option scheme adopted pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 29 June 2010.

The share options granted included (i) 50,000,000 share options which are not subject to vesting and shall be exercisable for a period of five years from the date of grant; and (ii) 218,000,000 share options which are subject to vesting and shall be exercisable for a period of five years after vesting.

Among the total of 218,000,000 share options which are subject to vesting, approximately one-third of the total number shall vest on the first anniversary of the date of grant, approximately one-third of the total number shall vest on the second anniversary of the date of grant and approximately one-third of the total number shall vest on the third anniversary of the date of grant.

Details of the grant of share options are set out in the Company's announcement on 4 July 2010.

- (b) On 8 July 2010 and 9 July 2010, 178,082,191 and 1,157,960,625 redeemable convertible preferred shares of the Company were converted into 433,145,689 and 2,816,484,069 ordinary shares of the Company, respectively. Upon the conversion of these redeemable convertible preferred shares, the Company did not have any outstanding redeemable convertible preferred shares.

- (c) On 28 July 2010, the Company and Lead Ahead entered into a supplemental deed, pursuant to which the parties agreed that, subject to the fulfilment of the conditions of the supplemental deed, the terms of the conditional supplementary agreements, the details of which are set out in the circular of the Company date 3 May 2010, in respect of the issue of the convertible bonds shall be amended. Pursuant to the supplemental deed, the Company will be entitled to issue to Lead Ahead the convertible bonds whereas Lead Ahead will not be entitled to demand the issue of the convertible bonds. Details of the supplemental deed are set out in the Company's announcement on 28 July 2010.

INTERIM DIVIDEND

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Directors	Capacity	Interests	% of total issued Shares
Li Ning (<i>Note</i>)	Interest in controlled corporation	17,437,202,897	129.22
Li Chun (<i>Note</i>)	Interest in controlled corporation	17,437,202,897	129.22
Ng Sau Kei, Wilfred	Beneficial owner	17,000,000	0.13
Ip Shu Kwan, Stephen	Beneficial owner	400,000	0.00

Note:

Lead Ahead Limited is owned as to 60% by Mr. Li Ning and 40% by his brother, Mr. Li Chun. The 17,437,202,897 Shares in which Lead Ahead Limited is interested comprises (i) 10,077,984,094 Shares held by Lead Ahead Limited as at 30 June 2010; (ii) 3,249,629,762 Shares to be issued and allotted upon conversion of the remaining preferred shares held by Lead Ahead Limited and (iii) 4,109,589,041 Shares representing the Shares to be issued upon conversion of the convertible bonds held by it.

Save as disclosed above, none of the Directors nor the chief executives of the Company had, as at 30 June 2010, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2010, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or was deemed to have, an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or substantial shareholders as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Interests (Note 1)	% of total issued Shares
Blue Bright Limited ("Blue Bright") (Notes 2, 8)	Beneficial owner	914,202,374	6.77
Well Harvest Properties Limited ("Well Harvest") (Notes 2, 3, 4, 9)	Interest in controlled corporation	914,202,374	6.77

Name of Shareholders	Capacity	Interests (Note 1)	% of total issued Shares
Fung Wing Cheung, Tony ("Mr. Tony Fung") (Note 3)	Interest in controlled corporation	914,202,374	6.77
Fairmate Investment Limited ("Fairmate") (Notes 4, 10)	Interest in controlled corporation	914,202,374	6.77
Axenia Holdings (PTC) Limited ("Axenia") (Notes 4, 10)	Interest in controlled corporation	914,202,374	6.77
Fung Yee Kei, Kay ("Miss Kay Fung") (Note 4)	Interest in controlled corporation	914,202,374	6.77
Fung Yee Ling, Lynn ("Ms. Lynn Fung") (Notes 5, 6, 7)	Interest in controlled corporation	914,202,374	6.77
Leung's Holdings Limited ("Leung's Holdings") (Note 5)	Beneficial owner	950,000,000	7.04
Leung Hin Ting (Note 6)	Interest in controlled corporation	950,000,000	7.04
Tang Yuk Yee (Note 7)	Interest in controlled corporation	950,000,000	7.04
Lead Ahead Limited (Note 11)	Beneficial owner	17,437,202,897	129.22
Li Chun (Note 11)	Interest in controlled corporation	17,437,202,897	129.22
Li Ning (Note 11)	Interest in controlled corporation	17,437,202,897	129.22

Notes:

1. This represented the number of Shares over which the Shareholders, directly or indirectly, exercise control.
2. Blue Bright was the registered holder of the Shares, and was a wholly-owned subsidiary of Well Harvest.
3. 60% of the issued share capital of Well Harvest was owned by Mr. Tony Fung.
4. 40% of the issued share capital of Well Harvest was owned by Fairmate and Fairmate was a wholly owned subsidiary of Axenia. 50% of the issued share capital of Axenia was owned by Miss Kay Fung. 50% of the issued share capital of Axenia was owned by Ms. Lynn Fung.
5. Leung's Holdings was the registered holder of the Shares.
6. 40% of the issued share capital of Leung's Holdings was owned by Mr. Leung Hin Ting. Ms. Tang Yuk Yee is the spouse of Mr. Leung Hin Ting.
7. 40% of the issued share capital of Leung's Holdings was owned by Ms. Tang Yuk Yee. Mr. Leung Hin Ting is the spouse of Ms. Tang Yuk Yee.
8. Mr. Tony Fung was also a director of Blue Bright.
9. Mr. Tony Fung was also a director of Well Harvest.
10. Miss Kay Fung was also a director of Fairmate and Axenia respectively.
11. Lead Ahead Limited was owned as to 60% by Mr. Li Ning and 40% by his brother, Mr. Li Chun. The 17,437,202,897 Shares in which Lead Ahead Limited was interested comprises (i) 10,077,984,094 Shares held by Lead Ahead Limited as at 30 June 2010; (ii) 3,249,629,762 Shares to be issued and allotted upon conversion of the remaining preferred shares held by Lead Ahead Limited; and (iii) 4,109,589,041 Shares representing the Shares to be issued upon conversion of the convertible bonds held by it.

As at 30 June 2010, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had, or was deemed or taken to have an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or substantial shareholders as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above and note 14 to the unaudited condensed consolidated financial statements in this report, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective associates, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company on 8 April 2002, the Company adopted a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations in compliance with the amended Chapter 23 of the GEM Listing Rules. Eligible participants of the Old Scheme include the Company's directors, independent non-executive directors, other employees of the Group, consultants, suppliers of goods or services to the Group, customers of the Group, and any minority shareholder in the Company's subsidiaries. The Old Scheme became effective on 18 April 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

On 29 June 2010, the Company passed an ordinary resolution to terminate the Old Scheme and adopted a new share option scheme (the "New Scheme") for the purpose of providing incentives to participants to contribute to the Group and/or to enable the Group to recruit high-calibre employees and/or attract human resources that are valuable to the Group. Participants of the New Scheme include employee, officer, agent, consultant, business associate or representative of the Company or any Subsidiary or otherwise contributes to the success of the Group, including any executive, non-executive or independent non-executive director of the Company or any Subsidiary who, as the Board or a committee comprising Directors and members of the senior management of the Company (the "Committee") (as the case may be) may determine in its absolute discretion, is regarded as valuable human resources of the Group based on his work experience, knowledge in the industry and other relevant factors, and subject to such conditions as the Board or the Committee (as the case may be) may think fit. The New Scheme will remain in force for period of ten years commencing on the 29 June 2010.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movements of share options of the Company during the period are as follows:

	Date of grant of share options	Exercise price HK\$	Number of share options					Balance as at 30.6.2010
			Balance as at 1.1.2010	Granted during the period	Exercised during the period	Cancelled during the period	Reclassified during the period	
<i>Former directors of the Company (note)</i>								
Mr. Wang Yinan	21.10.2009	0.154	70,000,000	-	-	-	(70,000,000)	-
Ms. Lam Wing Ah	24.7.2008	0.092	10,000,000	-	-	-	(10,000,000)	-
Mr. Leung King Yue, Alex	24.7.2008	0.092	20,000,000	-	-	-	(20,000,000)	-
			100,000,000	-	-	-	(100,000,000)	-
<i>Other employees</i>								
In aggregate	24.7.2008	0.092	20,000,000	-	-	-	-	20,000,000
<i>Consultants</i>								
In aggregate	24.7.2008	0.092	60,000,000	-	(60,000,000)	-	30,000,000	30,000,000
In aggregate	07.10.2009	0.156	2,000,000	-	(2,000,000)	-	-	-
In aggregate	22.10.2009	0.157	30,000,000	-	(30,000,000)	-	-	-
In aggregate	21.10.2009	0.154	-	-	-	-	70,000,000	70,000,000
In aggregate	24.12.2009	0.128	12,000,000	-	(12,000,000)	-	-	-
			104,000,000	-	(104,000,000)	-	100,000,000	100,000,000
			224,000,000	-	(104,000,000)	-	-	120,000,000

Note: Mr. Wang Yinan, Ms. Lam Wing Ah and Mr. Leung King Yue, Alex resigned as Directors on 23 June 2010 and remained as employees of the Group.

At the end of the reporting period, the Company had 120,000,000 share options outstanding under the Old Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 120,000,000 additional ordinary shares of the Company and additional share capital of HK\$1,200,000 and share premium of HK\$14,180,000 (before issue expenses).

At the end of the reporting period, the Company had no share options outstanding under the New Scheme.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "Code"). The Company has made specific enquiry of all Directors, and the Directors have confirmed compliance with the Code during the Interim Period.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 15 of the GEM Listing Rules throughout the Interim Period, except the following deviation:

Code provision A.4.1

The code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for specific terms, subject to re-election. During the Interim Period, the Company had deviated from this provision in that all independent non-executive directors were not appointed for specific terms. They were, however, subject to retirement by rotation at least once every three years in accordance with the Company's articles of association.

At the date of this report, all the directors (including the non-executive directors and independent non-executive directors) have entered into service agreements with the Company with specific terms.

NOMINATION COMMITTEE

The Company's nomination committee has two members. The terms of reference of the nomination committee have been determined with reference to the CG Code.

The nomination committee is responsible for identifying potential new Directors and recommends to the Board for decision. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment. Under the articles of association of the Company, all Directors are subject to retirement by rotation and re-election by shareholders every three years. Potential new Directors are selected on the basis of their qualifications, skill and experience which the nomination committee considers will make a positive contribution to the performance of the Board.

During the Interim Period, the nomination committee comprised the following members:

Name	Date of appointment	Date of resignation
Mr. Chan Ling	2 June 2010 (appointed as Chairman of nomination committee on 23 June 2010)	–
Mr. Ma Wing Man	2 June 2010	–
Ms. Lam Tak Yee	–	23 June 2010 (resigned as Chairman of nomination committee)
Mr. Ma Man Pong	–	23 June 2010

REMUNERATION COMMITTEE

The Company established a remuneration committee on 1 August 2005 with written terms of reference. During the Interim Period, the remuneration committee comprised the following members:

Name	Date of appointment	Date of resignation
Mr. Ip Shu Kwan, Stephen	2 June 2010 (appointed as Chairman of remuneration committee on 23 June 2010)	–
Mr. Ng Sau Kei, Wilfred	2 June 2010	–
Mr. Johnny Chen	2 June 2010	–
Mr. Chan Ling	2 June 2010	–
Mr. Tang Chi Chung, Matthew	–	23 June 2010 (resigned as Chairman of remuneration committee)
Mr. Chee Man Sang, Eric	–	23 June 2010
Ms. Lam Tak Yee	–	23 June 2010

The written terms of reference include the specific duties of making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, having the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management and making recommendations to the Board of the remuneration of the non-executive Directors.

AUDIT COMMITTEE

The Company's audit committee was formed on 17 March 2000 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's internal control procedures, annual reports, financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. During the Interim Period, the audit committee comprised the following members:

Name	Date of appointment	Date of resignation
Mr. Johnny Chen	2 June 2010 (appointed as Chairman of audit committee on 23 June 2010)	–
Mr. Ip Shu Kwan, Stephen	2 June 2010	–
Mr. Ng Sau Kei, Wilfred	2 June 2010	–
Mr. Ma Wing Man	2 June 2010	–
Mr. Chee Man Sang, Eric	–	23 June 2010 (resigned as Chairman of audit committee)
Mr. Tang Chi Chung, Matthew	–	23 June 2010
Ms. Lam Tak Yee	–	23 June 2010

The audit committee currently comprises three independent non-executive directors namely Mr. Johnny Chen, Mr. Ip Shu Kwan, Stephen and Mr. Ng Sau Kei, Wilfred and one non-executive director, Mr. Ma Wing Man. The audit committee has reviewed the unaudited consolidated interim results of the Group and has provided advice and comments thereon.

DISCLOSURE ON CHANGE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

On 13 August 2010, the Company entered into service agreements with each of the Directors. Details of the service agreements are set out below:

The service agreement entered into with Mr. Li Ning has a term of three years from the date of his appointment and will be subject to retirement by rotation in accordance with the articles of associations of the Company. Pursuant to the terms of his service agreement with the Company, Mr. Li is entitled to an annual director's fee of HK\$150,000 and fixed annual salary of HK\$5,000,000 which has been determined by the Board with reference to his duties and experience. Mr. Li's remuneration shall be reviewed annually by the Board or, if appropriate, by the Remuneration Committee of the Board.

The service agreement entered into with Mr. Li Chunyang has a term of three years from the date of his appointment and will be subject to retirement by rotation in accordance with the articles of associations of the Company. Pursuant to the terms of his service agreement with the Company, Mr. Li is entitled to an annual director's fee of HK\$150,000 and fixed annual salary of HK\$600,000 which has been determined by the Board with reference to his duties and experience. Mr. Li's remuneration shall be reviewed annually by the Board or, if appropriate, by the Remuneration Committee of the Board.

The service agreement entered into with Mr. Chan Ling has a term of three years from the date of his appointment and will be subject to retirement by rotation in accordance with the articles of associations of the Company. Pursuant to the terms of his service agreement with the Company, Mr. Chan is entitled to an annual director's fee of HK\$150,000 and fixed annual salary of HK\$1,000,000 which has been determined by the Board with reference to his duties and experience. Mr. Chan's remuneration shall be reviewed annually by the Board or, if appropriate, by the Remuneration Committee of the Board.

The service agreement entered into with Mr. Warren Lee Wa Lun has a term of three years from the date of his appointment and will be subject to retirement by rotation in accordance with the articles of associations of the Company. Pursuant to the terms of his service agreement with the Company, Mr. Lee is entitled to an annual director's fee of HK\$150,000 and such additional fees or other remuneration in respect of any special services agreed by the parties to be rendered by Mr. Lee as the parties may from time to time agree.

The service agreements entered into with each of Mr. Li Chun and Mr. Ma Wing Man have a term of one year from the dates of their appointments and will be subject to retirement by rotation in accordance with the articles of associations of the Company. Pursuant to the terms of their service agreements with the Company, each of Mr. Li and Mr. Ma is entitled to an annual director's fee of HK\$150,000 and such additional fees or other remuneration in respect of any special services agreed by the parties to be rendered by each of them as the parties may from time to time agree.

The service agreements entered into with each of Mr. Ng Sau Kei, Wilfred, Mr. Ip Shu Kwan, Stephen, Mr. Johnny Chen have a term of three years from the dates of their appointments and will be subject to retirement by rotation in accordance with the articles of associations of the Company. Pursuant to the terms of their service agreements with the Company, each of Mr. Ng, Mr. Ip and Mr. Chen is entitled to an annual director's fee of HK\$200,000 and such additional fees or other remuneration in respect of any special services agreed by the parties to be rendered by each of them as the parties may from time to time agree.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 30 June 2010, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

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

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

By order of the Board
Coolpoint Energy Limited
Li Ning
Chairman and Executive Director

Hong Kong, 13 August 2010

Executive Directors:

Mr. Li Ning (*Chairman*)
Mr. Li Chun Yang
Mr. Chan Ling
Mr. Warren Lee Wa Lun

Non-executive Directors:

Mr. Li Chun
Mr. Ma Wing Man

Independent Non-executive Directors:

Mr. Ng Sau Kei, Wilfred
Mr. Ip Shu Kwan, Stephen
Mr. Johnny Chen