CHINA BEST
國華集團

CHINA BEST GROUP HOLDING LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 370)

Annual Report **2008**

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Ma Jun Li *(Chairman)*
Mr. Ng Tang *(Deputy Chairman)*
Mr. Zhang Da Qing *(Chief Executive Officer)*
Mr. Ren Zheng
Ms. Cheung Hoi Ping

Independent Non-Executive Directors

Ms. Chung Kwo Ling
Mr. Sun Yeung Yeung
Mr. Chan Ngai Sang Kenny

Company secretary

Mr. Ho Wing Kuen

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Rm. 3405, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Auditors

SHINEWING (HK) CPA Limited
16/F., United Centre,
95 Queensway,
Hong Kong

Principal Banker

HSBC

Principal Share Registrars and Transfer Office

Butterfield Corporate Services Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrars and Transfer Office

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Wednesday, 27 May, 2009 to Tuesday, 2 June, 2009 (both days inclusive), during which period no transfer of shares will be registered.

Chairman's Message

In 2008, the Group continued to develop its core business of raw coal mining and coke manufacturing amid volatile market conditions throughout the year.

For the first half of the year, the operation of Shanxi Changxing, a subsidiary with coke production capacity of 600,000 tons, has been gradually improving, evidenced by the enhanced management effectiveness and operating efficiency as well as a surge in its share of the coke market. However, in response to the calls for reducing the emission of pollutants during the Beijing Olympic Games, the production of coke was cut down in July and August and thus both of our normal operation and production efficiency suffered. Meanwhile, the slump in the market price of coke was a further blow to the Group by turning gross profits into gross losses. Followed by the sweep of the global financial turmoil since October, Shanxi Changxing recorded a substantial loss in operation, which prompted material changes in strategies in November 2008.

Moreover, the global economic recession severely dampened down the investment in the stock market in the second half of the year and further caused significant loss to the Group.

Finally, the freight forwarding business also encountered erratic changes throughout the year and the impact on the U.S. market was the most obvious as it was particularly hard hit by the global financial turmoil.

Although the Group experienced a challenging year in 2008, it continued to develop the raw coal mining and coke manufacturing business as its core business and to explore actively the investment opportunities for expanding into the upstream mineral resources and the downstream coal based chemical processing industry, with an aim of becoming a leading "integrated holistic" coke-producing enterprise in China.

In order to further invest in other coal businesses in China, on 3 March 2008, the Group signed a letter of intent on co-operation with an independent party, Asset Rich International Limited ("Asset Rich"), whereby the Group shall acquire the equity interests of and become a controlling shareholder of ChongHou Energy Resources Limited ("ChongHou"), which was then a member of the Asset Rich Group. According to the letter of intent on co-operation, on 27 November 2008, the Group entered into a definitive sales and purchase agreement with Asset Rich to acquire 60% equity interests in ChongHou, which was a member of the Asset Rich Group and holds 60% equity interests in Inner Mongolia Qipangjing Mining Co., Ltd. and Inner Mongolia Qipanjing Coking Co., Ltd..

On 22 April 2008, the Group entered into a definitive underwriting agreement with KCG Securities Asia Limited for an open offer and successfully raised HK$220 million therefrom. Together with the amount of approximately HK$100 million raised from the top-up placing on 11 July 2008 and the funding from the American funds, the Group has strengthened its sources of funding for merger and acquisitions.

In November 2008, the Group commenced its strategic business restructuring. In addition to transferring its interests in the freight forwarding business in Shanghai, on 27 November 2008, the Group entered into a definitive sales and purchase agreement with Profit Firm in respect of the disposal of the entire equity interests in Funeway Investments Limited, a wholly-owned subsidiary of the Group engaging in the production of coke and holding 51% equity interests in Shanxi Changxing Yuci Coking Co., Limited.

The Group's development for this year can be marked by the divestment of its debt-burdened and heavy loss-making Shanxi Changxing, as well as the acquisition of the good-tracking Qipanjing Mining. The acquisition allowed the Group to immediately benefit from the profit contributions from Qipanjing Mining thereafter. Further, by rightsizing its freight forwarding business, the Group can allocate more resources for developing the raw coal mining and coke manufacturing business as its core business.

Chairman's Message

FUTURE PROSPECT

In 2008, the Group consolidated its foundation through restructuring its existing and newly-acquired businesses. It is expected that the acquisition of Qipanjing Mining is to be completed in mid-2009 and the Group can share the profit contribution in the second half of the year, preparing for a promising future of the Group after the financial turmoil. With its first successful step to acquire the coalmine, the Group is committed to speed up its further acquisitions through its good relationship with government and the business sector and expand its streams of revenue to raw coal, clean coal, coke and chemical products and so forth. The Group also aims at strengthening its raw coal and coke business portfolio under a coordinated process involving coalmines, coal washing plants, coke plants and chemical plants, as well as expanding its business into other provinces with coal reserves in the PRC, like Inner Mongolia.

The Group anticipates that the price of raw coal and coke may inevitably fluctuate in the short-run, but, in long term it will resume a steady uptrend, thus the Group is confident in the prospects of raw coal and coke as important energy resources. Although the global economy deteriorated rapidly last year, it is expected that the China economy can maintain a continuous growth this year. Along with the relaxation of macroeconomic controls in the PRC, the development of the domestic steel and other related industries such as car manufacturing, as well as the reconstruction of infrastructures in areas suffered from the snow storm and earthquake will sustain the demand in the raw coal and coke industry. The Group will continue to develop raw coal mining and coke manufacturing business as its core business, and actively explore other investment and cooperation opportunities in order to consolidate its coke business portfolio.

Ma Jun Li
Chairman

Hong Kong, 9 April 2009

Management Discussion and Analysis

The consolidated turnover of the Group amounted to HK$448,920,000 for the year ended 31 December 2008 (year ended 31 December 2007: HK$288,863,000). Total gross profit/(loss) was approximately (HK$21,524,000) gross loss (year ended 31 December 2007: HK$8,617,000 gross profit). For the year ended 31 December 2008, the Group recorded total expenses after exclusion of gain on de-consolidation of subsidiaries HK$244,809,000 (net of other operating income) amounts to HK$210,318,000 (year ended 31 December 2007: HK$90,014,000) and net profit/(loss) before Minority Interest HK$12,967,000 (year ended 31 December 2007: (HK$81,397,000) loss). Finally, the net profit/(loss) after Minority Interest was approximately HK$12,967,000 (year ended 31 December 2007: HK$81,547,000).

BUSINESS REVIEW

Coke Business

The turnover of the Group's coke business was approximately HK$433,352,000 for the year ended 31 December 2008 (year ended 31 December 2007: HK$272,098,000). The gross profit/loss was approximately HK$25,380,000 gross loss (year ended 31 December 2007: HK$4,453,000 gross profit).

On 27 November 2008, the Company entered into an S&P Agreement to dispose the Funeway Group and obtained a gain on de-consolidation of subsidiaries HK$244,809,000.

Freight Forwarding Business

The turnover of the Group's international forwarding agency business was HK$14,938,000 (year ended 31 December 2007: HK$16,765,000), representing a decrease of 10.90% as compared to the previous year. Total gross profit was HK$3,257,000, (year ended 31 December 2007: HK$4,160,000), a decrease of HK$903,000 comparing with the previous year.

The Group's freight forwarding business was stabilized though international freight forwarding business had still faced the keen competition and surged oil price in 2008.

Securities Investment

The total transaction volume of the Group's securities investment business was HK$181,775,000 (year ended 31 December 2007: HK$959,565,000), representing a decrease of 81.06% as compared to the previous year. The realised and unrealised loss on a fair value adjustment of was HK$72,124,000 for investments held for trading during the year under review (year ended 31 December 2007: HK$71,522,000).

Management Discussion and Analysis

LIQUIDITY AND CASHFLOW RESOURCES

The gearing ratio is greatly improved to zero (31 December 2007: 4.41) and the current ratio significantly increased from 0.71 to 2.43. The calculation of gearing ratio is based on interest bearing borrowings of Nil (31 December 2007: HK$131,360,000) and the shareholders' equity of HK$364,418,000 (31 December 2007: HK$29,813,000) at the balance sheet date. The calculation of current ratio is based on the current assets of HK$93,135,000 (31 December 2007: HK$294,867,000) and the current liabilities of HK$38,266,000 (31 December 2007: HK$414,754,000) at the balance sheet date.

On 22 April 2008, the Group entered into an open offer underwriting agreement with KCG Securities Asia limited to raise approximately HK$223,000.000. Open offer of 3,102,993,076 offer Shares to qualifying Shareholders on the basis of one offer share for every two shares held on the record date at HK$0.075 per offer share was successful and over 77% of qualifying Shareholders accepted the open offer indicate their confidence over the Group.

On 30 June 2008, the Group also entered into a top-up placing agreement with the major substantial shareholder, Best Chance Holdings Limited and placing agent, KCG Securities Asia limited for issuing 1,240,000,000 shares at a subscription price HK$0.082 to successfully raise approximately HK$98,000,000 of those interested investors.

We believe the funds raised from both the open offer and top-up placing can strengthen our financial position enable the Company to have sufficient and readily available financial resources for both general working capital purpose and feasible acquisition of the proposed investment in the coal or coke industry in the PRC may encounter or contemplate in the future.

Finally, we successfully met the short term capital requirement by open offer and top-up placing. Famous strategic partners and investors such as Japan Assets Manager Funds and Harbinger Group of USA were attracted to become our substantial shareholders.

PLEDGE OF ASSETS

At the balance sheet date, the Group had no pledged assets (31 December 2007: HK$275,363,000) to banks for securing general banking facilities for the Group and the post-dated bills payable.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

For the year under review, the Group incurred a total capital expenditure of HK$61,250,000 (year ended 31 December 2007: HK$24,829,000), which was funded by its own financial resources and bank borrowings. Of which, approximately HK$53,573,000 was spent on development of the production facilities in Shanxi, Mainland China, approximately HK7,426,000 for acquisition of investment property in Beijing and the balance of HK$251,000 mainly on furniture & fixtures/office equipment in other areas.

At the balance sheet date, the Group's capital commitment for contracts made for the very substantial acquisition of investment of subsidiaries but not provided in the financial statements was HK$432,291,000.

Management Discussion and Analysis

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong dollars, US dollars and Renminbi. During the year, there was no significant fluctuation in the exchange rates of the Hong Kong dollars and US dollars. The appreciation in the currency value of the Renminbi may have some impact especially for the joint venture in PRC. The Group will take a prudent approach for this impact but do not engage in any derivative activities and not commit to any financial instruments to hedge its balance sheet exposure in 2008.

CHANGE OF DIRECTORSHIP

On 21 August 2008, Mr. Chan Ngai Sang, Kenny was appointed as independent non-executive director of the Company for the resignation of our independent non-executive director, Mr. Lee Yuen Kwong.

On 20 January 2009, Mr. Zhang Jun was resigned as executive director of the Company.

EMPLOYEE AND HUMAN RESOURCES POLICY

The Group had approximately 32 staff at 31 December 2008 (31 December 2007: 530). The Group is well acquainted with the importance of the maintaining high calibre and competent employees by implementing a strict recruitment policy accordingly. The remuneration of employees included discretionary bonuses and shares options to staff in order to instil a place of loyalty of the Company. The total staff cost incurred for the year ended 31 December 2008 was approximately HK$10,027,000 (year ended 31 December 2007: HK$17,110,000).

BUSINESS PROSPECT

The Group is principally engaged in coke processing, international air and sea freight forwarding and the provision of logistics services as well as trading of securities. In order to strengthen the core business – coal and coke processing, we continue to dig out investment opportunities and select strategic partners for business development especially in this recovery of economic environment.

Furthermore, we will also develop our business to be the leader of the newly growing business coke processing. The Group had decided to strengthen the financial position and re-locate more resources to occupy our unique market position in China especially in Shanxi and Inner Mongolia. Through our group's international exposure in management & financing, and followed the National policy of PRC, we are confident to develop successful business model to obtain high contribution and stable revenue from coal mining and coke processing in the future.

Recent development

On 3 March 2008, the Group entered into a non-legally binding memorandum of understanding ("MOU") with Asset Rich International Limited for the possible acquisition of an equity interest in a coal mining and a coke processing venture, namely, Inner Mongolia Qipanjing Mining Co., Ltd. and Inner Mongolia Qipanjing Coking Co., Ltd. respectively. The Board is pleased to announce that on 27 November 2008, Clearmind, a wholly-owned subsidiary of the Company, entered into the Possible Acquisition Agreement with Asset Rich at the consideration of HK$720 Million of which HK$305 Million refundable deposit paid to acquire 60% interest of ChongHou Energy.

Management Discussion and Analysis

ChongHou Energy Investment Limited owned 60% interest of Inner Mongolia Qipanjing Mining Co., Ltd. ("Qipanjing Mining") and of which indirectly owned Inner Mongolia Qipanjing Coking Co., Ltd. ("Qipanjing Coking"). Qipanjing Mining is a sino-foreign joint venture company which is principally engaged in the coal mining, and production and sale of coals. It owns three coalmines with total annual production capacity of approximately 1.80 million tonnes. The total coalfield area covered approximately 6.769 km^2 and the types of coal within the coalfield is 1/3 coking coal.

Qipanjing Coking is a wholly-owned subsidiary of Qipanjing Mining and the principal businesses of which are coal clean and coke processing. Qipanjing Coking owns a tamping coke furnace with annual production volume of approximately 0.25 million tonnes and a dense media coal washing plant with annual production volume of 1.20 million tonnes.

Although the market of coal and coke industry has been seriously affected by the recent global economic recession, the Board considered that there was a adverse indication for the recent sharp drop trend of coal and coking price.

Short-term strategy

At the first stage of re-structure, the Board reduced the scale in the business activities of freight forwarding by transfer out the equity interest in the associated company, Shanghai International Airlines Services Co. Limited at a consideration of RMB4 Million in November 2008. It will help to concentrate the Group's resources on the development of its core principal activities coal mining and coke processing in PRC.

At the second stage of re-structure, the Board is pleased to announce that on 27 November 2008, the Company entered into the Possible Disposal Agreement with Profit Firm whereby the Company was conditionally agreed to sell the entire interest in Funeway at a consideration of HK$15 Million of which full amount be received. The Group has decided to restructure its coke processing factories in PRC and acquire coal mining plants.

Long-term strategy

The Group has planned to be the leader of the newly growing business coke processing especially in Inner Mongolia and Shanxi of the PRC. With comparative advantages such as contemporary international management exposure and financing experience plus deeply understanding the trend of coal & coking business for PRC National policy, the Group is confident to develop a successful business model to obtain high growth rate and stable revenue from coke processing in the future.

Although the stringent environmental legislations and recent Global Financial Crunch may have impact for the industry, the PRC still maintains as an economic region with stable continuous health growth. The future development prospect of coal and coke industry in the PRC is considered to be optimistic because the increase of internal demand of the PRC economy will stimulate the demand of mobile vehicles in the villages. In view of snow disasters in Southern China and the earthquake in Siuchuen, basic infrastructure and re-development are required and this will boom the steel market. Furthermore some favourable macro national policies of the PRC help to recover from the Financial Tsunami. It is expected China will be the one who will be the first recovered economy after the Global Financial Crisis. It is also a great opportunity for us to strengthen our core business activities after the start of purchasing coal mines and development of our coal reserves which considered to be invaluable scarcity of energy resource in the future.

Corporate Governance Report

The board of directors ("Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2008.

The manner in which the principles and code provisions in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") are applied and implemented are explained in the following parts of this Corporate Governance Report:

CORPORATE GOVERNANCE PRACTICES

The Group strives to attain and maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Group's corporate governance principles emphasize a quality Board, effective internal control and accountability to shareholders.

The Board of the Company believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence.

The Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") sets out the principles of good corporate governance ("Principles") and two levels of corporate governance practices:

(a) code provisions which listed issuers are expected to comply with or to give considered reasons for any deviation; and

(b) recommended best practices for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the CG Code.

Throughout the year ended 31 December 2008, the Company has complied with the code provisions set out in the CG Code, save for the deviations from code provision A.4.1 which is explained in the relevant paragraph in this Report.

The Company has also put in place certain Recommended Best Practices as set out in the CG Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the CG Code and align with the latest developments.

Corporate Governance Report

BOARD OF DIRECTORS

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the best interests of the Company.

The Board sets policy direction and approves strategies/operational plans to ensure effective functioning and growth of the Company, in the interests of all shareholders.

Every director shall ensure that he carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Company ad its shareholders at all times.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

DELEGATION OF MANAGEMENT FUNCTIONS

The Board undertakes responsibility for decision making in major Company matters, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has the full support of the Chief Executive Officer and the senior management to discharge its responsibilities.

BOARD COMPOSITION

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgement.

The Board currently comprises 8 members, consisting of 5 executive directors and 3 independent non-executive directors.

The list of all directors is set out under "Corporate Information" on page 2 and all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Members of the Board are unrelated to one another.

During the year ended 31 December 2008, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functions. Independent non-executive directors are invited to serve on the Audit, Nomination, Risk Management and Remuneration Committees of the Company.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. Details of the Nomination Committee and its works performed during the year ended 31 December 2008 are set out in the "Board Committees" section below.

In accordance with the Company's Bye-laws which were amended by a special resolution at the annual general meeting held on 30 May 2007 for the purpose of compliance with the CG Code, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Although the non-executive directors are not appointed for a specific term, all directors of the Company are subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to the Company's Bye-laws.

TRAINING FOR DIRECTORS

Each newly appointed director receives a comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Continuing briefings and professional development to directors will be arranged whenever necessary.

Board Meetings

Number of Meetings and Directors' Attendance

During the year ended 31 December 2008, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Most important resolutions agreed in Board meeting had already been made by all directors including both executive and independent non-executive directors; therefore, no Risk Management Committee were held for the year ended 31 December 2008.

The attendance records of each director at the meetings of the Board, Nomination Committee, Remuneration Committee, and Audit Committee during the year ended 31 December 2008 are set out below:

	Attendance/Number of Meetings			
Name of Directors	**Board Regular**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Ma Jun Li *(Chairman)*	4/4	1/1	1/1	–
Ng Tang *(Deputy Chairman)*	3/4	1/1	1/1	–
Zhang Da Qing *(Chief Executive Officer)*	4/4	–	–	–
Ren Zheng	4/4	–	–	–
Cheung Hoi Ping	4/4	–	–	–
Zhang Jun (Resigned from 20.1.2009)	4/4	–	–	–
Chung Kwo Ling	3/4	1/1	1/1	3/3
Sun Yeung Yeung	3/4	1/1	1/1	3/3
Lee Yuen Kwong (Resigned from 21.8.2008)	2/2	0/0	0/0	1/2
Chan Ngai Sang Kenny (Appointed on 21.8.2008)	0/1	–	–	1/1

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer and Company Secretary attend almost all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable period of time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

The Company's Bye-Laws also contain provisions requiring directors to abstain from voting (or not be counted in the quorum) at meetings for approving transactions in which such directors or any of their associates have material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

The positions of the Chairman and Chief Executive Officer are held by Ms. Ma Jun Li and Mr. Zhang Da Qing respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

BOARD COMMITTEES

The Board has established four committees, namely, Nomination Committee, Remuneration Committee, Risk Management Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee comprises 2 executive directors and 3 independent non-executive directors, namely Ms. Ma Jun Li as Chairman of the Committee and Mr. Ng Tang, Mr. Sun Yeung Yeung, Mr. Chan Ngai Sang Kenny and Ms. Chung Kwo Ling as members.

The principal duties of the Nomination Committee include:

- To review the structure, size and composition of the Board and make recommendations regarding any proposed changes;
- To develop and formulate relevant procedures for nomination and appointment of directors and senior management;
- To identify suitable candidates for appointment as directors and senior management;
- To make recommendations to the Board on appointment or re-appointment of and succession planning for directors and senior management; and
- To assess the independence of the independent non-executive directors.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships and senior management by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

During the year ended 31 December 2008, the Nomination Committee had reviewed the composition of the Board and nominated Zhang Da Qing to be appointed as our CEO and executive director of the Group for the Board's approval after carried out the above process of selecting.

The attendance records of the Nomination Committee are set out under "Board Committees Meetings" on page 12.

In accordance with the Company's Bye-laws, Ms. Ma Jun Li, Mr. Ng Tang and Ms. Chung Kwo Ling shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming 2009 annual general meeting.

The Nomination Committee recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee comprises five members, namely Ms. Ma Jun Li as Chairman of the Committee and Mr. Ng Tang, Mr. Sun Yeung Yeung, Mr. Chan Ngai Sang Kenny and Ms. Chung Kwo Ling as members. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the individual performance and the operating results of the Company as well as the market conditions and practice.

During the year ended 31 December 2008, the Remuneration Committee had reviewed the existing remuneration packages of each of Directors and recommend the new remuneration of CEO of the Group, Mr Zhang Da Qing, for the Board's approval.

The attendance records of the Remuneration Committee are set out under "Board Committees Meetings" on page 12.

The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior management and other related matters when needs arise. The Human Resources Division is responsible for collection and administration of the human resources data and making recommendations to the remuneration committee for consideration. The Remuneration Committee shall consult the Chairman and/or the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprises 3 executive directors and 3 independent non-executive directors, namely Ms. Ma Jun Li as Chairman of the Committee and Mr. Ng Tang, Mr. Zhang Da Qing, Mr. Sun Yeung Yeung, Mr. Chan Ngai Sang Kenny and Ms. Chung Kwo Ling as members. The Risk Management Committee primarily focuses on raising the level of management awareness of, and accountability for the business risks faced by the Group's business operations. In meeting its responsibilities, the Committee seeks to put in place policies and procedures to provide a framework for identification and management of risks.

The Risk Management Committee normally meets for prioritizing and accelerating those risk management strategies that are critical to the advancement of the Group's objectives and ensuring that sufficient resources and appropriate level of support from the management are allocated. The Risk Management Committee shall consult the Chairman and/or the Chief Executive Officer of the Company about the effectiveness of their recommendations and escalate to the Board of any risks relating to material transactions in the ordinary course of business and unusual transactions exceed the scope of principal business activities of the Group.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Ms. Chung Kwo Ling, Mr. Sun Yeung Yeung and Mr. Chan Ngai Sang Kenny. Among the committee members, two of them possess the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, internal auditor or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held three meetings during the year ended 31 December 2008 to review the financial results and reports, financial reporting and compliance procedures, report of Internal Auditor on the Company's internal control and risk management review and processes and the re-appointment of the external auditors.

The Company's annual results for the year ended 31 December 2008 has been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2008.

The Company also has established written guidelines on no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2008.

The directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory requirements and applicable accounting standards are complied with.

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent auditor's report" on page 28.

An analysis of the remuneration paid to the external auditors of the Company is shown on note 10 of the "Notes to Financial Statements" on page 58.

INTERNAL CONTROL

During the year under review, the Company engaged its auditors, SHINEWING (HK) CPA Limited to initiate an independent review covering the financial, operational, compliance and risk management aspects of the finance and major operational functions for the Group. Report from auditors were presented to and reviewed by the Audit Committee.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

The key elements of the Group's internal control system include the following:

- the organizational structure is clearly defined with distinct lines of authority and control responsibilities.
- a comprehensive financial accounting system has been established to provide for performance measurement indicators and to ensure compliance with relevant rules.
- the senior management shall prepare annual plans on financial reporting, operations and compliance aspects by reference to potential significant risks.
- unauthorized expenditures and release of confidential information are strictly prohibited.
- specific approval by executive director prior to commitment is required for all material matters.
- the management shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The Company continues to enhance communications and relationships with its investors. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

To promote effective communication, the Company maintains a website at www.cbgroup.com.hk, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDER RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-Laws. Details of such rights to demand a poll and the poll procedures were included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results will be published in newspapers on the business day following the shareholders' meeting at which voting is taking on a poll and posted on the websites of the Company and of the Stock Exchange.

Directors and Senior Management

Ms. Ma Jun Li
Chairman and Executive director
Aged 45. She was appointed as Executive director from 29 August 2003 and was elected as Chairman of the Board from 25 November 2005. Ms. Ma has extensive experience in corporate and administration management in both PRC and Hong Kong. Ms. Ma is the spouse of the former Chairman of the Company, Mr. Wang Jian Hua.

Mr. Ng Tang
Deputy Chairman and Executive director
Aged 47, appointed on 31 October 2001. He has over 15 years' experience in corporate management both in Hong Kong and the PRC. He graduated in The East China University of Politics and Law Department (中國華東政法學院法律專業(大專)) and was the manager of 中國汽工業進出口廈門公司 from early 1990 to August 1992. He was also appointed managing director of 中國汽車工業進出口(香港)有限公司 since May 1995. Mr. Ng is currently an executive director of China Nonferrous Metals Company Limited (Formerly named as "Sungreen International Holdings Limited").

Mr. Zhang Da Qing
Chief Executive Officer and Executive director
Aged 48, appointed on 5 June 2007, is an Executive Director and Chief Executive Officer of the Company. Mr. Zhang had worked in various departments of Air China Limited (中國國際航空公司) for many years and had abundant experience. Mr. Zhang was mainly responsible for the duties of management, administration and finance. Mr. Zhang has been appointed as a director of a subsidiary, Shanxi Changxing Yuci Coking Co., Limited (山西省榆次長興焦化有限公司) ("Shanxi Changxing") in August 2006 and then as an executive Director and chief executive officer on 5 June 2007.

Mr. Ren Zheng
Executive director
Aged 35, appointed on 6 November 2002. Mr. Ren graduated from the San Francisco State University in the United States with a Master degree of engineering. He is responsible of the business development of the Group in China.

Ms. Cheung Hoi Ping
Executive director
Aged 39. Ms. Cheung was appointed as an executive director of the Company on 29 August 2003. She has several years of experience in the field of education and finance business. She graduated from Harvard University, U.S.A. with a master degree in education.

Mr. Sun Yeung Yeung
Independent non-executive director
Aged 36. He has been appointed as an independent non-executive director and an audit committee member of the Company on 11th December 2003. Mr. Sun is the general manager of CITIC International Assets Management Limited responsible for business development. Prior to joining CITIC International Assets Management Limited since 2003, Mr. Sun was a manager in the Investment Banking division in CITIC Capital Markets Holdings Limited from 1999 to 2003 responsible for marketing and deal sourcing. Mr. Sun has over 9 years of experience in corporate finance. Mr. Sun has a Bachelor of Arts degree from the International Relations College in Beijing, PRC and a Master degree from the University of Central Lancashire in the United Kingdom.

Directors and Senior Management

Ms. Chung Kwo Ling

Independent non-executive director

Aged 36, appointed on 21 June 2000 as independent non-executive director and now as Audit Committee Member. She has over 11 years of experience in the PRC, Hong Kong and international trading business.

Mr. Chan Ngai Sang Kenny

Independent non-executive director

Aged 44, appointed on 21 August 2008 as an independent non-executive director and Audit Committee Member, is a partner and founder of Kenny Chan & Co., a firm of Certified Public Accountants. Mr. Chan has over twenty years experience in accounting, taxation, auditing and corporate finance and has participated in several merger and acquisition and initial public offering projects. Mr. Chan holds a Bachelor of Commerce degree from the University of New South Wales and is a member of the Institute of Chartered Accountants of New Zealand, The Association of International Accountants, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. Mr. Chan served as a committee member of the Association of International Accountants Hong Kong Branch.

Mr. Chan is appointed as an independent non-executive director of Goldmond Holding Limited and TSC Offshore Group Limited since January of 2002 and May of 2005 respectively, these Companies are listed on the Growth Enterprise Market in Hong Kong.

Mr. Wang Jian Hua

Group BOD Advisor

Aged 46. Mr. Wang Jian Hua is the former Chairman of the Company. He has extensive experience in investment and corporate management in the area of high-technology in the PRC. He was appointed as managing director of Beijing Zhongxie Tiandi Investment Consultant Company Limited (北京中協天地投資顧問有限公司) in August 1997. He has been involved in the investment of Beijing Zhongxie Tiandi Investment Consultant Company Limited (北京中協天地投資顧問有限公司) in Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited (北京市天橋北大青鳥科技股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and its shares are listed on the Shanghai Stock Exchange in the PRC and was appointed as director of the latter company since December 1998. He participated actively in the acquisition of Weifang Beida Jade Bird Huaguang Technology Company Limited (濰坊北大青鳥華光科技股份有公司) by Beijing Tianqias Beida Jade Bird Sci-Tech (北京市天橋北大青鳥科技股份有限公司) and was appointed as a director of Weifang Beida Jade Bird Huaguang Technology Company Limited (濰坊北大青鳥華光科技股份有限公司) in March 2000.

Mr. Ho Wing Kuen

Financial Controller and Company Secretary

Aged 47. He has over 22 years of experience in accounting and auditing and financial management. He holds a master degree in business administration and a degree in China Law. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its associate and principal subsidiaries are set out in notes 18 and 40, respectively, to the consolidated financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 30 of the annual report.

INVESTMENT PROPERTY

The Group's investment property at 31 December 2008 were revalued by an independent firm of professional property valuers on a fair value basis. Details of the investment property of the Group during the year are set out in note 17 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2008, in the opinion of the directors, the Company had no reserves available for distribution to shareholders (2007: Nil).

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Ms. Ma Jun Li *(Chairman)*
Mr. Ng Tang *(Deputy Chairman)*
Mr. Zhang Da Qing *(Chief Executive Officer)*
Mr. Ren Zheng
Ms. Cheung Hoi Ping
Mr. Zhang Jun *(resigned on 20 January 2009)*

Independent non-executive directors:

Ms. Chung Kwo Ling
Mr. Sun Yeung Yeung
Mr. Lee Yuen Kwong *(resigned on 21 August 2008)*
Mr. Chan Ngai Sang Kenny *(appointed on 21 August 2008)*

In accordance with the clauses 86(2) and 87(1) of the Company's Bye-laws, Ms. Ma Jun Li, Mr. Ng Tang and Ms. Chung Kwo Ling will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each independent non-executive director is the period up to his/her retirement by rotation in accordance with the Company's Bye-laws.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considers all of the independent non-executive directors are still independent.

DIRECTORS' INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES

As at 31 December 2008, the interests and short positions of the directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long position

Ordinary shares of HK$0.05 each

Name of directors		Capacity	Interest in shares	Percentage of the issued share capital of the Company
Ms. Ma Jun Li	*Note 1*	Deemed Interest	3,302,790,000	31.31%
Mr. Ng Tang	*Note 2*	Interest by attribution	46,296,000	0.44%
Mr. Ren Zheng		Beneficial owner	2,000,000	0.02%

Notes:

1. The shares represent deemed interest of Ms. Ma Jun Li by virtue of her spouse, Mr. Wang Jian Hua, being a substantial shareholder of the Company having a notifiable interest in the Company of such 3,170,808,000 shares were held by Best Chance Holdings Limited. By virtue of the SFO, Mr. Wang Jian Hua holding more than one third of voting rights of Best Chance Holdings Limited. Furthermore, 131,982,000 shares are held and beneficially owned by Mr. Wang Jian Hua.

2. 46,296,000 shares were held by Power Win Group Limited. By virtue of the SFO, Mr. Ng Tang holding more than one third of voting rights of Power Win Group Limited, was deemed to be interested in the same 46,296,000 shares held by Power Win Group Limited.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, as at 31 December 2008, none of the directors, nor their associates, had any interests or short positions in any shares, underlying shares or convertible bonds of the Company or any of its associated corporations.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in Note 33 to the consolidated financial statements.

The following table discloses movements in the share options of the Company during the year:

The 2002 Scheme

					Number of share options			
	Date of grant	Exercisable period	Adjustment exercise price *(Note)* Before	After	Outstanding as at 1.1.2008	Granted/ Exercised/ Surrendered/ Lapsed during the period	*(Note)* Open Offer Quantity adjustment during the period	Outstanding as at 31.12.2008
Other employees	5.10.2004	5.10.2004 to 5.10.2014	0.0712	0.0634	1,000,000	–	123,746	1,123,746
	26.9.2005	26.9.2005 to 25.9.2015	0.0830	0.0739	5,200,000	–	643,478	5,843,478
	20.8.2007	20.8.2007 to 20.8.2017	0.1410	0.1255	90,000,000	–	11,137,124	101,137,124
Sub-total					96,200,000	–	11,904,348	108,104,348
Other eligible persons	5.10.2004	5.10.2004 to 5.10.2014	0.0712	0.0634	25,000,000	–	3,093,645	28,093,645
	26.9.2005	26.9.2005 to 25.9.2015	0.0830	0.0739	301,000,000	–	37,247,492	338,247,492
	20.8.2007	20.8.2007 to 20.8.2017	0.1410	0.1255	121,000,000	–	14,973,244	135,973,244
	7.9.2007	7.9.2007 to 7.9.2017	0.1540	0.1370	60,000,000	–	7,424,749	67,424,749
	28.9.2007	28.9.2007 to 28.9.2017	0.1660	0.1477	20,000,000	–	2,474,916	22,474,916
Sub-total					527,000,000	–	65,214,046	592,214,046
Total					623,200,000	–	77,118,394	700,318,394

Note: Upon completion of the Open Offer to qualifying shareholders during the year, adjustments on the exercise prices and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the share options as disclosed in the above table were made on 17 June 2008 pursuant to the terms of the 2002 Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the option holdings above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO, other than the interests disclosed in "Directors' Interests in Shares and Short Positions in Shares", the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long position

Ordinary shares of HK$0.05 each of the Company

Name	Capacity	Interest in shares	Percentage of the Company's issued share capital
Mr. Wang Jian Hua	Controlled corporation *(Note 1)*	3,170,808,000	30.06%
	Beneficial owner	131,982,000	1.25%
Best Chance Holdings Limited	Beneficial owner *(Note 1)*	3,170,808,000	30.06%
Beida Jade Bird Universal Sci-Tech (Cayman) Development Company Limited	Security Interest *(Note 2)*	3,170,808,000	30.06%
Beijing Beida Jade Bird Universal Sci-Tech Company Limited	Security Interest *(Note 2)*	3,170,808,000	30.06%
Harbinger Capital Partners Special Situations Fund L.P.	Beneficial owner *(Note 3)*	1,496,904,667	14.19%
Harbinger Capital Partners Special Situations GP, LLC	Controlled corporation *(Note 3)*	1,496,904,667	14.19%
HMC-New York, Inc	Controlled corporation *(Note 3)*	1,496,904,667	14.19%
Harbert Management Corporation	Controlled corporation *(Note 3)*	1,496,904,667	14.19%
Harbert Raymond Jones	Controlled corporation *(Note 3)*	1,496,904,667	14.19%
Asset Managers (China) Fund Co., Ltd	Beneficial owner	766,110,376	7.26%

Name	Capacity	Interest in shares	Percentage of the Company's issued share capital
Asset Investors Co., Ltd.	Controlled corporation *(Note 4)*	766,110,376	7.26%
FR Holding Co., Ltd.	Controlled corporation *(Note 4)*	766,110,376	7.26%
Asset Managers Co., Ltd.	Controlled corporation *(Note 4)*	766,110,376	7.26%
Asset Managers (Asia) Company Limited	Controlled corporation *(Note 4)*	766,110,376	7.26%
Asset Managers International Co., Ltd.	Controlled corporation *(Note 4)*	766,110,376	7.26%
Asset Managers Holding Co., Ltd.	Controlled corporation *(Note 4)*	766,110,376	7.26%
Inchigo Asset Management International, Pte. Ltd.	Controlled corporation *(Note 4)*	766,110,376	7.26%

Notes:–

(1) 3,170,808,000 shares was held by Best Chance Holdings Limited. By virtue of the Securities of Futures Ordinance ("SFO"), Mr. Wang Jian Hua holding 100% of voting rights of Best Chance Holdings Limited was deemed to be interested in the same 3,170,808,000 shares of the Company.

(2) Best Chance Holdings Limited beneficially holding 3,170,808,000 shares in the Company has pledged all these shares to Beida Jade Bird Universal Sci-Tech (Cayman) Development Company Limited which was wholly owned by Beijing Beida Jade Bird Universal Sci-Tech Company Limited.

(3) Harbinger Capital Partners Special Situations Fund L.P. beneficially holding 1,496,904,667 shares in the Company was a wholly owned subsidiary of Harbinger Capital Partners Special Situations GP, LLC which was wholly owned by HMC – New York, Inc. HMC – New York, Inc. was a wholly owned subsidiary of Harbert Management Corporation which was owned as to 54.98% by Mr. Raymond Jones Harbert. By virtue of the SFO, the above corporations and individual were deemed to be interested in same block of 1,496,904,667 shares in the Company.

(4) Asset Managers (China) Fund Co., Ltd. beneficially holding 766,110,376 shares in the Company was owned as to 50% by Asset Investors Co., Ltd. and 50% by Asset Managers (Asia) Company Limited respectively.

Asset Investors Co., Ltd. was owned as to 50.1% by FR Holding Co., Ltd. which was a wholly owned subsidiary of Asset Managers Co., Ltd. Whereas Asset Managers (Asia) Company Limited was owned as to 70% by Asset Managers International Co., Ltd. Both of Asset Managers Co., Ltd. and Asset Managers International Co., Ltd. were wholly owned subsidiaries of Asset Managers Holdings Co., Ltd. which was owned as to 48.35% of Inchigo Asset Management International, Pte. Ltd. By virtue of the SFO, the above corporations were deemed to be interested in the same block of 766,110,376 shares in the Company.

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31 December 2008.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers for the year ended 31 December 2008 were less than 30% of the total sales. The aggregate purchase attributable to the Group's five largest suppliers for the year ended 31 December 2008 were less than 30% of the total purchases.

EMOLUMENT POLICY

The Board established the Remuneration Committee in accordance with the Listing Rules. The Committee comprises Ms. Ma Jun Li, Mr. Ng Tang, Ms. Chung Kwo Ling, Mr. Sun Yeung Yeung and Mr. Chan Ngai Sang Kenny.

Summary of duties and works of the Remuneration Committee is set out in the "Corporate Governance Report" in this annual report.

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2008.

AUDITORS

On 20 August 2008, Deloitte Touche Tohmatsu resigned as auditors of the Company and SHINEWING (HK) CPA Limited was appointed as auditors of the Company on 28 August 2008 to fill the vacancy so arising. Saved for disclosed, there have been no other changes in auditors of the Company in the past three years.

The consolidated financial statements for the year have been audited by SHINEWING (HK) CPA Limited who retire and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Ma Jun Li
CHAIRMAN
9 April 2009

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF CHINA BEST GROUP HOLDING LIMITED
國華集團控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Best Group Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 87, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
9 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue	7	**448,920**	288,863
Cost of sales		**(470,444)**	(280,246)
Gross (loss) profit		**(21,524)**	8,617
Other income	8	**5,068**	6,009
Administrative expenses		**(72,584)**	(41,112)
Selling and distribution expenses		**(11,338)**	(20,156)
Fair value change on investment properties	17	**(368)**	200
Fair value (loss) gain on investments held for trading		**(72,124)**	71,522
Impairment loss on property, plant and equipment	15	**(28,162)**	(58,000)
Gain on deconsolidation of subsidiaries	13	**244,809**	–
Finance costs	9	**(30,963)**	(20,143)
Share based payment expense		**–**	(24,087)
Share of results of an associate	18	**278**	641
Profit (loss) before taxation	10	**13,092**	(76,509)
Taxation	12	**(125)**	(4,888)
Profit (loss) for the year		**12,967**	(81,397)
Attributable to:			
Equity holders of the Company		**12,967**	(81,547)
Minority interests		**–**	150
		12,967	(81,397)
Earnings (loss) per share	14		
– Basic		**0.2 HK cents**	(1.3) HK cents
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	15	**4,278**	118,326
Prepaid lease payments	16	**–**	3,876
Investment properties	17	**8,820**	1,700
Interests in an associate	18	**–**	4,363
Available-for-sale investments	19	**7,500**	8,850
Deposit paid for acquisition of subsidiaries	20	**287,709**	–
Club debentures	21	**1,242**	1,168
		309,549	138,283
Current assets			
Inventories	22	**–**	20,878
Trade and other receivables	23	**4,656**	33,172
Prepaid lease payments	16	**–**	172
Short-term loan receivables	24	**22,839**	18,212
Investments held for trading	25	**21,659**	180,756
Deposits placed with security brokers	26	**17,323**	579
Pledged bank deposits	27	**–**	20,519
Bank balances and cash	28	**22,017**	20,579
		88,494	294,867
Assets classified as held for sales	29	**4,641**	–
		93,135	294,867
Current liabilities			
Trade and other payables	30	**17,598**	234,782
Deposit received for disposal of subsidiaries	13	**15,000**	–
Taxation payable		**5,668**	5,599
Margin loan payables	26	**–**	75,726
Other borrowings	31	**–**	98,647
		38,266	414,754
Net current assets (liabilities)		**54,869**	(119,887)
Total assets less current liabilities		**364,418**	18,396
Non-current liability			
Other borrowings	31	**–**	32,719
		364,418	(14,323)
Capital and reserves			
Share capital	32	**527,449**	310,299
Reserves		**(163,031)**	(280,486)
Equity attributable to equity holders of the Company		**364,418**	29,813
Minority interests		**–**	(44,136)
		364,418	(14,323)

The consolidated financial statements on pages 30 to 87 were approved and authorised for issue by the Board of Directors on 9 April 2009 and are signed on its behalf by:

MA JUN LI
Director

NG TANG
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company								
	Share capital	Share premium	Contributed surplus	Translation reserve	Share options reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	302,449	151,902	1,996	(1,049)	32,691	(415,104)	72,885	(41,470)	31,415
Exchange differences arising from translation of foreign operations and recognised directly in equity	–	–	–	2,006	–	–	2,006	(2,816)	(810)
Loss for the year	–	–	–	–	–	(81,547)	(81,547)	150	(81,397)
Total recognised income and expenses for the year	–	–	–	2,006	–	(81,547)	(79,541)	(2,666)	(82,207)
Recognition of equity settled share-based payments	–	–	–	–	24,087	–	24,087	–	24,087
Exercise of share options	7,850	11,717	–	–	(7,185)	–	12,382	–	12,382
Forfeiture of share options	–	–	–	–	(7,844)	7,844	–	–	–
At 31 December 2007 and 1 January 2008	310,299	163,619	1,996	957	41,749	(488,807)	29,813	(44,136)	(14,323)
Exchange differences arising from translation of foreign operations and recognised directly in equity	–	–	–	9,626	–	–	9,626	–	9,626
Profit for the year	–	–	–	–	–	12,967	12,967	–	12,967
Total recognised income for the year	–	–	–	9,626	–	12,967	22,593	–	22,593
Issue of shares *(Note 32)*	217,150	117,255	–	–	–	–	334,405	–	334,405
Share issue expenses	–	(12,385)	–	–	–	–	(12,385)	–	(12,385)
Deconsolidation of subsidiaries *(Note 13)*	–	–	–	(10,008)	–	–	(10,008)	44,136	34,128
At 31 December 2008	527,449	268,489	1,996	575	41,749	(475,840)	364,418	–	364,418

Note: The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation prior to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited in 1996 and the nominal value of the Company's shares issued in exchange.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 *HK$'000*	2007 *HK$'000*
OPERATING ACTIVITIES		
Profit (loss) before taxation	**13,092**	(76,509)
Adjustments for:		
Allowance on inventories	**46,838**	995
Depreciation of property, plant and equipment	**7,669**	9,193
Dividend income from listed securities	**(1,724)**	(195)
Fair value loss (gain) on investments held for trading	**72,124**	(71,522)
Finance costs	**30,963**	20,143
Gain on disposal of property, plant and equipment	**(43)**	(142)
Impairment loss on property, plant and equipment	**28,162**	58,000
Impairment loss on trade receivables	**9,292**	1,962
Impairment loss on available-for-sale investments	**1,350**	–
Recovery of bad debts	**(1,101)**	(474)
Decrease (increase) in fair value change on investment properties	**368**	(200)
Interest income	**(498)**	(1,845)
Amortisation of prepaid lease payments	**179**	171
Gain on deconsolidation of subsidiaries	**(244,809)**	–
Share-based payments expense	**–**	24,087
Share of results of an associate	**(278)**	(641)
Operating cash flows before movements in working capital	**(38,416)**	(36,977)
Increase in inventories	**(95,769)**	(16,744)
Decrease (increase) in trade and other receivables	**21,071**	(13,780)
Decrease (increase) in investments held for trading	**86,973**	(38,414)
(Increase) decrease in deposits placed with security brokers	**(16,744)**	1,078
Decrease in trade and other payables	**26,093**	8,695
Cash used in operations	**(16,792)**	(96,142)
Tax paid	**(56)**	(84)
NET CASH USED IN OPERATING ACTIVITIES	**(16,848)**	(96,226)
INVESTING ACTIVITIES		
Deposit paid for acquisition of subsidiaries	**(287,709)**	–
Purchase of property, plant and equipment	**(53,824)**	(42,178)
Advance of short-term loan receivables	**(23,189)**	(40,508)
Cash outflow from deconsolidation of subsidiaries *(Note 13)*	**(21,895)**	–
Purchase of an investment property	**(7,426)**	–
Decrease in pledged bank deposits	**20,519**	5,569
Repayment of short-term loan receivables	**18,562**	28,272
Deposit received from the disposal of subsidiaries	**15,000**	–
Dividend income from listed securities	**1,724**	195
Proceeds from disposal of property, plant and equipment	**1,352**	1,363
Interest received	**498**	1,845
Purchase of club debentures	**–**	(654)
NET CASH USED IN INVESTING ACTIVITIES	**(336,388)**	(46,096)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 *HK$'000*	2007 *HK$'000*
FINANCING ACTIVITIES		
Other borrowings raised	**335,932**	63,967
Proceeds from issue of shares, net of expenses	**322,020**	12,382
Repayment of other borrowings	**(199,286)**	(5,132)
(Decrease) increase in margin loan payables	**(75,726)**	75,726
Interest paid	**(30,963)**	(13,057)
NET CASH FROM FINANCING ACTIVITIES	**351,977**	133,886
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,259)**	(8,436)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**20,579**	26,652
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**2,697**	2,363
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**22,017**	20,579

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company. The activities of its principal subsidiaries (together with the Company referred to as the "Group") are set out in note 40.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("INTs") (herein collectively referred to as "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective for the Group's financial year beginning 1 January 2008.

Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-INT 12	Service Concession Arrangements
HK(IFRIC)-INT 14	Hong Kong Accounting Standard ("HKAS") 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Amendments to HKAS 39 and HKFRS 7 – Reclassification of Financial Assets

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing it in the near term if specified criteria are met. A debt instrument classified as held for trading not classified by designation or as available-for-sale not classified by designation may be reclassified as a loan or receivable if the asset meets the definition of a loan and receivable and the entity has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets that are not eligible for classification as loans and receivables, may be transferred from held for trading to available-for-sale or to held to maturity (in the case of debt instrument), only in rare circumstances.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 39 and HKFRS 7 – Reclassification of Financial Assets *(Continued)*

The amendments are effective from 1 July 2008. As the Group does not intend to reclassify any of its financial instruments, the amendments have had no impact on these consolidated financial statements.

The adoption of the other New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective for the accounting period beginning on 1 January 2008.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged item[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Financial Instruments: Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[6]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distribution of non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

2 Effective for annual periods beginning on or after 1 January 2009.

3 Effective for annual periods beginning on or after 1 July 2009.

4 Effective for annual periods beginning on or after 1 July 2008.

5 Effective for annual periods beginning on or after 1 October 2008.

6 Effective for annual periods ending on or after 30 June 2009.

7 Effective for transfers of assets from customers received on or after 1 July 2009.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 39 and HKFRS 7 – Reclassification of Financial Assets *(Continued)*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company has commenced considering the potential impact of other new or revised standards, amendments or interpretations, but is not yet in a position to determine whether these new or revised standards, amendments or interpretations would have a significant impact on how its results of operations and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of business acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the consolidation. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss.

When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Income from provision of freight forwarding agency services is recognised when the services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less subsequent depreciation and impairment losses.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Land use rights

Land use rights are stated as cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight-line basis over their respective estimate useful lives.

Club debentures

Club debentures are stated at cost less accumulated impairment losses, if any.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownerships to the lessee. All other leases are classifies as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non- monetary items carried at fair value, are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rates of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit schemes

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income or a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are deducted in reporting the related expense or reported separately as "other income".

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debts instruments.

Financial assets at FVTPL

The Group's financial assets at FVTPL comprise financial asset classified as held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excluded any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and short-term loan receivables, deposits placed with security brokers, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets (Continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis, of which the interest expense is included in net gain or losses.

Other financial liabilities

Other financial liabilities, including trade and other payables, margin loan payables and other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees after 7 November 2002 and vested on or after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Share options granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Impairment losses on assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made the following estimates that have the most significant effect on the amounts recognised in the consolidated financial statements in the next financial year are discussed below.

Estimated impairment of property, plant and equipment

During the year, impairment loss on property, plant and equipment of approximately HK$28,162,000 (2007: HK$58,000,000) with respect to a deconsolidated subsidiary, Shanxi Changxing Yuci Coking Co., Limited ("Shanxi Changxing") was recognised in the consolidated income statement. Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Details of the recoverable amount calculation are set out in note 15.

Estimated impairment of trade and other receivables

The policy for impairment loss for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

The management of the Group reviews the inventories listing on a product-by-product basis at each balance sheet date and makes allowance for obsolete and slow moving inventory items that are no longer suitable for use in production amounting to approximately HK$46,838,000 (2007: HK$995,000). The management estimates the net value for such items based primarily on the latest invoice prices and current market conditions.

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
FVTPL (Investments held for trading)	**21,659**	180,756
Loans and receivables (including bank balance and cash)	**63,402**	81,779
Available-for-sale financial assets	**7,500**	8,850
Financial liabilities		
Other financial liabilities recorded at amortised cost	**10,255**	310,335

b. Financial risk management objectives and polices

The Group's major financial instruments include equity investments, trade and other receivables, short-term loan receivables, deposits placed with security brokers, pledged bank deposits, bank balances and cash, trade and other payables, margin loan payables and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the fixed-rate deposits with security brokers. The Group currently does not have any interest rate hedging policy.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, short-term loan receivables and margin loan payables (see notes 24, 26 and 28 for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date. For short-term loan receivables, bank deposits and margin loan payables, the analysis is prepared assuming the amounts outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would increase/decrease approximately by HK$311,000 (2007: increase/decrease in loss by approximately HK$299,000). This is mainly attributable to the Group's exposure to interest rates on its short-term loan receivables, bank balances and margin loan payables.

5. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(ii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange. In addition, the Group has a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. As a result of the volatile financial market, the management adjusted the sensitivity rate from 5% to 30% in the current year for the purpose of analysing other price risk.

If the prices of the respective equity instruments had been 30% (2007: 5%) higher/lower, the profit for the year ended 31 December 2008 increase/decrease by approximately HK$6,498,000 (2007: decrease/increase in loss by approximately HK$9,038,000) as a result of the changes in fair value of investments held for trading.

In management's opinion, the sensitivity analysis is not representative of the other price risk for the investments in listed equity securities as the year end exposure does not reflects the exposure during the year.

Credit risk

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The Group has monitored and understood the potential credit quality of the short-term loan receivables, ensuring that the credit risk of the Group is monitored.

5. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cashflows. The management considers the Group is not exposed to significant foreign currency risk as majority of its operations and transactions are in Hong Kong and the PRC which are primarily transacted using the functional currencies of the respective entities within the Group.

Sensitivity analysis

As of 31 December 2008, if HK$ had strengthened/weakened 5% against Renminbi ("RMB"), Singapore dollars ("SGD") and United States dollars ("USD"), with all other variable held constant, profit for the year would have been approximately HK$184,000 lower/higher (2007: higher/lower in loss by approximately HK$3,396,000), mainly as a result of foreign exchange losses/gains on translation of RMB, SGD and USD denominated bank and cash balances.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 3 months *HK$'000*	3-6 months *HK$'000*	6 months to 1 year *HK$'000*	1-5 years *HK$'000*	Interest adjustment *HK$'000*	Carrying amount *HK$'000*
2008							
Non-derivative financial liabilities							
Trade payables	–	2,339	–	–	–	–	2,339
Other payables	–	7,916	–	–	–	–	7,916
		10,255	–	–	–	–	10,255

5. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate	Less than 3 months	3-6 months	6 months to 1 year	1-5 years	Interest adjustment	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007							
Non-derivative financial liabilities							
Trade payables	–	68,266	–	–	–	–	68,266
Other payables	–	34,977	–	–	–	–	34,977
Margin loan payables	7%	75,726	–	–	–	–	75,726
Other borrowings	12.7%	65,725	19,076	26,399	36,874	(16,708)	131,366
		244,694	19,076	26,399	36,874	(16,708)	310,335

c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term or immediate maturities.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purpose, the Group is currently organised into three operating divisions – (i) international air and sea freight forwarding; (ii) securities trading and (iii) manufacture and sale of coke. These divisions are the basis on which the Group reports its primary segment information.

	International air and sea freight forwarding *HK$'000*	Securities trading *HK$'000*	Manufacture and sales of coke *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2008					
Revenue	14,938	–	433,352	630	448,920
Segment result	72	(72,124)	(120,520)	(7,540)	(200,112)
Unallocated corporate expenses					(6,501)
Other income					5,018
Gain on deconsolidation of subsidiaries	–	–	244,809	–	244,809
Finance costs					(30,400)
Share of results of an associate	278	–	–	–	278
Profit before taxation					13,092
Taxation					(125)
Profit for the year					12,967

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	International air and sea freight forwarding HK$'000	Securities trading HK$'000	Manufacture and sales of coke HK$'000	Others HK$'000	Consolidated HK$'000
At 31 December 2008					
ASSETS					
Segment assets	5,422	48,936	–	14,232	68,590
Interests in an associate	4,641	–	–	–	4,641
Deposit paid for acquisition of subsidiaries	–	–	287,709	–	287,709
Unallocated corporate assets					41,744
Total assets					402,684
LIABILITIES					
Segment liabilities	1,989	5,601	–	8	7,598
Deposit received from disposal of subsidiaries					15,000
Unallocated corporate liabilities					15,668
Total liabilities					38,266
For the year ended 31 December 2008					
OTHER INFORMATION					
Additions to property, plant and equipment	1	–	53,573	250	53,824
Depreciation on property, plant and equipment	25	–	7,023	621	7,669
Amortisation of prepaid lease payments	–	–	179	–	179
Gain on disposal of property, plant and equipment	–	–	(43)	–	(43)
Recovery of bad debts	–	–	(1,101)	–	(1,101)
Impairment loss on trade receivables	–	–	9,292	–	9,292
Allowance on inventories	–	–	46,838	–	46,838
Impairment loss on property, plant and equipment	–	–	28,162	–	28,162
Fair value loss on investments held for trading	–	72,124	–	–	72,124

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	International air and sea freight forwarding *HK$'000*	Securities trading *HK$'000*	Manufacture and sales of coke *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2007					
Revenue	16,765	–	272,098	–	288,863
Segment results	1,740	71,522	(100,249)	(611)	(27,598)
Unallocated corporate expenses					(12,641)
Other income					5,596
Finance costs					(18,420)
Share-based payments expense			(10,297)	(13,790)	(24,087)
Share of results of an associate	641	–	–	–	641
Loss before taxation					(76,509)
Taxation					(4,888)
Loss for the year					(81,397)
At 31 December 2007					
ASSETS					
Segment assets	6,870	196,051	159,778	20,518	383,217
Interests in an associate	4,363	–	–	–	4,363
Unallocated corporate assets					45,570
Total assets					433,150
LIABILITIES					
Segment liabilities	5,842	81,327	223,279	60	310,508
Unallocated corporate liabilities					136,965
Total liabilities					447,473
For the year ended 31 December 2007					
OTHER INFORMATION					
Additions to property, plant and equipment	31	–	22,042	2,756	24,829
Depreciation on property, plant and equipment	26	–	8,882	285	9,193
Amortisation of prepaid lease payments	–	–	171	–	171
Gain on disposal of property, plant and equipment	–	–	(142)	–	(142)
Recovery of bad debts	–	–	(474)	–	(474)
Impairment loss on trade receivables	–	–	1,962	–	1,962
Allowance on inventories	–	–	995	–	995
Impairment loss on property, plant and equipment	–	–	58,000	–	58,000
Fair value gain on investments held for trading	–	(71,522)	–	–	(71,522)

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(b) Geographical segments

The Group's international air and sea freight forwarding are carried out in North and South America, securities trading division is located in Hong Kong while the manufacture and sales of coke is carried out in the People's Republic of China (the "PRC").

The following provides an analysis of the Group's revenue by geographic markets based on location of customers, irrespective of the origin of the goods and services:

	Sales revenue by geographical market	
	2008	2007
	HK$'000	*HK$'000*
North and South America	**6,208**	7,796
PRC	**433,982**	272,098
Others	**8,730**	8,969
	448,920	288,863

The following is an analysis of the carrying amount of assets and capital additions analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
North and South America	**1,933**	3,323	**–**	–
Hong Kong	**45,330**	119,041	**7**	6
PRC	**14,232**	241,322	**53,816**	24,792
Others	**14,087**	3,547	**1**	31
	75,582	367,233	**53,824**	24,829

8. OTHER INCOME

	2008 *HK$'000*	2007 *HK$'000*
Interest income	**498**	1,845
Dividend income from listed securities classified as held for trading	**1,724**	195
Gain on disposal of property, plant and equipment	**43**	142
Recovery of bad debts	**1,101**	474
Government grants *(note 30(c))*	**591**	–
Sundry income	**1,111**	3,353
	5,068	6,009

9. FINANCE COSTS

	2008 *HK$'000*	2007 *HK$'000*
Interest on other borrowings wholly repayable within five years		
Other borrowings	**30,400**	18,420
Margin loan payables	**563**	1,723
	30,963	20,143

10. PROFIT (LOSS) BEFORE TAXATION

	2008 HK$'000	2007 HK$'000
Profit (loss) before taxation has been arrived at after charging:		
Staff costs		
– directors' emoluments *(note 11(a))*	**2,376**	2,055
– share-based payments expense *(note 33)*	**–**	10,297
– other staff costs	**7,472**	6,678
– retirement benefits scheme contributions, excluding directors	**179**	135
Total staff costs	**10,027**	19,165
Depreciation of property, plant and equipment	**7,669**	9,193
Amortisation of prepaid lease payments	**179**	171
Auditors' remuneration	**1,197**	1,400
Impairment loss on trade receivables (included in administrative expenses)	**9,292**	1,962
Impairment loss on available-for-sale investments (included in administrative expense)	**1,350**	–
Allowance on inventories (included in cost of sales)	**46,838**	995
Equity-settled consultancy services *(note 33)*	**–**	13,790
Cost of inventories recognised as an expense	**458,732**	259,671
Exchange loss	**–**	1,870

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2007: eleven) directors were as follows:

		Other emoluments		
	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total emoluments *HK$'000*
Year ended 31 December 2008				
Executive directors				
Ms. Ma Jun Li	–	270	–	270
Mr. Ng Tang, David	–	585	27	612
Mr. Ren Zheng	–	393	12	405
Ms. Cheung Hoi Ping	–	–	–	–
Mr. Zhang Jun[1]	–	120	–	120
Mr. Zhang Da Qing	–	655	12	667
	–	2,023	51	2,074
Non-executive directors				
Ms. Chung Kwo Ling	90	–	–	90
Mr. Sun Yeung Yeung	90	–	–	90
Mr. Lee Yuen Kwong[2]	90	–	–	90
Mr. Chan Ngai Sang Kenny[3]	32	–	–	32
	302	–	–	302
Total	302	2,023	51	2,376

1 resigned on 20 January 2009

2 resigned on 21 August 2008

3 appointed on 21 August 2008

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

		Other emoluments		
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2007				
Executive directors				
Ms. Ma Jun Li	–	247	–	247
Mr. Ng Tang, David	–	585	27	612
Mr. Ren Zheng	–	385	12	397
Ms. Cheung Hoi Ping	–	–	–	–
Mr. Zhang Jun	–	120	–	120
Mr. Zhang Da Qing[1]	–	352	7	359
Mr. Wang Da Yong[2]	–	–	–	–
	–	1,689	46	1,735
Non-executive directors				
Ms. Chung Kwo Ling	90	–	–	90
Mr. Sun Yeung Yeung	90	–	–	90
Mr. Lee Yuen Kwong	90	–	–	90
Mr. Leung Chung Tak, Barry[2]	50	–	–	50
	320	–	–	320
Total	320	1,689	46	2,055

[1] appointed on 5 June 2007

[2] resigned on 5 June 2007

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2007: three) were directors of the Company whose emoluments are set out in (a) above. The aggregate emoluments of the remaining two (2007: two) individuals were as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefits	**1,339**	1,339
Retirement benefits scheme contributions	**62**	62
	1,401	1,401

The emoluments of each of the employees are less than HK$1,000,000 for both years.

During the two years ended 31 December 2008 and 2007, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and the employees has waived any emoluments during the two years ended 31 December 2008 and 2007.

12. TAXATION

	2008	2007
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**125**	4,888

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

Pursuant to the relevant laws and regulations in the PRC, the income tax for Shanxi Changxing is calculated at the statutory income tax rate of 25% (2007: 33%) on the assessable profit and it is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years ("Tax Holiday"). No provision for PRC income tax has been made in the consolidated financial statements as Shanxi Changxing has no assessable profit since its date of establishment.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards.

12. TAXATION *(Continued)*

In additions, according to the New Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividends relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. The Company has applied the preferential rate of 5% as its associate in the PRC are directly held by the Company. No deferred tax has been provided for in respect of the temporary differences attributable to such profits as it is probable that the temporary differences will not reverse in the foreseeable future.

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

The taxation charge for the year can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	2008 ***HK$'000***	2007 *HK$'000*
Profit (loss) before taxation	**13,092**	(76,509)
Tax credit at the income tax rate of 25% (2007: 33%)	**3,273**	(25,248)
Tax effect of share of results of an associate	**(69)**	(211)
Tax effect of expenses that are not deductible in determining taxable profit	**23,440**	28,133
Tax effect of income that is not taxable in determining taxable profit	**(61,287)**	(739)
Tax effect of utilisation of tax loss not previously recognised	**–**	(6,149)
Tax effect of tax losses not recognised	**26,150**	14,616
Effect of different tax rates of subsidiaries operating in other jurisdictions	**8,618**	(5,514)
Taxation charge for the year	**125**	4,888

12. TAXATION *(Continued)*

The major deferred tax liabilities (assets) recognised and movements thereof during the current year and prior year are summarised below:

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1 January 2007	183	(183)	–
Charge (credit) to consolidated income statement for the year	(13)	13	–
Balance at 31 December 2007	170	(170)	–
Charge (credit) to consolidated income statement for the year	(83)	83	–
Effect of change in tax rate	(5)	5	–
Balance at 31 December 2008	82	(82)	–

At 31 December 2008, the Group has unutilised tax losses of HK$232,081,000 (2007: HK$204,721,000) available for offset against future profits. A deferred tax asset has been recognised in respect of tax losses of HK$496,000 (2007: HK$971,000). No deferred tax asset has been recognised of the remaining tax losses due to the unpredictability of future profit streams. The tax losses attributable to subsidiaries in Hong Kong of HK$129,703,000 (2007: HK$110,306,000) will not expire under the current tax legislation in Hong Kong and all other tax losses will expire from 2008 to 2010.

13. DECONSOLIDATION OF SUBSIDIARIES

On 27 November 2008, the Company entered into an agreement to dispose of the entire equity interests in Funeway Investments Limited ("Funeway") at a consideration of HK$15 million to independent third parties. Pursuant to the agreement, all directors of Funeway who were appointed by the Company are required to resign as directors of Funeway. On 31 December 2008, all such directors resigned as directors of Funeway accordingly. The directors of the Company consider that the Group's control over Funeway and its subsidiary, Shanxi Changxing ("Funeway Group") was lost on 31 December 2008 and the Funeway Group ceased to be the Group's subsidiaries. The results of Funeway Group were included in the consolidated income statement up to 31 December 2008 and the consolidated financial statements of Funeway Group were deconsolidated from the Group from 31 December 2008. The disposal transaction is subjected to the approval of the shareholders in the shareholders' meeting. The transaction has not been completed as at 31 December 2008 and up to the date of approval of these consolidated financial statements.

13. DECONSOLIDATION OF SUBSIDIARIES *(Continued)*

The net liabilities of Funeway Group at the date of deconsolidation were as follows:

	31/12/2008
	HK$'000
Property, plant and equipment	140,111
Prepaid lease payments	4,226
Inventories	71,356
Trade and other receivables	1,719
Bank balances and cash	21,895
Trade and other payables	(260,702)
Short term other borrowings	(238,211)
Long term other borrowings	(39,347)
Minority interests	44,136
	(254,817)
Translation reserve realised on deconsolidation of subsidiaries	10,008
Gain on deconsolidation	244,809
Cash outflow arising from deconsolidation of subsidiaries	(21,895)

The cash flow of the Funeway Group for the period from 1 January 2008 to 31 December 2008, which have been included in the Group's consolidated cash flow statement, were as follows:

Cash flows from deconsolidation of subsidiaries:	2008
	HK$'000
Net cash flows used in operating activities	(55,603)
Net cash flows used in investing activities	(53,384)
Net cash flows from financing activities	104,539
Net cash outflows	(4,448)

14. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit for the year attributable to equity holders of the Company of HK$12,967,000 (2007: loss of HK$81,547,000) and on weighted average number of 8,471,875,567 (2007: 6,137,846,427) ordinary shares in issue during the year.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for the year ended 31 December 2008.

No diluted loss per share was presented for the year ended 31 December 2007 as the effect of the exercise of the Company's outstanding share options was anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Plant and machinery	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1 January 2007	59,369	57,174	62,562	278	842	1,269	10,040	191,534
Exchange realignment	4,283	4,125	4,093	7	11	64	143	12,726
Additions	20,500	–	745	–	–	272	3,312	24,829
Disposals/written off	–	(626)	–	–	(268)	(47)	(1,423)	(2,364)
Reclassification	(42,768)	13,801	28,967	–	–	–	–	–
At 31 December 2007	41,384	74,474	96,367	285	585	1,558	12,072	226,725
Exchange realignment	3,059	8,733	4,374	84	13	18	24	16,305
Additions	49,052	–	19	–	–	226	4,527	53,824
Disposals/written off	–	(334)	–	–	–	(10)	(1,551)	(1,895)
Deconsolidation of subsidiaries	(93,495)	(82,873)	(100,760)	–	–	(403)	(9,487)	(287,018)
At 31 December 2008	–	–	–	369	598	1,389	5,585	7,941
DEPRECIATION AND IMPAIRMENT LOSSES								
At 1 January 2007	6,533	2,502	27,298	159	732	838	2,404	40,466
Exchange realignment	471	279	933	3	12	8	177	1,883
Provided for the year	–	2,313	5,185	75	11	203	1,406	9,193
Impairment loss recognised for the year	–	–	58,000	–	–	–	–	58,000
Eliminated on disposals/written off	–	(22)	–	–	(234)	(38)	(849)	(1,143)
At 31 December 2007	7,004	5,072	91,416	237	521	1,011	3,138	108,399
Exchange realignment	642	4,322	1,731	4	12	10	205	6,926
Provided for the year	–	2,597	3,235	77	10	162	1,588	7,669
Impairment loss recognised for the year	22,826	958	4,378	–	–	–	–	28,162
Eliminated on disposals/written off	–	(67)	–	–	–	(6)	(513)	(586)
Eliminated on deconsolidation of subsidiaries	(30,472)	(12,882)	(100,760)	–	–	(347)	(2,446)	(146,907)
At 31 December 2008	–	–	–	318	543	830	1,972	3,663
CARRYING VALUES								
At 31 December 2008	–	–	–	51	55	559	3,613	4,278
At 31 December 2007	34,380	69,402	4,951	48	64	547	8,934	118,326

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated at the following rates per annum on a straight line basis:

Buildings	Over the shorter of the term of the lease or 20 – 30 years
Plant and machinery	5% – 10%
Leasehold improvements	15% or over the term of the lease, whichever is shorter
Furniture and fixtures	10% – 33.33%
Office equipment	10% – 20%
Motor vehicles	16.67% – 33.33%

The directors, after considering the economic conditions, market situations and the liquidity position of Shanxi Changxing, reviewed the carrying value of Shanxi Changxing's production facilities, including construction in progress, buildings and plant and equipment, in the PRC, with reference to their fair values less costs to sell based on independent professional valuation and determined that the recoverable amounts of the assets have declined below their carrying values. Accordingly, the carrying value of construction in progress, buildings and plant and equipment related to the production facilities was reduced by approximately HK$28,162,000, in aggregate, to reflect the impairment for the year ended 31 December 2008.

During the year ended 31 December 2007, the Group carried out a review of the recoverable amount of Shanxi Changxing's production facilities and recognised an impairment loss of HK$58,000,000 in profit or loss for that year. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 19.3% per annum.

As at 31 December 2007, legal title to buildings with carrying values of HK$69,402,000 has not been granted by relevant government authorities and was obtained during the year 31 December 2008.

16. PREPAID LEASE PAYMENTS

	2008	2007
	HK$'000	*HK$'000*
Prepaid lease payments comprising land in the PRC under medium-term land use rights at the beginning of:	**4,048**	3,744
Exchange realignment	**357**	475
Amortisation of prepaid lease payments	**(179)**	(171)
Deconsolidation of subsidiaries	**(4,226)**	–
	–	4,048
Analysed for reporting purposes as:		
Non-current assets	**–**	3,876
Current assets	**–**	172
	–	4,048

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2007	1,500
Increase in fair value	200
At 31 December 2007	1,700
Additions	7,426
Decrease in fair value	(368)
Exchange realignment	62
At 31 December 2008	8,820

The fair value of the Group's investment properties at 31 December 2008 had been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited, a firm of independent qualified professional valuers. Knight Frank Petty Limited is a member of the Hong Kong Institute of Surveyors ("HKIS"). The valuation was arrived at using the direct comparison method, by reference to market evidence of transaction prices for similar properties.

The Group's properties interest held for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

17. INVESTMENT PROPERTIES *(Continued)*

The carrying amount of investment properties shown above comprises

	2008	2007
	HK$'000	*HK$'000*
Land in Hong Kong		
Medium-term lease	**1,550**	1,700
Land outside Hong Kong		
Medium-term lease	**7,270**	–
	8,820	1,700

18. INTERESTS IN AN ASSOCIATE

		2008	2007
	NOTE	***HK$'000***	*HK$'000*
Cost of investment		**3,678**	3,678
Share of post-acquisition profits		**963**	685
		4,641	4,363
Transfer to asset classified as held for sales	*29*	**(4,641)**	–
		–	4,363

Particulars of the associate at 31 December 2007 are as follows:

Name of associate	**Form of business structure**	**Place of registration and operation**	**Proportion of nominal value of registered capital held directly by the Group**	**Principal activities**
Shanghai International Airlines Services Co. Ltd. ("Shanghai Airlines")	Sino-foreign equity joint ventures	PRC	40%	Provision of air freight forwarding business

18. INTERESTS IN AN ASSOCIATE *(Continued)*

The summarised financial information in respect of the Group' associate is set out below:

	2008	2007
	HK$'000	*HK$'000*
Total assets	**24,462**	21,095
Total liabilities	**(12,859)**	(10,187)
Net assets	**11,603**	10,908
Group's share of net assets of associate	**4,641**	4,363

	2008	2007
	HK$'000	*HK$'000*
Result for the period/year *(Note)*		
Revenue	**13,722**	20,649
Profit for the period/year	**695**	1,603
Group's share of profit of an associate for the period/year	**278**	641

Note: It represents the results of Shanghai Airlines up to the date it is transferred to asset held for sales.

During the year, the Group accounted for Shanghai Airlines using equity method up to the date on which it is transferred to asset held for sales in accordance with HKFRS 5 *(Note 29)*. The carrying amount of the Group's interests in the associates as at that date is included in "Assets classified as held for sale" on the face of the consolidated balance sheet.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2008 HK$'000	2007 HK$'000
Unlisted equity securities	**38,250**	38,250
Less: impairment losses recognised	**(30,750)**	(29,400)
	7,500	8,850

In 2002, the Group, through an acquisition of a wholly-owned subsidiary, acquired 30,000,000 promoters' shares in Beijing Beida Jade Bird Universal Sci-Technology Company ("BBJB") (the "Promoters' Shares") of RMB0.01 each at a consideration of HK$38,250,000, which is equivalent to 2.53% of total issued share capital (including H shares and Promoters' Shares) of BBJB.

BBJB is a joint stock company with limited liability incorporated in the PRC with its H shares listed on the Growth Enterprise Market of the Stock Exchange (the "GEM Board"). The Promoters' Shares were unlisted share capital issued by BBJB when it was initially listed on the GEM Board in 2000. According to the Company Law in the PRC, the Promoters' Shares were not transferable within three years from the date of incorporation of BBJB on 29 March 2000. Upon expiry of the three years lock up period on 28 March 2003, those Promoters' Shares could be applied for listing on the GEM Board. The Group has been informed by BBJB that BBJB is in the process of applying for listing of the Promoters' Shares on the GEM Board and the application is still under progress. In the opinion of the directors, this investment will be able to enhance the strategic relationship between the Group and BBJB.

An impairment loss of approximately HK$29,400,000 was recognised in the consolidated income statement in prior years as a result of its decrease in the recoverable amounts.

As at 31 December 2008, the directors of the Group are of opinion that an additional impairment loss of approximately HKD1,350,000 is recognised, based on their best estimation with reference to the market situation.

20. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

The Group proposed to acquire 60% equity interests in ChongHou Energy Resources Limited ("ChongHou"), a company incorporated in the British Virgin Islands. ChongHou is an investment holding company and its principal assets is its investment in subsidiaries which are companies established in the PRC and located in Qipanjing of Inner Mongolia, which are principally engaged in the business of coal mining and coke processing. Up to 31 December 2008, the Company has paid HK$287,709,000 in aggregate, as deposits for this proposed acquisition. Subsequent to the balance sheet date, on 22 January 2009, the Company has paid a further aggregate amount of HK$18,000,000 as deposit for this proposed acquisition. The transactions have not been completed as of the date of the issuance of these consolidated financial statements. Details of which are set out in the Company's announcement dated 3 December 2008.

21. CLUB DEBENTURES

	2008 HK$'000	2007 HK$'000
Club debentures, at cost	**1,242**	1,168

The above club debentures represent club memberships in the PRC golf clubs. The club debentures are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates are significant. The directors are of the opinion that its fair values cannot be measured reliably.

22. INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	–	15,706
Finished goods	–	5,172
	–	20,878

23. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with credit periods normally ranging from 30 days to 90 days. Included in trade and other receivables (net of allowance for doubtful debts) are trade receivables with the following aged analysis:

	2008 HK$'000	2007 HK$'000
0-30 days	**769**	16,896
31-60 days	**315**	1,275
61-90 days	**139**	2,014
Trade receivables	**1,223**	20,185
Advance to suppliers	–	8,174
Deposits and prepayments	**3,433**	3,108
Other deposits	–	1,705
	4,656	33,172

Included in trade receivables as at 31 December 2007 were bills receivables with aggregate carrying amount of approximately HK$534,000 (2008: Nil).

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in deposit and prepayments as at 31 December 2008 are amount due from a substantial shareholder with aggregate carrying amount of approximately HK$68,000 (2007: Nil). The amount is unsecured, interest-free and repayable on demand.

Before accepting any new customer, the Group uses a system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed on a regular basis.

The Group has provided fully for all receivables over 90 days because historical experience is such that receivables that are past due beyond 90 days are generally not recoverable. All other trade receivables as at 31 December 2008 that are neither past due nor impaired have the best credit under the credit system used by the Group. The Group did not hold any collateral over these balances.

Movement in allowance for doubtful debts

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**4,605**	3,117
Impairment loss recognised on trade and other receivables	**9,292**	1,962
Recovery of bad debts	**(1,101)**	(474)
Balance at end of the year	**12,796**	4,605

24. SHORT-TERM LOAN RECEIVABLES

The amounts are unsecured, repayable within one year and carried variable-rate interest at Hong Kong Prime Rate plus spread ranging from 4% to 5% (2007: 4% to 5%) per annum for amounts of HK$22,839,000 (2007: HK$7,000,000) and carried fixed interest at 8% per annum for amount of HK$11,212,000 as at 31 December 2007. The terms of the receivables ranged from three to twelve months.

Before making any advances, the Group will understand the potential debtor's credit quality and defines its credit limits. Loan receivables are advanced to debtors with an appropriate credit history. Credit limits attributed to debtors are reviewed regularly.

24. SHORT-TERM LOAN RECEIVABLES *(Continued)*

Included in the loan receivables balances is an aggregate amount of HK$22,839,000 (2007: HK$18,212,000) which are past due at the respective balance sheet date for which the Group has not provided for impairment loss. In addition, the Group does not hold any collateral over these balances.

Age of loan receivables which are past due but not impaired

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**596**	5,000
90 to 180 days	**14,129**	11,212
Over 180 days	**8,114**	2,000
	22,839	18,212

The Group has not provided for these receivables as there has not been significant change in credit quality of those debtors and the amounts are fully settled subsequent to 31 December 2008.

25. INVESTMENTS HELD FOR TRADING

	2008	2007
	HK$'000	*HK$'000*
Held for trading investments:		
Listed equity securities in Hong Kong	**21,659**	180,756
Market value of listed equity securities	**21,659**	180,756

26. DEPOSITS PLACED WITH SECURITIES BROKERS/MARGIN LOAN PAYABLES

The deposits placed with securities brokers carry interest at approximately 3% (2007: 3%) per annum and are repayable on demand.

The margin loan payables carry interest at prevailing market rates with an effective interest rate of nil (2007: 6-8%) per annum and are repayable on demand.

27. PLEDGED BANK DEPOSITS

At 31 December 2007, the pledged bank deposits were pledged to bankers to secure facilities granted to the Group and carried prevailing fixed interest rates of 2.55% per annum. The pledged deposit was released upon the deconsolidation of subsidiaries which are set out in note 13.

28. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and bank balances that are interest-bearing at prevailing market interest rates ranging from 0.01% to 0.08% (2007: 0.25% to 1.5%) per annum and have original maturity of three months or less.

29. ASSETS CLASSIFIED AS HELD FOR SALES

On 31 October 2008, the Group entered into a sale and purchase agreement (the "Sale") with an independent third party to dispose of its 40% equity interests in Shanghai Airlines. In accordance with the agreement, the application has been approved by Shanghai Municipal Commission of Commerce on 16 January 2009. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

In the opinion of the directors, the Sale is highly probable and the Group's interests in Shanghai Airlines are reclassified and presented in the consolidated balance sheet as "assets classified as held for sales" as at 31 December 2008 accordingly.

30. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables with the following aged analysis:

	2008	2007
	HK$'000	*HK$'000*
0-30 days	**471**	13,486
31-60 days	**9**	4,243
61-90 days	**5**	21,664
Over 90 days	**1,854**	28,873
Trade and bills payables *(Note a)*	**2,339**	68,266
Receipt in advance from customers	–	114,595
Accrued charges and other payables	**15,259**	32,410
Construction payables *(Note b)*	–	15,018
Government grants *(Note c)*	–	4,493
	17,598	234,782

Notes:

(a) Included in trade and bills payables as at 31 December 2007 were bills payables with aggregate carrying amount of HK$41,856,000 (2008: Nil).

(b) Included in construction payables as at 31 December 2007 were bills payables with aggregate carrying amount of HK$2,720,000 (2008: Nil).

(c) During the year ended 31 December 2008, a government grant of HK$5,906,000 (2007: Nil) was granted to the Group in relation to a sewage facilities. An amount of HK$591,000 represents the government grants released to the consolidated income statement over the useful lives of these sewage facilities using straight-line basis.

During the year ended 31 December 2007, the Funeway Group received government grants of HK$3,423,000 and HK$1,070,000 respectively in relation to a grant for the construction of environmental facilities and a subsidy to the finance costs to be incurred on borrowings raised.

The grant of HK$3,423,000 related to the construction of environmental facilities was to be released to other income over the useful lives of the assets and the subsidy of HK$1,070,000 relating to the finance costs was recognised in the same period as those expenses were charged in the consolidated income statement and was deducted in reporting the related expenses upon the completion of the environmental facilities.

As at 31 December 2007 and up to 31 December 2008 (date of deconsolidation of the Funeway Group), the environmental facilities were still in construction phase.

31. OTHER BORROWINGS

	2008	2007
	HK$'000	HK$'000
Fixed rate other borrowings	–	131,366
Analysed as:		
Secured	–	32,719
Unsecured	–	98,647
	–	131,366
Carrying amount repayable:		
On demand or within one year	–	98,647
More than one year, but not exceeding two years	–	32,719
	–	131,366
Less: Amounts due within one year shown under current liabilities	–	(98,647)
Amounts due after one year	–	32,719

The ranges of effective interest rates (which also equal to contracted interest rates) on the Group's fixed rates borrowings are as follows:

	2008	2007
Effective interest rate:		
Other borrowings	–	6% to 36% per annum

All borrowings as at 31 December 2007 were denominated in RMB.

32. SHARE CAPITAL

	Notes	Number of shares '000	Value HK$'000
Authorised:			
Ordinary shares of HK$0.05 each at 1 January 2007 and 31 December 2007		12,000,000	600,000
Additions	*(a)*	38,000,000	1,900,000
Ordinary shares of HK$0.05 each at 31 December 2008		50,000,000	2,500,000
Issued and fully paid:			
Ordinary shares of HK$0.05 each			
At 1 January 2007		6,048,986	302,449
Exercise of share options	*(b)*	157,000	7,850
At 31 December 2007		6,205,986	310,299
Issue of share – Open offer	*(c)*	3,102,993	155,150
Issue of share – Top up placing	*(d)*	1,240,000	62,000
At 31 December 2008		10,548,979	527,449

32. SHARE CAPITAL *(Continued)*

(a) Pursuant to an ordinary resolution passed by the Company's shareholders at a special general meeting held on 17 September 2008, the Company increased its authorised share capital from HK$600,000,000 to HK$2,500,000,000 by creation of an additional 38,000,000,000 new shares of HK$0.05 each in order to provide more flexibility and to accommodate further expansion and growth of the Company.

(b) During the year ended 31 December 2007, the Company issued 157,000,000 shares at a cash consideration of HK$0.083 or HK$0.0712 per share pursuant to the exercise of the share options granted.

(c) On 30 May 2008, the Company raised approximately HK$232,725,000, before expenses, by issuing 3,102,993,076 offer shares at a price of HK$0.075 per offer share by way of open offer on the basis of one offer share for every two existing shares held and payable in full upon acceptance ("Open Offer"). The share capital of the Company increased by approximately HK$155,150,000 as a result. Further details of the above transaction are set out in the announcement of the Company dated 30 May 2008.

(d) On 30 June 2008, the Company entered into an agreement to place 1,240,000,000 new shares, at a placing price of HK$0.082 per share. The placing has been completed on 11 July 2008 and the Company has raised approximately HK$101,680,000 and the share capital of the Company increased by approximately HK$62,000,000 as a result. Further details of the above transaction are set out in the announcement of the Company dated 30 June 2008.

The shares issued during the year rank pari passu with the then existing shares in issue in all respects.

33. SHARE OPTION SCHEME

The 2002 Scheme

On 18 March 2002, the Company adopted the 2002 Scheme (the "2002 Scheme") under which the board of directors may at its discretion offer to any director (including non-executive director), employee, suppliers, customers, any person or entity that provides research, development or other technological support to the Group, shareholders of any member of the Group or any entity in which the Group holds an equity interests and any other group or classes of persons or entities who have contributed to the development and growth of the Group ("Participant") to subscribe for shares in the Company in accordance with the terms of the 2002 Scheme. The principal purpose of the 2002 Scheme is to provide incentive or rewards for the participant's contributions to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company in issue as at the date of adoption of the 2002 Scheme, unless a refresh approval from the shareholders of the Company has been obtained. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The subscription price of the option shares granted under the 2002 Scheme shall be a price to be determined by the directors of the Company being not less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; (iii) the nominal value of a share.

The total number of shares issued and may be issued upon exercise of the options granted to any individual under the 2002 Scheme and any other share option schemes of the Company must not exceed 1% of the shares in issue.

The 2002 Scheme does not contain any requirement of a minimum period and the board of directors may in its absolute discretion impose a minimum period requirement for each option granted will be made by the board of directors on a case by case basis and will not be made to the advantage of the Participants.

The 2002 Scheme will remain in force for a period of ten years commencing from the date of adoption of the 2002 Scheme, after which no further options will be granted but the options which are granted during the life of the 2002 Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the 2002 Scheme shall in all other respects remain in full force and effect in respect thereof.

Options granted under the 2002 Scheme must be taken up within 21 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant.

33. SHARE OPTION SCHEME *(Continued)*

The 2002 Scheme *(Continued)*

For the year ended 31 December 2008

The following table discloses movements in the Company's share options granted under the 2002 Scheme during the year ended 31 December 2008:

	Date of grant	Exercisable period	Adjustment Exercise price (Note) Before HK$	After HK$	Outstanding at 1.1.2008	Granted during the year	Exercised/ (forfeited) during the year	Open offer quantity adjustment during the year	Outstanding at 31.12.2008
					Number of share options				
Employees	5.10.2004	5.10.2004 to 5.10.2014	0.0712	0.0634	1,000,000	–	–	123,746	1,123,746
	26.9.2005	26.9.2005 to 25.9.2015	0.083	0.0739	5,200,000	–	–	643,478	5,843,478
	20.8.2007	20.8.2007 to 20.8.2017	0.141	0.1255	90,000,000	–	–	11,137,124	101,137,124
Sub-total					96,200,000	–	–	11,904,348	108,104,348
Other eligible persons	5.10.2004	5.10.2004 to 5.10.2014	0.0712	0.0634	25,000,000	–	–	3,093,645	28,093,645
	26.9.2005	26.9.2005 to 25.9.2015	0.083	0.0739	301,000,000	–	–	37,247,492	338,247,492
	20.8.2007	20.8.2007 to 20.8.2017	0.141	0.1255	121,000,000	–	–	14,973,244	135,973,244
	7.9.2007	7.9.2007 to 7.9.2017	0.154	0.1370	60,000,000	–	–	7,424,749	67,424,749
	28.9.2007	28.9.2007 to 28.9.2017	0.166	0.1477	20,000,000	–	–	2,474,916	22,474,916
Sub-total					527,000,000	–	–	65,214,046	592,214,,046
					623,200,000	–	–	77,118,394	700,318,394
Exercisable at the end of the year									700,318,394
Weighted average exercise price (HK$)					0.102	–	–	0.102	0.102

Note: Upon completion of the Open Offer to qualifying shareholders during the year ended 31 December 2008, adjustments on the exercise prices and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the share options as disclosed in the above table were made on 17 June 2008 pursuant to the terms of the 2002 scheme.

33. SHARE OPTION SCHEME *(Continued)*

The 2002 Scheme *(Continued)*

For the year ended 31 December 2007

The following table discloses movements in the Company's share options granted under the 2002 Scheme during the year ended 31 December 2007:

	Date of grant	Exercisable period	Exercise price *HK$*	Number of share options: Outstanding at 1.1.2007	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.12.2007
Employees	5.10.2004	5.10.2004 to 5.10.2014	0.0712	15,000,000	–	(13,000,000)	(1,000,000)	1,000,000
	26.9.2005	26.9.2005 to 25.9.2015	0.083	27,200,000	–	(22,000,000)	–	5,200,000
	20.8.2007	20.8.2007 to 20.8.2017	0.141	–	90,000,000	–	–	90,000,000
Sub-total				42,200,000	90,000,000	(35,000,000)	(1,000,000)	96,200,000
Other eligible persons	23.9.2004	23.9.2004 to 23.9.2014	0.070	190,000,000	–	–	(190,000,000)	–
	5.10.2004	5.10.2004 to 5.10.2014	0.0712	67,000,000	–	(42,000,000)	–	25,000,000
	26.9.2005	26.9.2005 to 25.9.2015	0.083	381,000,000	–	(80,000,000)	–	301,000,000
	20.8.2007	20.8.2007 to 20.8.2017	0.141	–	121,000,000	–	–	121,000,000
	7.9.2007	7.9.2007 to 7.9.2017	0.154	–	60,000,000	–	–	60,000,000
	28.9.2007	28.9.2007 to 28.9.2017	0.166	–	20,000,000	–	–	20,000,000
Sub-total				638,000,000	201,000,000	(122,000,000)	(190,000,000)	527,000,000
				680,200,000	291,000,000	(157,000,000)	(191,000,000)	623,200,000
Exercisable at the end of the year								623,200,000
Weighted average exercise price (HK$)				0.078	0.145	0.079	0.070	0.112

In respect of the share options exercised during the year ended 31 December 2007, the weighted average share price at the dates of exercise is HK$0.217.

33. SHARE OPTION SCHEME *(Continued)*

The 2002 Scheme *(Continued)*

No options under the 2002 Scheme had been granted to any person for the year ended 31 December 2008.

The fair values on the options granted during the year ended 31 December 2007 were calculated using the Black-Scholes Model. The inputs into the model were as follows:

Grant date	Type I 20 August 2007	Type II 7 September 2007	Type III 28 September 2007
Share price on grant date (HK$)	0.13	0.15	0.17
Exercise price (HK$)	0.141	0.154	0.166
Expected volatility	84.88%	84.91%	85.48%
Risk-free rate	4.113%	4.119%	4.006%
Expected dividend yield	–	–	–
Fair value per option granted (HK$)	0.0786	0.0919	0.0994
Expected life of option (years)	3.824	3.824	3.824

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 48 months. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

As the services to be performed by the consultants are similar to services performed by the employees of the Group, the fair value of such services is also measured with reference to the fair value of share options granted using the Black-Scholes model.

The estimated fair values of HK$10,297,000 and HK$13,790,000 with respect to share options granted to employees and consultants, respectively, were charged to the consolidated income statement during the year ended 31 December 2007.

The closing price of the Company's shares immediately before 20 August 2007, 7 September 2007, and 28 September 2007 the dates of grant of the 2002 Scheme's option, was HK$0.13, HK$0.15 and HK$0.17, respectively.

34. CAPITAL COMMITMENTS

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**–**	14,856
Capital expenditure in respect of the acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	**432,291**	–

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group has paid approximately HK$3,274,000 (2007: HK$2,259,000) of operating leases during the year in respect of office premises.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**1,959**	1,054
In the second to fifth years inclusive	**434**	–
	2,393	1,054

Leases are negotiated for a range of one to four years and rentals are fixed for a range of one to four years.

36. PLEDGE OF ASSETS

For the year ended 31 December 2007, the Group had pledged the following assets to secure the Group's other borrowings of approximately HK$32,719,000, margin loan payables of approximately HK$75,726,000 and bills payables of approximately HK$44,576,000:

	2008	2007
	HK$'000	*HK$'000*
Investments held for trading	–	180,756
Bank deposits	–	20,519
Buildings	–	68,335
Prepaid lease payments	–	4,048
Other deposits	–	1,705
	–	275,363

37. RETIREMENT BENEFIT SCHEMES

Hong Kong

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and the MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employees.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, there were no significant forfeited contributions, which arose upon employees leaving the MPF Scheme and ORSO Scheme and which are available to reduce the contributions payable in future years.

PRC

The employees of Shanxi Changxing are members of a state-managed retirement benefit scheme in the PRC. The subsidiary is required to contribute a specified percentage of its payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

38. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remunerations of directors and other members of key management were disclosed in note 11.

Save as disclosed in the consolidated balance sheets and note 23, the Group has no other significant related party transaction.

39. BALANCE SHEET OF THE COMPANY

	2008	2007
	HK$'000	*HK$'000*
Total assets		
Property, plant and equipment	**670**	838
Interests in subsidiaries	**–**	2,000
Other receivables	**23,004**	7,355
Amounts due from subsidiaries	**291,408**	121,630
Bank balances and cash	**1,824**	3,927
	316,906	135,750
Total liabilities		
Trade and other payables	**12,230**	9,172
Deposit received for disposal of subsidiaries	**15,000**	–
	27,230	9,172
	289,676	126,578
Capital and reserves		
Share capital	**527,448**	310,299
Reserves *(note)*	**(237,772)**	(183,721)
	289,676	126,578

39. BALANCE SHEET OF THE COMPANY *(Continued)*

Note: Reserves

	Share premium	Contributed surplus	Share options reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	151,902	48,311	32,691	(429,353)	(196,449)
Loss for the year and total recognised expenses for the year	–	–	–	(15,891)	(15,891)
Recognition of equity settled share-based payments	–	–	24,087	–	24,087
Exercise of share options	11,717	–	(7,185)	–	4,532
Forfeiture of share options	–	–	(7,844)	7,844	–
At 31 December 2007	163,619	48,311	41,749	(437,400)	(183,721)
Loss for the year and total recognised expenses for the year	–	–	–	(158,921)	(158,921)
Issue of shares	117,255	–	–	–	117,255
Share issue expenses	(12,385)	–	–	–	(12,385)
	268,489	48,311	41,749	(596,321)	(237,772)

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation prior to the listing of the Company's shares on the Main Board of the Stock Exchange in 1996 over the nominal value of the Company's shares issued in exchange thereof.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

40. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2008 and 2007 are as follows:

Name of subsidiary	Place of incorporation and operation held	Nominal value of issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Dragon Air Investments Limited	Samoa/Hong Kong	US$50,000	–	100	Investment holding
Fortune Zone International Limited	British Virgin Islands ("BVI")	US$1	100	–	Investment holding
Heatwave Industries Limited	BVI/Hong Kong	US$1	–	100	Security investment
Jet Air (Singapore) Private Limited	Singapore	S$500,000	–	93	Air freight forwarding and brokers for airline and shipping companies
Jet Dispatch Limited	United States of America	US$3,000	–	100	Freight forwarding agent
Square Profits Group Inc.	BVI	US$1	100	–	Investment holding

All subsidiaries are companies incorporated with limited liability in the respective jurisdictions.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

41. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Financial Summary

RESULTS

	Nine months ended 31 December		Year ended 31 December		
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	10,198	284,466	97,130	288,863	**448,920**
Profit (Loss) before taxation	(50,470)	(161,010)	(59,788)	(76,509)	**13,092**
Taxation	–	–	(795)	(4,888)	**(125)**
Profit (Loss) for the year/period	(50,470)	(161,010)	(60,583)	(81,397)	**12,967**
Profit (Loss) attributable to:					
Equity holders of the Company	(50,470)	(136,992)	(45,768)	(81,547)	**12,967**
Minority interests	–	(24,018)	(14,815)	150	**–**
Profit (Loss) for the year/period	(50,470)	(161,010)	(60,583)	(81,397)	**12,967**

ASSETS AND LIABILITIES

	As at 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	84,386	219,930	322,900	433,150	**402,684**
Total liabilities	(30,528)	(187,243)	(291,485)	(447,473)	**(38,266)**
	53,858	32,687	31,415	(14,323)	**364,418**
Equity attributable to equity holders of the Company	53,858	58,955	72,885	29,813	**364,418**
Minority interests	–	(26,268)	(41,470)	(44,136)	**–**
	53,858	32,687	31,415	(14,323)	**364,418**