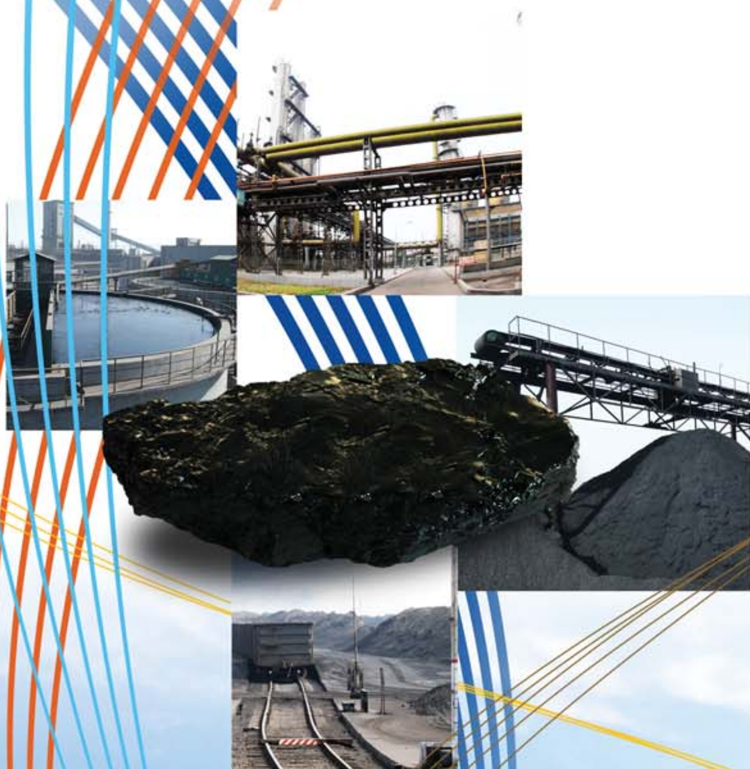
新銀集團有限公司*
THE SUN'S GROUP LIMITED

(In the course of changing its name to Loudong General Nice Resources (China) Holdings Limited and adopting 樓東俊安資源（中國）控股有限公司 as secondary name)
(Incorporated in Bermuda with limited liability)

**for identification purpose only*



2008 Annual Report 年報

Stock Code 股份代號：00988

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Corporate Information

EXECUTIVE DIRECTORS

Cai Sui Xin *(Chairman)*

Lau Yu *(Deputy Chairman)*

Lee Sammy Sean

Lui Ngok Che *CPA FCPA (Aust.)*

Ng Tze For

Li Xiao Juan

Zhao Cheng Shu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lo Tung Sing, Tony

Cheung Siu Chung

Li Xiao Long

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Lo Tung Sing, Tony

Cheung Siu Chung

Li Xiao Long

AUTHORIZED REPRESENTATIVES

Lui Ngok Che *CPA, FCPA (Aust.)*

Leung Yuen Wing *CPA, ACA, FCCA*

COMPANY SECRETARY

Leung Yuen Wing *CPA, ACA, FCCA*

AUDITORS

Ernst & Young

REGISTERED OFFICE

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2 Church Street

Hamilton HM11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26/F Tesbury Centre

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Hong Kong

ADR DEPOSITARY

The Bank of New York

101 Barclay Street

22nd Floor West

New York

NY 10286

USA

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PRINCIPAL BANKERS

The Bank of East Asia, Limited

DBS Bank (Hong Kong) Limited

Chairman's Statement

The "Sun" sets to rise in a new strategic direction.

To better reflect our strategic development, we would soon adopt a new identity starting from May 2009 with a new company name – **Loudong General Nice Resources (China) Holdings Limited ("Loudong GN Res")**.

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of The Sun's Group Limited (the "Company") and its subsidiaries (together the "Group") for the financial year ended 31 December 2008.

WE ADOPT A NEW IDENTITY FOR A NEW DIRECTION

The most significant development for the year is the strategic acquisition of Shanxi Loudong General Nice Coking and Gas Co Ltd ("Shanxi Loudong"), which positions the Company at a new focus, a deliberated new focus – to tap into the resources industry, specifically the raw material of steel production – metallurgical coke.

Shanxi Loudong is a coke manufacturing facility located in Xiaoyi City of Shanxi Province in the PRC, an area with well endowed coal resources that spans across 600 square kilometers. Well connected by rail and by road, Shanxi Loudong is principally engaged in coal washing and coke production. These facilities consist of a coal washing-and-selection facility which can handle up to 4.5 million tonnes of raw coal and a coking plant that can produces up to 1.8 million tonnes of metallurgical coke per annum, plus other by-products such as coal gas, coke tar, crude benzene and electricity generation. What is even more attractive is that Shanxi Loudong has developed long-term business relationship with 6 coal mines in securing continuous supply of raw materials and owns 3 dedicated railway lines and 4 loading stations with aggregate transport capacity of 2 million tonnes.

WE DISPOSED OUR HOTEL AND LAND TO FOCUS ON OUR RESOURCES BUSINESS

The Company has completed the Hotel Disposal Agreement and Land Disposal Agreement shortly after the financial year end. On 29 October 2008, City Joint, a wholly owned subsidiary of the Company, entered into the Hotel Disposal Agreement with Everbig Investments Limited (the "Purchaser") pursuant to which the Purchaser has agreed to acquire and City Joint has agreed to sell Rolling Development Limited ("RDL") Sale Shares and New Point Management Limited ("NPML") Sale Shares for a total consideration of HK$80,000,000.

The Company has also entered into the Land Disposal Agreement with the Purchaser to which the Purchaser has agreed to acquire and the Company has agreed to sell the New Fortune Development Limited Sales Shares for a consideration of HK$63,000,000.

As the Company is principally engaged in property investment and development, securities investment and trading, general trading, coal processing and production of coke and coal-related chemicals, the Company intends to utilize the net proceeds as general working capital and as funds for future development of the Group when investment opportunities arise. The Disposals would allow the Company to focus on its resources business and would likewise strengthen the financial position of the Group.

WE EXPECT THE YEAR AHEAD TO REMAIN CHALLENGING BUT EQUALLY OFFER A LOT OF GROWTH OPPORTUNITIES

The Company completed the acquisition of 50.1% interest in Shanxi Loudong in September 2008 and included its results for the last 4 months of 2008, which happened to be the period hardest hit in the aftermath of the global financial tsunami. As a result, the Group posted a operating loss of HK$514,599,000 in 2008 despite a sharp increase in revenue to HK$506,833,000, mostly contributed by Shanxi Loudong. A net loss attributable to shareholders of HK$563,433,000 was reported in 2008 largely due to a substantial goodwill impairment arising from the Shanxi Loudong acquisition. However, such goodwill impairment was a one-off non-cash item after which the Group would be better focus to develop the Shanxi Loudong platform into a leading integrated coke and coal enterprise in China in the coming years.

Since the financial meltdown in September 2008, the steel industry has slowed down dramatically with the prices of steel products and its key raw materials dived by more than 50% in a couple of weeks. Demand for coke, a major raw material for steel production, was inevitably affected leaving China's coke production to reduce by 2.5% to 327 million tonnes in 2008, mainly because of the slowdown in the last quarter that have offset the higher production volume earned in the first half of the year. Aggravated by a 40% export tax on coke products introduced by the Chinese government in August 2008, coke export has dropped by over 90% since then.

Against such pronounced slump, we expect this year will remain challenging but equally offer a lot of opportunities on expansion, mergers and acquisitions at a low cost for the Group. In the year ahead, the Group will focus on enhancing the competitiveness of Shanxi Loudong, increasing our market share in coke, engaging more business on coke and coal trading, and pursuing opportunities to move upstream into coal mining. Our strategy is to build the Group into one of the largest integrated coke and coal enterprises in China on the solid foundation of Shanxi Loudong.

Shanxi Province, China's largest coal producer, owns the country's best quality coking coal reserves that locates in close proximity to major steel mills in northern China. Given Shanxi Loudong's established position in the industry in Shanxi, the Group is well placed to execute its strategy to identify acquisition opportunities of various quality mineral resources for the steel industry, in particular coking coal and iron ores. Recently, the Group has proposed to raise no less than HK$140,742,457 before expenses by issue of 213,246,148 offer shares at the subscription price of HK$0.66 per offer share on the basis of two offer shares for every five shares, subject to satisfaction of certain conditions described in the Company's announcement dated 13 March 2009. If the proposed open offer is approved and completed, the net proceeds will be applied towards general working capital of the Group, thereby placing the Group in a better position to capture business opportunities.

Despite the challenging environment, there are some early signs that the China economy has bottomed out and momentum seems gathering pace. We remain positive on China's steel and steel-making raw materials industry owing to the "Steel Industry Revitalization Program" and the RMB4 trillion economic stimulus package in 2009 and 2010, which will filter through to the steel and coal/coke sectors in the latter part of this year. Over the medium term, continued robust economic growth in China, coupled with the rapid development of other BRIC (Brazil, Russia, India, China) economies, are strong fundamental drivers underpinning global demand for minerals commodities. In the year ahead, we are ready to take on the challenges and committed to capture any opportunities to deliver maximum returns to our shareholders.

On behalf of the Board of Directors, I would like to express our deep appreciations to all staffs, shareholders and business partners for their supports to the Group during the reporting period.

Yours sincerely,

Cai Sui Xin
Chairman
27 April 2009

Management Discussion and Analysis

FINANCIAL RESULTS

During the financial year under review, the Group recorded revenue from continuing operations of approximately HK$506,833,000, representing an increase of around 162 times, as compared with approximately HK$3,128,000 for 2007. The consolidated net loss attributable to shareholders for 2008 was approximately HK$563,433,000, largely due to a one-off goodwill impairment arising from acquisition, as compared with net profit attributable to shareholders of approximately HK$2,740,000 for the preceding year. The increase in revenue for the year under review was contributed by revenue derived from the coke manufacturing business acquired during the year. The net loss was mainly attributable to the deemed interest of the convertible notes issued during the year and the impairment of goodwill following acquisition of the coke manufacturing business amounted to approximately HK$22,433,000 and HK$571,139,000 respectively. The deemed interest of the convertible note and the impairment of goodwill do not have any impact on the cash flows of the Group. The decision to determine the consideration and enter into the agreement for acquiring the coke manufacturing business was made in December 2007 when the global economy was booming. At the time of completion of the subject acquisition on 3 September 2008, the global economic climate has started to deteriorate and the independent valuer performed the valuation of the acquiree using 3 September 2008 as the base date. Therefore, there was a substantial difference between the consideration paid for the acquisition and the value of the acquiree as set out in the independent valuer's report, which is recorded as goodwill. At the year end, the Board of Directors of the Company has made reasonable estimation of the impairment considerations, and decided to write down a substantial portion of the goodwill accordingly to the income statement of the Group.

BUSINESS REVIEW AND MATERIAL INVESTMENT

Hotel and property investment business

As a result of the competitive pricing strategy and location, the Group's hotel room occupancy rates maintained at a satisfactory level and the business remains strong in the time of financial tsunami in 2008. In addition, the demolition work of two properties at Mongkok, Kowloon was completed in May 2008. No construction work was performed at the site.

On 12 and 22 January 2009, the Group announced that the land and hotel were disposed to a connected person. The disposals allowed the Group to concentrate on the new business acquired during the year, and released more capital for future expansion in the resources business, which the Board believes could significantly maximize shareholders' wealth.

Property investment business

The Group owned several low-density luxurious residential properties in Beijing. In order to maximize their value, these properties were renovated. The Group plans to lease out or sell the residential properties depending on prospective offers.

Coke manufacturing and electricity generating business

The conditional sale and purchase agreement dated 8 December 2007, the supplemental agreement to the Sale and Purchase Agreement dated 20 March 2008 and the supplemental letter dated 30 April 2008 each entered into between Buddies Power Enterprises Limited, a wholly-owned subsidiary of the Group and General Nice Resources (Hong Kong) Limited in relation to the acquisition of 100% of the equity interest of Abterra Coal and Coke Limited ("Abterra HK") at a consideration of HK$1,350,000,000 (based on the closing price of the Company's shares at HK$2.00 per share on the date of completion of the acquisition which is 3 September 2008 for the value of the 100,000,000 consideration shares which formed part of the total consideration), together with the non-exempt continuing connected transactions and the relevant annual caps were passed as an ordinary resolutions at the Special General Meeting of the Company held on 24 June 2008. Abterra HK holds in 50.1%

equity interest in Shanxi Loudong General Nice Coking & Gas Company Limited ("Shanxi Loudong") (山西樓東俊安煤氣化有限公司). Shanxi Loudong is a manufacturer of coke with a designed capacity of 1.8 million tonnes per annum. Coke is a major raw material for steel production and thus most of the customers of Shanxi Loudong are steel manufacturers or traders whose ultimate customers are also steel makers. It also produces by-products such as coal gas, coal tar, crude benzene, and generates electricity etc. The audited turnover of Shanxi Loudong for the year ended 31 March 2007 and 2008 were approximately RMB1,211,930,000 and RMB1,655,760,000 respectively, and the net profit amounted to RMB185,055,000 and RMB242,290,000 respectively. The acquisition was completed on 3 September 2008. Due to the rapid growth in demand of mineral resources in Mainland China and worldwide, the Board of the Company believes that the acquisition will benefit the Group as a whole for the shareholders, which was reflected by a substantial increase in turnover for the year after the acquisition.

The debtors' turnover ratio of the Group has changed from 59 days in 2007 to 93 days in 2008. The figure increased as a result of longer credit terms granted to the steel maker or coke trader in China. The management of Shanxi Loudong closely monitors the repayment status of the debtors on a continual basis. If there is any substantial delay in repayment, credit terms granted to debtors will be adjusted accordingly and specific personnel will be assigned the responsibility to follow up the recovery of the debts. And if the balances due from the debtors turn out to be doubtful, appropriate bad and doubtful debt provision will be provided in due course. So far no significant recoverability problem is noted.

LIQUIDITY, FINANCIAL RESOURCES AND BORROWINGS

As at 31 December 2008, the Group's net current assets were approximately HK$82,662,000, as compared to net current assets approximated to HK$170,409,000 for last year. Current assets amounted to approximately HK$1,434,668,000 (2007: HK$171,856,000), of which approximately HK$294,579,000 (2007: Nil) was fixed and pledged deposits, cash and bank balances. In terms of the quality of current assets, the Group was therefore in a healthy liquidity position.

As at 31 December 2008, the Group had short term bank borrowings of approximately HK$306,158,000 (2007: HK$85,000), which will be due within one year, and long term bank borrowings of approximately HK$3,550,000 (2007: HK$3,676,000). The Group's borrowings were principally denominated in Renminbi. Shanxi Loudong has maintained a very good credit record with those PRC banks having business relationship. Based on past experiences, Shanxi Loudong has been able to have all loans renewed and/or granted extension by banks upon request and the Board expects this would continue in the foreseeable future.

CAPITAL STRUCTURE

On 12 August 2008, the Company entered into the Placing Agreement to place up to 72,000,000 shares at the placing price of HK$2.10 per share. The placement was completed on 3 September 2008 with net proceeds of approximately HK$150,000,000 after offsetting the issuance expenses which was applied as part of the consideration for acquiring the coke manufacturing business. On the same day, 100,000,000 shares was issued to General Nice Resources (Hong Kong) Limited ("GNR") at consideration of HK$2.50 per share which formed part of the consideration for acquiring Abterra HK and its fair value has been determined on the closing price of the issuance date, at HK$2.00 per share. Thus the number of total issued shares had been enlarged to 533,115,372 shares. Convertible notes with amount of HK$1,000 million was also issued to GNR as part of the consideration for the Abterra HK acquisition. Up to the date of this annual report, no conversion has been made on the convertible notes.

TREASURY POLICY

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

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year under review, the Group acquired Abterra HK at the consideration of HK$1,350,000,000. In the event that the aggregate net profit attributable to the 50.1% interest in Shanxi Loudong exceeds HK$230 million for the financial years 2008 and 2009, the Group will be liable for an additional consideration of HK$280 million. Due to the rapid growth of demand of mineral resources in Mainland China and worldwide, the acquisition will benefit the Group, and maximize the profit of shareholders in the long run. There is no plan for other material acquisition or disposal of subsidiaries and affiliated companies under review up to the date of this annual report.

EMPLOYEE

As at 31 December 2008, the total number of employees of the Group was approximately 1,680 (2007: 18). The substantial increase in employees was contributed by the coke manufacturing subsidiary acquired during the year. Apart from the basic remuneration, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as individual's performance. The Group also has a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. No options have been granted yet up to the date of this annual report. Other benefits include medical and retirement schemes.

CHARGE OF ASSETS

As at 31 December 2007 and 2008, the investment properties in Beijing were pledged to a bank to secure mortgage loans granted to a subsidiary of the Company. No other material charge of assets was noted.

GEARING RATIO

The gearing ratio of the Group as at 31 December 2008 measured in terms of net debt divided by total capital plus net debt was approximately 36%. The Group includes within net debt, interest-bearing bank borrowing and long-term bank loan, non-current portion of loans from non-financial institutions and non-current amounts due to related parties, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent and convertible notes. Compared with internally generated cash flow to finance the Group's operations in prior year, the coke manufacturing business acquired during the year was capital intensive. This is the major reason for the significant increase in both the total borrowings compared with prior year. For the year ended 31 December 2007, the Group had neligible debt, thus no comparative information of capital management gearing ratio is presented.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Company has adopted Hong Kong Dollar as its presentation currency. A subsidiary is operating in the PRC, and is therefore exposed to foreign exchange risk. However in view of the stable currency policies adopted by the PRC government, the directors consider that the foreign exchange risk is insignificant.

The Group currently does not have a foreign exchange rate hedging policy in respect of commercial transactions denominated in foreign currencies. However, the directors monitor exchange rate exposure and will consider hedging significant exchange rate exposure should the need arise.

CONTINGENT LIABILITIES

In respect of the acquisition of Shanxi Loudong, in the event that the aggregate audited net profits attributable to the 50.1% equity interest of Shanxi Loudong for the financial years 2008 and 2009 exceed HK$230 million, the Group will be liable for an additional consideration of HK$280 million for the acquisition. As of 31 December 2008, no liability was recorded in respect of any additional consideration.

As at 31 December 2008, the Group had discounted bills receivable amounted to HK$53,748,200, which have not reached maturity.

The Group had no contingent liability as at 31 December 2007.

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cai Sui Xin, aged 47, was appointed as an executive director and chairman of the Company on 19 September 2008. He is the founder and chairman of General Nice Resources (Hong Kong) Limited, General Nice Development Limited and General Nice (Tianjin) Industry Co. Ltd. (collectively as General Nice Group") which mainly involves in the mining and trading of mineral resources. With Mr. Cai's well-established business relationship in China, General Nice Group has expanded to one of the biggest private producers and operators of metallurgical coke in the PRC. Mr. Cai is the Executive Chairman and Executive Director of Abterra Limited, a company listed in the Singapore Exchange Securities Trading Limited.

Mr. Lau Yu, aged 40, was appointed as an executive director of the Company on 22 September 2008 and deputy chairman of the Company on 6 February 2009. Mr. Lau has over 16 years of solid experience in international trading of mineral resources and metals, including coal, coke, iron ore and steel. With his extensive experience in the trading of coke and metallurgy, Mr. Lau has established strong relationships with customers in India, Australia, South Africa, Venezuela and Brazil. Mr. Lau is the Chief Executive Officer and Executive Director of Abterra Limited, a company listed in the Singapore Exchange Securities Trading Limited. He is also the Chief Executive Officer and the director of General Nice Resources (Hong Kong) Limited, the holding company of Abterra Limited. Mr. Lau holds a Bachelor of Business Administration degree from the School of Finance in University of Hawaii in the United States of America. With his strong financial background, he has made various good financial arrangements for both Abterra Limited and General Nice Resources (Hong Kong) Limited.

Mr. Lee Sammy Sean, aged 50, was appointed as an executive director of the Company on 13 October 2006. A lawyer by profession, he has been primarily engaged in real estate, hotel investment and management for over 10 years. One of the most notable projects undertaken by Mr. Lee was The Knightbridge, a prestigious new luxury residential development situated in the heart of London, and in which he held an equity interest. Mr. Lee has extensive connections in the international real estate and hotel investment and management businesses in places such as London, Malaysia, Singapore and the Middle East.

Mr. Lui Ngok Che, aged 49, was appointed as an executive director and an authorized representative of the Company on 14 September 2007. Mr. Lui has over 20 years of experience in finance, accounting, financial and operational management and corporate planning. He is a fellow member of CPA Australia, and an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Business Administration degree and a Master of Business Administration.

Mr. Ng Tze For, aged 47, was appointed as an executive director of the Company on 11 September 2008. Mr. Ng is responsible for all finance matters of natural resources segment of the Company. He has more than 20 years of experience in banking, corporate finance, business development and strategy planning for a number of international banks and listed companies in Hong Kong, Beijing and Shanghai. Mr. Ng graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration degree and obtained a Master of Business Administration degree from The City University of Hong Kong. Mr. Ng was an executive director of Lee Kee Holdings Limited (stock code: 637) whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited, from 14 September 2006 to 4 July 2008.

Biography of Directors and Senior Management

Miss Li Xiao Juan, aged 28, was appointed as an executive director of the Company on 30 March 2009. Miss Li is currently the Deputy General Manager of Shanxi Loudong General Nice Coking and Gas Co. Ltd. ("Shanxi Loudong"), a subsidiary of the Company, and is mainly responsible for the corporate finance of Shanxi Loudong. Before her appointment as the Deputy General Manager, she was the Deputy Head of Finance of Shanxi Loudong. Besides, Miss Li is currently the Deputy General Manager of General Nice Resources (Hong Kong) Limited, one of the substantial shareholders of the Company. Miss Li graduated from Fu Dan University (復旦大學) in the People's Republic of China with a Bachelor's degree in Economics and subsequently obtained a Master of Science degree in Investments from the University of Birmingham in the United Kingdom.

Mr. Zhao Cheng Shu, aged 45, was appointed as an executive director of the Company on 2 April 2009. Mr. Zhao is an economist and a senior engineer, and has accumulated over 20 years of experience in the management of sizeable enterprises in the People's Republic of China ("PRC"). He is a specialist in corporate management and an entrepreneur. Currently he is the director and general manager of Shanxi Loudong General Nice Coking and Gas Co. Ltd. ("Shanxi Loudong"), which is a subsidiary of the Company. He is responsible for overall management and operations of Shanxi Loudong. Besides this, Mr. Zhao is the general manager of Xiao Yi Loudong Industry and Trading Group Co. Ltd., Vice President of the Federation of Young Entrepreneurs of Shanxi Province, Standing Committee of the Political Consultative Conference and Representative to the National People's Congress of Xiaoyi City of Shanxi Province, Deputy President of the Chamber of Industrial and Commerce of Xiaoyi City of Shanxi Province, Committee of the Political Consultative Conference of Luiliang City of Shanxi Province, etc. Because Mr. Zhao has contributed a lot to the society and thus been awarded many honourable titles and prizes, including "Advance Worker Assisting Economic Development of Private Enterprises of Luiliang City of Shanxi Province", "Outstanding Entrepreneur of Private Enterprise of Shanxi Province", "Young Leader of Special Technology of Luiliang City of Shanxi Province", "Outstanding Person in Pushing Relief from Poverty for the Society", "Role Model for Labour in Shanxi Province", "Ethical Role Model", "Medalist of Labour Day in Shanxi Province", etc. Mr. Zhao holds a Master degree in Enterprise Management specializing in Industrial Economics awarded by the Graduate School of China Institute of Social Science (中國社會科學院).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Tung Sing, Tony, aged 40, was appointed as an independent non-executive director of the Company on 3 July 2008 and a member of the audit committee and a member of the remuneration committee on 31 October 2008. Mr. Lo has extensive experience in financial management and business development of Hong Kong and U.S. listed companies. He started his career in 1990 as an auditor with an international accounting firm. From 1992 to 1996, Mr. Lo worked for Tricom Holdings Limited which was listed on the main board of The Stock Exchange of Hong Kong Limited in 1994. In 1996, he joined Mobil Corporation, then a U.S. major oil company, where he was the Treasurer for Greater China Region. In 1999, Mr. Lo joined AIG Consumer Finance Group ("AIG CFG"), a business unit of American International Group, Inc. engaged in consumer finance business, where he has been holding key positions in financial management, including Regional Chief Financial Officer, Asia. Currently, he is the General Manager of AIG CFG in Taiwan. Mr. Lo earned his Bachelor degree of Business Administration from The Chinese University of Hong Kong and Master of Science in Financial Management from The University of London. He is an associate member of the Hong Kong Institute of Certified Public Accountants. From 17 September 2007 to 14 March 2008, Mr. Lo was an independent non-executive director of iMerchants Limited (stock code: 8009), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Biography of Directors and Senior Management

Mr. Cheung Siu Chung, aged 33, was appointed as an independent non-executive director, a member of the audit committee and a member of the remuneration committee on 30 December 2008. Mr. Cheung worked in law firms and professional financial and accounting firms for more than 10 years and possesses extensive experience in handling financial and accounting matters and dealing with legal issues. He holds a Bachelor of Laws (LLB) degree from University of London, a postgraduate certificate in laws (PCLL) from The University of Hong Kong and a master degree of laws (Chinese and Comparative Law) (LLM) from City University of Hong Kong. Mr. Cheung is a solicitor of The Law Society of Hong Kong and the affiliate of The Association of Chartered Certified Accountants (ACCA). He is currently an independent non-executive director of B M Intelligence International Limited (stock code: 8158), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, since 16 July 2007. In addition, he was a non-executive director of Tiger Tech Holdings Limited (stock code: 8046) from 11 July 2007 to 21 November 2008.

Mr. Li Xiao Long, aged 48, was appointed as an independent non-executive director, a member of the audit committee and a member of the remuneration committee on 20 February 2009. Mr. Li is currently the Managing Director of Fei&Long Consulting und Handels GmbH in Germany where he provides consultation to clients on international trade. His clients are mainly machinery manufacturers in Europe having business with Chinese companies. His previous employments included managerial positions in a mineral resources company in Beijing and some insurance companies in China. With his valuable experience in international business, in 2006 he was appointed as the Economic Adviser to the Development and Reformation Committee of Shanxi Province in China by the Director of this Committee.

SENIOR MANAGEMENT

Mr. Leung Yuen Wing, aged 41, was appointed as the company secretary and authorized representative of the Company on 5 November 2008. Mr. Leung had held managerial positions in various renowned international accounting firms and an investment bank and was formerly the financial controller, company secretary and qualified accountant of a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. He is an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales, and a fellow member of the Association of Chartered Certified Accountants. Mr. Leung graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration degree. Currently, he is an independent non-executive director of PME Group Limited (stock code: 379), a company listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Kwok Kam Tim, aged 32, was appointed as the qualified accountant of the Company on 5 November 2008. Mr. Kwok is an associate member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Kwok holds a Bachelor of Arts degree in Accounting from The Hong Kong Polytechnic University, and a Bachelor of Engineering degree from The University of Hong Kong Science and Technology. He had worked in an international accounting firm and has over 7 years of experience in accounting, auditing and financial management.

CORPORATE GOVERNANCE PRACTICES

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

The independent non-executive directors of the Company are not appointed for a specific term as required by the code provision A4.1 of the Code. However, all independent non-executive directors are subject to retirement by rotation in accordance with the Company's Bye-laws. In the opinion of the directors, other than the above, the Company has complied with all code provisions set out in the Code for the year ended 31 December 2008.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management has been delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has delegated various responsibilities to the board committees. Further details of these committees are set out in this report.

The Board has regular scheduled meetings each year to consider, amongst other things, reviewing and approving the interim and annual results of the Group, overall strategy, annual budgets, approval of major capital transactions and other significant operational and financial matters. During the year, ad-hoc meetings were convened when circumstances required such as reviewing and approving the "very substantial acquisition" project to acquire equity interest in Shanxi Loudong General Nice Coking and Gas Co. Ltd.

Details of the attendance of directors at these Board meetings and at the two other board committees' meetings (the Audit Committee and the Remuneration Committee) during the year 2008 are set out in the following table:

	No. of meetings attended/held		
Name of directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive directors			
Mr. Cai Sui Xin *(Chairman)* (appointed on 19 September 2008)	11/11	–	–
Mr. Lau Yu *(Deputy Chairman)* (appointed on 22 September 2008)	10/10	–	–
Mr. Lee Sammy Sean	20/20	–	–
Mr. Lui Ngok Che	20/20	–	–
Mr. Ng Tze For (appointed on 11 September 2008)	12/12	–	–
Independent non-executive directors			
Mr. Lo Tung Sing, Tony (appointed on 3 July 2008)	15/15	1/1	3/3
Mr. Cheung Siu Chung (appointed on 30 December 2008)	1/1	N/A	1/1
Mr. Kwee Chong Kok, Michael (resigned on 30 December 2008)	19/19	3/3	3/3
Mr. Leung Chung Sing (resigned on 20 February 2009)	18/18	3/3	4/4
Mr. Antony Chiu (resigned on 31 October 2008)	13/13	2/2	1/1
Mr. Ho Kwan Tat (resigned on 14 April 2008)	0/1	N/A	N/A

For regular board meeting, the agenda and board papers are sent to the directors at least two days before the meetings of the Board and board committees so that the directors have the time to review the documents. Directors can include matters for discussion in the agenda if the need arises. Minutes of meeting of the Board and board committees are recorded in sufficient details for matters that have been considered and the decisions reached. The draft and final versions of the minutes will be sent to the directors within a reasonable time after the meetings. Minutes of meetings of the Board and board committees are kept by the company secretary of the Company and open for inspection on reasonable notice by any director.

All directors are entitled to have unrestricted access to the advice and service of the company secretary with a view to ensure that board procedures, and all applicable rules and regulations are followed. Upon reasonable request and appropriate circumstances, directors can seek independent professional advice to assist them to discharge their duties, at the Company's expenses.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board had determined to be material, the matter will be dealt with by holding a board meeting with the presence of disinterested independent non-executive directors or a meeting of an independent board committee set up for that purpose pursuant to a resolution passed in a board meeting.

BOARD COMPOSITION

The Board currently comprises ten directors, of whom seven are executive directors and three are independent non-executive directors. The independent non-executive directors are persons of high-calibre, with academic and professional qualifications in the field of accounting, law and business management. With their valuable experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. The biographies of the directors are set out in this annual report, which demonstrates the skills, expertise, experience and qualifications.

The Company has received annual confirmation of independent from the independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.

The Board members have no financial, business family or other material/relevant relationships with each other. The balanced Board composition is formed to ensure strong independence exist across the Board which can effectively exercise independent judgement.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board does not have a nomination committee. However, if the need arises, the Board as a whole, will decide on the nomination and appointment of new directors. New directors appointed by the Board during the year to fill a casual vacancy shall retire and submit themselves for re-election at the first general meeting immediately followed their appointments.

Under Code A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company are not appointed for a specific term although they are subject to retirement and rotation and re-election at the annual general meeting at a regular interval.

At each annual general meeting, one-third of the directors are required to retire from office according to the Company's Bye-laws. As the Company has ten directors, one-third of them shall retire subject to rotation, and barring unforeseen resignation/retirement during a year, each director is effectively appointed for an average term of about three years.

RESPONSIBILITIES OF DIRECTORS

Every newly appointed director will receive a comprehensive, formal and tailored induction on his/her first appointment to have a proper understanding of the operations and business of the Group and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. The directors endeavour to give sufficient time and attention to the Group's affairs and are continually updated with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive directors take an active role in Board meetings, contribute to the development of strategies and policies and make sound and independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. They are also members of various board committees and scrutinize the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

SUPPLY OF AND ACCESS TO INFORMATION

The management has the obligation to supply the Board and board committees with adequate information in a timely manner to enable it to make informed decisions on matters placed before it. Where any director requires more information than is volunteered by the management, each director has separate and independent access to the Group's management to make further enquiries if necessary. Where queries are raised by directors, management will respond as promptly and fully as possible.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of the chairman and the chief executive officer ("CEO") of the Company are separated and are performed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Board has appointed Mr. Cai Sui Xin as the chairman. He has executive responsibilities and provides leadership to the Board such as ensuring all directors are properly briefed on issues arising at Board meetings and received complete and reliable information in a timely manner so that the Board works effectively and discharges its responsibilities.

Mr. Lau Yu, an executive director and CEO, is delegated with the authority and responsibility for managing the Group's business operation and implementing the development strategies. With the assistance of the Qualified Accountant of the Company, Mr. Lau will lead the discussion of the interim and annual results in the Board meeting and analytical review of the results is presented in the meeting. This helps the Board to monitor the Group's business operations and to amend the targets when required. He will periodically present the updated market situation, long term strategies and objectives of the Group at the Board meeting to ensure all directors are aware of the targets the Group achieved. In addition, Mr. Lau will also present the coming year business plan to the Board at the Board meeting held in December each year.

ACCOUNTABILITY AND AUDIT

The management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the approval by the Board.

The directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders. The Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the accounts.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators as well as the information required to be disclosed pursuant to the statutory requirements.

INTERNAL CONTROLS

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposure. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identifying, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 December 2008 is sound and effective to safeguard the interests of the shareholders' investments and the Company's assets.

The Board has also conducted an annual review on the effectiveness of the accounting and financial reporting function of the Company and takes the view that the Company possesses adequate resources and staff qualifications and experience in this regard.

DELEGATION BY THE BOARD

The day-to-day management of the Company is delegated to the management by the Board, with division heads responsible for individual department's daily operations.

Major corporate matters that are specifically delegated by the Board to the management (mainly the Company Secretary and the Qualified Accountant) include the preparation of interim and annual reports and announcements for the Board's approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

BOARD COMMITTEES

The Board has established the remuneration committee and audit committee.

Remuneration Committee

As at 31 December 2008, the remuneration committee of the Company (the "Remuneration Committee") had the three independent non-executive directors, Mr. Leung Chung Sing, Mr. Lo Tung Sing, Tony and Mr. Cheung Siu Chung as the committee's members. The Remuneration Committee's terms of reference are summarized as follows:

i) to ensure that no director or any of his/her associates is involved in deciding his/her own remunerations; and

ii) to make recommendations with respect to the remuneration of the directors and the senior management of the Company for approval by the Board.

The Group's remuneration policy bases on the market practice, the qualification, duties and responsibilities of directors and employees. In order to attract, retain, and motivate high-performance persons, the Company has adopted a share option scheme in 2007 to reward those participants who contribute to the success of the Group's operations.

Details of the amount of directors' emoluments are set out in note 9 to the financial statements and the details of the 2007 Share Option Scheme are set out in note 33 to the financial statements.

The Remuneration Committee had four meetings in 2008 to review and recommend to the Board the salaries of the directors and senior management.

Audit Committee

The Company has an audit committee ("Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors of the Company who amongst themselves possess a wealth of management experience in the accounting profession, legal profession and commercial sectors.

As at 31 December 2008, the Audit Committee had the three independent non-executive directors, Mr. Leung Chung Sing, Mr. Lo Tung Sing, Tony and Mr. Cheung Siu Chung as the committee's members. The Audit Committee's terms of reference are summarized as follows;

i) to consider and recommend the independence, remuneration, appointment, re-appointment and removal of external auditor;

ii) to review the independence and objectivity of the external auditor;

iii) to review financial information;

iv) to oversee financial reporting system and internal control procedures; and

v) connected party transactions.

During the year 2008, the Audit Committee had three meetings to discuss internal control, financial reporting matters, change of external auditor, and any areas of concerns during the audits. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The audited financial statements of the Company for the year ended 31 December 2008 have been reviewed by the Audit Committee before recommending it to the Board for approval.

AUDITORS' REMUNERATION

Ernst & Young has been appointed as the Company's external auditors at the special general meeting on 31 December 2008 until the conclusion of the next annual general meeting. During the year 2008, the remuneration paid to the Company's external auditors for audit service amounted to HK$1,500,000.

COMMUNICATIONS WITH SHAREHOLDERS

The objective of shareholder communication is to provide the Shareholders with detailed information about the Company so that they can exercise their rights as the Shareholders in an informed manner.

The Company uses a range of communication tools to ensure the Shareholders are kept well informed. These include general meetings, annual reports, various notices, announcements and circulars. Procedure for demanding voting by poll has been included in all circulars accompanying notice convening general meeting and the detailed procedures for conducting a poll has been read out by the chairman at general meeting.

The general meetings provide with the Shareholders a useful forum and encourage the Shareholders to attend the general meetings of the Company to raise comments and exchange views with the Board. The Chairman, directors and independent external auditor, where appropriate, are available to answer questions at the meeting.

The Company will ensure to arrange for the notice to shareholders to be sent in the case of annual general meeting at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.

VOTING BY POLL

For the special general meetings of the Company held on or after 1 January 2009 up to the date of this report, all the resolutions were voted by way of poll.

For the forthcoming annual general meeting, voting will be made by way of poll in compliance with Rule 13.39(4) of the Listing Rules and it has been set out in the circular to shareholders dispatched together with the annual report.

The Company will ensure that votes cast including proxy votes are properly counted and recorded.

The Board presents the report of the Directors and the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2008.

PROPOSED CHANGE OF NAME

On 17 March 2009, the board of directors announced that the Company intends to change its English name from "The Sun's Group Limited" to "Loudong General Nice Resources (China) Holdings Limited" and adopt 樓東俊安資源(中國)控股有限公司 as the secondary name. The proposed change of name was duly passed as a special resolution by the shareholders at the special general meeting held on 15 April 2009. As at the date of this annual report, the Registrar of Companies in Bermuda has issued the Certificate of Incorporation on Change of Name and the Certificate of Secondary Name. The change of name is still subject to the approval of the Companies Registry in Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. The Group has commenced the business of production and trading of coke, coal gas and chemical by-products and generation of electricity during the year as a result of the acquisition a of 50.1% equity interest in Shanxi Loudong General Nice Coking & Gas Co., Limited, a company located in Shanxi Province, PRC. During the year, the board of directors ("Board") announced its decision to sell New Fortune Management Limited, the Group's wholly-owned subsidiary which holds two pieces of land in Hong Kong ("Land Disposal"). Moreover, the Board announced the disposal of Rolling Development Limited and New Point Management Limited, two wholly-owned subsidiaries engaged in the investment and management of a hotel in Hong Kong ("Hotel Disposal"). Subsequent to the balance sheet date, the Land Disposal and the Hotel Disposal were completed on 12 January 2009 and 22 January 2009, respectively.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2008 and the financial positions of the Company and the Group at that date are set out in the consolidated financial statements on pages 29 to 106 of this annual report.

The Directors do not propose any payment of a final dividend for the year ended 31 December 2008. (2007: nil)

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, is set out on page 108, which does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements. Further details of the Group's investment properties are set out on page 107.

As a result of the Land Disposal and Hotel Disposal, the relevant property, plant and equipment and investment properties have been grouped and separately presented as assets held for sale on the balance sheet as at 31 December 2008. The comparative figures have been restated accordingly.

CONSTRUCTION IN PROGRESS

Details of construction in progress of the Group are set out in note 14 to the consolidated financial statements on pages 74 of this annual report.

BANK BORROWINGS

Details of bank borrowings of the Company and the Group are set out in note 29 to the consolidated financial statements on page 88 of this annual report.

SHARE CAPITAL AND CONVERTIBLE NOTES

Details of the Company's share capital and convertible notes during the year are set out in notes 31 and 32 to the consolidated financial statements of this annual report.

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2008 and up to the date of this annual report.

RESERVES

Details of the reserves of the Company and the Group during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company has no reserve available for distribution (2007: HK$154,105,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 75.34% (2007: 56.45%) of the total sales for the year and sales to the largest customer included therein amounted to 180,271,000 (2007: 3,856,000). One of the five largest customers is General Nice (Tianjin) Industry Co. Ltd. where Mr. Cai Sui Xin is a director and beneficial owner. Purchases from the Group's five largest suppliers accounted for 75.87% (2007: As the suppliers were quite diversified, there was no identifible top five suppliers thereof) of the total purchases for the year and purchases from the largest supplier included therein amounted to 92,910,000 (2007: As the suppliers were quite diversified, there was no identifible top five suppliers thereof).

Save as disclosed above, to the best knowledge of the director, none of the directors of the Company or any of their associates or any shareholders holding more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or five largest suppliers.

SIGNIFICANT ACQUISITION

On 3 September 2008, the Company has completed the acquisition of 100% of the equity interest of Abterra Coal and Coke Limited (“Abterra HK”) at a consideration of HK$1,350,000.00 pursuant to an ordinary resolution passed at the Special General Meeting of the Company on 24 June 2008. Abterra HK is interested in 50.1% equity interest in Shanxi Loudong General Nice Coking & Gas Company Limited ("Shanxi Loudong"), which is a manfacturer of coke into a designeted capacity of 1.8 million tonnes per annoum.

DIRECTORS

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

Executive directors:

Mr. Cai Sui Xin	(appointed on 19 September 2008)
Mr. Lau Yu	(appointed on 22 September 2008)
Mr. Lee Sammy Sean	
Mr. Lui Ngok Che	
Mr. Ng Tze For	(appointed on 11 September 2008)
Miss Li Xiao Juan	(appointed on 30 March 2009)
Mr. Zhao Cheng Shu	(appointed on 2 April 2009)

Independent non-executive directors:

Mr. Lo Tung Sing, Tony	(appointed on 3 July 2008)
Mr. Cheung Siu Chung	(appointed on 30 December 2008)
Mr. Li Xiao Long	(appointed on 20 February 2009)
Mr. Leung Chung Sing	(resigned on 20 February 2009)
Mr. Kwee Chong Kok, Michael	(resigned on 30 December 2008)
Mr. Antony Chiu	(resigned on 31 October 2008)
Mr. Ho Kwan Tat	(resigned on 14 April 2008)

In accordance with Bye-law 86(2) of the Company, Mr. Cai Sui Xin, Mr. Lau Yu, Mr. Ng Tze For, Miss Li Xiao Juan, Mr. Zhao Cheng Shu, Mr. Lo Tung Sing Tony, Mr. Cheung Siu Chung and Mr. Li Xiao Long shall retire from office. Being eligible, each of them will offer himself/herself for re-election as executive/independent non-executive Director (as the case may be) at the forthcoming annual general meeting. In accordance with Bye-laws 87(1) and 87(2), Mr. Lee Sammy Sean and Mr. Lui Ngok Che shall retire from office by rotation. Being eligible, each of Mr. Lee Sammy Sean and Mr. Lui Ngok Che will offer himself for re-election as executive director at the forthcoming annual general meeting.

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

The Company confirmed that it has received annual confirmations of independence from each of the independent non-executive directors. The Company is of the view that the existing independent non-executive directors are independent of the Company in compliance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board and the remuneration committee with reference to directors' duties, responsibilities and performance of the directors and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY

At 31 December 2008, the interests and short positions of the directors and chief executive and their associates in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

Name	Nature of interest	Number of Shares held	Approximate Percentage of the Company's issued share capital
Mr. Lee Sammy Sean (Note 1)	Interest of a controlled corporation	134,032,000	25.14%
Mr. Cai Sui Xin (Note 2)	Interest of a controlled corporation	500,000,000	18.76%
Mr. Lau Yu	Beneficial interest	5,030,000	0.94%

Notes:

1. These Shares includes 134,032,000 Shares held by Mastermind Assets Management Limited ("**Mastermind**"), a company wholly-owned by Mr. Lee.

2. General Nice Resources (Hong Kong) Limited ("**GNR**") is interested in 100,000,000 issued Shares and 400,000,000 underlying Shares which may be allotted and issued upon the exercise of the conversion rights attaching to the convertible note with the principal amount of HK$1,000,000,000 at an initial conversion price of HK$2.50 per conversion share. Approximately 80% of GNR's issued shares is owned by General Nice Development Limited ("**GND**"). 50% of the issued shares of GND is owned by Vantage Region International Limited ("**Vantage**") and 5% directly by Mr. Cai Sui Xin. Vantage is a company wholly-owned by Mr. Cai Sui Xin. Accordingly, Mr. Cai is deemed to be interested in the 100,000,000 Shares and the 400,000,000 underlying Shares held by GNR under the SFO.

Save as disclosed above, as at 31 December 2008, none of the directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' and chief executive's interests in the Company" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CONTRACT OF SIGNIFICANCE

There existed during the year a contract for the sales of coke amounting to HK$59,375,000 by the Group to General Nice (Tianjin) Industry Company Limited ("GNT"), a company in which Mr. Cai Sui Xin has a beneficial interest. The contract was concluded prior to the year end.

The details of the above transaction are set out in note 40 to the consolidated financial statement of this annual report.

The above transaction is approved by the independent non-executive directors and was conducted on normal commercial terms, in the ordinary course of business of the Group and in accordance with the terms of the agreement governing such transaction that is fair and reasonable and in the interests of the shareholders of the Company as a whole.

Other than as disclosed above, no contract of significance to which the Company, its holding company, subsidiaries or fellow 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' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2008, the following interests of 5% or more of the issued share capital and convertible notes of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Nature of interest	Number of Shares held	Approximate Percentage of the Company's issued share capital
Mastermind (Note 1)	Beneficial interest	134,032,000	25.14%
GNR (Note 2)	Beneficial interest	100,000,000	18.76%
		400,000,000 (Note 2)	
GND (Note 3)	Interest of a controlled corporation	100,000,000	18.76%
		400,000,000 (Note 2)	
Vantage (Note 4)	Interest of a controlled corporation	100,000,000	18.76%
		400,000,000 (Note 2)	
Mr. Tsoi Ming Chi (Note 5)	Interest of a controlled corporation	100,000,000	18.76%
		400,000,000 (Note 2)	

Note:

1. Mastermind, a company wholly-owned by Mr. Lee Sammy Sean, a director. Accordingly, Mr. Lee is deemed to be interested in 134,032,000 Shares held by Mastermind under the SFO.
2. GNR is interested in 100,000,000 issued Shares and 400,000,000 underlying Shares which may be allotted and issued upon the exercise of the conversion rights attaching to the convertible notes with the principal amount of HK$1,000,000,000 at an initial conversion price of HK$2.50 per conversion share.
3. GND holds 80% equity interest in GNR and is deemed to be interested in the 500,000,000 Shares or underlying Shares held by GNR.
4. Vantage holds 50% interest in GND and is deemed to be interested in the 500,000,000 Shares or underlying shares held by GNR.
5. Mr. Tsoi Ming Chi holds 35% equity interest in GND and is deemed to be interested in the 500,000,000 Shares or underlying Shares held by GNR.

Save as disclosed above, as at 31 December 2008, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests in the Company" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Continuing Connected Transactions

During the year, the Group sold goods to GNT amounted to approximately HK$59,375,000 based on the Coke Export Contract dated 18 July 2007 and the Side Agreement dated 7 May 2008 signed between Shanxi Loudong and GNT. GNT is deemed to be a connected party pursuant to the Listing Rules. Details of the Coke Export Contract and the Side Agreement were disclosed in the paragraph headed "Non-exempt Continuing Connected Transactions – B. Coke Export Contract" in the section headed "Continuing Connected Transactions" in the circular dated 30 May 2008 issued by the Company. In addition, there was a Tolling Contract dated 31 January 2007 signed between Shanxi Loudong and GNR ("Tolling Contract", together with the Coke Export Contract, hereafter, called the "Continuing Connected Transactions"). The Continuing Connected Transactions have been approved by the independent shareholders by poll at the special general meeting of the Company on 24 June 2008. Up to the report date, the Tolling Contract has not been exercised and has already expired on 28 February 2009.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and in note 40 to the financial statements and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public during the year and up to the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, the following director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:

Mr. Cai Sui Xin is also a director and beneficial owner of GND and General Nice (Tianjin) Industry Co. Ltd. ("GNT") which are also involved in the trading of coke and coal-related chemicals.

As the board of directors of the Company is independent from the board of directors of GND and GNT and the above director does not control the board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of GND and GNT.

LITIGATION AND ARBITRATION

During the year, the Company and the Group have not been involved in any material litigation or arbitration. As far as the directors are aware, the Company does not have any material litigation or arbitration pending or threatened against the Company which may adversely affect the Company's operating results and financial conditions.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the year, except code provision A.4.1 which requires the independent non-executive director of the Company be appointed for a specific term. However, all independent non-executive directors are subject to retirement by rotation in accordance with the Company's Bye-laws. No director is aware of any information that reasonably reveals that there was any non-compliance with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules by the Company at any time during the year.

For details of the Corporate Governance Report, please refer to pages 12 to 19 of this annual report.

AUDIT COMMITTEE

The audit committee of the Company comprises Messrs. Lo Tung Sing, Tony, Cheung Siu Chung and Li Xiao Long.

The audit committee has reviewed the Group's audited consolidated annual results for the year ended 31 December 2008, and is of the view that the Group's audited consolidated annual results for the year ended 31 December 2008 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 43 to the financial statements.

AUDITORS

During the year, NCN CPA Limited resigned as auditors of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Cai Sui Xin
Chairman

Hong Kong
27 April 2009

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安 永

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To the shareholders of THE SUN'S GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of The Sun's Group Limited set out on pages 29 to 106, which comprise the consolidated and company balance sheets 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 FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement 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 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the 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 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss 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.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre,
8 Finance Street, Central,
Hong Kong

27 April 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**506,833**	3,128
Cost of sales		**(293,111)**	(2,010)
Gross profit		**213,722**	1,118
Other income	5	**15,421**	12,812
Selling and distribution costs		**(48,003)**	–
Administrative expenses		**(69,153)**	(5,488)
Other operating expenses	6	**(11,415)**	–
Goodwill impairment loss	19	**(571,139)**	–
Finance costs	7	**(31,652)**	(154)
(LOSS)/PROFIT BEFORE TAX	8	**(502,219)**	8,288
Income tax	11	**(15,423)**	(413)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(517,642)**	7,875
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	12	**3,043**	(5,135)
(LOSS)/PROFIT FOR THE YEAR		**(514,599)**	2,740
Attributable to:			
Equity holders of the parent	34	**(563,433)**	2,740
Minority interests		**48,834**	–
		(514,599)	2,740
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic			
– For (loss)/profit for the year		**(HK$1.35)**	HK$0.01
– For (loss)/profit from continuing operations		**(HK$1.36)**	HK$0.03
Diluted			
– For (loss)/profit for the year		**N/A**	N/A
– For (loss)/profit from continuing operations		**N/A**	N/A

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,494,182**	13,836
Investment properties	15	**9,660**	13,568
Land held for development	12	**–**	60,941
Prepaid land premiums	16	**37,772**	69,058
Interests in an associate	17	**5,783**	–
Available-for-sale investments	18	**5,443**	–
Goodwill	19	**50,083**	2,811
Deferred tax assets	20	**20,865**	1,605
TOTAL NON-CURRENT ASSETS		**2,623,788**	161,819
CURRENT ASSETS			
Inventories	22	**256,304**	–
Trade and bills receivables	23	**221,530**	2,659
Prepayments, deposits and other receivables	24	**787,762**	5,986
Equity investments at fair value through profit or loss	25	**7,074**	–
Amounts due from related companies	40	**5,028**	–
Cash and cash equivalents	26	**13,746**	163,211
		1,291,444	171,856
Assets of a disposal group classified as held for sale	12	**143,224**	–
TOTAL CURRENT ASSETS		**1,434,668**	171,856
CURRENT LIABILITIES			
Trade and bills payables	27	**494,882**	–
Other payables and accruals	28	**296,408**	1,133
Interest-bearing bank and other borrowings	29	**306,158**	85
Amount due to related companies	40	**8,443**	–
Amount due to a shareholder	40	**987**	–
Tax payable		**244,904**	229
		1,351,782	1,447
Liabilities directly associated with the assets classified as held for sale	12	**224**	–
TOTAL CURRENT LIABILITIES		**1,352,006**	1,447
NET CURRENT ASSETS		**82,662**	170,409
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,706,450**	332,228

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT LIABILITIES			
Long-term bank loan	29	**3,550**	3,676
Loans from related companies	40	**747,898**	–
Loan from a shareholder	40	**830**	–
Loans from non-financial institutions	30	**24,402**	–
Convertible notes	31	**868,953**	–
Deferred tax liabilities	20	**27,698**	–
TOTAL NON-CURRENT LIABILITIES		**1,673,331**	3,676
NET ASSETS		**1,033,119**	328,552
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	32	**5,331**	3,611
Equity component of convertible notes	31	**153,480**	–
Exchange realignment		**(5,102)**	–
Reserves	34	**109,788**	324,941
		263,497	328,552
Minority interests		**769,622**	–
TOTAL EQUITY		**1,033,119**	328,552

Cai Sui Xin
Director

Lau Yu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

	Attributable to equity holders of the parent								
	Share capital HK$'000	Equity component of convertible bonds HK$'000	Exchange realignment HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	2,241	–	–	198,655	1,026	(17,193)	184,729	–	184,729
Issue of ordinary shares through rights issue	1,120	–	–	110,918	–	–	112,038	–	112,038
Issue of ordinary shares through placement	250	–	–	29,750	–	–	30,000	–	30,000
Share issue expenses	–	–	–	(955)	–	–	(955)	–	(955)
Profit for the year	–	–	–	–	–	2,740	2,740	–	2,740
At 31 December 2007 and at 1 January 2008	3,611	–	–	338,368	1,026	(14,453)	328,552	–	328,552
Exchange realignment	–	–	(5,102)	–	–	–	(5,102)	(5,082)	(10,184)
Total income and expense recognised directly in equity	–	–	(5,102)	–	–	–	(5,102)	(5,082)	(10,184)
(Loss)/profit for the year	–	–	–	–	–	(563,433)	(563,433)	48,834	(574,599)
Total income and expense recognised for the year	–	–	(5,102)	–	–	(563,433)	(568,535)	43,752	1,584,783
Issue of ordinary shares through placement	1,720	–	–	348,280	–	–	350,000	–	350,000
Issue of convertible notes	–	153,480	–	–	–	–	153,480	–	153,480
Acquisition of subsidiaries	–	–	–	–	–	–	–	725,870	725,870
At 31 December 2008	5,331	153,480	(5,102)	686,648*	1,026*	(577,886)*	263,497	769,622	1,033,119

* These reserve accounts comprise the consolidated reserves of HK$109,788,000 (2007: HK$324,941,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax:			
From continuing operations		**(502,219)**	8,288
From a discontinued operation	12	**2,435**	(5,202)
Adjustments for:			
Finance costs excluding interests of convertible notes	7	**9,219**	154
Interest income	5	**(8,323)**	(5,225)
Loss on disposal of items of property, plant and equipment	8	**1,189**	–
Loss on disposal of a subsidiary		**–**	67
Fair value gain, net:			
Equity investments at fair value through profit or loss		**107**	–
Depreciation	14	**27,379**	2,964
Changes in fair value of investment properties	6/5	**4,207**	(7,489)
Recognition of prepaid land lease payments	16	**1,341**	1,063
Provision for inventories	8	**18,176**	–
Provision for trade receivables	23	**5,543**	–
Goodwill impairment	19	**571,139**	–
Interest accrual for convertible notes	31	**22,433**	–
		152,626	(5,380)
Increase in inventories		**(115,121)**	–
Increase in trade and bills receivables		**(2,433)**	(1,796)
Decrease/(increase) in prepayments, deposits and other receivables		**140,850**	–
Decrease in amounts due from related parties		**139,171**	–
Decrease in an amount due from shareholder		**22,886**	–
Increase in trade and bills payables		**847**	–
Decrease in other payables and accruals		**246,202**	(1,722)
Increase in an amount due to a shareholder		**987**	–
Decrease in amounts due to related companies		**(26,386)**	–
Decrease in equity investments at fair value through profit or loss		**–**	8,117
Cash generated from/(used in) operations		**67,225**	(3,213)
Income tax refunded		**1,346**	240
Net cash inflow/(outflow) from operating activities		**65,879**	(2,973)

continued/...

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Net cash inflow/(outflow) from operating activities		**65,879**	(2,973)
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Interest received	5	**8,323**	5,281
Purchases of items of property, plant and equipment		**12,647**	(71,918)
Proceeds from disposal of items of property, plant and equipment		**3,033**	–
Proceeds from disposal of prepaid land premiums		**3,476**	–
Purchase of an investment property		**(299)**	–
Acquisition of a subsidiary	35	**(114,859)**	–
Disposal of a subsidiary		**–**	865
Purchases of available-for-sale investments		**(4,553)**	–
Net cash outflow from investing activities		**(117,526)**	(65,772)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	32	**150,000**	141,084
New bank loans		**106,901**	–
Increase in loans from related companies		**170,866**	–
Decrease in a loan from a shareholder		**(391,326)**	–
Repayment of bank loans		**(126,806)**	(71)
Interest paid		**(7,102)**	(154)
Net cash (outflow)/inflow from financing activities		**(97,467)**	140,859
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(149,114)**	72,114
Cash and cash equivalents at beginning of year		**163,211**	91,097
CASH AND CASH EQUIVALENTS AT END OF YEAR		**14,097**	163,211
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balance	26	**13,746**	163,211
Cash and short-term deposit attributable to a discontinued operation	12	**351**	–
		14,097	163,211

Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Amounts due from subsidiaries		**778,861**	–
Investments in subsidiaries	21	**78**	78
TOTAL NON-CURRENT ASSETS		**778,939**	78
CURRENT ASSETS			
Prepayments, deposits and other receivables		**290**	301
Amounts due from subsidiaries		**212,007**	157,739
Cash and cash equivalents		**5**	161,133
TOTAL CURRENT ASSETS		**212,302**	319,173
CURRENT LIABILITIES			
Other payables and accruals		**633**	865
TOTAL CURRENT LIABILITIES		**633**	865
NET CURRENT ASSETS		**211,669**	318,308
TOTAL ASSETS LESS CURRENT LIABILITIES		**990,608**	318,386
NON-CURRENT LIABILITIES			
Converible bonds	31	**868,953**	–
TOTAL NON-CURRENT LIABILITIES		**868,953**	–
Net assets		**121,655**	318,386
EQUITY			
Share capital	32	**5,331**	3,611
Equity component of convertible notes	31	**153,480**	–
Reserves	34	**(37,156)**	314,775
TOTAL EQUITY		**121,655**	318,386

Cai Sui Xin
Director

Lau Yu
Director

1. CORPORATE INFORMATION

The Sun's Group Limited ("the Company") was incorporated in Bermuda on 9 July 1993 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares have been listed on The Stock Exchange of Hong Kong Limited ("HKEX") since January 1994. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at 7/F Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. Prior to 3 September 2008, the Company's subsidiaries (which together with the Company are collectively referred to as "the Group") were principally engaged in property investment and development, hotel investment and operation, securities investment and trading and general trading. On 3 September 2008, the Group acquired the entire interest in Abterra Coal and Coke Limited, a company incorporated in Hong Kong with limited liability. As a result of the acquisition, the principal business of the Group is coal processing and production of industrial coke and coal-related chemicals. The Group subsequently disposed of the business segments of property investment and hotel operation on 12 January 2009 and 22 January 2009 separately.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. They have been prepared under the historical cost convention, except for investment properties and equity investments at fair values through profit or loss, which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in Note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements are presented in Hong Kong dollars, which is also the same as the functional currency of the Company.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the Group for the year ended 31 December 2008. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The acquisition of a subsidiary during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except as outlined below, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurements* and HKFRS 7 Financial Instruments: *Disclosures – 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	HKAS 19 – *The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of adopting these new interpretations and amendments to HKFRS are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – 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 in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets* (continued)

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

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. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addressed the accounting for share-based payment transactions involving two or more entities. The Group has not issued instruments falling within the scope of this interpration.

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the Group.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(d) HK(IFRIC)-Int 14 *HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 provides guidance on how to assess the limit under *HKAS 19 Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has not entered into any defined benefit schemes, therefore the adoption of this interpretation has no impact on the Group.

The Group has also early adopted the following new amendment to HKFRSs during the year. Adoption of this amendment did not have any material effect on the financial performance or position of the Group. It did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

(e) *HKAS 23 (Revised) – Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions in the revised standard, the Group applied the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2008. The Group has no such element in 2007 and before. Therefore, the early adoption of this accounting standard does not constitute change of accounting policy and does not has any material impact on the financial performance or position of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRS* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRSs*
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Statements: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instrument and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instrument: Recognition and Measurement – Eligible Hedged Items*[2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[5]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for transfers on or after 1 July 2009

* *Improvements to HKFRSs* contains amendments to HKFRS 5, HKAS 1, HKAS 7, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statement. The Group expects to adopt the HKAS 27 Amendment from 1 January 2009. The amendments have no impact on the consolidated financial statements. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into any share-based payment schemes with non-vesting conditions attached and, therefore, the amendments are unlikely to have any significant implications on its accounting for share-based payments.

HKFRS 1 (Revised) was issued in December 2008 and shall be applied for financial years beginning on or after 1 July 2009. The purpose of the revision is to improve the structure of the standard and there are no changes to the substance of accounting by first-time adopters. The adoption of the revised standard will have no impact on the financial position or performance of the Group.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 Statement of Cash Flows, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rates, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt HKAS 1 (Revised) from 1 January 2009.

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfill a number of specified features. HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments are unlikely to have any financial impact on the Group.

The amendment to HKAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty awards credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HK(IFRIC)-Int 15 will replace HK Interpretation 3 Revenue – Pre-completion Contracts for the Sales of Development Properties. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 Construction Contracts or an agreement for the sale of goods or service in accordance with HKAS 18 Revenue. As the Group currently is not involved in any construction of real estate, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Balance Sheet Date* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

HK(IFRIC)-Int 18 applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. This interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. As the Group currently has no above assets transferred from customers, the interpretation is unlikely to have any financial impact on the Group.

In October 2008, the HKICPA issued its first Improvements to HKFRSs which sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2009. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interest in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December 2008. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Building	30 years
Plant facilities	30 years
Office equipment	10 years
Machinery	20 years
Vehicle	10 years
Transportation pipe	20 years
Leasehold improvement, furniture and fixtures	5 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Plant infrastructure comprises of installations that are integral to the operations of the plant facilities, including transportation pipe, electricity transfer systems and metering systems.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing cost on related borrowed funds during the period of construction. Construction in progress is transferred to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties,and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as “Other income” in accordance with the policies set out for “Revenue recognition” below. Losses arising from the impairment of such investments are recognised in the income statement as “Impairment losses on available-for-sale financial assets” and are transferred from the available-for-sale investment revaluation reserve.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets (continued)

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Asset carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment loss on these assets are not reversed.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has not transferred substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, an amount due to the ultimate holding company and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from hotel operation and services, when such services are rendered;

(c) from property management income, when such services are rendered;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

For the Company and its subsidiaries located in Hong Kong

(i) Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(ii) Share option scheme

The fair value of the share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into accounting the probability that the options will vest.

For the subsidiaries located in PRC

(i) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(ii) Medical benefit costs

The Group participates in government-organised defined contribution medical benefit plans, under which it pays contributions to the plans at a fixed percentage of wages and salaries of the existing full time employees in the PRC and has no further legal or constructive obligations to pay additional contributions. The contributions are charged as an expense to the consolidated income statement as incurred.

(iii) Housing fund

The Group contributes on a monthly basis to defined contribution housing fund plans organised by the PRC government. Contributions to these plans by the Group are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Borrowing costs are recognised as an expense when incurred other than above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of subsidiaries incorporated in PRC is the Renminbi. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of subsidiaries incorporated in PRC are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements

In the process of applying the Group's accounting policies, management had made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease commitments – Group as lessor

The Group has entered into commercial leases in respect of certain buildings and machinery used for mining purposes. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains the significant risks and rewards of ownership of these assets which are therefore accounted for as operating leases. The carrying amount of property, plant and equipment subject to these operating lease at 31 December 2008 was HK$449,562,000 (2007: Nil).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the report of an independent Hong Kong professional valuer, Vigers Appraisal & Consulting Limited and historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated. The carrying amount of property, plant and equipment at 31 December 2008 was HK$2,494,182,000 (2007: HK$3,435,000).

Estimated provision for impairment of trade and other receivables

The Group makes provision for trade and other receivables based on an assessment of the recoverability of trade receivables and other receivables. Provisions are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed. The carrying amounts of trade and other receivables at 31 December 2008 were HK$221,530,000 (2007: HK$2,125,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 was HK$50,083,000 (2007: Nil). More details are given in note 19.

4. SEGMENT INFORMATION

Segment information is presented on way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in PRC, and over 90% of the Group's assets are located in PRC.

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

(a) The coke segment extracts coke and produces related by-products including coal gas, coal chemical products and supplies electricity;

(b) The corporate segment comprises head office and treasury functions; and

(c) The discontinued operations comprise hotel management and property investment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Year ended 31 December 2008	Continuing operations: Coke HK$'000	Continuing operations: Corporate HK$'000	Continuing operations: Total HK$'000	Discontinued operations: Hotel management and property investment HK$'000	Consolidated HK$'000
Segment revenue					
Sales to external customer	506,833	–	506,833	7,430	514,263
Segment results	(459,059)	(19,831)	(478,890)	2,435	(476,455)
Interest income			8,323	–	8,323
Finance costs			(31,652)	–	(31,652)
(Loss)/profit before income tax expense			(502,219)	2,435	(499,784)
Income tax benefit			(15,423)	608	(14,815)
(Loss)/profit for the year			(517,642)	3,043	(514,599)
Assets					
Segment assets	3,555,511	359,721	3,915,232	143,224	4,058,456
Liabilities					
Segment liabilities	791,386	2,233,727	3,025,113	224	3,025,337
Other segment information:					
Capital expenditure	22,732	364	23,096	34	23,130
Subsidiary acquisition expenditure	–	1,350,000	1,350,000	–	1,350,000
Depreciation of property, plant and equipment	28,956	231	29,187	751	29,938
Amortisation of prepaid land premium	296	–	296	1,045	1,341
Loss on disposal of property, plant and equipment	1,189	–	1,189	–	1,189

4. SEGMENT INFORMATION (continued)

Business segments (continued)

Year ended 31 December 2007	Continuing operations: Coke HK$'000	Continuing operations: Corporate HK$'000	Continuing operations: Total HK$'000	Discontinued operations: Hotel management and property investment HK$'000	Consolidated HK$'000
Segment revenue					
Sales to external customer	–	3,128	3,128	7,510	10,638
Segment results	–	8,442	8,442	(5,202)	3,240
Finance costs			(154)	–	(154)
Gain on disposal of a subsidiary			–	67	67
Profit/(loss) before income tax expense			8,288	(5,135)	3,153
Income tax expense			(413)	–	(413)
Profit/(loss) for the year			7,875	(5,135)	2,740
Assets					
Segment assets	–	191,368	191,368	142,307	333,675
Liabilities					
Segment liabilities	–	5,016	5,016	107	5,123
Other segment information:					
Capital expenditure	–	–	–	71,722	71,722
Depreciation of property, plant and equipment	–	–	–	2,964	2,964
Amortisation of prepaid land premium	–	–	–	1,063	1,063

5. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Revenue		
Attributable to continuing operations reported in the consolidated income statement		
– Sales of goods	**506,833**	2,217
– Gain on sales of marketable securities	**–**	911
Attributable to continuing operations reported in the consolidated income statement	**506,833**	3,128
Attributable to discontinued operations		
– Hotel operation and service income	**7,430**	6,045
– Building management income	**–**	1,465
	514,263	10,638

	Group	
	2008	2007
	HK$'000	HK$'000
Other income		
Attributable to continuing operations reported in the consolidated income statement		
– Bank interest income	**8,323**	5,225
– Increase in fair value of investment properties	**–**	7,489
– Gain on equity investment at fair value through profit or loss	**1,980**	–
– Rental income from lease of property, plant and equipments	**3,890**	–
– Dividend income	**–**	6
– Sundry income	**1,228**	92
	15,421	12,812
Attributable to discontinued operations		
– Sundry income	**21**	652
	15,442	13,464

6. OTHER OPERATING EXPENSES

	Group	
	2008	2007
	HK$'000	HK$'000
Attributable to continuing operations:		
Changes in fair value of investment properties	**4,207**	–
Cost of operating lease	**3,040**	–
Bank charge	**3,103**	–
Other	**1,065**	–
Total	**11,415**	–

7. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	HK$'000
Interest on borrowings wholly repayable within five years:		
Bank loans	**10,220**	154
Financial cost arisen from bills receivable discount	**3,160**	–
Loans from non-financial institutions	**3,214**	–
Convertible notes	**22,433**	–
	39,027	154
Less: Interest capitalised	**(7,375)**	–
	31,652	154

8. LOSS/PROFIT BEFORE TAXATION

The Group's loss/profit before tax is arrived at after charging/(crediting) the followings:

		Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
Cost of inventories sold		**263,367**	–
Minimum lease payments under operating leases:			
Operating lease rentals – land and buildings		**226**	427
Auditors' remuneration		**1,500**	400
Staff costs (including directors' remuneration)			
– Wages and salaries		**17,703**	5,576
– Retirement benefit scheme contributions		**127**	90
Legal and professional fee		**10,802**	–
Foreign exchange differences, net		**(664)**	–
Depreciation	14	**27,379**	2,964
Amortisation of prepaid land premium	16	**2,386**	1,063
Changes in fair value of investment properties	15	**4,207**	(7,489)
Provision for inventories		**18,176**	–
Impairment loss on trade receivables	23	**5,721**	–
Convertible bond interest expense	7	**22,433**	–
Bank charge	6	**3,103**	–
Loss on disposal of items of property, plant and equipment		**1,189**	–

9. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Fees	**533**	2,675
Other emoluments:		
Salaries, allowances and benefits in kind	**1,020**	197
Pension scheme contributions	**15**	4
	1,568	2,876

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2008	2007
	HK$'000	HK$'000
Lo Tung Sing, Tony (appointed on 3 July 2008)	**60**	–
Leung Chung Sing (resigned on 20 February 2009)	**90**	–
Kwee Chong Kok, Michael (resigned on 30 December 2008)	**125**	125
Chiu Antony (resigned on 31 October 2008)	**104**	50
Ho Kwan Tat (resigned on 14 April 2008)	**29**	61
Chan Chi Shing, Paul (resigned on 30 June 2007)	**–**	75
Lo Wai Keung, Peter (resigned on 30 June 2007)	**–**	75
	408	386

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

9. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION (continued)

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2008						
Executive directors:						
Lee Sammy Sean	**125**	**–**	**–**	**–**	**–**	**125**
Lui Ngok Che	**–**	**660**	**–**	**–**	**12**	**672**
Ng Tze For (appointed on 11 September 2008)	**–**	**360**	**–**	**–**	**3**	**363**
	125	**1,020**	**–**	**–**	**15**	**1,160**
2007						
Executive directors:						
Lee Sammy Sean	125	–	–	–	–	125
Chan Wai Hung	960	–	–	–	–	960
Mo Ka Yin, Kenneth	109	–	–	–	–	109
Pang Ho Chuen, Lawrence	1,095	–	–	–	–	1,095
Lui Ngok Che	–	197	–	–	4	201
	2,289	197	–	–	4	2,490

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2007: three) directors, details of whose remuneration are set out in Note 9 above. Details of the remuneration of the remaining three (2007: two) non-director, highest paid employees for the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,056**	913
Pension scheme contributions	**29**	18
	2,085	931

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of highest paid individuals	
	2008	2007
Nil to HK$1,000,000	**2**	2
Nil to HK$1,000,001 to HK$1,500,000	**–**	–
Nil to HK$1,500,001 to HK$2,000,000	**1**	–

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate has become effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable in the PRC have been calculated at the rates of tax applicable to the subsidiaries operating therein, based on existing legislation, interpretations and practices in respect thereof. Shanxi Loudong is subject to a statutory tax rate of 25%, but is entitled to a reduced tax rate of 12.5% in 2008 under tax holiday regulations. 2008 is the last year of the tax holiday granted.

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

	2008	2007
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**847**	228
Current – PRC	**15,344**	–
Deferred (Note 20)	**(768)**	185
Total tax charge for the year	**15,423**	413

A reconciliation of the tax expense applicable to (loss)/profit before tax using the statutory rates for the jurisdictions in which the Company and its majority of subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

11. INCOME TAX (continued)

Group – 2008

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax (including profit from a discontinued operations)	(609,036)		109,252		(499,784)	
Tax at the statutory tax rate	(100,491)	16.5	27,313	25.0	(73,178)	14.6
Benefits of tax holiday	–	–	(13,657)	(12.5)	(13,657)	(2.7)
Reversal of deferred tax assets previously recognised	1,881	(0.3)	517	0.5	2,398	(0.4)
Deferred tax assets not recognised	6,655	(1.0)	–	–	6,655	(1.3)
Effect of higher rate of deferred tax	–	–	(900)	(0.8)	(900)	0.2
Expenses not deductible for tax	94,238	(15.6)	–	–	94,238	(18.9)
Others	(1,011)	0.2	270	0.2	(741)	0.1
Tax charge at the Group's effective rate	1,272	(0.2)	13,543	12.4	14,815	(3.0)
Represented by:						
Tax credit attributable to discontinued operations (Note 12)					(608)	
Tax charge attributable to continuing operations reported in the consolidated income statement					15,423	
					14,815	

11. INCOME TAX (continued)

Group – 2007

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax (including profit from discontinued operations)	3,153		–		3,153	
Tax at the statutory tax rate	552	17.5	–	–	552	17.5
Tax losses not recognised	1,978	62.8	–	–	1,978	62.8
Tax effect of unused tax losses	(525)	(16.7)	–	–	(525)	(16.7)
Tax effect of unused tax losses carried forward	430	13.6	–	–	430	13.6
Effect of temporary difference	(213)	(6.8)	–	–	(213)	(6.8)
Income not subject to tax	(2,387)	(75.7)	–	–	(2,387)	(75.7)
Expenses not deductible for tax	823	26.1	–	–	823	26.1
Deferred tax related to the origination and reversal of temporary difference	185	5.9	–	–	185	5.9
Tax charge at the Group's effective rate	413	13.1	–	–	413	13.1
Represented by:						
Tax charge attributable to discontinued operations (Note 12)					–	
Tax credit attributable to continuing operations reported in the consolidated income statement					413	
					413	

12. DISCONTINUED OPERATIONS

Disposal of the hotel operation business

On 29 October 2008, City Joint Investments Limited, a wholly-owned subsidiary of the Company, entered into a sale agreement to dispose the entire interest in Rolling Development Limited and New Point Management Limited, both indirect wholly-owned subsidiaries of the Company. The disposal was completed on 22 January 2009 for a consideration of HK$80 million.

Disposal of the property investment business

On 29 October 2008, the Company entered into a sale agreement to dispose the entire interest in New Fortune Development Limited, a wholly-owned subsidiary of the Company. The disposal was completed on 12 January 2009 for a consideration of HK$63 million.

Disposal of the property management business

On 31 October 2007, the Company entered into a sale agreement to dispose the entire interest in The Sun's Property Management Limited which was an indirectly wholly-owned subsidiary of the Company. The disposal was completed on 31 October 2007.

The result of the discontinued operations included in the consolidated income statement is as follows:

	Notes	**2008** **HK$'000**	2007 HK$'000
Revenue and other income		**7,452**	8,162
Expenses		**(5,017)**	(13,364)
Profit/(loss) from operations before income tax expense	9	**2,435**	(5,202)
Income tax benefit (Note 11)		**608**	–
		3,043	(5,202)
Gain on disposal of operations	29	**–**	67
Profit/(loss) for the year from discontinued operations		**3,043**	(5,135)

12. DISCONTINUED OPERATION (continued)

Disposal of the property management business (continued)

The major classes of assets and liabilities of the disposed operations classified as held for sale as at 31 December 2008 are as follows:

	2008 HK$'000	2007 HK$'000
Assets		
Property, plant and equipment	**12,243**	–
Prepaid land premiums	**63,481**	–
Land held for development	**63,196**	–
Goodwill	**2,811**	–
Deferred tax assets	**941**	–
Trade and bills receivables	**654**	–
Prepayments, deposits and other receivables	**1,217**	–
Cash and cash equivalents	**351**	–
	144,894	–
Less: Impairment of the assets classified as held for sale	**(1,670)**	–
Assets classified as held for sale	**143,224**	–
Liabilities		
Other payables and accruals	**(224)**	–
Liabilities directly associated with the assets classified as held for sale	**(224)**	–
Net assets directly associated with the disposal group	**143,000**	–

12. DISCONTINUED OPERATION (continued)

Disposal of the property management business (continued)

The net cash flows of the discontinued operation included in the consolidated cash flow statement are as follows:

	2008 HK$'000	2007 HK$'000
Operating activities	**(2,194)**	1,652
Net cash (outflow)/inflow	**(2,194)**	1,652
Earnings(loss) per share:		
Basic, from the discontinued operations	**HK$0.01**	(HK$0.02)

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2008	2007
Profit/(loss) attributable to ordinary equity holders of the parent from the discontinued operations	**HK$3,043,000**	(HK$5,135,000)
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**417,508,000**	266,374,000
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**548,656,000**	N/A

The following information is provided on the financial assets and financial liabilities of the discontinued operations as at the balance sheet date:

As at the balance sheet date, the financial liabilities of the discontinued operations were all on demand.

13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic (loss)/earnings per share is based on the (loss)/earnings for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the placement of shares during the year.

The calculation of diluted (loss)/earnings per share is based on the (loss)/earnings for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible notes, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. A diluted (loss)/earnings per share has not been disclosed as the convertible notes outstanding had an anti-dilutive effect on the basic (loss)/earnings per share.

The calculation of basic (loss)/earnings per share are based on:

	2008	2007
	HK$'000	HK$'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation:		
From continuing operations	**(566,476)**	7,875
From a discontinued operations	**3,043**	(5,135)
	(563,433)	2,740

	Number of shares	
	2008	2007
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**417,508**	266,374

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2008

	Buildings HK$'000	Plant facilities HK$'000	Office equipment HK$'000	Machinery HK$'000	Vehicle HK$'000	Plant infrastructure HK$'000	Lease improvement, furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:									
At 31 December 2007 and at 1 January 2008	12,240	–	–	–	–	–	5,170	–	17,410
Additions	161	4,072	36	9,232	744	15	65	8,506	22,831
Acquisition of a subsidiary (Note 35)	1,209	805,599	32,342	790,527	17,655	286,390	–	584,879	2,518,601
Assets included discontinued operation	(10,100)	–	–	–	–	–	(3,772)	–	(13,872)
Disposals	(2,140)	–	–	(2,454)	–	–	(634)	–	(5,228)
Transfer from CIP	–	–	–	188,813	–	–	–	(188,813)	–
Exchange realignment	(225)	(6,646)	(264)	(6,671)	(185)	(2,476)	–	(4,272)	(20,739)
At 31 December 2008	1,145	803,025	32,114	979,447	18,214	283,929	863	400,300	2,519,037
Accumulated depreciation:									
At 31 December 2007 and at 1 January 2008	3,073	–	–	–	–	–	501	–	3,574
Charge for the year	623	8,649	1,064	10,473	747	4,863	960	–	27,379
Assets included discontinued operation	(471)	–	–	–	–	–	(1,158)	–	(1,629)
Disposals	(65)	–	–	(827)	–	–	(80)	–	(972)
Exchange realignment	(2,550)	(640)	(26)	(12)	(113)	(156)	–	–	(3,497)
At 31 December 2008	610	8,009	1,038	9,634	634	4,707	223	–	24,855
Net book value:									
At 31 December 2008	535	795,016	31,076	969,813	17,580	279,222	640	400,300	2,494,182
At 31 December 2007	9,167	–	–	–	–	–	4,669	–	13,836

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

31 December 2007

	Buildings HK$'000	Lease improvement, furniture and fixtures HK$'000	Total HK$'000
Cost:			
At 31 December 2006 and at 1 January 2007	–	19	19
Additions	12,240	5,151	17,291
At 31 December 2007	12,240	5,170	17,410
Accumulated depreciation:			
At 31 December 2006 and at 1 January 2007	–	4	4
Charge for the year	43	90	133
At 31 December 2007	3,073	501	3,574
Net book value:			
At 31 December 2007	9,167	4,669	13,836
At 31 December 2006	–	15	15

The leasehold land is held under a long term lease and is situated in PRC.

15. INVESTMENT PROPERTIES

	2008 HK$'000	2007 HK$'000
Carrying amount at 1 January	**13,568**	–
Additions	**299**	6,079
Net (loss)/profit from a fair value adjustment	**(4,207)**	7,489
Carrying amount at 31 December	**9,660**	13,568

The Group's investment properties located in Beijing were revalued on 31 December 2008 by Vigers Appraisal & Consulting Limited, independent professionally qualified valuers, at HK$9,660,000.

These properties were pledged to secure general banking facilities granted to the Group (Note 29).

16. PREPAID LAND PREMIUM

	2008 HK$'000	2007 HK$'000
Cost:		
At 1 January	**70,387**	66,900
Additions in this period	**–**	3,487
Acquisition of a subsidiary (Note 35)	**38,361**	–
Reclassified as disposal group held for sale	**(66,900)**	–
Currency realignment	**(341)**	–
Disposals	**(3,486)**	–
At 31 December	**38,021**	70,387
Accumulated amortization:		
At 1 January	**1,329**	266
Charge for the year	**1,341**	1,063
Reclassified as disposal group held for sale	**(2,374)**	–
Currency realignment	**(47)**	–
Disposals	**–**	–
At 31 December	**249**	1,329
Net book value:		
At 31 December	**37,772**	69,058

17. INTERESTS IN AN ASSOCIATE

	Group 2008 HK$'000	Group 2007 HK$'000
Share of net assets	**1,099**	–
Goodwill on acquisition	**4,684**	–
Unlisted shares, at cost	**5,783**	–

Particulars of the principal associate is as follws:

Name	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Nan Tie Lou Jun Coke Transportation Co., Ltd. ("Nan Tie")*	Shanxi Province, the PRC	19%	Provides loading, storage and transportation service for coke, washed coals and raw coals

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network

The following table illustrates the summarised financial information of the Group's associate extracted from its financial statements:

	2008 HK$'000	2007 HK$'000
Assets	**13,856**	–
Liabilities	**8,073**	–
Revenues	**3,592**	–
Profit	**–**	–

18. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Unlisted equity investments, at cost	**5,443**	–

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 December 2008, certain unlisted equity investments with a carrying amount of HK$5,443,000 (2007: Nil) were stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose them in the near future.

19. GOODWILL

	Group	
	2008	2007
	HK$'000	HK$'000
Opening balance	**2,811**	2,811
Acquisition of a subsidiary (Note 35)	**621,222**	–
Assets included in held for sale	**(2,811)**	–
Impairment during the year	**(571,139)**	–
Closing balance	**50,083**	2,811
As at 31 December		
Cost	**621,222**	2,811
Accumulated impairment	**(571,139)**	–
	50,083	2,811

19. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units of the respective subsidiaries. For the purpose of impairment testing, the recoverable amounts of the cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering the estimated mine lives, and approved by senior management. At 31 December 2008, the discount rate applied to cash flow projections is a nominal rate of 13%. Key assumptions used in the value in use calculation for 31 December 2008 are as follows:

Revenues

The basis used to determine the values assigned to the future revenues is the estimated annual mine output based on mine designed capacity at expected future commodity prices.

Commodity price

Future commodity prices in the valuation model are estimated by management based on their industry experience, historic price trends and independent expert and commentaries.

Discount rates

The discount rates used are based on a weighted average cost of capital, and are real rates, after tax reflecting specific risks relating to the relevant cash generating units.

Growth rates

Cash flows beyond the five year forecast period are assumed to grow at a constant 2.0% per annum, based on expected long term inflation rates in the RPC.

20. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Group

31 December 2008

	Bad debt provision HK$'000	Inventory provision HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2008	–	–	893	893
Acquisition of a subsidiary	14,952	–	–	14,952
Deferred tax credited/(charged) to the income statement	1,503	4,544	(616)	5,431
Reclassified to discontinued operations	–	–	(277)	(277)
Exchange alignment	(117)	(17)	–	(134)
At 31 December 2008	16,338	4,527	–	20,865

Deferred tax liabilities

	Capitalised interest HK$'000	Book in excess of tax basis of prepaid land premiums HK$'000	Others HK$'000	Book value in excess of tax base of property, plant and equipment HK$'000	Total HK$'000
At 1 January 2008	–	–	–	(712)	(712)
Acquisition of a subsidiary	8,713	1,963	–	12,257	22,933
Deferred tax charged/(credited) to the Income statement	1,844	82	369	2,368	4,663
Reclassified to discontinued operations	–	–	–	664	664
Exchange alignment	(73)	(15)	–	238	150
At 31 December 2008	10,484	2,030	369	14,815	27,698

20. DEFERRED TAX (continued)

Deferred tax assets

Group

31 December 2007

	Depreciation allowance in excess of the related depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2007	–	–	–
Acquisition of a subsidiary	372	1,418	1,790
Deferred tax charged/(credited) to the income statement (Note 11)	340	(525)	(185)
At 31 December 2007	712	893	1,605

The Group has tax losses arising in Hong Kong of HK$40,332,000 (2007: HK$5,103,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses above. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable but taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in PRC. The requirement has become effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$4,133,000 at 31 December 2008 (2007: Nil).

21. INVESTMENTS IN SUBSIDIARIES

	Company 2008 HK$'000	Company 2007 HK$'000
Unlisted shares, at cost	**78**	78

Amounts due from subsidiaries:	Company 2008 HK$'000	Company 2007 HK$'000
Current	**212,007**	157,939
Non-current	**1,350,000**	–
Less: Impairment provision for investment in a subsidiary (Note 19)	**571,139**	–
	990,868	157,739

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The classification has been determined based on the amount expected to be settled within one year from the balance sheet date.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration operations	Issued and fully paid share capital	Percentage of equity interest held % Direct	Percentage of equity interest held % Indirect	Principal activities
Kingfund Corporation Limited	Hong Kong	HK$1	–	100	Property investment
New Fortune Development Limited	Hong Kong	HK$1	100	–	Hotel investment
New Point Management Limited	Hong Kong	HK$1	–	100	Hotel management
Profit Made Limited	Hong Kong	HK$2	100	–	Dormant
Rolling Development Limited	Hong Kong	HK$10,000	–	100	Hotel investment
The Sun's Corporate (B.V.I.) Limited	British Virgin Islands	US$10,000	100	–	Investment holding

21. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration operations	Issued and fully paid share capital	Percentage of equity interest held % Direct	Indirect	Principal activities
The Sun's (B.V.I.) Limited	British Virgin Islands	US$1	–	100	Investment holding
The Sun's Group (H.K.) Limited	Hong Kong	Ordinary HK$10,000 non-voting deferred HK$20,000,000(i)	–	100	Investment holding
Abterra Coal and Coke Limited	Hong Kong	HK$10,000	–	100	Investment holding
City Joint Investments Limited	British Virgin Islands	US$1	100	–	Investment holding
Ever Mark Limited	Hong Kong	HK$1	–	100	Trading
Buddies Power Enterprises Limited	British Virgin Islands	US$1	100	–	Investment holding
First Hope Profits Limited	British Virgin Islands	US$1	–	100	Securities investment
Fortune Smart Investment Limited	Hong Kong	HK$1	–	100	Property management
Shanxi Loudong General Nice Coking and Gas Co., Limited ("Shanxi Loudong")	PRC/ Mainland China	RMB 246,000,000	–	50.1	Coke extracting and the manufacture of relavent chemicals

Note:

(i) The non-voting deferred shares shall entitle the holders to a fixed non-cumulative dividend at the rate of Hong Kong 1 cent in respect of any one non-voting deferred share per annum for any financial year of the The Sun's Group (H.K.) Limited in respect of which the audited net profits of the The Sun's Group (H.K.) Limited available for dividend exceed HK$1,000,000,000; on a winding-up the holders of the non-voting deferred shares shall be entitled out of the surplus assets of the The Sun's Group (H.K.) Limited to a return of the capital paid up on the non-voting deferred shares held by them respectively after a total sum of HK$100,000,000,000 has been distributed in such winding-up in respect of each of the ordinary shares of the The Sun's Group (H.K.) Limited.

22. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials at cost	**52,075**	–
Work in progress at net realisable value	**45,303**	–
Finished goods at net realisable value	**157,818**	–
Spare parts and consumables at cost	**1,108**	–
Total inventories at the lower of cost and net realisable value	**256,304**	–

23. TRADE AND BILLS RECEIVABLES

	Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**260,472**	2,659
Bills receivables	**26,408**	–
Impairment provision	**(65,350)**	–
	221,530	2,659

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's customers are concentrated in the steel making industry. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the date of invoice, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**221,626**	2,659
One to two years	**28,865**	–
Over two years	**9,981**	–
	260,472	2,659

23. TRADE AND BILLS RECEIVABLES (continued)

The movements in the provision for impairment of trade and bills receivables are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**–**	–
Addition as a result of acquisition of a subsidiary	**59,807**	–
Impairment losses recognised (Note 8)	**5,721**	–
Less: Impairment losses recognised of in discontinued operations	**(178)**	–
At 31 December	**65,350**	–

The above provision for impairment of trade receivables is in relation to individually impaired trade receivables with a carrying amount of HK$73,341,000 (2007: Nil). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**174,628**	2,659
One to two years	**19,902**	–
Over two years	**592**	–
	195,122	2,659

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2008	2007
	HK$'000	HK$'000
Advances to suppliers	**309,476**	–
Pledged deposits as security for bills payables	**294,579**	–
Other receivables	**183,707**	5,986
	787,762	5,986

25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008	2007
	HK$'000	HK$'000
Listed equity investments, at market value:		
PRC	**7,074**	–
	7,074	–

The above equity investments at 31 December 2007 and 2008 were classified as held for trading.

26. CASH AND CASH EQUIVALENTS

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**308,325**	163,211	**5**	161,133
Less: Pledged time deposits:					
pledged as security	29	**(294,579)**	–	**–**	–
Cash and cash equivalents		**13,746**	163,211	**5**	161,133

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$303,643,000 (2007: Nil). The RMB is not freely convertible into other currencies, however, under PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. CASH AND CASH EQUIVALENTS (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

27. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the date of invoice, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**477,703**	–
One to two years	**6,392**	–
Over two years	**10,787**	–
	494,882	–

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

28. OTHER PAYABLES AND ACCRUALS

	Group	
	2008	2007
	HK$'000	HK$'000
Customer advances	**56,241**	–
Value-added tax payable	**148,969**	–
Other payables	**76,378**	1,133
Accruals	**14,820**	–
	296,408	1,133

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2008 Effective interest rate (%)	2008 Maturity	2008 HK$'000	2007 Effective interest rate (%)	2007 Maturity	2007 HK$'000
Current						
Bank loans – unsecured	**5.913%-10.571%**	**2009**	**295,825**	N/A	N/A	
Loan from local credit corporation – unsecured	**14.904%-17.181%**	**2009**	**10,222**	N/A	N/A	
Current portion of a long term bank loan – secured	**3.25%-5%**	**2009**	**111**	5%-7%	2009	85
			306,158			85
Non-current						
Secured bank loan	**3.25%-5%**	**2010–2031**	**3,550**	5%-7%	2010–2031	3,676
Total bank and other borrowings			**309,708**			3,761

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2008 HK$'000	2007 HK$'000
Analysed into:		
Bank loans:		
Within one year or on demand	**306,158**	85
In the second year	**114**	85
In the third to fifth years, inclusive	**369**	303
Beyond five years	**3,067**	3,288
	309,708	3,761

Notes:

(a) Certain of the Group's bank loans are secured by mortgages over the Group's investment properties situated in the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$9,660,000 (2007: HK$13,568,000).

(b) Except for the secured bank loans which is denominated in Hong Kong dollars, all borrowings are in Renminbi.

The carrying amounts of the Group's borrowings approximate to their fair values.

30. LOANS FROM NON-FINANCIAL INSTITUTIONS

Loans from non-financial institutions are unsecured and bear interest rate at an annual rate at 28%.

The non-current loans from non-financial institutions represent funds received from various parties for working capital purpose, and are not repayable within the next 12 months. There is no fixed term of repayment.

31. CONVERTIBLE NOTES

On 31 August 2008, the Company issued 2% convertible notes with a nominal value of HK$1,000,000,000 as a partial consideration of the business combination set out in Note 35. There was no movement in the number of these convertible notes during the year. The notes are convertible at the option of the bondholders into ordinary shares on the basis of one ordinary share for every HK$2.50 notes held at any time from the date of issue up to seven business days preceding the maturity date. The convertible notes will be redeemed by the Company on the maturity date with the redemption value being the principal amount outstanding together with all accrued and unpaid interest on the maturity date. The noteholders may demand the Company to redeem the convertible notes if the trading of the shares has been suspended consecutively for more than 45 trading days. Any convertible notes not converted will be redeemed on 30 August 2011 at the principal amount outstanding together with all accrued and unpaid interest. The notes carry interest at a rate of 2% per annum.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar notes without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

31. CONVERTIBLE NOTES (continued)

The convertible notes issued during the year have been split as to the liability and equity components, as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Nominal value of convertible notes issued during the year	**1,000,000**	–
Equity component	**(153,480)**	–
Liability component at the issuance date	**846,520**	–
Interest expense	**22,433**	–
Liability component at 31 December	**868,953**	–

32. SHARE CAPITAL

Shares

	2008	2007
	HK$'000	HK$'000
Authorised:		
200,000,000,000 (2007: 200,000,000,000)		
ordinary shares of HK$0.01 each	**2,000,000**	2,000,000
Issued and fully paid:		
533,115,372 (2007: 361,115,372) ordinary shares of HK$0.01 each	**5,331**	3,611

During the year, the movements in the issued share capital of the Company were as follows:

(i) As a part of the total consideration of the business combination as set out in Note 35, the Company issued 100,000,000 shares on 3 September 2008, and the value is determined based on the closing price thereof.

(ii) A placement agreement dated 12 August 2008 was signed between the Company and Grand Vico Capital Limited to place 72,000,000 new shares of the Company at a placing price of HK$2.10 per share. The placement was completed on 3 September 2008.

32. SHARE CAPITAL (continued)

A summary of the transaction during the year with reference to the above movement in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 31 December 2007 and at 1 January 2008	361,115,372	3,611	338,368	341,979
Shares issued	172,000,000	1,720	348,280	350,000
At 31 December 2008	533,115,372	5,331	686,648	691,979

33. SHARE OPTION SCHEME

Pursuant to ordinary resolutions passed on 25 June 2007, the shareholders of the Company approved (i) the termination of share option scheme adopted on 14 November 2002 (the "2002 Share Option Scheme") and (ii) the adoption of a new share option scheme (the "2007 Share Option Scheme"). No options were granted under the 2002 Share Option Scheme prior to its termination.

2007 Share Option Scheme

The 2007 Share Option Scheme was adopted by the Company on 25 June 2007. Under the 2007 Share Option Scheme, the board of directors of the Company may, at its absolute discretion, grant options to executives and employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The maximum number of shares in respect of which options may be granted under the 2007 Share Option Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of the 2007 Share Option Scheme and must not in aggregate (including all outstanding options granted and yet to be exercised under the 2007 Share Option Scheme and any other share option scheme of the Group), exceed 30% of the shares of the Company in issue from time to time.

33. SHARE OPTION SCHEME (continued)

2007 Share Option Scheme (continued)

An option may be exercised in accordance with the terms of the 2007 Share Option Scheme at any time during a period to be notified by the board of directors of the Company to the grantee commencing on the expiry of six months after the date of grant of an option and in any event expiring on a date no later than the last date of the period of 10 years commencing on the date of adoption of the 2007 Share Option Scheme. Upon acceptance of the option, the grantee shall pay HK$10.00 to the Company by way of consideration for the grant of the option.

The subscription price for any particular option shall be determined by the board of directors of the Company subject to the compliance with the requirements for share option schemes under the listing rules and shall be at least the highest of:

a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the grant date;

b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the grant date; and

c) the nominal value of the shares on the grant date.

No options have been granted under the 2007 Share Option Scheme since its adoption. The 2007 Share Option Scheme will expire on 24 June 2017.

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 32 of this annual report.

34. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2006 and at 1 January 2007	198,655	160,670	(180,730)	178,595
Issue of ordinary shares through rights issue	110,918	–	–	110,918
Issue of ordinary shares through placement	29,750	–	–	29,750
Share issue expenses	(955)	–	–	(955)
Profit for the year	–	–	(3,533)	(3,533)
At 31 December 2007 and at 1 January 2008	**338,368**	**160,670**	**(184,263)**	**314,775**
Issue of ordinary shares through placement	**149,280**	**–**	**–**	**149,280**
Issue of ordinary shares as part of the consideration of the business combination as set out in Note 35	**199,000**	**–**	**–**	**199,000**
Profit for the year	**–**	**–**	**(700,211)**	**(700,211)**
At 31 December 2008	**686,648**	**160,670**	**(884,474)**	**(37,156)**

(c) Loss attributable to equity holders of the parent

The consolidated profit/(loss) attributable to equity holders of the parent for the year ended 31 December 2008 includes a loss of HK$700,211,000 (2007: HK$3,533,000) which has been dealt with in the financial statements of the Company.

35. BUSINESS COMBINATION

On 3 September 2008, Buddies Power Enterprises Limited, a subsidiary of the Company acquired the entire interest in Abterra Coal and Coke Limited, which holds a 50.1% equity interest in Shanxi Loudong General Nice Coking and Gas Co. Ltd., a company incorporated in Mainland China. The total consideration was HK$1,350,000,000 plus a contingent consideration of HK$280,000,000 in the event that the aggregate audited net profits attributable to the 50.1% equity interest of Shanxi Loudong General Nice Coking and Gas Co. Ltd. for the financial years ending 31 December 2008 and 2009 exceed HK$230 million.

35. BUSINESS COMBINATION (continued)

The fair values of the identifiable assets and liabilities of Abterra Coal and Coke Limited as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Previous carrying amount HK$'000
Property, plant and equipment	14	**2,518,601**	2,330,731
Prepaid land premium	16	**38,361**	38,361
Available-for-sale investments		**6,741**	6,741
Deferred tax assets	20	**14,952**	49,681
Inventories		**159,359**	159,359
Trade and bills receivables		**223,220**	223,220
Prepayments and other receivables		**923,843**	923,843
Equity investments at fair value through profit and loss		**7,234**	7,234
Amounts due from related companies		**144,199**	144,199
Amount due from a shareholder		**22,886**	22,886
Cash and bank balances		**35,141**	35,141
Trade and bills payable		**(493,954)**	(493,954)
Other payables and accruals		**(535,446)**	(535,446)
Interest-bearing bank and other borrowings		**(328,230)**	(328,230)
Amounts due to related companies		**(34,829)**	(34,829)
Tax payable		**(230,723)**	(230,723)
Loans from related companies		**(969,188)**	(969,188)
Loans from non-financial institutions		**(24,586)**	(24,586)
Deferred tax liabilities	20	**(22,933)**	(10,675)
Minority interests		**(725,870)**	(655,671)
		728,778	658,094
Goodwill on acquisition	19	**621,222**	
Satisfied by cash		**150,000**	
Satisfied by convertible notes		**1,000,000**	
Satisfied by shares issued (Note)		**200,000**	
Total consideration		**1,350,000**	

Note: At 3 September 2008, the date of issuance of the consideration shares, the closing price of the Company's shares was HK$2.00.

35. BUSINESS COMBINATION (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	150,000
Cash and bank balances acquired	(35,141)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	114,859

Since its acquisition, Abterra Coal and Coke Limited contributed HK$506,832,693 to the Group's revenue and HK$97,866,000 to the consolidated profit for the year ended 31 December 2008.

Had the combination taken place at the beginning of the year, the revenue from the continuing operations of the Group and the loss of the Group for the year would have been HK$2,362,136,000 and HK$165,814,000, respectively.

36. CONTINGENT LIABILITY

As set out in Note 35, in the event that the aggregate audited net profits attributable to the 50.1% equity interest in Shanxi Loudong exceeds HK$230 million for year 2008 and 2009, the Group will be liable for an additional consideration of HK$280 million for the acquisition. As of 31 December 2008, no liability was recorded in respect of any additional consideration.

As at 31 December 2008, a subsidiary of the Company has discounted bills receivable amounting to HK$53,748,200, which have not reached maturity.

The Group had no contingent liability as at 31 December 2007.

37. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in Notes 29 to the financial statements.

38. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties (Note 15) under operating lease arrangements, with leases negotiated for terms ranging from two to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

In addition, the Group leases certain buildings and machinery to mining companies, which supply coal to Shanxi Loudong. The lease terms range from 10 to 30 years.

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**21,380**	218
In the second to fifth years, inclusive	**85,518**	58
After five years	**297,509**	–
	404,407	276

As lessee

The Group leases certain of its office properties and premise under operating lease arrangement. Leases for properties and premise are negotiated for terms ranging from 1 to 2 years.

At 31 December 2008, the Group had total future minumum lease payments under non-cancellable operating leases falling due as follow:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**120**	–
One to two years	**97**	–
	217	–

39. COMMITMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Contracted, but not provided for:		
In respect of:		
– Office premise	**12,750**	–
– Unlisted equity investments in subsidiaries	**–**	1,400,000
	12,750	1,400,000

40. RELATED PARTY TRANSACTIONS

(a) Transaction with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
Sales of goods to related parties	(i)	**59,375**	–
Loan from a related party	(ii)	**173,824**	–
Transportation fees paid to an associate	(iii)	**6,847**	–

Notes:

(i) The sales to General Nice (Tianjin) Industry Co., Ltd ("GNT"), an associate of GNR and also, a related party of the Group, were made according to the published prices and conditions similar to those offered to the major customers of the Group. Details of the agreements regarding this transaction are listed in (b) ii below.

(ii) The loan borrowed from General Nice Development Limited ("GND"), a related party of the Group, was unsecured, interest-free and is repayable after 1 September 2010.

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

(iv) Administration and finance services are provided to the Group by General Nice Resources (Hong Kong) Limited ("GNR") free of charge.

40. RELATED PARTY TRANSACTIONS (continued)

(b) Agreements with related parties

(i) On 31 January 2007, Shanxi Loudong, a subsidiary of the Group, reached an agreement with GNR, a shareholder of the Company, that Shanxi Loudong would provide tolling service for GNR by converting coal provided by GNR into coke. The contract was valid between 1 Mar 2007 and 28 Feb 2009. During the period, Shanxi Loudong was obliged to toll no less than 162,000 and 180,000 metric tons of coke to GNR for the first and second contractual years respectively. The tolling service prices were set as USD8 per metric ton. Up to the report date, the agreement has not been exercised.

(ii) According to an agreement between Shanxi Loudong and GNT on 18 July 2007 and a side agreement between the two parties on 7 May 2008, Shanxi Loudong would supply chinese ash metallurgical coke to GNR through GNT based on quoted prices in open market. The contracts are valid between 31 July 2007 and 31 July 2009. During the contract period, Shanxi Loudong is obliged to provide to GNT the coke with total sales value of at least US$62,500,004. During the post-acquisition period ended 31 December 2008, the coke that the Group sold coke of approximately HK$59,375,000 to GNT.

(c) Outstanding balances with related parties:

The balances with a shareholder and related parties are unsecured, interest-free and have no fixed terms of repayment except for the non-current balances, which the related parties have agreed not to ask for repayment before 1 September 2010. These balances represented cash advances to or from those related parties and were non-trade in nature. The carrying amounts of these balances approximate to their fair values as at the balance sheet date.

The detailed breakdown of amounts with related parties and a shareholder is as follows:

Outstanding balances with related parties:

(i) *Current portion*

	Group	
	2008	2007
	HK$'000	HK$'000
Due from related companies		
Shanxi Minerals Industrial & Trading Co., Ltd	**4,732**	–
Shanxi Nan Tie Lou Jun Coke Transportation Co., Ltd. ("Nan Tie")	**296**	–
	5,028	–
Due to a related company		–
Nan Tie	**8,443**	

40. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties: (continued)

(ii) Non-current portion

	Group	
	2008	2007
	HK$'000	HK$'000
Loan from related companies		
GND	**193,749**	–
General Nice (Tianjin) Industry Co., Ltd	**301,891**	–
Da Jin International (Group) Corporation	**235,249**	–
Xiaoyi Loudong Industry & Trading Group Co., Ltd	**17,009**	–
	747,898	–

Outstanding balances with a shareholder:

(i) Current portion

	Group	
	2008	2007
	HK$'000	HK$'000
Due to a shareholder		
GNR	**987**	–

(ii) Non-current portion

	Group	
	2008	2007
	HK$'000	HK$'000
Loan from a shareholder		
GNR	**830**	–

40. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group:

	Group	
	2008	2007
	HK$'000	HK$'000
Short term employee benefits	**3,759**	3,785
Post-employment benefits	**44**	22
Total compensation paid to key management personnel	**3,803**	3,807

Further details of directors' emoluments are included in Note 9 to the financial statements.

The related party transactions are set out in (a) above also constitute a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008	**Group**			
Financial assets				
	Financial assets at fair value through profit or loss			
	Held for trading	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Interests in associates (Note 17)	–	5,783	–	5,783
Available-for-sale investments	–	–	5,443	5,443
Trade receivables	–	221,530	–	221,530
Financial assets included in prepayments, deposits and other receivables	–	183,707	–	183,707#
Amounts due from related companies	–	5,028	–	5,028
Equity investments at fair value through profit or loss	7,074	–	–	7,074
Pledged deposits	–	294,579	–	294,579
Cash and cash equivalents	–	13,746	–	13,746
	7,074	724,373	5,443	736,890

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Interest-bearing bank and other borrowings	306,158
Amounts due to related companies	8,443
Amount due to a shareholder	987
Long-term bank loan	3,550
Loans from related companies	747,898
Loan from a shareholder	830
Loans from non-financial institutions	24,402
Trade and bills payables	494,882
Financial liabilities included in other payables and accruals (Note 28)	225,347#
Convertible notes	868,953
Tax payable	244,904
	2,926,354

The amounts do not include prepayments, advance payments received and provisions that meet the definition of HKAS 37.10.

2007 Financial assets	Group Loans and receivables HK$'000
Trade receivables	2,659
Financial assets included in prepayments, deposits and other receivables	5,986
Cash and cash equivalents	163,211
	171,856

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities	Financial liabilities at amortised cost HK$'000
Interest-bearing bank and other borrowings	85
Long-term bank loan	3,676
Financial liabilities included in other payables and accruals (Note 28)	1,026
Tax payable	229
	5,016

	Company	
	2008	2007
Financial assets	**Loans and receivables HK$'000**	Loans and receivables HK$'000
Investments in subsidiaries	**78**	78
Due from subsidiaries	**1,562,007**	157,739
Financial assets included in prepayments, deposits and other receivables	**290**	301
Cash and cash equivalents	**5**	161,133
	1,562,380	319,251

Financial liabilities	**2008**	2007
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Other payables and accruals	**633**	865
Convertible notes	**868,953**	–
	869,586	865

42. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

The Group's principal financial instruments comprise bank loans, convertible notes, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, credit risk and liquidity risk and foreign exchange risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates related primarily to the Group's variable rate borrowings with various institutions (Notes 29 and 30).

The Group places the cash with reputable banks. The Group manages its interest rate risks relating to its interest income by placing the cash balances with varying maturity and interest rate terms. Apart from that, it manages its interest rate risk relating to borrowings by closely monitoring interest rate movements and People's Bank of China interest rate policy and renewing the terms of borrowings annually.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$'000	**Increase/ (decrease) in equity** HK$'000
2008	100	(10,227)	(7,670)
	(100)	10,024	7,518
2007	100	(2,282)	2,282
	(100)	1,883	(1,883)

42. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

Credit risk

Credit risk or the risk of counterparties defaulting is managed through the application of credit approvals and monitoring procedures. The Group minimises its exposure to credit risk by only dealing with counterparties with acceptable credit rating.

The major concentrations of credit risk arise from exposure to a substantial number of accounts mainly operating in one geographical region, PRC and one industry, steel making. Accordingly, management monitor the balances due from those companies, and regularly communicate with the management of those companies to understand the recoverability issues.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash and borrowing facility reserves. In addition, the management continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

Foreign currency risk

The Group also has transactional currency exposures. Such exposure arises from sales in currencies other than the functional currencies of the units making the sales. Approximately 6.5% of the Group's sales are denominated in currencies (primarily US dollars) other than the functional currencies of the units making the sales, whilst almost all costs are denominated in the units functional currencies. The Group does not use any derivative to minimise the foreign exchange exposure.

The following table demonstrates the sensitivity to a reasonably possible change in the United States dollar exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ decrease in United States dollar rate RMB'000	Increase/ (decrease) in profit before tax RMB'000	Effect on equity
31 December 2008	5%	(4,014)	(3,513)
	(5%)	4,014	3,513
31 December 2007	5%	–	–
	(5%)	–	–

42. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years end 31 December 2007 and 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 30% and 50%. The Group includes within net debt, interest-bearing bank borrowings and long-term bank loan, non-current portion of loans from non-financial institutions, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent and convertible notes.

	31 December 2008 HK$'000
Interest-bearing bank borrowings	306,158
Long-term bank loan	3,550
Due to related parties	758,158
Non-current loans from non-financial institutions	24,402
Less cash and cash equivalents	(13,746)
Net debt	1,078,522
Equity	1,033,119
Convertible notes	868,953
Total capital	1,902,072
Total capital and net debt	2,980,594
Gearing ratio	36%

For the year ended 31 December 2007, the Group had negligible debt, thus no comparative information of capital management and gearing ratio calculation is presented.

42. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

Disposal of the hotel operation business

On 22 January 2009, the Group disposed the entire interests in Rolling Development Limited and New Point Management Limited, both indirectly wholly-owned subsidiaries of the Company, for a total consideration of HK$80,000,000. The hotel operation business of the Group ceased accordingly.

Disposal of the property investment business

On 12 January 2009, the Group disposed the entire interest in New Fortune Development Limited, which was a directly wholly-owned subsidiary of the Company, for a consideration of HK$63,000,000. The property investment business of the Group ceased accordingly.

43. POST BALANCE SHEET EVENTS

Proposed change of name

On 17 March 2009, the board of directors announced that the Company intends to change its English name from "The Sun's Group Limited" to "Loudong General Nice Resources (China) Holdings Limited" and adopt 樓東俊安資源(中國)控股有限公司 as the secondary name. The proposed change of name was duly passed as a special resolution by the shareholders at the special general meeting held on 15 April 2009. As at the date of this annual report, the Registrar of Companies in Bermuda has issued the Certificate of Incorporation on Change of Name and the Certificate of Secondary Name. The change of name is still subject to the approval of the Companies Registry in Hong Kong.

Proposed open offer

On 13 March 2009, the board of directors announced a proposed open offer to raise not less than approximately HK$140.7 million on the basis of two offer shares for every five shares held, at a price of HK$0.66 per offer share. Pursuant to an underwriting agreement, GNR has undertaken to subscribe for 40 million shares in cash, representing a subscription price of HK$26.4 million. In addition, GNR has undertaken to subscribe for further shares in the event that the other shareholders do not take up their entitlements as follows:

(i) in cash, up to a subscription of HK$44.34 million, representing a maximum of 67,185,542 shares; and

(ii) by offset against the liability of the Company to GNR under the convertible notes, up to a subscription of HK$70 million, representing a maximum of 106,060,606 million shares. For this purpose, the Company and GNR have agreed that the conversion ratio shall be HK$2.357 due and owing under the convertible notes to HK$1 of subscription price.

The open offer is subject to, among other things, (i) the passing by the independent shareholders the resolutions to approve the open offer, the offset, etc; (ii) the Stock Exchange granting the listing of and permission to deal in all the offer shares; and (iii) the Securities and Futures Commission granting the Whitewash waiver to GNR and the parties acting in concert with it. A circular in relation to the open offer will be despatched to the shareholders as soon as practicable.

44. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to confirm with the current year's accounts presentation.

45. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the company's board of directors on 27 April 2009.

Particulars of Properties

31 December 2008

INVESTMENT PROPERTIES

Location	Intenduse	Site area (sq m)	Lease term
Unit 101, Phase 3, basement level 1, Level 1 and 2, Court No. 3, Greenwich Garden, Yaojiayuan East Lane, Chaoyang District, Beijing City, the PRC	Lease	253.71	Long lease
Unit 601 together with its roof, Phase 1, Levels 6 and 7, Block 2, Court No. 4, Greenwich Garden, Yaojiayuan East Lane, Chaoyang District, Bejing City, the PRC	Lease	250.03	Long lease
Unit 801, Phase 3, Level 8, Block 5, Court No.4, Greenwich Garden, Yaojiayuan East Lane, Chaoyang District, Beijing City the PRC	Lease	127.12	Long lease

Five Year Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Remark)	(Remark)	(Remark)
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**506,833**	3,128	2,106	2,726	2,731
Cost of sales	**(293,111)**	(2,010)	–	–	–
Gross profit/(loss)	**213,722**	1,118	2,106	2,726	2,731
Other income	**15,421**	12,812	1,118	54	592
Selling and distribution costs	**(48,003)**	–	–	–	–
Administrative expenses	**(69,153)**	(5,488)	(2,357)	(11,538)	(14,245)
Other operating expenses	**(11,415)**	–	–	–	(1,855)
Gain on the debt restructing	**–**	–	560,549	–	–
Restructing Cost	**–**	–	(12,043)	–	–
Negative goodwill	**–**	–	893	–	–
Increase in fair value of an investment property	**–**	–	2,244	700	–
Impairment loss on trading receivables	**–**	–	–	(1,444)	–
Change in fair value of held for trading investment	**–**	–	(11)	–	–
Gain on disposal of development properties	**–**	–	–	–	119,549
Gain on disposal on investment properties	**–**	–	–	–	31,340
Goodwill impairment loss	**(571,139)**	–	–	–	–
OPERATING (LOSS)/PROFIT	**(470,567)**	8,442	552,499	(9,502)	138,112
Finance costs	**(31,652)**	(154)	(434)	–	(38,187)
(LOSS)/PROFIT BEFORE TAX	**(502,219)**	8,288	551,975	(9,502)	99,925
Income tax expense	**(15,423)**	(413)	2,466	(472)	(136)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**(517,642)**	7,875	554,441	(9,974)	99,789
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**3,043**	(5,135)	562	–	–
(LOSS)/PROFIT FOR THE YEAR	**(514,599)**	2,740	555,003	(9,974)	99,789
Attributable to:					
Equity holders of the parent	**(563,433)**	2,740	555,003	(9,974)	99,789
Minority interests	**48,834**	–	–	–	–
	(514,599)	2,740	555,003	(9,974)	99,789
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**4,058,456**	333,675	190,208	7,077	4,717
TOTAL LIABILITIES	**(3,025,337)**	(5,123)	(5,479)	(578,023)	(565,689)
MINORITY INTERESTS	**(769,622)**	–	–	–	–
	263,497	328,552	184,729	(570,946)	(560,972)

Remark: Financial information for years 2004 to 2006 was not restated for discontinued operations as the materiality was insignificant for investors' decision.