HUSCOKE RESOURCES HOLDINGS LIMITED

(formerly know as Frankie Dominion International Limited)
(incorporated in Bermuda with limited liability)
(stock code: 704)

2008
Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Mr. Lam Po Kwai, Frankie
(resigned on 12th January, 2009)
Ms. Wong Yau Ching, Maria
(resigned on 6th June, 2008)
Mr. Chim Kim Lun, Ricky
Mr. Cheng Kwok Hing, Andy
Mr. Li Baoqi *(Acting Chairman)*
(appointed on 1st June, 2008)
Ms. So Man Yee, Katherine
(resigned on 6th June, 2008)
Mr. Wu Jixian *(Chief Executive Officer)*
(appointed on 1st June, 2008)
Ms. Lee Yuen Bing, Nina
(Non-Executive Director)
(resigned on 1st September, 2008)
Mr. Au Son Yiu
(Independent Non-Executive Director)
(resigned on 16th April, 2008)
Mr. Lee Johnson
(Independent Non-Executive Director)
(resigned on 1st September, 2008)
Mr. Lam Hoy Lee, Laurie
(Independent Non-Executive Director)
(appointed on 1st September, 2008)
Mr. Sun Tak Keung
(Independent Non-Executive Director)
(appointed on 16th April, 2008)
Dr. Tang Tin Sek
(Independent Non-Executive Director)
(resigned on 16th April, 2008)
Mr. Wan Hon Keung
(Independent Non-Executive Director)
(appointed on 16th April, 2008)

AUDIT COMMITTEE

Mr. Lee Johnson
(resigned on 1st September, 2008)
Mr. Au Son Yiu
(resigned on 16th April, 2008)
Dr. Tang Tin Sek
(resigned on 16th April, 2008)
Mr. Sun Tak Keung
(appointed on 16th April, 2008)
Mr. Wan Hon Keung
(appointed on 16th April, 2008)
Mr. Lam Hoy Lee, Laurie
(appointed on 1st September, 2008)

COMPANY SECRETARY

Mr. Cheung Chiu Fan
(resigned on 6th June, 2008)
Mr. Cheung Ka Fai
(appointed on 6th June, 2008)

COMPANY SOLICITORS

In Hong Kong
Sit, Fung, Kwong & Shum
Deacons
Chiu & Partners

In Bermuda
Appleby Spurling Hunter

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong
Tricor Secretaries Limited

In Bermuda
Butterfield Corporate Services Limited

PRINCIPAL OFFICE IN HONG KONG

Room 4205, 42th Floor
Far East Finance Center
16 Harcourt Road
Admiralty, Hong Kong
Tel: 2861 0704
Fax: 2861 3908
E-mail: admin@huscoke.com
Website: www.huscoke.com

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Chairman's Statement

I would like to present the annual audited consolidated results of Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2008.

RESULTS AND BUSINESS OVERVIEW

Turnover of the Group for continuing operations for the year ended 31st December, 2008 was approximately HK$1,235 million, representing an increase of 370.71% from approximately HK$262 million in last year. In the year 2008, the Group reposition itself to engage in the coal related businesses and has completed two acquisitions during the year, i.e. the coke trading business and the coal related ancillary business. Also, facing the challenging operating environment of the Group, the Group has disposed its loss making manufacturing business in 2008. Excluding the impairment loss on Goodwill amounting to HK$1.87 billion mentioned below, in operating perspective, all these acquisitions and disposal have proved to be succeed and contributed to the turnaround of the Group's operating situation from last year's HK$42.2 million operating loss to current year's operating profit of around HK$17.6 million.

For the original household products, the Group has focus more on the trading business and reducing the size of the manufacturing sector. Management are of the view that the manufacturing business would be more volatile than the trading business. In 2008, revenue generated from the trading section has been increased by around 80%. On 31st October, 2008, the Group has disposed all its interests in the manufacturing of others business.

To diversify the Group's business, on 16th May, 2008 and 31st October, 2008, the Group has completed the acquisitions of the coke trading and coal related ancillary business respectively. Both new businesses contributed to the Group's revenue and operating profits.

IMPAIRMENT LOSS ON GOODWILL

To finance these two acquisitions, the Group has issued promissory notes and two tranches of convertible bonds with exercise price of HK$0.4 per share. According to the current accounting standards, the value of these convertible bonds should be measured at fair value, i.e. the share price at the date of completion. This fair value adjustment has increased the cost of acquisition and increased the Goodwill of both acquisitions. At 31st December 2008, with the economic tsunami, the Company required to make around HK$1.87 billion impairment loss for the increased Goodwill. This impairment loss is an one-off non-operating loss and will not affect the financial and cashflow positions of the Group.

Chairman's Statement

PROSPECTS

Facing the current economic downturn, management will put more efforts to strengthen the Group's profitability. We may try to increase the profits margin for all the existing businesses and may consider the possibilities to develop new businesses such as coke processing or to undertake the resources at discounted prices. Also, as mentioned above, current year's impairment loss on Goodwill is one-off non-operating in nature, and will not create any financial burden to the Group's future development. With these efforts and the continue supports from our shareholders and business partners, management is optimistic about the prospects of the Group.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2008 (2007: Nil).

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to the shareholders of the Company for their continued support and sincerely thank the directors and staff for their dedication and diligence. I also wish to take this opportunity to express my sincere gratitude to the Group's customers and suppliers for their ongoing support.

Li Baoqi
Acting Chairman

Hong Kong, 28th April, 2009.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Baoqi, aged 54, has been appointed as an executive Director since June 2008 and as the Acting Chairman of the Company since January 2009. Mr. Li has over 25 years of working experience in foreign economy and trade. He worked as the Assistant to General Manager of 中國冶金進出口吉林公司 (China Metallurgy Import and Export Jilin Company), the Manager and the Assistant General Manager of the Import and Export Division of 中國冶金進出口深圳公司 (China Metallurge Import and Export Shenzhen Company, now known as 中鋼集團深圳公司 (China Steel Group Shenzhen Company)).

Mr. Wu Jixian, aged 45, has been appointed as an executive Director and Chief Executive Officier since June 2008. Mr. Wu has over 20 years of working experience in, variously, trading, marketing and China's coal industry. He worked as the Manager of Electric Appliance Export Division and Manager of Metallurgy & Mine Division of 中國機械設備進出口深圳公司 (China National Machinery & Equipment Import & Export Shenzhen Co. Ltd). He had also worked for certain oversea corporations, including the Sales Manager of JH Coal & Chemical International Inc., Canada, President of Marcell Industrial Inc., Canada and General Manager of Great Launch Inc., Canada.

Mr. Chim Kim Lun, Ricky, aged 39, has been appointed as an executive Director of the Company since September, 2007. He holds a Bachelor degree in Arts from the University of British Columbia in Canada and has over 10 years of commercial and industrial experiences and of experience in investment. Mr. Chim is an executive director of Asia Resources Holdings Limited, of Yueshou Environmental Holdings Limited and of Bestway International Holdings Limited. Mr. Chim was an executive director of BEL Global Resources Holdings Limited (formerly known as Peking Apparel International Group Limited), of Karce International Holdings Company Limited and of Hengli Properties Development (Group) Limited (formerly known as China Fair Land Holdings Limited), which are listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Cheng Kwok Hing, Andy, aged 37, has been appointed as an executive Director of the Company since September, 2007. He has over 15 years of experience in accounting and administrative fields. Mr. Cheng was an executive director of Polyard Petroleum International Group Limited, which is listed on the Growth Enterprise Market ("GEM") of the Stock Exchange and was an executive director of BEL Global Resources Holdings Limited (formerly known as Peking Apparel International Group Limited) and of Karce International Holdings Company Limited and an independent non-executive director of Northern International Holdings Limited and of Yueshou Environmental Holdings Limited, all of which are listed on the main board of The Stock Exchange of Hong Kong Limited.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wan Hon Keung, aged 47, has been appointed as an independent non-executive Director of the Company since 16th April, 2008 and is a member of the Nomination Committee and the Remuneration Committee and the chairman of Audit Committee of the Company. He has over 20 years of experience in accounting and administration fields. Mr. Wan is a fellow member of the Association of Chartered Certified Accountants and associate member of Hong Kong Institute of Certified Public Accountants. Mr. Wan is an independent non-executive director of Karce International Holdings Company Limited, which is listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Wan was an independent non-executive director of Polyard Petroleum International Group Limited which is listed on the GEM board of The Stock Exchange of Hong Kong Limited and was an independent non-executive director of Xian Yuen Titanium Resources Holdings Limited which is listed on the main board of the Stock Exchange of Hong Kong Limited.

Mr. Sun Tak Keung, aged 45, has been appointed as an independent non-executive Director of the Company since April, 2008 and is a member of the Audit Committee and the Nomination Committee and the chairman of Remuneration Committee of the Company. Mr. Sun is currently a director of a Hong Kong private limited company which is principally engaged in marketing and trading of daily consumable goods in Hong Kong and overseas. Mr. Sun is also an independent non executive director of Xian Yuen Titanium Resources Holdings Limited, which is listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Sun was an executive director of Polyard Petroleum International Group Limited, which is listed on the GEM board of The Stock Exchange of Hong Kong Limited and was an independent non-executive director of Yueshou Environmental Holdings Limited, which is listed on the main board of the Stock Exchange of Hong Kong Limited.

Mr. Lam Hoy Lee, Laurie, aged 50, has been appointed as an independent non-executive Director on September 2008 and is a member of the Audit Committee and the Remuneration Committee and the chairman of Nomination Committee. He has over 20 years of experience in legal field. Mr. Lam is a solicitor of Hong Kong, Singapore and a solicitor and counsel of Australia. Mr. Lam did not hold any directorship in other listed companies in the last three years. Prior to his appointment as an independent non-executive Director, Mr. Lam did not hold any position with the Group.

SENIOR MANAGEMENT

Mr. Cheung Ka Fai, aged 34, has been appointed as the Company Secretary and Chief Financial Officer of the Company since June, 2008. Mr. Cheung is responsible for the overall management of the financial function of the Group including oversight of the financial reporting procedures and internal control. He is a professional accountant with more than 10 years' experience in auditing, accounting and finance industry. He is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Pubic Accountants. Mr. Cheung obtained his Bachelor degree in accountancy from the Hong Kong Polytechnic University and his Master degree in business administration from the University of Bradford.

Management Discussion and Analysis

BUSINESS REVIEW

The Group's turnover for continuing operations for the year ended 31st December, 2008 has been sharply increased by 370.71% to approximately HK$1,235.09 million compared to that of 2007 of approximately HK$262.39 million. The substantial increase in turnover was contributed by the new development of the coal related businesses acquired during the year. In 2008, the Group has completed the acquisitions of two businesses i.e. the coal trading and coal-related ancillary businesses on 16th May, 2008 and 31st October, 2008 respectively. These two new businesses contributed the Group's revenue by HK$676.29 million and HK$217.42 million respectively. In 2008, the Group has engaged in the following five segments and their performances can be summarized as follows:

Trading — coke (newly acquired business)

The Group completed the acquisition of this new business on 16th May, 2008, which relates to the trading of PRC's coke to overseas customers. From 16th May, 2008 to 31st December, 2008, this segment contributed additional revenue of HK$676.29 million to the Group. Excluding the amortisation of other intangible asset and impairment loss on goodwill amounting to HK$27.19 million and HK$1,074.50 million respectively, net profit for this segment was around HK$39.73 million for the period. The Group has an exclusive right to export coke from the minority shareholder of a subsidiary to overseas' customers. In 2008, this supplier controls around 4.2% PRC export quotas for coke.

Trading — others

This segment mainly related to the trading of variety range of household products. Turnover of this segment for the year increased greatly by 80.03% to approximately HK$298.43 million representing around 24.16% of the Group's revenue for continuing operations. The amount of segment profits for the year has been increased by 111.12% to nearly HK$20.09 million. Such increase was mainly due to the reallocation of resources from the manufacturing sections to the trading section as the management believes that in economic downturn, trading business contributes more stable income than the manufacturing section.

Manufacturing of household products

This division mainly engaged in the manufacturing and sale of PVC bag, cushion, shower and window curtain, oven mitten and other household products. The division recorded a revenue of approximately HK$42.16 million for the year, representing 56.37% decrease compared to last year's figures. Segment profit of this division was decreased by 80.20% to approximately HK$4.23 million.

Management Discussion and Analysis

Coal related ancillary businesses (newly acquired business)

To further expand and diversify the Group's business, the Group has completed the acquisition of the coal-related ancillary business on 31st October, 2008. This business related to the business of coal washing, using the by-products in the washing process for electricity and heat generation and a transportation team. After the completion of this acquisition, coal prices have been greatly reduced due to the outbreak of the economic tsunami in late 2008 which has improved the profits margin for this segment. The new division contributed a turnover of HK$217.42 million and excluding an impairment loss on Goodwill amounting to HK$795.89 million, an operating net profit amounting HK$71.27 million was recorded.

Manufacturing of others (discontinued operations)

This division engaged in the manufacturing and sales of wooden and paper products and has recorded a turnover of approximately HK$135.99 million. This segment generated a segment loss of approximately HK$25.35 million to the Group. With the continuous loss generated in this segment, the Group has disposed all the interests of this segment based on the net assets value of this segment as at 30th June, 2008 and the disposal has been completed on 31st October, 2008.

OVERALL GROSS PROFITS

With the contributions from the two newly acquired businesses and the disposal of the loss making business stated above, the Group overall operating gross profits ratio (before amortisation of other intangible asset) has been increased from 2007's 3.9% to current year's 10.3%.

FINANCE COSTS

Interests expenses increased greatly from 2007's HK$4.37 million to current year's HK$13.34 million. The increase was mainly generated from the funding used for the trading of coke business acquired in 2008.

IMPAIRMENT LOSS ON GOODWILL

In 2008, the Group has carried out two very substantial acquisitions to develop the coal related businesses. To finance these acquisitions, the Group issued two tranches convertible bonds and promissory notes. The aggregate principal values of these convertible bonds at the agreement dates are HK$2,200 million. In applying the Hong Kong Financial Reporting Standards issued by the Hong Kong

Management Discussion and Analysis

Institute of Certified Public Accountants, these convertible bonds should be recorded at fair value at the dates of completions. With reference to the share prices at the dates of completions, i.e. 16th May, 2008 and 31st October, 2008, the aggregate fair values of these convertible bonds rise to HK$3,382.5 million. The increase in the value of convertible bonds increased the Goodwill arising from acquisitions by HK$1,182.5 million and ultimately has been fully impaired as at 31st December, 2008. Also, the newly acquired coal related businesses are expected to be affected by the economic tsunami happened in late 2008 which has increased the amount of impairment loss on Goodwill.

This great impairment loss on Goodwill will not affect the Group's operations since it will not affect the financial and cashflow positions of the Group. It is one-off non operating loss recorded in the year 2008. For future distribution of dividend, the increase in fair value will create a large amount in convertible bonds reserve or after conversion, transfer to the contributed surplus account. Since both accounts can be distributed by nature, the Group future potential ability for dividend distribution will not be affected.

CHARGES OVER ASSETS

Around HK$32.54 million (2007: nil) of building, HK$73.08 million (2007: nil) of prepaid lease payments, HK$26.66 million (2007: nil) of investment properties and HK$0.94 million (2007: HK$2.91 million) of bank deposit have been charged to secure banking facilities granted to various subsidiaries. Save as disclosed above, no other property, plant and equipment with any carrying value is pledged to any bank to secure banking facilities granted to subsidiaries.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets and current ratio were approximately HK$64.72 million and 1.08:1 as at 31st December, 2008. At 31st December, 2007 the amount was HK$101.2 million and 1.99:1. The decrease in current ratio is largely due to the issuance of promissory notes amounting to HK$200 million to finance the acquisitions of both coal trading and coal-related ancillary business and the raising of bank loan for the advance payment required for the coke trading business.

The Group's bank balances and cash equivalents amounted to approximately HK$68.02 million (31st December, 2007: approximately HK$85.1 million). Bank borrowings amounted to approximately HK$446.98 million. Around HK$387.50 million of the bank borrowings was the structured trade finance for the coke export business and around HK$55.99 million bank borrowings was the mortgaged loan for various properties located in Hong Kong.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION

As at 31st December, 2008, the Group had approximately 930 employees (31st December, 2007: approximately 2,700 employees). Less than 100 staffs are stationed in Hong Kong and the rest are PRC workers. The Group's staff cost for continuing operations amounted to approximately HK$28.01 million for the year ended 31st December, 2008 and approximately HK$25.36 million was recorded in last corresponding period.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward motivate individual performance. Up to the date of this report, there are 5,500,000 share options granted under the share option scheme.

MAIN ACQUISITIONS AND NEW BUSINESS DEVELOPMENT

In 2008, as stated above, the Group has completed the acquisitions of the coke trading business and the coal-related ancillary business on 16th May, 2008 and 31st October, 2008 respectively. To finance both acquisitions, the Group has issued HK$100 million promissory notes and HK$1,100 million convertible bonds for each of the acquisitions. Both convertible bonds have the exercisable period of five years and are at zero coupon rates. For the fair value of these convertible bonds, please refer to the section "IMPAIRMENT LOSS ON GOODWILL" stated above.

With the continuous poor performance of the Manufacturing — Others segment in the previous two financial years ended 31st December, 2007 and the six months ended 30th June, 2008, the Group has disposed this segment at 31st October, 2008 at the consideration of HK$36 million. The consideration was determined after arm's length negotiation with reference to the unaudited consolidated net assets value of this segment.

PROSPECTS

After the above two acquisitions and the disposal stated above, the Group starts to engage in coal related businesses. Currently, the demand for PRC export coke has been greatly reduced due to both the economic tsunami and the increase in the PRC export tax. It is expected that in medium terms, in order to stimulate the economy, overseas governments will increase their spendings in infrastructure which will

Management Discussion and Analysis

ultimately increase the demand for coke as the necessary resources in steel production. In the supply side, due to the PRC's quota system on export coke, quantities for export coke are fixed and surely not adequate to meet with international demand. The price of PRC exported coke will surely be increased.

To further increase the profitability of the Group, management will continue to investigate the possibilities for expanding the Group's capacity and for securing more coal as raw materials for coal washing. The Group may consider undertaking the coal mines nearby in order to purchase coal at discounted prices or to acquire a coke processing plant to become an integrated coke producer and exporter. Management considers that both moves can enlarge the profits margin of the Group.

With the expected increase in steel production in countries like USA, the PRC, Russia and Europe, demands for PRC's coke will surely be increased in the coming years. It supports our management's view and decision to engage in the coal related business. Overall, management believes the repositioning of the Group's business by disposing the loss making business and acquiring profits generated coal related business is a successful move for the Group's long term development and management is optimistic in the prospects of the Group.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to upholding good corporate governance. The Board considers effective corporate governance essential to protect shareholders' interests and enhance stakeholders' value. During the year 2008, the Board has continued to spend considerable efforts to identify and formalize the appropriate corporate governance practices to ensure transparency, accountability and effective internal control.

The Company has complied throughout the year ended 31st December, 2008 with the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") except for the following deviations.

Under CG Code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. Bye-law 99 (as amended by Bye-law 182(vi)) of the Company's Bye-laws provides that one-third of the Directors (other than Chairman or Managing Director) for the time being shall retire from office and shall be eligible for re-election at each annual general meeting. In order to comply with Code A.4.2, amendments will be proposed at the forthcoming annual general meeting to specify that every Director shall be subject to retirement by rotation at least once every three years.

THE BOARD OF DIRECTORS

The Board's role is clearly defined as directing and supervising the affairs of the Group, establishing its strategic direction and setting objectives and business development plans to ensure appropriate business conduct and effective management of the highest quality. The management of the Company is responsible for the implementation of the strategies, objectives and plans determined by the Board. The Acting Chairman of the Company is Mr. Li Baoqi. The Chief Executive Officer is Mr. Wu Jixian. The role of the Chairman is clearly segregated from that of the Chief Executive Officer. The Chairman is responsible for managing and providing leadership to the Board. He ensures that the Group establishes sound corporate governance practices and procedures and encourages the Directors to make a full and active contribution to the affairs of the Board. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group.

Corporate Governance Report

THE BOARD OF DIRECTORS *(Continued)*

The Board is led by the Chairman and comprises four executive Directors (one of whom is the Chairman), and three independent non-executive Directors. All Directors come from diverse business and professional background, providing valuable expertise and experience for promoting the best interests of the Group and its shareholders. The independent non-executive Directors represent at least, one-third of the Board. The Company has received confirmation from each independent non-executive Director about his independence under Rule 3.13 of the Listing Rules and continues to consider each of them to be independent.

To oversee particular aspects of the Group's affairs and to assist in the execution of its responsibilities, the Board has established three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee. Independent non-executive Directors play an important role in these committees to ensure independent and objective views are expressed and to promote critical review and control.

All Board committees of the Company are established with defined written terms of reference.

All members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive directors.

The Directors' biographical information is set out on page 5 to 6.

The Board meets regularly at least four times a year. For all such meetings, adequate and appropriate information, in the form of agenda, board papers and related materials, are prepared and provided to the Directors prior to the scheduled dates for the Board meeting in a timely manner.

Corporate Governance Report

THE BOARD OF DIRECTORS *(Continued)*

The Company held six full Board meetings in 2008. Individual attendance of each Director is set out below.

	Notes	**Number of meetings attended**
Chairman		
Mr. Li Baoqi	*1*	2/6
Mr. Lam Po Kwai, Frankie	*2*	6/6
Executive Directors		
Mr. Wu Jixian	*1*	2/6
Mr. Chim Kim Lun, Ricky		5/6
Mr. Cheng Kwok Hing, Andy		6/6
Ms. Wong Yau Ching, Maria	*3*	4/6
Ms. So Man Yee, Katherine	*3*	4/6
Non-Executive Director		
Ms. Lee Yuen Bing, Nina	*4*	4/6
Independent Non-executive Directors		
Mr. Lam Hoy Lee, Laurie	*5*	2/6
Mr. Sun Tak Keung	*6*	4/6
Mr. Wan Hon Keung	*6*	4/6
Mr. Au Son Yiu	*7*	2/6
Mr. Lee Johnson	*4*	3/6
Dr. Tang Tin Sek	*7*	2/6

Corporate Governance Report

THE BOARD OF DIRECTORS *(continued)*

Notes:

1. Mr. Li Baoqi and Mr. Wu Jixian were appointed as executive Directors with effect from 1st June, 2008

2. Mr. Lam Po Kwai, Frankie was resigned as executive Director with effect from 12th January, 2009

3. Ms. Wong Yau Ching, Maria and Ms. So Man Yee, Katherine were resigned as executive Directors with effect from 6th June, 2008

4. Ms. Lee Yuen Bing, Nina and Mr. Lee Johnson were resigned as non-executive Director and independent non-executive Director with effect from 1st September, 2008 respectively.

5. Mr. Lam Hoy Lee, Laurie was appointed as independent non-executive Director with effect from 1st September, 2008

6. Mr. Wan Hon Keung and Mr. Sun Tak Keung were appointed as independent non-executive Directors with effect from 16th April, 2008

7. Mr. Au Son Yiu and Dr. Tang Tin Sek were resigned as independent non-executive Directors with effect from 16th April, 2008

AUDIT COMMITTEE

The Audit Committee currently comprises all three independent non-executive directors and Mr. Wan Hon Keung is the Chairman. The Committee assists the Board in fulfilling its responsibility for reviewing the accounting principles and practices, auditing, internal control and regulatory compliance of the Group. It also reviewed the interim and final results of the Group prior to recommending them to the Board for approval. The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the Corporate Governance Code.

In 2008, the Audit Committee held two meetings and had a 100 percent attendance rate.

The work of the Audit Committee during 2008 included:

— reviewing the Directors' Report and full year accounts for the year ended 31st December, 2008 and the annual results announcement;

— reviewing the interim accounts for the six months ended 30th June, 2008 and the interim results announcement; and

— reviewing the internal audit plan for 2008.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises all three independent non-executive directors and Mr. Sun Tak Keung is the Chairman. The Committee assists the Board in achieving its objective of attracting, retaining and motivating people of the highest calibre and experience needed to develop and implement the Group's strategy taking into consideration its operations. The Committee is also responsible for the development and administration of a fair and transparent procedure for setting policies on the remuneration of Directors and senior management of the Group and for determining their remuneration packages.

Two committee meetings were held during 2008 year with an attendance rate of 100 percent.

The work of the Remuneration Committee during 2008 included:

— reviewing the Group's incentive schemes; and

— reviewing the remuneration packages of Directors.

Information relating to the remuneration of each director for 2008 is set out in Note 14 on the accounts.

NOMINATION COMMITTEE

The Nomination Committee currently comprises all three independent non-executive directors and Mr. Lam Hoy Lee, Laurie is the Chairman. The Committee assists the Board to fulfill its supervisory role over the Group in nominating new directors to the Board and assessing performance and skills of the Directors.

Three committee meetings were held during the year of 2008 with an attendance rate of 100%. It reviewed the composition of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of listed companies contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the directors of the Company (the "Code"). Specific enquiry of the Directors of the Company has been made, and all Directors confirmed that they had complied with the required standard as set out in the Code and the Model Code throughout the year ended 31st December, 2008.

Corporate Governance Report

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Auditor's Report on pages 26 and 27.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2008, the Auditor of the Company received approximately HK$1.67 million for audit services (2007: HK$1.18 million).

INTERNAL CONTROL

The Board endeavours to establish a sound and effective internal control system to safeguard the Company's assets and shareholders' investment. An organizational structure with operating policies and procedures, lines of responsibility and delegated authority has been established. The management is delegated with respective levels of authority with regard to key corporate strategy and policy and contractual commitments. The Group's internal audit is currently carried out by a qualified accountant who reports directly to the Chairman and plays a major role in monitoring the internal governance of the Group. The qualified accountant has unrestricted access to review all aspects of the Group's activities and internal controls. It also conducts special audits of areas of concern identified by the Management or the Audit Committee. The Audit Committee has direct access to the qualified accountant freely without reference to the Chairman or the Management.

The Directors have conducted a review of the effectiveness of the system of internal control of the Group during the year of 2008. The review covered all materials controls, including financial, operational and compliance controls and risk management functions.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining clear, timely and effective communication with shareholders and investors. Information on the Company's business activities and financial performance is disseminated through the distribution of press releases, announcements, interim and annual reports. As a further step to offer easily accessible corporate information to the public, the Company also maintains a website that provides information on the Group's establishment, financial performance and latest business developments. The annual general meeting of the Company also offers a valuable forum for the Board to communicate directly with shareholders who are encouraged to actively participate at such meeting.

Directors' Report

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

CHANGE OF COMPANY'S NAME

Pursuant to a special resolution passed by the shareholders at a special general meeting of the Company held on 23rd July, 2008, the name of the Company was changed from Frankie Dominion International Limited to Huscoke Resources Holdings Limited and 和嘉資源控股有限公司 has been adopted by the Company as its secondary name. The change of name took effect on 7th August, 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries are set out in note 46 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31st December, 2008 are set out in the consolidated income statement on page 28.

The directors do not recommend the payment of a final dividend.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 76% of the Group's total turnover and the largest customer accounted for approximately 36% of the Group's total turnover.

The five largest suppliers of the Group accounted for approximately 68% of the Group's total purchases for the year and the largest suppliers accounted for approximately 56% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 34 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company adopted an executive share option scheme (the "Scheme") which became effective on 31st May, 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 30th May, 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties.

Particulars of the Company's share option scheme are set out in note 36 to the consolidated financial statements.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive directors or any of their respective associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant, and the nominal value of a share of the Company.

There was no share options granted or exercised during the year and there was no outstanding share options at 31st December, 2008.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTIES

During the year, the Group acquired property, plant and equipment, prepaid lease payments and investment properties of approximately HK$489,160,000, HK$73,397,000 and HK$60,552,000 respectively through acquisition of subsidiaries. The Group revalued all the investment properties at the year end date. The net decrease in fair value of investment properties, which was charged to income statement, amounted to HK$13,575,000.

Details of these and other movements in property, plant and equipment, prepaid lease payments and investment properties of the Group are set out in notes 17, 18 and 19 to the consolidated financial statements respectively.

PROPERTIES

Details of the properties of the Group at 31st December, 2008 are set out on pages 107 and 108.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2008 were as follows:

	2008	2007
	HK$'000	*HK$'000*
Convertible bonds reserve	**2,084,900**	—
Contributed surplus	**747,600**	—
Accumulated losses	**(1,899,775)**	(15,474)
	932,725	(15,474)

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

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

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

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Wu Jixian	(appointed on 1st June, 2008)
Mr. Li Baoqi *(Acting Chairman)*	(appointed on 1st June, 2008)
Mr. Chim Kim Lun, Ricky	
Mr. Cheng Kwok Hing, Andy	
Mr. Lam Po Kwai, Frankie	(resigned on 12th January, 2009)
Ms. Wong Yau Ching, Maria	(resigned on 6th June, 2008)
Ms. So Man Yee, Katherine	(resigned on 6th June, 2008)

Non-executive director

Ms. Lee Yuen Bing, Nina	(resigned on 1st September, 2008)

Independent non-executive directors:

Mr. Lam Hoy Lee, Laurie	(appointed on 1st September, 2008)
Mr. Wan Hon Keung	(appointed on 16th April, 2008)
Mr. Sun Tak Keung	(appointed on 16th April, 2008)
Mr. Au Son Yiu	(resigned on 16th April, 2008)
Mr. Lee Johnson	(resigned on 1st September, 2008)
Dr. Tang Tin Sek	(resigned on 16th April, 2008)

In accordance with Bye-law 99 (as amended by Bye-law 182(vi)) of the Company's Bye-laws, Mr. Wu Jixian, Mr. Li Baoqi and Mr. Lam Hoy Lee, Laurie retire, and being eligible, offer themselves for re-election.

The directors being proposed for re-election at the forthcoming annual general meeting do not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of a compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31st December, 2008, the interests of the directors and the chief executives and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position — ordinary shares of HK$0.1 each of the Company

	Number of issued ordinary shares held and nature of interest			Percentage of the issued
Name of director	Personal interests	Family interests	Total	share capital of the Company
Mr. Wu Jixian	450,000,000	—	450,000,000	24.82%
Mr. Lam Po Kwai, Frankie *(note 1)*	43,545,785	867,059	44,412,844	2.45%
Mr. Sun Tak Keung	1,164,000	—	1,164,000	0.06%

Convertible bonds of the Company (note 2)

Name of director	Number of underlying share interested	Capacity	Approximate percentage of interest held
Mr. Wu Jixian	4,165,000,000	Beneficial owner	229.74%

Notes:

(1) Mr. Lam Po Kwai, Frankie, has resigned as the executive director and chairman on 12th January, 2009.

(2) The Company issued zero coupon convertible bonds to Mr. Wu Jixian with an aggregate principal amount of HK$2,200,000,000. During the conversion period as specified under convertible bonds agreement, Mr. Wu Jixian has an option to convert the bonds into ordinary shares at a conversion price of HK$0.4 each.

Save as disclosed above, except for certain nominee shares in subsidiaries held by Mr. Lam Po Kwai, Frankie in trust for the Group, none of the directors or their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 31st December, 2008.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the convertible bonds discussed above and the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than interest disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long positions — ordinary shares of HK$0.1 each of the Company

Name of shareholder	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Golden Mount Limited	100,097,209 *(note)*	5.52%
Chim Pui Chung	100,097,209 *(note)*	5.52%

Note: Golden Mount Limited is a company incorporated in the British Virgin Islands and is beneficially owned by Mr. Chim Pui Chung, who is the father of Mr. Chim Kim Lun, Ricky, a director of the Company. Mr. Chim Pui Chung is deemed to be interested in the shares held by Golden Mount Limited.

Other than the interests disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31st December, 2008.

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

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

Directors' Report

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$553,000.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2008 with the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except for CG Code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. Bye-law 99 (as amended by Bye-law 182(vi)) of the Company's Bye-laws provides that one-third of the Directors (other than Chairman or Managing Director) for the time being shall retire from office and shall be eligible for re-election at each annual general meeting. In order to comply with Code A.4.2, amendments will be proposed at the forthcoming annual general meeting to specify that every Director shall be subject to retirement by rotation at least once every three years.

Details of the Corporate Governance Report are set out on page 12.

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme are set out in note 36 to the consolidated financial statements.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Directors' 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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2008.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The audit committee comprises three members, Mr. Lam Hoy Lee, Laurie, Mr. Sun Tak Keung and Mr. Wan Hon Keung. All of them are independent non-executive directors of the Company.

POST BALANCE SHEET EVENTS

Details of the significant events after the balance sheet date are set out in note 45 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Li Baoqi

ACTING CHAIRMAN

28th April, 2009

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF HUSCOKE RESOURCES HOLDINGS LIMITED
和嘉資源控股有限公司
(FORMERLY KNOWN AS FRANKIE DOMINION INTERNATIONAL LIMITED)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 105, which comprise the consolidated balance sheet as at 31st December, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28th April, 2009

Consolidated Income Statement

For The Year Ended 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Continuing operations			
Revenue	8	**1,235,088**	262,387
Cost of sales			
— Others		**(1,074,887)**	(231,107)
— Amortisation of other intangible asset		**(27,194)**	—
		(1,102,081)	(231,107)
Gross profit		**133,007**	31,280
Other income	9	**7,153**	22,741
Selling and distribution costs		**(7,503)**	(7,828)
Administrative expenses		**(56,587)**	(35,408)
Gain on fair value change of investments held for trading		**396**	2,454
Loss on disposal/liquidation of subsidiaries	39(ii)	**—**	(3,573)
Loss on fair value change of investment properties	19	**(13,575)**	—
Finance costs	10	**(13,278)**	(2,561)
Profit before taxation and impairment loss on goodwill		**49,613**	7,105
Impairment loss on goodwill	20	**(1,870,383)**	—
(Loss) profit before taxation		**(1,820,770)**	7,105
Taxation	11	**(16,139)**	(1,585)
(Loss) profit for the year from continuing operations		**(1,836,909)**	5,520
Discontinued operation			
Loss for the year from discontinued operation	12	**(15,879)**	(47,689)
Loss for the year	13	**(1,852,788)**	(42,169)
Attributable to:			
Equity holders of the Company		**(1,858,198)**	(42,169)
Minority interests		**5,410**	—
		(1,852,788)	(42,169)
Basic (loss) earnings per share	16		
From continuing and discontinued operations		**(HK69.94 cents)**	(HK8.82 cents)
From continuing operations		**(HK69.34 cents)**	HK1.15 cents

Consolidated Balance Sheet

At 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	17	**532,618**	64,968
Prepaid lease payments	18	**80,115**	7,919
Investment properties	19	**26,658**	—
Goodwill	20	**399,262**	—
Other intangible asset	21	**842,998**	—
Available-for-sale investments	23	**3,448**	880
Retirement benefit scheme's assets	24	**3,825**	4,077
		1,888,924	77,844
Current assets			
Inventories	25	**68,867**	44,482
Debtors, bills receivable and prepayments	26	**565,921**	70,449
Amount due from a minority shareholder of a subsidiary	27	**186,887**	—
Prepaid lease payments	18	**730**	222
Investments held for trading	28	**3,243**	—
Short term bank deposits	29	**13,569**	63,688
Short term pledged bank deposit	29	**936**	2,910
Bank balances and cash	29	**54,451**	21,402
		894,604	203,153
Current liabilities			
Creditors, bills payable and accrued charges	30	**248,770**	65,493
Amount due to a minority shareholder of a subsidiary	27	**18,955**	—
Amount due to a director	31	**12,000**	—
Promissory notes	32	**96,032**	—
Tax payable		**56,663**	118
Bank borrowings — due within one year	33	**397,460**	36,322
		829,880	101,933
Net current assets		**64,724**	101,220
Total assets less current liabilities		**1,953,648**	179,064

Consolidated Balance Sheet

At 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Capital and reserves			
Share capital	34	**181,293**	47,793
Reserves		**1,520,072**	128,969
Equity attributable to equity holders of the Company		**1,701,365**	176,762
Minority interests		**58,878**	—
Total equity		**1,760,243**	176,762
Non-current liabilities			
Deferred taxation	37	**143,887**	2,302
Bank borrowings	33	**49,518**	—
		193,405	2,302
		1,953,648	179,064

The consolidated financial statements on pages 28 to 105 were approved and authorised for issue by the Board of Directors on 28th April, 2009 and are signed on its behalf by:

Li Baoqi
ACTING CHARMAN

Wu Jixian
EXECUTIVE DIRECTOR

Consolidated Statement of Changes in Equity

For The Year Ended 31st December, 2008

	Attributable to equity holders of the Company										
	Share capital HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000 (note i)	**Special reserve** HK$'000 (note ii)	**Translation reserve** HK$'000	**Capital redemption reserve** HK$'000	**Convertible bonds reserve** HK$'000	**Retained profits (accumulated losses)** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1st January, 2007	47,793	144,997	–	18,236	3,601	85	–	7,530	222,242	–	222,242
Exchange differences arising on translation of foreign operation and net income recognised directly in equity	–	–	–	–	1,796	–	–	–	1,796	–	1,796
Release of translation reserve upon disposal/liquidation of subsidiaries	–	–	–	–	(5,107)	–	–	–	(5,107)	–	(5,107)
Loss for the year	–	–	–	–	–	–	–	(42,169)	(42,169)	–	(42,169)
Total recognised expense for the year	–	–	–	–	(3,311)	–	–	(42,169)	(45,480)	–	(45,480)
At 31st December, 2007	47,793	144,997	–	18,236	290	85	–	(34,639)	176,762	–	176,762
Exchange differences arising on translation of foreign operations and net income recognised directly in equity	–	–	–	–	301	–	–	–	301	22	323
(Loss) profit for the year	–	–	–	–	–	–	–	(1,858,198)	(1,858,198)	5,410	(1,852,788)
Total recognised income and expense for the year	–	–	–	–	301	–	–	(1,858,198)	(1,857,897)	5,432	(1,852,465)
Recognition of equity component of convertible bonds	–	–	–	–	–	–	3,382,500	–	3,382,500	–	3,382,500
Conversion of convertible bonds	133,500	–	747,600	–	–	–	(881,100)	–	–	–	–
Acquisition of businesses	–	–	–	–	–	–	–	–	–	53,446	53,446
At 31st December, 2008	181,293	144,997	747,600	18,236	591	85	2,501,400	(1,892,837)	1,701,365	58,878	1,760,243

Notes:

(i) The contributed surplus represents the excess of fair value of convertible bonds issued as part of the consideration of acquisition of businesses over the nominal amount of the ordinary shares issued. Pursuant to section 40(1) of the Bermuda Companies Act, the excess of value of shares acquired over the nominal value of the shares being issued by the Company is credited to a contributed surplus account.

(ii) The special reserve represents the difference between the nominal value of the shares of the subsidiaries at the date when the shares were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition.

Consolidated Cash Flow Statement

For The Year Ended 31st December, 2008

	2008	2007
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	**(1,837,800)**	(42,486)
Adjustments for:		
Impairment loss on goodwill	**1,870,383**	–
Allowances for bad and doubtful debts	**2,600**	–
Loss (gain) on fair value change of investments held for trading	**396**	(2,454)
Loss (gain) on fair value change of retirement benefit scheme's assets	**252**	(4,077)
Interest expense	**10,501**	4,369
Interest income	**(2,257)**	(3,598)
Depreciation of property, plant and equipment	**17,576**	15,813
Release of prepaid lease payments	**542**	222
Amortisation of other intangible asset	**27,194**	–
Loss (gain) on disposal of property, plant and equipment	**247**	(18,749)
Impairment loss on property, plant and equipment	**–**	22,000
Loss on fair value change of investment properties	**13,575**	–
Imputed interest expenses on promissory notes	**2,843**	–
Loss on early redemption of promissory notes	**2,713**	–
(Gain) loss on disposal of subsidiaries	**(8,375)**	3,573
Operating cash flows before movements in working capital	**100,390**	(25,387)
Decrease in inventories	**33,400**	22,664
(Increase) decrease in debtors, bills receivable and prepayments	**(99,828)**	20,618
Increase in amount due from a minority shareholder of a subsidiary	**(151,340)**	–
Increase (decrease) in creditors, bills payable and accrued charges	**25,838**	(28,568)
Increase in amount due to a minority shareholder of a subsidiary	**18,955**	–
(Increase) decrease in investments held for trading	**(456)**	11,880
Cash (used in) generated from operations	**(73,041)**	1,207
Hong Kong Profits Tax paid	**(298)**	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(73,339)**	1,207

Consolidated Cash Flow Statement

For The Year Ended 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,788)**	(9,103)
Acquisition of businesses, net of cash and cash equivalent acquired	38	**(1,406)**	–
Decrease (increase) in pledged bank deposits		**1,974**	(70)
Distribution from an associate		**–**	20
Proceeds from disposal of property, plant and equipment		**5,237**	39,589
Disposal of subsidiaries	39	**31,569**	6,149
Interest received		**2,257**	3,598
NET CASH FROM INVESTING ACTIVITIES		**37,843**	40,183
FINANCING ACTIVITIES			
New bank borrowings raised		**448,502**	289,983
Repayment of bank borrowings		**(331,685)**	(323,690)
Repayment of promissory notes		**(100,000)**	–
Advance from a director		**12,000**	–
Interest paid		**(10,501)**	(4,369)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**18,316**	(38,076)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(17,180)**	3,314
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**85,090**	81,423
EFFECT OF FOREIGN CURRENCY RATE CHANGES		**110**	353
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**68,020**	85,090
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
BEING:			
Short term bank deposits		**13,569**	63,688
Bank balances and cash		**54,451**	21,402
		68,020	85,090

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business is Room 4205, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

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

The Company is an investment holding company. Its subsidiaries are principally engaged in trading of coke, coal-related ancillary business and the design and sale of a diversified range of consumer home products.

2. CHANGE OF COMPANY'S NAME

Pursuant to a special resolution passed by the shareholders at a special general meeting of the Company held on 23rd July, 2008, the name of the Company was changed from Frankie Dominion International Limited to Huscoke Resources Holdings Limited, and 和嘉資源控股有限公司 has been adopted by the Company as its secondary name. The change of name took effect on 7th August, 2008.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) — INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) — INT 12	Service concession arrangements
HK(IFRIC) — INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") *(Continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[2]
HKFRS 8	Operating segments[2]
HK(IFRIC) — INT 9 & HKAS 39 (Amendments)	Embedded derivatives[4]
HK(IFRIC) — INT 13	Customer loyalty programmes[5]
HK(IFRIC) — INT 15	Agreements for the construction of real estate[2]
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation[6]
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners[3]
HK(IFRIC) — INT 18	Transfers of assets from customers[7]

1 Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009.
2 Effective for annual periods beginning on or after 1st January, 2009.
3 Effective for annual periods beginning on or after 1st July, 2009.
4 Effective for annual periods ending on or after 30th June, 2009.
5 Effective for annual periods beginning on or after 1st July, 2008.
6 Effective for annual periods beginning on or after 1st October, 2008.
7 Effective for transfers on or after 1st July, 2009.

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") *(Continued)*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. HKAS 23 (Revised) will affect the accounting treatment for borrowing costs, which eliminates the option to expense borrowing costs in relation to acquisition of qualifying assets when incurred. The Group has commenced considering the potential impact of HKAS 23 (Revised) but is not yet in a position to determine whether HKAS 23 (Revised) would have a significant impact on how its results of operations and financial positions are prepared and presented. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

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

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

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from sales of electricity and heat are recognised when electricity and heat are consumed by the customers.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Service income are recognised when services are provided.

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

Property, plant and equipment

Property, plant and equipment including land and buildings held for use on the production or supply of goods and services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

The costs of buildings of the Group are depreciated over the term of the lease using straight-line method. Other items of property, plant and equipment were depreciated by using the reducing balance method at 20% per annum. On 31st October, 2008, the Group completed the acquisition of Joy Wisdom International Limited and its subsidiaries ("Joy Wisdom Group") and the directors of the Company reassessed the depreciation method of the items of property, plant and equipment and determined that the application of straight-line method would better reflect the pattern in which the future economic benefits of the property, plant and equipment are expected to be consumed by the Group. As a result, with effect from 1st November, 2008, the Group changed the depreciation method in respect of the other items of property, plant and equipment from reducing balance method to straight-line method. In view of the carrying amount of these assets, the directors of the Company considered the effect of the change in depreciation method on depreciation charge for the year and future periods are insignificant.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

If an investment property becomes an item of property, plant and equipment because its use has changed as evidenced by commencement of owner-occupation, any difference in fair value change of that investment property at the date of transfer is recognised in the consolidated income statement.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The costs of such intangible assets are their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Leasehold land and building

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

Foreign currencies

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

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the year in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

Retirement benefit costs

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

For defined benefit retirement benefit plan, the cost of providing benefits is determined using the projected unit credit method.

The amount recognised in the consolidated balance sheet represents the fair value of plan assets, reduced by the present value of the defined benefit obligation. Any asset resulting from this calculation is limited to the present value of available refunds.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as "other income".

Taxation

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

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

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

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

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

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

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

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including investments held for trading, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Investments held for trading

A financial asset is classified as held for trading if:

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, bills receivable, amount due from a minority shareholder of a subsidiary, bank balances, cash and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

For all loans and receivables and available-for-sale debt investment, objective evidence of impairment could include:

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Other financial liabilities

Other financial liabilities including creditors, bills payable, amounts due to a minority shareholder of a subsidiary and a director, promissory notes and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(Continued)*

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, 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.

Other intangible asset

The estimated useful life of other intangible asset, being export agency, acquired on acquisition of business as set out in note 38 is based on the management's best estimate of the expected life of the agency agreement, according to their understanding of trading of coke business. In addition, the actual amount of export sales by the sole supplier to the Group is subject to actual amount of export quota obtained by the sole supplier and the amount of export quota granted by the Ministry of Commerce of China to the sole supplier semi-annually. If the actual amount of export sales by the sole supplier to the Group is different from estimated, indication of impairment of other intangible asset may arise.

Estimated impairment of goodwill and other intangible asset

Determining whether goodwill and other intangible asset are impaired requires an estimation of the value in use of the cash-generating unit ("CGU") to which goodwill and other intangible asset have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Cash flow projection, based on expected future cash flows of the CGU, has been performed and management is confident that the carrying amounts of the assets after impairment will be recovered in full. This situation will be closely monitored by the management. Any change in the business environment may lead to the change of expected future cash flows. If the future recoverable amounts fall below the carrying amounts of the CGUs, recognition of impairment is required. As at 31st December, 2008, the carrying amounts of goodwill and other intangible asset were approximately HK$399,262,000 and HK$842,998,000 (2007: nil and nil) respectively. During the year, an impairment loss of goodwill amounting to HK$1,870,383,000 was recognised in the consolidated income statements. Details of the recoverable amount calculation are disclosed in note 22.

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Depreciation and amortisation

The Group depreciates its property, plant and equipment and amortises other intangible asset over the estimated useful life, commencing from the date the property, plant and equipment and other intangible asset are ready for their intended use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and other intangible asset. The depreciation and amortisation will be changed when the useful life is expected to be different from estimated.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the advance from a director disclosed in note 31 and borrowings disclosed in note 33, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as raising new borrowings and repaying existing borrowings.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Investments held for trading	**3,243**	–
Loans and receivables (including cash and cash equivalents)	**331,723**	157,015
Available-for-sale financial assets	**3,448**	880
	338,414	157,895
Financial liabilities		
Amortised cost	**707,227**	88,161

Financial risk management objectives and policies

The Group's major financial instruments include debtors, bills receivable, amount due from a minority shareholder of a subsidiary, bank balances, deposits and cash, creditors, bills payable, amounts due to a minority shareholder of a subsidiary and a director, promissory notes and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to financial risks or the manner in which it manages and measures the risk.

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk

The Group has foreign currency sales and purchases, denominated in currencies other than the functional currency of the respective group entities which exposed the Group to foreign currency risk. Approximately 79%, 77% and 36% (2007: 84%, 91% and 20%) of the Group's sales, purchases and other cost of sales, respectively, are denominated in currencies other than the functional currency of the respective group entities. In addition, certain debtors, bills receivable, bank deposits, bank balances, creditors, bills payable, amount due to a minority shareholder of a subsidiary and bank borrowings are denominated in currencies other than the functional currency of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars ("US$")	**82,548**	26,489	**421,440**	42,216
Australian dollars ("AUD")	**–**	25,615	**–**	–
New Zealand dollars ("NZD")	**–**	14,074	**–**	–
Renminbi ("RMB")	**2,197**	4,293	**4,580**	2,159
	84,745	70,471	**426,020**	44,375

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

The Group is mainly exposed to US$, AUD, NZD and RMB against Hong Kong dollars.

The following table details the Group's sensitivity to a rate increase or decrease in Hong Kong dollars against foreign currency. A sensitivity of 0.5% would be used for analysis against US$, whereas 5% would be used against foreign currencies other than US$ (the "Sensitivity Rates"). The Sensitivity Rates used represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a rate change in foreign currency rates. A negative number below indicates an increase in post-tax loss for the year where Hong Kong dollars weaken by the Sensitivity Rates against the relevant currencies. There would be an equal and opposite impact on the loss for the year where Hong Kong dollars strengthen by the Sensitivity Rates against the relevant currencies.

	2008	2007
	HK$'000	*HK$'000*
(Increase) decrease in loss for the year		
US$ impact	**(1,695)**	(79)
AUD impact	**–**	1,281
NZD impact	**–**	704
RMB impact	**(119)**	107

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk

The Group's fair value interest rate risk relates primarily to short term pledged bank deposit. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on deposits with banks and bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's concentration of cash flow interest rate risk is mainly on bank borrowings in relation to movements in the London InterBank Offered Rates and Hong Kong InterBank Offered Rates.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to interest rates for the non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 200 basis point increase or decrease represent management's assessments of the reasonably possible changes in interest rates of variable rate bank borrowings respectively.

For variable rate bank borrowings, if interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by HK$8,940,000 (2007: HK$1,816,000).

Other price risk

The Company's directors considered the Group's exposure to other price risk is limited because the carrying amounts of investments held for trading and available-for-sale investments as at 31st December, 2008 are insignificant.

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the counterparties failure to perform their obligations as at 31st December, 2008 and 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the respective consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management closely monitors the subsequent settlement of the debts and does not grant long credit period to customers. In addition, the Group reviews the recoverable amount of each amount due from individual debtors and minority shareholder of a subsidiary at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than the concentration of credit risk on advance payments to a minority shareholder of a subsidiary and amount due from a minority shareholder of a subsidiary, the Group has no significant concentration of credit risk on other trade debtors, with exposure spread over a number of counterparties and customers.

The Group has concentration of credit risk on liquid funds deposited with a few major banks. However, the credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31st December, 2008, the Group had available unutilised short-term bank loan facilities of approximately HK$204,750,000 (2007: HK$203,000,000). Details of the Group's borrowings at 31st December, 2008 are set out in note 33.

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For The Year Ended 31st December, 2008

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

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

Liquidity tables

	Weighted average interest rate	Less than 1 month	1-3 months	3-6 months	6 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Total carrying amounts at 31.12.2008
	% per annum	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008									
Non-derivative financial liabilities									
Trade and other creditors	–	51,277	24,842	56,002	–	–	–	132,121	132,121
Bills payable	–	1,141	–	–	–	–	–	1,141	1,141
Amount due to a minority shareholder of a subsidiary	–	18,955	–	–	–	–	–	18,955	18,955
Amount due to a director	–	12,000	–	–	–	–	–	12,000	12,000
Promissory notes	5.00%	–	–	–	100,000	–	–	100,000	96,032
Bank borrowings	2.64%	1,849	7,222	79,970	317,121	32,194	25,951	464,307	446,978
		85,222	32,064	135,972	417,121	32,194	25,951	728,524	707,227

	Weighted average interest rate	Less than 1 month	1-3 months	3-6 months	6 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Total carrying amounts at 31.12.2007
	% per annum	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007									
Non-derivative financial liabilities									
Trade and other creditors	–	28,920	19,293	534	–	–	–	48,747	48,747
Bills payable	–	1,374	1,718	–	–	–	–	3,092	3,092
Bank borrowings	7.38%	18,623	21,002	128	–	–	–	39,753	36,322
		48,917	42,013	662	–	–	–	91,592	88,161

7. FINANCIAL INSTRUMENTS *(Continued)*

Fair value

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

- the fair value of available-for-sale investments is determined by reference to the price quoted in an open market. The fair value of investments held for trading is determined with reference to market prices of listed equity securities in the portfolio underlying the mutual funds ; and

- the fair value of other financial assets and financial liabilities are determined by using generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

8. REVENUE, BUSINESS AND GEOGRAPHICAL SEGMENTS

Revenue

	2008	2007
	HK$'000	*HK$'000*
Continuing operations		
Sale of goods		
— coke	**676,286**	—
— coal	**207,432**	—
— household products	**340,587**	262,387
Revenue from sales of electricity and heat	**9,992**	—
Rental income from investment properties	**791**	—
	1,235,088	262,387
Discontinued operation		
Sale of goods — other consumer products	**135,990**	378,248
	1,371,078	640,635

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

8. REVENUE, BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments

For management purposes, the Group is currently organised into five operating divisions – (i) trading— coke; (ii) coal-related ancillary business; (iii) trading— others; (iv) manufacturing— household products; and (v) property investment. These divisions are the basis on which the Group reports its primary segment information. On 16th May, 2008 and 31st October, 2008, three new operating divisions, trading – coke, coal-related ancillary business and property investment, were acquired respectively as set out in note 38. On 31st October, 2008, the Group completed the discontinuation of an operating division, manufacturing – others, which engaged in manufacturing and sale of other consumer products as set out in note 39.

Principal activities are as follows:

Trading — coke	—	purchases and sales of coke
Coal-related ancillary business	—	washing of raw coal into refined coal for sales and sales of electricity and heat (generated as the by-products after washing of raw coal)
Trading — others	—	resale of household products
Manufacturing — household products	—	manufacturing and sales of household products
Property investment	—	holding of investment properties

Inter-segment sales are charged at prices mutually agreed among the group entities.

Segment information about these businesses is presented below.

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

8. REVENUE, BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Income statement for the year ended 31st December, 2008

	Continuing operations						Discontinued operation		
	Trading – coke	Coal – related ancillary business	Trading – others	Manufacturing – household products	Property investment	Total	Manufacturing – others	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE									
External sales	676,286	217,424	298,428	42,159	791	1,235,088	135,990	–	1,371,078
Inter-segment	–	–	–	–	–	–	53,193	(53,193)	–
Total	676,286	217,424	298,428	42,159	791	1,235,088	189,183	(53,193)	1,371,078
RESULTS									
Segment results before amortisation of other intangible asset and impairment loss on goodwill	39,726	71,265	20,094	4,225	(13,042)	122,268	(25,350)		96,918
Amortisation of other intangible asset	(27,194)	–	–	–	–	(27,194)	–		(27,194)
Impairment loss on goodwill	(1,074,495)	(795,888)	–	–	–	(1,870,383)	–		(1,870,383)
Segment results	(1,061,963)	(724,623)	20,094	4,225	(13,042)	(1,775,309)	(25,350)		(1,800,659)
Unallocated income						4,051	11		4,062
Unallocated expenses						(36,630)	–		(36,630)
Gain on fair value change of investments held for trading						396	–		396
Gain on disposal of subsidiaries							8,375		8,375
Finance costs						(13,278)	(66)		(13,344)
Loss before taxation						(1,820,770)	(17,030)		(1,837,800)
Taxation						(16,139)	1,151		(14,988)
Loss for the year						(1,836,909)	(15,879)		(1,852,788)

Assets and liabilities as at 31st December, 2008

	Continuing operations					
	Trading – coke	Coal – related ancillary business	Trading – others	Manufacturing – household products	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	1,320,428	1,132,054	65,734	53,424	26,742	2,598,382
Unallocated corporate assets						185,146
Consolidated total assets						2,783,528
LIABILITIES						
Segment liabilities	98,119	126,210	28,169	10,844	314	263,656
Unallocated corporate liabilities						759,629
Consolidated total liabilities						1,023,285

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

8. REVENUE, BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Other information for the year ended 31st December, 2008

	Continuing operations							Discontinued operation	
	Trading - coke	Coal - related ancillary business	Trading - others	Manufacturing - household products	Property investment	Unallocated	Total	Manufacturing - others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	129	1,583	64	–	–	–	1,776	12	1,788
Amortisation of other intangible assets	27,194	–	–	–	–	–	27,194	–	27,194
Depreciation of property, plant and equipment	248	7,354	1,454	938	–	128	10,122	7,454	17,576
Release of prepaid lease payments	–	–	–	219	–	320	539	3	542
Loss on disposal of property, plant and equipment	–	–	55	–	–	–	55	192	247
Loss on fair value change of investment properties	–	–	–	–	13,575	–	13,575	–	13,575
Allowances for bad and doubtful debts	–	–	2,600	–	–	–	2,600	–	2,600

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

8. REVENUE, BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Income statement for the year ended 31st December, 2007

	Continuing operations			Discontinued operation		
	Trading – others *HK$'000*	Manufacturing – household products *HK$'000*	Total *HK$'000*	Manufacturing – others *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
REVENUE						
External sales	165,769	96,618	262,387	378,248	–	640,635
Inter-segment sales	–	–	–	103,007	(103,007)	–
Total	165,769	96,618	262,387	481,255	(103,007)	640,635
RESULTS						
Segment results	9,518	21,341	30,859	(48,209)		(17,350)
Unallocated income			11,747	426		12,173
Unallocated expenses			(31,821)			(31,821)
Gain on fair value change of investments held for trading			2,454			2,454
Loss on disposal/liquidation of subsidiaries			(3,573)			(3,573)
Finance costs			(2,561)	(1,808)		(4,369)
Profit (loss) before taxation			7,105	(49,591)		(42,486)
Taxation			(1,585)	1,902		317
Profit (loss) for the year			5,520	(47,689)		(42,169)

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

8. REVENUE, BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Assets and liabilities as at 31st December, 2007

	Continuing operations			Discontinued operation	
	Trading – others	Manufacturing – household products	Total	Manufacturing – others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	45,432	41,386	86,818	99,311	186,129
Unallocated corporate assets					94,868
Consolidated total assets					280,997
LIABILITIES					
Segment liabilities	9,638	9,183	18,821	42,349	61,170
Unallocated corporate liabilities					43,065
Consolidated total liabilities					104,235

Other information for the year ended 31st December, 2007

	Continuing operations				Discontinued operation	
	Trading – others	Manufacturing – household products	Unallocated	Total	Manufacturing – others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	1,373	112	–	1,485	7,618	9,103
Depreciation of property, plant and equipment	1,731	1,638	–	3,369	12,444	15,813
Release of prepaid lease payments	108	110	–	218	4	222
Gain (loss) on disposal of property, plant and equipment	–	10,994	(60)	10,934	7,815	18,749
Impairment loss on property, plant and equipment	–	–	–	–	22,000	22,000

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

8. REVENUE, BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The following table provides an analysis of the Group's revenue by geographical market based on geographical location of customers, irrespective of the origin of the goods.

	Year ended 31.12.2008 ***HK$'000***	Year ended 31.12.2007 *HK$'000*
Geographical market		
North America	**801,738**	220,249
Holland	**103,354**	186,111
United Kingdom	**89,876**	93,506
Germany	**35,421**	43,402
Hong Kong	**6,543**	21,713
Belgium	**68,158**	1,421
Other European countries	**12,329**	33,675
Australia	**9,721**	17,220
France	**2,296**	5,026
PRC	**222,270**	10,355
Others	**19,372**	7,957
	1,371,078	640,635

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	At 31.12.2008 ***HK$'000***	At 31.12.2007 *HK$'000*	**Year ended 31.12.2008** ***HK$'000***	Year ended 31.12.2007 *HK$'000*
Hong Kong	**1,436,267**	140,350	**193**	1,573
PRC	**1,162,115**	45,779	**1,595**	7,530
	2,598,382	186,129	**1,788**	9,103

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

9. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Continuing operations		
Commission income	**–**	4,364
Interest income on bank deposits	**1,196**	2,276
Interest income on overdue trade debtors	**1,050**	896
Amount received from insurance claim on damaged inventories	**587**	–
Gain on disposal of property, plant and equipment	**–**	10,934
Excess of scheme assets over defined benefit scheme obligations	**–**	4,077
Subsidies from PRC government authorities *(note)*	**2,841**	–
Sundry income	**1,479**	194
	7,153	22,741
Discontinued operation		
Interest income on bank deposits	**11**	426
Gain on disposal of property, plant and equipment	**–**	7,815
Sundry income	**128**	38
	139	8,279

Note: During the year ended 31st December, 2008, 山西金岩和嘉能源有限公司 ("金岩和嘉"), a subsidiary of the Company, received an one-off subsidy of approximately HK$6,818,000 (RMB6,000,000) from the government authority as a subsidy for the increase in cost of heat generation in respect of sales of heat for the period from November 2008 to March 2009. The subsidy is recognised in the consolidated financial statements on a straight line basis over the subsidy period.

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

10. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank borrowings		
— wholly repayable within five years	**9,514**	2,561
— not wholly repayable within five years	**921**	—
Imputed interest expenses on promissory notes	**2,843**	—
	13,278	2,561
Discontinued operation		
Interest on bank borrowings wholly repayable within five years	**66**	1,808

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

11. TAXATION

	2008	2007
	HK$'000	*HK$'000*
Continuing operations		
Current taxation		
Hong Kong Profits Tax	**6,671**	2,067
PRC Enterprise Income Tax	**17,273**	—
	23,944	2,067
Overprovision of Hong Kong Profits Tax in prior years	**(819)**	—
	23,125	2,067
Deferred taxation *(note 37)*		
Current year	**(6,920)**	(482)
Attributable to a change in tax rate	**(66)**	—
	(6,986)	(482)
	16,139	1,585
Discontinued operation		
Deferred taxation *(note 37)*		
Current year	**(1,085)**	(1,902)
Attributable to a change in tax rate	**(66)**	—
	(1,151)	(1,902)

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. The deferred tax balance has been adjusted to reflect the tax rate that is expected to apply to the respective periods when the asset is realised or the liability is settled.

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

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

11. TAXATION *(Continued)*

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

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

	2008	2007
	HK$'000	*HK$'000*
(Loss) profit before taxation		
Continuing operations	**(1,820,770)**	7,105
Discontinued operation	**(17,030)**	(49,591)
	(1,837,800)	(42,486)
Taxation at the Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**(303,237)**	(7,435)
Tax effect of expenses not deductible for tax purpose	**310,721**	6,296
Tax effect of income not taxable for tax purpose	**(2,326)**	(3,438)
Overprovision in prior years	**(819)**	–
Tax effect of utilisation of tax losses previously not recognised	**–**	(141)
Tax effect of tax losses not recognised	**4,908**	4,401
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate	**(132)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**5,873**	–
Taxation for the year	**14,988**	(317)

12. DISCONTINUED OPERATION

On 25th August, 2008, the Group entered into a sale agreement to dispose of a subsidiary, Big Field (B.V.I.) Limited and its subsidiary (collectively known as "Bigfield Group") which carried out all of the Group's operations related to manufacturing and sale of other consumer products. The disposal was effected in order to redeploy its resources in a more productive manner with the Group. The disposal resulted in a gain on disposal of HK$8,375,000 and was completed on 31st October, 2008, on which date control of Bigfield Group was passed to the acquirer.

The loss for the year from the discontinued operation is analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
Loss of manufacturing and sale of other consumer products operation for the year	**(24,254)**	(47,689)
Gain on disposal of manufacturing and sale of other consumer products operation *(see note 39)*	**8,375**	–
	(15,879)	(47,689)

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

12. DISCONTINUED OPERATION *(CONTINUED)*

The results for the period from 1st January, 2008 to 31st October, 2008, which have been included in the consolidated income statement, were as follows:

	Ten months ended 31.10.2008	Year ended 31.12.2007
	HK$'000	*HK$'000*
Revenue	**135,990**	378,248
Cost of sales	**(154,850)**	(384,802)
Other income	**139**	8,279
Selling and distribution costs	**–**	(10,441)
Administrative expenses	**(6,618)**	(17,067)
Impairment loss on property, plant and equipment	**–**	(22,000)
Finance costs	**(66)**	(1,808)
Loss before taxation	**(25,405)**	(49,591)
Taxation credit *(note 11)*	**1,151**	1,902
Loss for the period/year	**(24,254)**	(47,689)

During the year, Bigfield Group used HK$33,681,000 in (2007: contributed HK$11,405,000 to) the Group's net operating cash flows, contributed HK$5,224,000 (2007: HK$13,708,000) in respect of investing activities and paid HK$4,438,000 (2007: HK$21,453,000) in respect of financing activities.

The carrying amounts of the assets and liabilities of Bigfield Group at the date of disposal are disclosed in note 39.

Notes To The Consolidated Financial Statements

For The Year Ended 31st December, 2008

13. LOSS FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the year has been arrived at after charging (crediting):						
Allowance for bad and doubtful debts	**2,600**	–	**–**	–	**2,600**	–
Auditor's remuneration	**1,396**	781	**278**	400	**1,674**	1,181
Cost of inventories recognised as an expense	**1,074,887**	231,107	**154,850**	384,802	**1,229,737**	615,909
Depreciation of property, plant and equipment	**10,122**	3,369	**7,454**	12,444	**17,576**	15,813
Release of prepaid lease payments	**539**	218	**3**	4	**542**	222
Loss (gain) on disposal of property, plant and equipment	**55**	(10,934)	**192**	(7,815)	**247**	(18,749)
Loss on early redemption of promissory notes	**2,713**	–	**–**	–	**2,713**	–
Gross rental income from investment properties	**(791)**	–	**–**	–	**(791)**	–
Less: direct operating expenses from investment properties that generated rental income during the year	**258**	–	**–**	–	**258**	–
Net foreign exchange loss (gain)	**418**	917	**(89)**	2,574	**329**	3,491
Operating lease payments in respect of rented properties	**891**	133	**7,934**	13,228	**8,825**	13,361
Staff costs:						
Directors' remuneration	**9,435**	6,149	**–**	1,010	**9,435**	7,159
Other staff salaries and allowances and benefits	**18,064**	18,748	**36,980**	81,498	**55,044**	100,246
Other staff retirement benefits scheme contributions	**510**	469	**151**	3,024	**661**	3,493
	28,009	25,366	**37,131**	85,532	**65,140**	110,898
Loss (gain) on fair value change of retirement benefit scheme's assets	**252**	(4,077)	**–**	–	**252**	(4,077)

Notes To The Consolidated Financial Statements

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14. DIRECTORS' EMOLUMENTS

For the year ended 31st December, 2008

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payment HK$'000 (note)	Retirement benefit scheme contributions HK$'000	Total 2008 HK$'000
Name of directors					
Li Baoqi (appointed on 1st June, 2008)	210	438	–	–	648
Wu Jixian (appointed on 1st June, 2008)	455	1,685	–	7	2,147
Chim Kim Lun, Ricky	–	–	–	–	–
Cheng Kwok Hing, Andy	180	–	–	–	180
Lam Po Kwai, Frankie (resigned on 12th January, 2009)	–	2,400	1,558	12	3,970
Wong Yau Ching, Maria (resigned on 6th June, 2008)	–	1,618	127	12	1,757
So Man Yee, Katherine (resigned on 6th June, 2008)	–	390	–	8	398
Lee Yuen Bing, Nina (resigned on 1st September, 2008)	80	–	–	–	80
Lam Hoy Lee, Laurie (appointed on 1st September, 2008)	–	–	–	–	–
Wan Hon Keung (appointed on 16th April, 2008)	–	–	–	–	–
Sun Tak Keung (appointed on 16th April, 2008)	–	–	–	–	–
Au Son Yiu (resigned on 16th April, 2008)	58	–	–	–	58
Tang Tin Sek (resigned on 16th April, 2008)	65	–	–	–	65
Johnson Lee (resigned on 1st September, 2008)	132	–	–	–	132
Total emoluments	1,180	6,531	1,685	39	9,435

14. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31st December, 2007

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payment HK$'000 (note)	Retirement benefit scheme contributions HK$'000	Total 2007 HK$'000
Name of directors					
Lam Po Kwai, Frankie	—	2,400	—	48	2,448
Wong Yau Ching, Maria	—	2,000	656	48	2,704
So Man Yee, Katherine	—	764	164	25	953
Chim Kim Lun, Ricky	—	—	—	—	—
Cheng Kwok Hing, Andy	—	—	—	—	—
Lee Yuen Bing, Nina	30	387	—	19	436
Au Son Yiu	198	—	—	—	198
Tang Tin Sek	222	—	—	—	222
Johnson Lee	198	—	—	—	198
Total emoluments	648	5,551	820	140	7,159

Note: The performance related incentive payment is determined as a percentage of each profitable subsidiary of the Group for the respective year.

During both years, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during both years.

15. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals of the Group, four (2007: three) are directors including two directors appointed or resigned during the year, details of whose emoluments as directors are set out in note 14 above. The emoluments of the remaining one (2007: two) highest paid employee, other than directors of the Company, were as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries and other benefits	**755**	2,183
Retirement benefit scheme contributions	**12**	39
	767	2,222

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15. EMPLOYEES' EMOLUMENTS *(Continued)*

Emoluments of this remaining one (2007: two) highest paid employee were within the following bands:

	Number of employees	
	2008	2007
Nil — HK$1,000,000	**1**	1
HK$1,000,001 — HK$1,500,000	**–**	1
	1	2

16. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of the basic loss per share from continuing and discontinued operations attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share	**(1,858,198)**	(42,169)

	Number of shares	
	2008	2007
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic loss per share	**2,656,888**	477,926

16. (LOSS) EARNINGS PER SHARE *(Continued)*

From continuing operations

The calculation of the basic (loss) earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	HK$'000
Loss for the year attributable to equity holders of the Company	(1,858,198)	(42,169)
Less: Loss for the year from discontinued operation	15,879	47,689
(Loss) profit for the purpose of basic earnings per share from continuing operations	(1,842,319)	5,520

The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

From discontinued operation

The calculation of the basic loss per share from discontinued operation attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	HK$'000
Loss for the year from discontinued operation	(15,879)	(47,689)
Loss per share from discontinued operation attributable to equity holders of the Company	(HK0.60 cents)	(HK9.98 cents)

The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

As disclosed in note 35, the convertible bonds shall be converted automatically into new share of the Company at date of maturity. Shares that are issuable solely after the passage of time are not contingently issuable shares and are included in the calculation of basic (loss) earnings per share.

Diluted (loss) earnings per share for both years are not shown as there are no potential ordinary shares subsist during both of the years presented.

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For The Year Ended 31st December, 2008

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Coal-related ancillary machinery	Plant and machinery	Computer equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1st January, 2007	68,911	–	266,251	12,363	110,712	10,205	–	468,442
Exchange realignment	446	–	1,236	–	77	39	–	1,798
Additions	–	–	6,511	618	1,436	538	–	9,103
Disposals	(13,100)	–	(3,199)	(54)	(181)	(1,726)	–	(18,260)
Disposal upon disposal of subsidiaries	(8,920)	–	(24,130)	(76)	(3,396)	(1,269)	–	(37,791)
At 31st December, 2007	47,337	–	246,669	12,851	108,648	7,787	–	423,292
Exchange realignment	65	90	–	16	–	9	14	194
Transfers from investment properties	20,319	–	–	–	–	–	–	20,319
Additions	–	–	–	333	190	–	1,265	1,788
Acquired on acquisition of businesses	172,367	221,201	–	37,601	531	22,560	34,900	489,160
Disposals	–	–	(20,127)	–	(871)	(938)	–	(21,936)
Disposal upon disposal of subsidiaries	(6,572)	–	(193,151)	(9,056)	(79,819)	(1,995)	–	(290,593)
At 31st December, 2008	233,516	221,291	33,391	41,745	28,679	27,423	36,179	622,224
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2007	22,696	–	224,915	9,725	90,520	5,642	–	353,498
Exchange realignment	156	–	970	–	62	22	–	1,210
Provided for the year	1,579	–	8,585	591	4,132	926	–	15,813
Impairment loss recognised in consolidated income statement	1,980	–	13,640	660	5,280	440	–	22,000
Eliminated on disposals	(4,565)	–	(2,210)	(16)	(128)	(1,539)	–	(8,458)
Eliminated on disposal of subsidiaries	(3,237)	–	(20,130)	(5)	(1,822)	(545)	–	(25,739)
At 31st December, 2007	18,609	–	225,770	10,955	98,044	4,946	–	358,324
Provided for the year	2,499	4,447	4,680	1,708	2,810	1,432	–	17,576
Eliminated on disposals	–	–	(15,005)	–	(651)	(796)	–	(16,452)
Eliminated on disposal of subsidiaries	(3,661)	–	(182,054)	(8,103)	(74,239)	(1,785)	–	(269,842)
At 31st December, 2008	17,447	4,447	33,391	4,560	25,964	3,797	–	89,606
CARRYING VALUES								
At 31st December, 2008	216,069	216,844	–	37,185	2,715	23,626	36,179	532,618
At 31st December, 2007	28,728	–	20,899	1,896	10,604	2,841	–	64,968

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

As set out in note 3, items of property, plant and equipment except buildings and coal-related ancillary machinery were depreciated at 20% per annum using reducing balance method before 31st October, 2008.

The items of property, plant and equipment are depreciated at the following rates per annum:

Up to 31st October 2008	
Buildings	Straight-line method over the term of the lease
Others	Reducing balance method at 20%
From 1st November, 2008 onwards	
Buildings	Straight-line method over the term of the lease
Coal-related ancillary machinery	Straight-line method at 12.5%
Others	Straight-line method at 20%

The carrying value of properties shown above comprises:

	2008	2007
	HK$'000	*HK$'000*
Properties situated on leasehold interest in land:		
— In Hong Kong under long lease	**35,515**	3,118
— Outside Hong Kong under medium-term lease	**180,554**	25,610
	216,069	28,728

At 31st December, 2007, due to the continuous losses incurred by a subsidiary, the directors conducted a review of the property, plant and equipment held by that subsidiary and recognised an impairment loss of HK$22,000,000 in the consolidated income statement. The recoverable amount of the relevant property, plant and equipment was determined on the basis of their value in use. The discount rate in measuring the amounts of value in use was 8%.

At 31st December, 2008, the Group pledged buildings having a carrying value of approximately HK$32,542,000 (2007: nil) to secure general banking facilities granted to the Group.

Notes to the Consolidated Financial Statements

For The Year Ended 31st December, 2008

18. PREPAID LEASE PAYMENTS

	2008	2007
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold interest in land:		
In Hong Kong under long lease	**74,404**	1,516
Outside Hong Kong under medium-term lease	**6,441**	6,625
	80,845	8,141
Analysed for reporting purposes as:		
Current asset	**730**	222
Non-current asset	**80,115**	7,919
	80,845	8,141

At 31st December, 2008, the Group pledged prepaid lease payments having a carrying value of approximately HK$73,077,000 (2007: nil) to secure general banking facilities granted to the Group.

19. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2007 and 2008	–
Acquired on acquisition of businesses *(note 38)*	60,552
Transfer to property, plant and equipment on 1st October, 2008	(20,319)
Loss on fair value change recognised in the consolidated income statement	(13,575)
At 31st December, 2008	26,658

All investment properties are situated on land in Hong Kong under long lease.

19. INVESTMENT PROPERTIES *(Continued)*

The fair values of the investment properties at 1st October, 2008 and 31st December, 2008 have been arrived at on the basis of a valuation carried out on these dates by Norton Appraisals Limited, an independent qualified professional valuers not connected with the Group. Norton Appraisals Limited, is a member of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to comparable market transactions for similar properties in the same locations and conditions.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

At 31st December, 2008, the Group's investment properties with a carrying value of HK$26,658,000 (2007: nil) were pledged to secure general banking facilities granted to the Group.

20. GOODWILL

	HK$'000
COST AND CARRYING AMOUNT	
At 1st January, 2007 and 2008	–
Acquisition of businesses *(note 38)*	2,269,645
Impairment loss recognised in the year	(1,870,383)
At 31st December, 2008	399,262

Particulars regarding impairment testing on goodwill are disclosed in note 22.

21. OTHER INTANGIBLE ASSET

	Export agency *HK$'000*
COST	
At 1st January, 2007 and 2008	—
Acquisition of businesses *(note 38)*	870,192
At 31st December, 2008	870,192
AMORTISATION	
At 1st January, 2007 and 2008	—
Charge for the year	27,194
At 31st December, 2008	27,194
CARRYING VALUE	
At 31st December, 2008	842,998
At 31st December, 2007	—

The export agency intangible asset relates to export agency agreement entered into between a PRC coke supplier and a subsidiary of the Company incorporated in Hong Kong, which entitled the Group to have an exclusive right to handle the export business of coke from the supplier. The agreement is effective for 3 years from the agreement date of 1st January, 2007, and will continue to be effective if there is no change related to the contractual parties. The directors of the Company are of the opinion that the sole supplier would obtain the export quota in coming 20 years and have the ability to do so, and that the subsidiary of the Company will continue to handle the export business of coke from the sole supplier for the whole 20-year duration. Taking into consideration of market and competitive information, the management of the Group believes that there exist adequate support that the intangible asset has the estimated useful life of 20 years over which the sole entitlement of export sales by the sole supplier to the Group is expected to generate net cash flows for the Group. The discounted cash flow method, with cash flows projections covering 20 years, being the estimated period of the export agency agreement with the sole supplier, and a discount rate of 13.4%, had been used to estimate the fair value of the intangible asset at date of acquisition. The export agency intangible asset is amortised on a straight-line method over the estimated useful life of 20 years.

Particulars regarding impairment testing on other intangible assets are disclosed in note 22.

22. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSET

For the purpose of impairment testing, goodwill and other intangible asset have been allocated to two individual CGUs, including one subsidiary in trading — coke segment and one subsidiary in coal-related ancillary business. The carrying amounts of goodwill and the export agency intangible asset as at 31st December, 2008 allocated to these units are as follows:

	Goodwill 2008 *HK$'000*	Export agency 2008 *HK$'000*
Huscoke International Group Limited (trading-coke segment)	10,718	842,998
金岩和嘉 (coal-related ancillary business segment)	388,544	—
	399,262	**842,998**

During the year ended 31st December, 2008, the Group recognised an impairment loss of approximately HK$1,074,495,000 and HK$795,888,000 in relation to goodwill allocated to Huscoke International Group Limited and 金岩和嘉 respectively.

This goodwill arising from the acquisition of Pride Eagle Group and Joy Wisdom Group amounted to HK$1,085,213,000 and HK$1,184,432,000 respectively, represented the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of Pride Eagle Group and Joy Wisdom Group. As part of the consideration of the acquisitions, Tranche 1 Bonds and Tranche 2 Bonds (as defined in note 35) were issued. In accordance with HKFRS 3 "Business combinations" issued by HKICPA, the fair value of Tranche 1 Bonds and Tranche 2 Bonds were determined by reference to the market value of the ordinary shares of the Company at the date of completion of the acquisitions of Pride Eagle Group and Joy Wisdom Group. With the unexpected increase in the market value of the ordinary shares of the Company between the date of Agreement (as defined in note 32) and the date of completion of the acquisitions, the goodwill arising from the acquisitions was greater than was expected by the management of the Group when the Agreement was entered into. The Group therefore recognised the excess of the carrying amounts of the CGUs (including goodwill) over the recoverable amounts of the CGUs, which were arrived based on value in use calculations as detailed below, as impairment loss on goodwill.

Huscoke International Group Limited

The recoverable amount of this CGU, representing operating division of trading-coke, has been determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts estimated by the management.

The Group prepares cash flows forecasts derived from the most recent financial budgets approved by management for the next 5 years, which is the general development period for the related business and extrapolates cash flows beyond the 5 years based on zero growth rate. The financial budgets and growth rates are estimated according to the stage of operation with reference to the development curve of the industry. The rate used to discount the forecast cash flows for CGU is 14.65%.

22. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSET

(Continued)

金岩和嘉

As explained in note 38 to the consolidated financial statements, the Group is in the process of identifying any intangible assets of Joy Wisdom Group at date of acquisition, thus, the determination of the goodwill disclosed in note 20 to the consolidated financial statements is pending the finalisation of the valuation exercise on the identifiable intangible assets of Joy Wisdom Group. Based on preliminary information available, goodwill of HK$1,184,432,000 is allocated to the CGU at date of acquisition. The recoverable amount of this unallocated goodwill has been determined on the basis of a value in use calculation of this CGU. The recoverable amount is based on certain key assumptions. The Group prepares cash flows forecasts derived from the most recent financial budgets approved by the management for the next 5 years which is the general development period for the related business and extrapolates cash flows beyond the 5 years based on the steady growth rate of 5%. The rate used to discount the forecast cash flows for CGU is 14.65%.

23. AVAILABLE-FOR-SALE INVESTMENTS

	2008	2007
	HK$'000	*HK$'000*
Club debentures, at fair value	**3,448**	880

24. RETIREMENT BENEFIT SCHEME

Defined contribution scheme

Since 1st December, 2000, the Group has operated pension scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirements of 5% of eligible employees' relevant income. The contributions are charged to the consolidated income statement as incurred.

24. RETIREMENT BENEFIT SCHEME *(Continued)*

Defined contribution scheme *(Continued)*

The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on 3% to 4% of the monthly salaries of their current employees to fund the schemes. The employees are entitled to retirement benefits calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the retirement benefits to these retired staff. Therefore, the obligation of the Group is the contributions paid or payable to the state retirement schemes.

The total cost charged to the consolidated income statement of HK$700,000 (2007: HK$3,633,000) represents contributions paid and payable to the schemes by the Group at rates specified in the rules of the schemes.

Defined benefit scheme

A subsidiary of the Company operated a funded defined benefit pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of the trustee. The scheme was frozen on 30th November, 2000 and all qualifying employees were transferred to the MPF Scheme. The defined benefit obligations of the scheme were fixed and the past service costs are fully vested. No further contribution was made by the Group since that date.

During the year ended 31st December, 2008, the remaining defined benefit obligations of the scheme with the equivalent value of the scheme's assets have been transferred to the MPF Scheme as agreed with the relevant qualifying employees.

At 31st December, 2008, the fair value of the scheme's assets is HK$3,825,000 (2007: HK$5,697,000) and the scheme's obligations is nil (2007: HK$1,620,000). During the year, the Company recognised the loss on fair value change of the excess of the scheme's assets over defined benefit scheme's obligations of HK$252,000 (2007: gain of HK$4,077,000) in the consolidated financial statements.

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25. INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials	**68,725**	27,754
Work in progress	**–**	4,503
Finished goods	**142**	12,225
	68,867	44,482

26. DEBTORS, BILLS RECEIVABLE AND PREPAYMENTS

	2008	2007
	HK$'000	*HK$'000*
Trade debtors and bills receivable	**76,015**	66,499
Less: Allowances for bad and doubtful debts	**(2,600)**	–
	73,415	66,499
Other debtors and prepayments	**3,108**	3,950
Advance payments to a minority shareholder of a subsidiary for purchases	**465,000**	–
Advance payments to suppliers	**24,377**	–
Amounts due from related companies	**21**	–
	565,921	70,449

26. DEBTORS, BILLS RECEIVABLE AND PREPAYMENTS *(Continued)*

The following is an aged analysis of trade debtors and bills receivable net of allowance for doubtful debts at the reporting date:

	2008	2007
	HK$'000	*HK$'000*
0-60 days	**51,740**	51,635
61-90 days	**4,857**	7,099
> 90 days	**16,818**	7,765
	73,415	66,499

Trade debtors and bills receivable of approximately HK$27,575,000 (2007: HK$22,398,000) and HK$1,297,000 (2007: nil) were denominated in US$ and RMB respectively, the currencies other than the functional currency of the respective group entities.

During the year, the Group discounted bills receivable of HK$3,484,000 (2007: HK$9,441,000) to banks. As part of the transfer, the Group provided the transferees with a credit guarantee over the expected losses of those receivables. Accordingly, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured other bank loans (see note 33).

The Group allows a credit period of 90 days to its customers. As at 31st December, 2008, trade debtors of approximately HK$16,818,000 (2007: HK$7,765,000), were past due but not provided for as there has not been a significant change in credit quality. The Group does not hold any collateral over the aforesaid trade debtors. The average age of these debtors is 154 (2007: 155) days.

In the opinion of the directors, the Group has maintained long term relationship with existing customers who have a strong financial position. Advance deposits are required from certain customers. The directors consider that such relationship and arrangement enable the Group to limit its credit risk exposure. Before accepting any new customers, the Group will assess the potential customers' credit quality by reference to the experience of the management and defines credit limit by customers. Such credit limit is reviewed by the management periodically.

26. DEBTORS, BILLS RECEIVABLE AND PREPAYMENTS *(Continued)*

Advance payments are requested by the minority shareholder of a subsidiary for purchases of coke for trading. The balances are unsecured, non-interest bearing and to be settled with future purchases.

Movement in the allowance for bad doubtful debts

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	2,599
Allowance for bad and doubtful debts for trade debtors	**2,600**	–
Written off against trade debtors	**–**	(2,599)
Balance at end of the year	**2,600**	–

At 31st December, 2008, allowance for bad and doubtful debts are individually impaired trade debtors with an aggregate balance of HK$2,600,000 (2007: nil) which had been in severe financial difficulties. The Group does not hold any collateral over these balances.

The amounts due from related companies are unsecured, non-interest bearing and repayable on demand.

27. AMOUNTS DUE FROM AND TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The balances are trading in nature and are unsecured, non-interest bearing and repayable within the credit term. The credit period is 90 days and the balances are aged within 0-60 days.

At the balance sheet date, no amount due from a minority shareholder is past due for which the Group has not provided for impairment loss. The amount due from it is fully settled subsequent to the balance sheet date.

Amount due to a minority shareholder of a subsidiary is denominated in US$, the currency other than the functional currency of respective group entity.

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28. INVESTMENTS HELD FOR TRADING

	2008	2007
	HK$'000	*HK$'000*
Mutual funds	**3,243**	–

At 31st December, 2008, the portfolio of mutual funds held by the Group includes equity securities listed in Hong Kong. The amount is denominated in US$, the currency other than the functional currency of respective group entity.

29. BANK DEPOSITS AND BANK BALANCES

The Group's bank deposit of approximately HK$936,000 (2007: HK$2,910,000) has been pledged to secure banking facilities granted to a subsidiary. The pledged bank deposit carried fixed interest rate of 1.35% (2007: 3.76%) per annum.

Short term bank deposits and bank balances included short-term deposits with an original maturity of three months or less. Bank deposits received interest at prevailing market interest rate ranged from 0.05% to 6.87% (2007: 2.75% to 8.25%) per annum.

Bank balances and cash and short-term bank deposits of approximately HK$51,730,000 (2007: HK$4,091,000), nil (2007: HK$25,615,000), nil (2007: HK$14,074,000) and HK$900,000 (2007: HK$4,293,000) were denominated in US$, AUD, NZD and RMB respectively, the currencies other than the functional currency of the respective group entities.

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For The Year Ended 31st December, 2008

30. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	2008	2007
	HK$'000	*HK$'000*
Trade creditors	**114,417**	47,852
Bills payable	**1,141**	3,092
Other creditors and accrued charges	**55,231**	14,549
Advance received from a customer	**77,500**	—
Amount due to a related company	**481**	—
	248,770	65,493

The following is an aged analysis of trade creditors and bills payable as at the reporting date:

	2008	2007
	HK$'000	*HK$'000*
0-60 days	**75,622**	39,163
61-90 days	**5,222**	8,889
> 90 days	**34,714**	2,892
	115,558	50,944

Trade creditors and bills payable of approximately HK$11,502,000 (2007: HK$7,822,000) and HK$4,580,000 (2007: HK$2,159,000) were denominated in US$ and RMB respectively, the currencies other than the functional currency of the respective group entities.

The amount due to a related company is unsecured, non-interest bearing and repayable on demand.

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31. AMOUNT DUE TO A DIRECTOR

The balance is unsecured, non-interest bearing and repayable on demand.

32. PROMISSORY NOTES

	2008
	HK$'000
Balance at 1st January, 2007 and 2008	–
Issued upon the acquisition of businesses at fair value *(note 38)*	190,476
Imputed interest expenses	2,843
Repayment for the year	(100,000)
Loss on early redemption	2,713
Balance at 31st December, 2008	96,032

On 11th January, 2008, the Group and Mr. Wu Jixian, an executive director of the Company as appointed on 1st June, 2008, entered into a sale and purchase agreement (the "Agreement") pursuant to which the Company issued the two promissory notes in the principal amount of HK$100 million each on 16th May, 2008 and 31st October, 2008 respectively with a maturity period of 12 months from the respective dates of issue to Mr. Wu Jixian for the partial settlement of the consideration for the acquisitions of Pride Eagle Group and Joy Wisdom Group respectively. The promissory notes are unsecured and non-interest bearing.

The fair value, represented the present value of the promissory notes, is arrived based on the maturity period of 12 months and an effective interest rate of 5% per annum.

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33. BANK BORROWINGS

	2008	2007
	HK$'000	*HK$'000*
Bank borrowings comprise the following:		
Trust receipt and import loans	–	26,881
Export loans	387,500	–
Mortgage loans	55,995	–
Other bank loans	3,483	9,441
	446,978	36,322
Secured	443,494	–
Unsecured	3,484	36,322
	446,978	36,322
Carrying amount repayable:		
On demand or within one year	397,460	36,322
More than one year, but not exceeding two years	6,509	–
More than two years but not more than five years	19,733	–
More than five years	23,276	–
	446,978	36,322
Less: Amounts due within one year shown under current liabilities	(397,460)	(36,322)
	49,518	–

Export loans represent the loans obtained by the Group to make advance payments to a minority shareholder of a subsidiary for purchases as set out in note 26. The export loan will be settled by receipts from future export sales of coke, or the maturity of the banking facilities granted by the bank in February 2010, whenever earlier.

Other bank loans represent the loans from discounted bills with recourse.

33. BANK BORROWINGS *(Continued)*

Bank borrowings of approximately HK$390,983,000 (2007: HK$34,394,000) were denominated in US$, the currency other than the functional currency of the respective group entities.

The above borrowings bear interests at floating rates, and thus expose to cash flow interest rate risk. The average effective interest rate is approximately 3.62% (2007: 6.82%) per annum.

34. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each		Nominal value	
	2008	2007	**2008**	2007
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
At beginning of the year	**1,000,000**	1,000,000	**100,000**	100,000
Increase on 7th April, 2008 *(note a)*	**9,000,000**	—	**900,000**	—
Increase on 23rd July, 2008 *(note b)*	**10,000,000**	—	**1,000,000**	—
At end of the year	**20,000,000**	1,000,000	**2,000,000**	100,000
Issued and fully paid:				
At beginning of the year	**477,926**	477,926	**47,793**	47,793
Conversion of convertible bonds *(note c)*	**1,335,000**	—	**133,500**	—
At end of the year	**1,812,926**	477,926	**181,293**	47,793

Notes:

(a) Pursuant to the resolutions passed at the special general meeting held on 7th April, 2008, the Company increased the authorised share capital from HK$100,000,000 to HK$1,000,000,000 by the creation of 9,000,000,000 new ordinary shares of HK$0.10 each in the capital of the Company.

34. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(b) Pursuant to the resolutions passed at the special general meeting held on 23rd July, 2008, the Company increased the authorised share capital from HK$1,000,000,000 to HK$2,000,000,000 by the creation of 10,000,000,000 new ordinary shares of HK$0.10 each in the capital of the Company.

(c) During the year, the Company received notices of conversion from the holders of the Tranche 1 Bonds (as defined in note 35) exercising the right to convert the convertible bonds in the aggregate principal amount of HK$534,000,000 into 1,335,000,000 ordinary shares of HK$0.10 each in the Company at the conversion price of HK$0.40 per share. These shares rank pari passu in all aspect with other shares in issue.

35. CONVERTIBLE BONDS

Pursuant to the Agreement, the Company issued two tranches of zero coupon convertible bonds, each of which has principal amount of HK$1,100 million to Mr. Wu Jixian on 16th May, 2008 ("Tranche 1 Bonds") and 31st October, 2008 ("Tranche 2 Bonds") respectively, with maturity date on the fifth anniversary of the respective dates of issue for the partial settlement of the acquisitions of Pride Eagle Group and Joy Wisdom Group respectively.

The convertible bonds should accrue no interest and are freely transferable, provided that where the convertible bonds are intended to be transferred to a connected person (as defined in the Listing Rules) of the Group (other than the associates of the bondholder) such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange, if any.

The bondholder may at any time during the five years from the respective dates of issue convert the whole or part of the principal amount of the convertible bonds into new ordinary shares of the Company at the conversion price of HK$0.40 per share, provided that (i) no conversion rights attached to the convertible bonds may be exercised, to the extent that following such exercise, a holder of the convertible bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued shares of the Company (or in such percentage of the issued share capital of the Company as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being level for triggering a mandatory general offer); and (ii) no holder of the convertible bonds shall exercise the conversion right attached to the convertible bonds held by such holders if immediately after such conversion, the public float of the shares fall below the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules as required by the Stock Exchange. The conversion price of HK$0.40 per share is subject to adjustment for consolidation, sub-division or re-classification of shares, capital reduction, rights issues and other events which have diluting effects on the issued share capital of the Company. Any convertible bonds which remain outstanding on the maturity date shall be converted automatically into the new share of the Company under the same terms as mentioned above.

35. CONVERTIBLE BONDS *(Continued)*

The convertible bonds are equity instrument containing equity element only and are presented in equity heading "convertible bonds reserve".

The total number of ordinary shares to be converted from the convertible bonds is 5,500 million of HK$0.10 each. The fair value of convertible bonds are determined by reference to the quoted market price of the ordinary shares of the Company, being HK$0.66 and HK$0.57 for each ordinary share, at respective issuance dates of Tranche 1 Bonds and Tranche 2 Bonds.

The movement of the amount of the convertible bonds during the year is set out below:

	HK$'000
At 1st January, 2007 and 2008	–
Issued during the year, upon the acquisitions of businesses *(note 38)*	3,382,500
Converted during the year	(881,100)
At 31st December, 2008	2,501,400

At the time when the convertible bonds are converted into ordinary shares of the Company, the nominal value of share capital issued upon conversion will be transferred from the convertible bonds reserve to the share capital account while the difference between the fair value of the convertible bonds at their issuance dates and the nominal value of share capital issued will be transferred from the convertible bonds reserve to the contributed surplus account. During the year, convertible bonds with aggregate carrying amount of HK$881,100,000 (principal amount of HK$534,000,000) were converted into 1,335,000,000 number of the Company's shares. Accordingly, HK$133,500,000 was transferred to share capital account while HK$747,600,000 was transferred to contributed surplus account. If the remaining convertible bonds with an aggregate carrying amount of HK$2,501,400,000 are fully converted into ordinary shares of the Company subsequently, HK$416,500,000 will be transferred to the share capital account while the remaining HK$2,084,900,000 will be transferred to the contributed surplus account.

36. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 31st May, 2002 for the primary purpose of providing incentives to director and eligible employees, and is effective for a period of 10 years commencing on the adoption date. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to the expiration of the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share options were granted or exercised since date of adoption and there was no outstanding share option at the balance sheet date.

37. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Tax losses	Fair value of investment properties	Fair value adjustments on business combination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2007	4,854	(168)	–	–	4,686
(Credit) charge to consolidated income statement for the year	(2,552)	168	–	–	(2,384)
At 31st December, 2007	2,302	–	–	–	2,302
Acquisition of businesses *(note 38)*	151	(231)	2,219	147,583	149,722
Credit to consolidated income statement for the year	(982)	(211)	(2,325)	(4,487)	(8,005)
Effect of change in tax rate	(132)	–	–	–	(132)
At 31st December, 2008	1,339	(442)	(106)	143,096	143,887

Starting from 1st January, 2008, the tax law of the PRC requires withholding tax upon the distribution of undistributed retained profits earned by the PRC subsidiaries to the foreign shareholders. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits amounting to approximately HK$52,298,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the balance sheet date, the Group has estimated unused tax losses of approximately HK$16,222,000 (2007: HK$38,433,000) available for offset against future profits. At 31st December, 2008, a deferred tax asset had been recognised in respect of approximately HK$2,675,000 (2007: nil), no deferred tax asset has been recognised in respect of the remaining HK$13,547,000 (2007: HK$38,433,000) due to the uncertainty of future profit streams. The losses may be carried forward indefinitely.

38. ACQUISITION OF BUSINESSES

(i) Acquisition of Pride Eagle Investments Limited and its subsidiaries ("Pride Eagle Group")

On 16th May, 2008, the Group acquired the entire share capital of Pride Eagle Group for a total consideration of approximately HK$1,912 million. The total consideration has been settled by the issue of Tranche 1 Bonds and a promissory note with a principal amount of HK$1,100 million and HK$100 million, respectively. The transaction has been accounted for using the purchase method of accounting.

The net assets acquired in this acquisition are as follows:

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	13,720	—	13,720
Prepaid lease payments	49,148	24,249	73,397
Other intangible assets *(note 21)*	—	870,192	870,192
Investment properties	60,552	—	60,552
Available-for-sale investment	2,568	—	2,568
Debtors, bills receivable and prepayments	351,384	—	351,384
Investments held for trading	3,183	—	3,183
Bank balances and cash	3,238	—	3,238
Creditors, bills payable and accrued charges	(86,059)	—	(86,059)
Tax payable	(21,497)	—	(21,497)
Deferred taxation	(2,139)	(147,583)	(149,722)
Bank borrowings	(293,839)	—	(293,839)
	80,259	746,858	827,117
Goodwill			1,085,213
Total consideration			1,912,330
Satisfied by:			
Convertible bonds *(note)*			1,815,000
Promissory note *(note)*			95,238
Directly attributable costs			2,092
			1,912,330
Net cash inflow arising on acquisition:			
Bank balances and cash acquired			3,238
Directly attributable costs paid			(2,092)
			1,146

Notes to the Consolidated Financial Statements

For The Year Ended 31st December, 2008

38. ACQUISITION OF BUSINESSES *(Continued)*

(i) Acquisition of Pride Eagle Investments Limited and its subsidiaries ("Pride Eagle Group") *(Continued)*

Pride Eagle Group principally engages in the trading of coke and property investment. The goodwill arising on the acquisition of Pride Eagle Group is attributable to the anticipated profitability of the trading of coke business.

Pride Eagle Group contributed HK$677,077,000 to the revenue and a loss of HK$12,857,000 to the Group's loss before tax for the period between the date of acquisition and 31st December, 2008.

If the acquisition had been completed on 1st January, 2008, total Group's revenue for the year ended 31st December, 2008 would have been HK$1,931,446,000, and loss for the year ended 31st December, 2008 would have been HK$1,756,432,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and profit for the year of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2008, nor is it intended to be projection of future results.

(ii) Acquisition of Joy Wisdom Group

On 31st October, 2008, the Group acquired the entire share capital of Joy Wisdom Group for total agreed consideration of approximately HK$1,665 million. The total agreed consideration has been settled by the issue of Tranche 2 Bonds and a promissory note with a principal amount of HK$1,100 million and HK$100 million, respectively. The transaction has been accounted for using the purchase method of accounting.

38. ACQUISITION OF BUSINESSES *(Continued)*

(ii) Acquisition of Joy Wisdom Group *(Continued)*

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination and provisional fair value
	HK$'000
Net assets acquired:	
Property, plant and equipment	475,440
Inventories	62,917
Debtors, bills receivable and prepayments	52,330
Amount due from a minority shareholder of a subsidiary	35,533
Bank balances and cash	144
Creditors, bills payable and accrued charges	(79,700)
Tax payable	(12,216)
	534,448
Minority interests	(53,446)
Goodwill	1,184,432
Total consideration	1,665,434
Satisfied by:	
Convertible bonds *(note)*	1,567,500
Promissory note *(note)*	95,238
Directly attributable costs	2,696
	1,665,434
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	144
Directly attributable costs paid	(2,696)
	(2,552)

Notes to the Consolidated Financial Statements

For The Year Ended 31st December, 2008

38. ACQUISITION OF BUSINESSES *(Continued)*

(ii) Acquisition of Joy Wisdom Group *(Continued)*

Joy Wisdom International Limited is an investment holding company which in turn holds 90% of the registered capital of 金岩和嘉. 金岩和嘉 principally engages in the coal-related ancillary businesses which include the businesses of coal washing service, electric power generation, transport services in respect of coal and other ancillary materials and generation of heat. The goodwill arising on the acquisition of Joy Wisdom Group is attributable to the anticipated profitability of its businesses.

Joy Wisdom Group contributed HK$217,424,000 to the revenue and a profit of HK$71,369,000 to the Group's loss before tax for the period between the date of acquisition and the 31st December, 2008.

If the acquisition had been completed on 1st January, 2008, total Group's revenue for the year ended 31st December, 2008 would have been HK$1,591,520,000, and loss for the year ended 31st December, 2008 would have been HK$1,815,999,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and profit for the year of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2008, nor is it intended to be projection of future results.

The Group is in the process of identifying any intangible assets of Joy Wisdom Group at date of completion of the acquisition, thus, the determination of the goodwill disclosed herein is preliminary and subject to revision once the Company completes its valuation exercise and upon the receipt of professional valuations.

Note: The determination of the fair value of the promissory notes and convertible bonds are set out in notes 32 and 35 respectively.

Notes to the Consolidated Financial Statements

For The Year Ended 31st December, 2008

39. DISPOSAL OF SUBSIDIARIES

(i) As disclosed in note 12, on 31st October, 2008, the Group discontinued its manufacturing and sale of other consumer products operations by the disposal of its subsidiaries, Bigfield Group. The net assets of Bigfield Group at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	20,751
Prepaid lease payments	151
Inventories	5,158
Debtors, bills receivable and prepayments	5,487
Bank balances and cash	4,431
Creditors, bills payable and accrued charges	(8,353)
	27,625
Gain on disposal of subsidiaries	8,375
Total consideration settled by cash	36,000
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	36,000
Bank balances and cash disposed of	(4,431)
	31,569

The impact of Bigfield Group on the Group's results and cash flows in the current and prior periods is disclosed in note 12.

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

(ii) During the year ended 31st December, 2007, the net assets of the subsidiaries at the date of disposal/liquidation were as follows:

	HK$'000
Property, plant and equipment	12,052
Prepaid lease payments	3,332
Inventories	463
Debtors, bills receivable and prepayments	1,888
Bank balances and cash	2,131
Creditors, bills payable and accrued charges	(2,906)
	16,960
Exchange gain realised	(5,107)
	11,853
Loss on disposal/liquidation of subsidiaries	(3,573)
Total consideration settled by cash	8,280
Net cash inflow arising on disposal/liquidation of subsidiaries:	
Cash consideration	8,280
Bank balances and cash disposed of	(2,131)
	6,149

The subsidiaries disposed/liquidated during the year ended 31st December, 2007 had no significant contribution to the Group's operating results and cash flows for the year ended 31st December, 2007.

40. PLEDGE OF ASSETS

At 31st December, 2008, other than the pledged bank deposit as disclosed in note 29, the Group pledged certain buildings, prepaid lease payments and investment properties which have an aggregate carrying value of approximately HK$32,542,000 (2007: nil), HK$73,077,000 (2007: nil) and HK$26,658,000 (2007: nil) respectively and the benefits of the leases and tenancies of the investment properties to secure general banking facilities granted to the Group.

41. CAPITAL COMMITMENTS

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**66**	184

In addition, at 31st December, 2008, the Group had the capital commitment in relation to a conditional sale and purchase agreement entered into on 21st April, 2008 for the acquisition of the entire issued share capital of Oden Group Limited (the "Oden's Agreement"). The consideration of HK$2,400 million (subject to adjustment) shall be satisfied by the Company on completion of the acquisition by issue of convertible bonds. The acquisition has not yet been completed up to the balance sheet date.

42. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum payments under non-cancellable operating leases in respect of leasehold interest in land and rented properties which fall due as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**1,144**	8,246
In the second to fifth year inclusive	**1,918**	7,401
Over 5 years	**7,033**	–
	10,095	15,647

42. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessee *(Continued)*

Leases are negotiated for a term of one to twenty years and rentals are fixed for the leased period.

The Group as lessor

Property rental income earned by the Group during the year was approximately HK$791,000 (2007: nil). The properties held have committed tenants for lease terms of 2 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**151**	–

43. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transaction with a related party:

	2008	2007
	HK$'000	*HK$'000*
Sales of refined coal and electricity to a minority shareholder of a subsidiary	**210,022**	–
Purchases of coke from a minority shareholder of a subsidiary	**625,165**	–
Rental expense to a related company	**1,200**	1,200
Management fee income from a related company	**495**	–

The related companies are companies in which certain directors of the Company have beneficial interests. Rental expense was for the provision of quarters to certain directors of the Company and has been included in directors' emoluments.

Details of balances with related companies and a minority shareholder of a subsidiary are set out in the consolidated balance sheet and notes 26, 27, 30, 31 and 38 to the consolidated financial statements.

43. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other short term employee benefits	**10,649**	9,202
Retirement benefit costs	**55**	179
	10,704	9,381

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

44. MAJOR NON-CASH TRANSACTIONS

On 16th May, 2008 and 31st October, 2008, the Group acquired the entire issued share capital of Pride Eagle Group and Joy Wisdom Group respectively. The aggregate purchase consideration was HK$2,400 million each, which were satisfied by the issue of HK$2,200 million convertible bonds and HK$200 million promissory notes by the Company. Details of these are set out in note 38 (i) and (ii).

45. POST BALANCE SHEET EVENTS

The following events took place subsequent to the balance sheet date:

(a) On 31st January, 2009, the Oden's Agreement was lapsed as agreed between the Group and the vendor, because some of the conditions for the acquisition had not been satisfied nor waived.

(b) On 27th February, 2009, the Company granted 5,500,000 options under the option scheme to certain directors of the Company and other employees with exercisable period from 27th February, 2009 to 26th February, 2014. Each share option shall entitle the holder of the share option to subscribe for one ordinary share of the Company at an exercise price of HK$0.50 per share.

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of company	Country/ place of incorporation or registration	Principal place of operation	Nominal value of issued/registered capital	Proportion of nominal value of issued/ registered capital held by the Company 2008	2007	Principal activities
Rich Key Enterprises Limited	British Virgin Islands	Hong Kong	Ordinary – US$1	**100%**	–	Investment holding
Pride Eagle Investments Limited	British Virgin Islands	Hong Kong	Ordinary – US$1	**100%**	–	Investment holding
Huscoke International Group Limited	Hong Kong	Hong Kong	Ordinary – HK$10,000	**100%**	–	Trading of coke
Ocean Signal Limited	Hong Kong	Hong Kong	Ordinary – HK$10,000	**100%**	–	Properties holding
Joy Wisdom International Limited	British Virgin Islands	Hong Kong	Ordinary – US$1	**100%**	–	Investment holding
Huscoke International Investment Limited	Hong Kong	Hong Kong	Ordinary – HK$10,000	**100%**	–	Investment holding
金岩和嘉 *(note i)*	PRC	PRC	HK$500,000,000	**90%**	–	Coal-related ancillary businesses – coal washing and generation of electric power and heat
Big Field (B.V.I.) Limited *(note ii)*	British Virgin Islands	Hong Kong	Ordinary – US$600	**–**	100%	Investment holding
Bigfield Goldenford Holdings Limited *(note ii)*	Hong Kong	Hong Kong	Ordinary – HK$153,000 Deferred – HK$147,000 *(note iii)*	**–**	100%	Manufacture of wooden and paper products
Dominion Trading Ltd.	British Virgin Islands	Hong Kong	Ordinary – US$100	**100%**	100%	Investment holding, property and share investment
Frankie Dominion (B.V.I.) Company Limited	British Virgin Islands	Hong Kong	Ordinary – US$35,000	**100%**	100%	Investment holding

Notes to the Consolidated Financial Statements

For The Year Ended 31st December, 2008

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of company	Country/ place of incorporation or registration	Principal place of operation	Nominal value of issued/registered capital	Proportion of nominal value of issued/ registered capital held by the Company 2008	2007	Principal activities
Frankie Dominion (Holdings) Limited	Hong Kong	Hong Kong	Ordinary – HK$1,000 Deferred – HK$35,000,000 *(note iii)*	**100%**	100%	Investment holding, property investment and design, manufacture and sale of a diversified range of consumer home products
Frankie Trading Company Limited	Hong Kong	Hong Kong	Ordinary – HK$5,000,000	**100%**	100%	Inactive
Home Mart Store Limited	Hong Kong	Hong Kong	Ordinary – HK$5,000,000	**100%**	100%	Inactive
Michel Manufactory Limited	Hong Kong	Hong Kong	Ordinary – HK$10,000	**100%**	100%	Inactive
嘉利興(廣州)貿易有限公司 (“嘉利興”) *(note iv)*	PRC	PRC	HK$3,000,000	**100%**	100%	Net yet commence business

Notes:

(i) 金岩和嘉 is a sino-foreign equity joint venture company established in the PRC. Under the joint venture agreement, the Group is responsible to contribute HK$450,000,000 to the registered capital, share 90% of the profits and losses and entitle to 90% voting rights of 金岩和嘉.

(ii) The companies were disposed of during the year ended 31st December, 2008.

(iii) The deferred shares, which are not held by the Group, carry minimal rights to dividends or to receive notice of or attend or vote at any general meeting of these companies. On a winding-up, the holders of the deferred shares are entitled to share out of the surplus assets of these companies only after a total of HK$100,000,000,000,000,000 has been distributed to the holders of the ordinary shares.

(iv) 嘉利興 is a wholly owned foreign enterprise.

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

Financial Summary

	Year ended 31st December,				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	887,025	747,483	714,731	640,635	**1,371,078**
(Loss) profit before taxation	(2,122)	(17,570)	16,059	(42,486)	**(1,837,800)**
Taxation credit (charge)	1,716	(987)	914	317	**(14,988)**
(Loss) profit for the year	(406)	(18,557)	16,973	(42,169)	**(1,852,788)**
Attributable to:					
Equity holders of the Company	3,031	(13,031)	18,912	(42,169)	**(1,858,198)**
Minority interests	(3,437)	(5,526)	(1,939)	—	**5,410**
	(406)	(18,557)	16,973	(42,169)	**(1,852,788)**
Dividends	9,558	—	—	—	**—**

ASSETS AND LIABILITIES

	At 31st December,				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	437,115	424,882	394,002	280,997	**2,783,528**
Total liabilities	(166,350)	(180,312)	(171,760)	(104,235)	**(1,023,285)**
	270,765	244,570	222,242	176,762	**1,760,243**
Equity attributable to equity holders of the Company	217,905	203,159	222,242	176,762	**1,701,365**
Minority interests	52,860	41,411	—	—	**58,878**
	270,765	244,570	222,242	176,762	**1,760,243**

Particulars of Properties

Name/location		Lease term	Type *	Gross floor area (sq.m.)	Attributable interest
PROPERTIES HELD FOR THE GROUP'S OWN USE					
HONG KONG					
1.	Units 4203, 4205 and 4208 42nd Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long lease	C	283	100%
2.	Office 1613 and 1615 16th Floor, Tower Two Lippo Centre 89 Queensway Hong Kong	Long lease	C	118	100%
3.	Units A, B, C and D 1st Floor and Flat Roofs Yally Industrial Building 6 Yip Fat Street Wong Chuk Hang	Long lease	C & I	1,624	100%
4.	Unit D 3rd Floor Yally Industrial Building 6 Yip Fat Street Wong Chuk Hang	Long lease	G	360	100%

Particulars of Properties

Name/location	Lease term	Type *	Gross floor area (sq.m.)	Attributable interest
OVERSEAS				
The People's Republic of China				
山西省孝義市經濟開發區金岩路1號	Medium term lease	C & I	29,148	90%
廣州市天河區黃埔大道西468號 勤建商業大廈1201室至1206室 和1306室	Medium term lease	C	1,437	100%
PROPERTIES HELD FOR INVESTMENT				
HONG KONG				
1. Units 4206 42nd Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long lease	C	126	100%

* C Commercial
I Industrial
G Godown