LOUDONG GENERAL NICE RESOURCES (CHINA) HOLDINGS LIMITED
樓東俊安資源(中國)控股有限公司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

2009
ANNUAL REPORT
年報

Stock Code 股份代號 00988

Contents

Corporate Information

EXECUTIVE DIRECTORS

Cai Sui Xin *(Chairman)*
Zhao Cheng Shu *(Deputy Chairman)*
Lau Yu *(Chief Executive Officer)*
Ng Tze For
Li Xiao Juan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Siu Chung
Li Xiao Long
Choy So Yuk

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Cheung Siu Chung
Li Xiao Long
Choy So Yuk

AUTHORISED REPRESENTATIVES

Ng Tze For
Kwok Kam Tim *CPA, ACCA*

COMPANY SECRETARY

Kwok Kam Tim *CPA, ACCA*

AUDITORS

Ernst & Young

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 12/F., Lippo Leighton Tower
103 Leighton Road
Causeway Bay
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

ADR DEPOSITARY

The Bank of New York Mellon Corporation
101 Barclay Street
22nd Floor
New York
NY 10286
USA
Website: http://www.adrbnymellon.com

PRINCIPAL BANKERS

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

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board") of Loudong General Nice Resources (China) Holdings Limited (the "Company"), I am pleased to present to you the Annual Report of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2009 (the "Review Period").

During the Review Period, the Group's revenue and gross profit amounted to approximately HK$1,224.8 million and HK$446.5 million respectively, recorded a respective increase of approximately 142% and 109% as compared with 2008. Profit attributable to owners of the parent for the Review Period amounted to approximately HK$50.4 million, as compared to loss attributable to owners of the parent of approximately HK$563.4 million for the preceding year. Basic earnings per share for continuing operations amounted to HK$0.07 for the year ended 31 December 2009, as compared to loss per share of HK$1.36 for 2008.

The Board do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

TESTIMONY OF A SUCCESSFUL MOVE INTO THE RESOURCES BUSINESS

The Group has successfully repositioned itself to focus on resources business in China since the strategic acquisition of a 50.1% equity interest in Shanxi Loudong General Nice Coking and Gas Company Limited ("Shanxi Loudong") in September 2008, alongwith the disposal of its non-core hotel and property development business in early 2009.

Principally engaged in coal washing, coke production, coal-related chemicals production and power generation, Shanxi Loudong is recognised as one of the largest and most comprehensive coking plants in Xiaoyi City of Shanxi, which is the dominating coal and coke producing province in China. Shanxi accounts for about 40% of the country's 345 million-tonne metallurgical coke output, approximately 80% of China's coke export and about 48% of global coke trade volume.

Most importantly, building on the solid platform of Shanxi Loudong, the Group has initiated a number of merger and acquisition in 2009 aiming to transform the Group into one of the leading integrated coal and coke companies in China, despite a tough year in the aftermath of the financial tsunami.

EMERGED FROM A TOUGH MARKET ENVIRONMENT

In early 2009, steel market worldwide remained in the doldrums and steelmakers had contracted production output. The situation deteriorated when all the 2600 coal mines in Shanxi were ordered to consolidate into about 1000, which in effect led to a sharp reduction of coal supplies. All these factors had adversely affected the coking industry in China since metallurgical coke is a major ingredient in steel production and China is the world's largest coke producer, As a consequence, the coking plants across the country had voluntarily adopted an aggressive reduce-output strategy, upto 60% output cut, in order to support coke prices and maintain profitability.

We were glad that the market environment had improved in the second half of the year. With the central government's proactive economic stimulus package gradually filtering through the economy, the steel sector recovered gradually. Coupled with the coke reduced-output strategy, the pressure on the coking sector has been alleviated with coke prices rebounding from the bottom of around RMB1,450 per tonne in the first half of 2009 to nearly RMB2,000 per tonne in some points in the latter part of the Review Period. Yet, those smaller inefficient coking plants were still at a loss-making or near break-even stage in 2009 as they struggled to get coal supplies. Shanxi Loudong emerged to outperform in such a tough market, attributable to its scale and comprehensive operation, as well as its relatively stable source of coal supplies, as a few of its long-term coal suppliers were least affected in Shanxi's mining consolidation in the Review Period.

M&A INITIATED IN THE YEAR

To capture opportunities arising from the coal mines consolidation in Shanxi and to enhance cost competitiveness by vertically integrating upstream coal resources, the Group has entered into a memorandum of understanding ("MOU") to acquire a 49% equity interest in Shanxi Linxian Taiye Coal Mining Company Limited ("Shanxi Linxian Taiye") in September 2009. Shanxi Linxian Taiye has an estimated reserves of not less than 80 million tonnes and an approved production capacity of 1,200,000 tonnes per annum, which would ensure a long term supply of coal. Shanxi Linxian Taiye is also well endowed with high potentials to expand reserves and mining capability further in the years ahead.

Given the promising prospect of the coal processing and production of coke and coal-related chemicals industry and the potential growth of the economy in China, the Company is looking forward to completing the acquisition of an additional 39.9% equity interest in Shanxi Loudong (the "Acquisition"), pursuant to the sale and purchase agreement dated 9 November 2009 (the "Sale and Purchase Agreement"). The directors of the Company (the "Directors") intend to complete the Acquisition in 2010, which will raise the Group's effective equity interest in Shanxi Loudong to 90%, The Acquisition is in line with the Group's strategy to further strengthen its position in the industry, to expand its coking business, and, it is also a testimony of the Group's dedication to produce high quality coke to meet environmental protection standards.

RAISING FUND FOR FUTURE DEVELOPMENT

During the Review Period, the Company successfully completed an open offer and a share placement to raise net proceeds of approximately HK$138.5 million and HK$131.8 million in July and September 2009 respectively. In January 2010, the Company completed a share placement to raise net proceeds of approximately HK$249 million.

The Directors intend to apply the net proceeds partly to payment of the proposed acquisition of a 49% equity interest in Shanxi Linxian Taiye pursuant to the MOU, which the Company is in the process of negotiating the formal sale and purchase agreement; partly to payment of the Acquisition pursuant to the Sale and Purchase Agreement; and the remaining, if any, for general working capital.

The fund raising exercises enabled the Group to further strengthen its capital base and to diversify the shareholder base of the Company with support from institutional investors, of which the Board believes will lay a solid foundation for the Group's future acquisitions and development.

The Group looks forward to completing the acquisition of a 49% equity interest in Shanxi Linxian Taiye, and an additional 39.9% stake in Shanxi Loudong in 2010, which will enhance the Group's attributable profit substantially, setting a new milestone to achieve its goal of becoming a leading integrated coal and coke enterprise in China.

MORE CONSOLIDATION CHALLENGES AND OPPORTUNITIES AHEAD

On the competitive front, we are one of the few enterprises which target to build a complete value chain in the coal and coke industry, vertically integrating the Group's operations from mining, manufacturing, transporting to distributing the coke and coal-related chemical products. This fully integrated value chain will ensure a long-term sustainable and strong profitability for the Group, regardless of the short-term ups and downs experienced in the past two years.

In Shanxi, there are about 280 coking enterprises, with an average coking capacity of less than 600,000 tonnes. Majority of these coking facilities are non state-owned, not fully integrated and without any link to coal mines or steel mills. It is highly likely that a provincial consolidation program on coking plants, similar to last year's coal mines consolidation, will be launched in the near future to eliminate those smaller, technology backward and polluted coking facilities in Shanxi. As Shanxi Loudong is one of the largest coking facilities in the region with designed coking capacity of upto 1.8 million tones, the Board believes the Group will benefit from the forthcoming consolidation.

Albeit the uncertainties following the financial meltdown, the Group believes that where there is a crisis, opportunities arise. The Board is prudently optimistic towards the future. In the year ahead, the Group will strive to enhance the competitiveness of its coking operation, expand its market share in coke industry, while seeking opportunities to expand its coal mining business. Backed by the leading position of Shanxi Loudong, the Group is well positioned to become a leading integrated coal and coke enterprise in China.

On behalf of the Board, I would take this opportunity to express our appreciation to our clients, shareholders and business partners, as well as the significant contribution of our dedicated staff in the past year. The Company will endeavor to maintain a high level of corporate governance and transparency. With our unique competitive strengths, clear development strategies and excellent management team, the Group is committed to maximize shareholders' returns.

Chairman
Cai Sui Xin

30 March 2010

FINANCIAL RESULTS

For the year ended 31 December 2009, Loudong General Nice Resources (China) Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue from continuing operations of approximately HK$1,224,798,000 (2008: approximately HK$506,833,000), representing an increase of around 142% from the previous year. The surge in revenue reflected the first full-year revenue contribution of the Group's coke manufacturing business operated by Shanxi Loudong General Nice Coking and Gas Company Limited ("Shanxi Loudong"), of which a 50.1% stake was acquired by the Group in September 2008.

The profit attributable to owners of the parent for 2009 was approximately HK$50,414,000 as compared with the loss attributable to owners of the parent of approximately HK$563,433,000 for the preceding year, which was mainly due to a one-off goodwill impairment arising from the acquisition of Shanxi Loudong. The profit turnaround for the year under review proved the significant contribution of the coke manufacturing business. Yet, the profit for 2009 was eroded by certain non-operating items and was arrived at after deducting non-cash expense of approximately HK$10,085,000 in connection with the grant of share options in the second half of 2009 and deemed interest expense of approximately HK$63,561,000 for the convertible notes issued for the acquisition of Shanxi Loudong. In addition, the profit was further abated by a higher taxation charged in 2009 as Shanxi Loudong was no longer entitled to tax holiday for the year under review.

BUSINESS REVIEW

2009 was a precarious year clouded by uncertainties in the aftermath of the global financial meltdown.

As Shanxi Loudong is principally engaged in the manufacture and sale of metallurgical coke which is a key ingredient for steel production, the Group was badly hit in the first half of the year when the global demand for steel remained in the doldrums and the capacity utilisation of many steel mills was shrinking. Accordingly, demand for metallurgical coke declined, inventories piled up and price for metallurgical coke fell to as low as about RMB1,450 per tonne in March 2009. As a consequence, Shanxi Loudong's sales tonnage of metallurgical coke fell by 46% in the first half of 2009 as compared with the corresponding period in 2008.

With the central government's proactive economic stimulus package filtering through, the economy in China recovered gradually and transformed into a key driver that spearheaded the mild recovery of the global economy in the second half of the year. The coal market continued to rebound while the market demand for coke gradually picked up.

Despite improved market in China in the second half of the year, Shanxi Loudong's full year sales of metallurgical coke still dropped by about 19% to 674,500 tonnes, as compared with that of 2008. The decrease was partly due to the poor market environment in the first half of the year and partly attributable to the drastic dive of export sales to zero during the year under review as compared to about 27% of the Group's revenue derived from export sales in 2008. The 40% duty levied on coke export by the central government since August 2008 remained a major hindrance leaving China's coke products less competitive in the international market.

BUSINESS REVIEW (continued)

The lingering effect of the financial tsunami, coupled with the coal mine consolidation program launched by the Shanxi provincial government in 2009, had badly hurt a lot of smaller, inefficient and environmentally unfriendly coking production facilities in China. The Group's coke manufacturing business managed to fare better largely attributable to its efficient operation and stable long-term coal supplies. As such, a reasonable level of gross margin of 36% was maintained in the year under review, as compared with 42% in 2008.

The debtor turnover period of the Group improved from 95 days in 2008 to 59 days in 2009, mainly due to reinstatement of normal credit terms from previous year's extended credit period granted to some of the Group's steelmaking and coke trading customers. The management of the Group adopts a prudent credit policy to its customers by closely monitoring their repayment status and consistently reviews their credit terms. If there are any irregularities in repayment, credit terms granted to debtors will be adjusted accordingly. If the balance due from debtors becomes doubtful, appropriate doubtful debt provision will be provided for.

OUTLOOK

On 18 November 2009, the Company announced its intention to further acquire a 39.9% equity interest of Shanxi Loudong. The directors of the Company (the "Directors") expect that the proposed acquisition, upon completion, will further strengthen the business in coal processing and production of coke and coal-related chemicals in China. In longer term, the Directors believe that the Group has the competitive edge to benefit from the next stage of coking consolidation program which will eliminate weaker coking players in the market in the years ahead.

On 16 September 2009, the Group entered into a memorandum of understanding to acquire a 49% equity interest in Shanxi Linxian Taiye Coal Mining Company Limited ("Linxian Taiye"). Linxian Taiye owns a coking coal mine with a general mining area of approximately 6.5 square kilometers and estimated coal reserves of not less than 80,000,000 metric tonnes, subject to the assessment by valuers and technical advisors. The approved production capacity of the coal mine is 1,200,000 metric tonnes per year. Subject to satisfactory due diligence, the Directors expect that the possible acquisition of Linxian Taiye, if materialised, will mark as a major milestone for the Group to transform into a leading integrated coal and coke enterprise in China consisting of coal mining, coke manufacturing and related logistics operations.

The board of Directors (the "Board") intends to complete the above acquisitions in 2010, which upon materialised, will substantially reduce the minority interests and increase the attributable profits from both coke manufacturing business and coal mining business.

Market outlook is promising in 2010, supported by about 40% increase in sales in the first two months of the year while resumption of export sales is positive given the latest trend of improved price and demand.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 31 December 2009, the Group had total bank borrowings in the amount of HK$231,627,000 (as at 31 December 2008: HK$309,708,000), representing a decrease of HK$78,081,000. The maturity profile of the Group's bank borrowings of HK$231,627,000 was spread with HK$222,095,000 repayable within 1 year, HK$396,000 repayable in the second year, HK$1,270,000 repayable in the third to fifth years and HK$7,866,000 repayable beyond 5 years.

The Group's total bank borrowings of HK$231,627,000 were 95% denominated in Renminbi ("RMB") with fixed interest rate and 5% in Hong Kong dollars ("HKD") with floating interest rate. The Group's cash and bank balances of HK$193,976,000 were 95% denominated in RMB and 5% in HKD.

TREASURY POLICY

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

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES

During the year under review, the Group completed the disposal of all equity interests in (i) New Fortune Development Limited, which held two adjoining 8-storey buildings in Hong Kong and (ii) Rolling Development Limited and New Point Management Limited, which were engaged in the investment and management of a hotel in Hong Kong (collectively, the "Disposals"). Subsequent to the acquisition of a 50.1% equity interest in Shanxi Loudong in 2008 and the Disposals, production and trading of coke, coal gas and chemical by-products and generation of electricity become the core businesses of the Group.

EMPLOYEES

As at 31 December 2009, the total number of employees of the Group was approximately 1,700 (2008: 1,680). Apart from the basic remuneration, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as the individual's performance. The Group also has a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. As at 31 December 2009, there were 21,700,000 (2008: Nil) outstanding share options granted under such scheme.

CHARGE OF GROUP ASSETS

As at 31 December 2009, the Group pledged investment properties with a carrying value of approximately HK$11,199,000 (as at 31 December 2008: HK$9,660,000) and a property with a carrying value of approximately HK$15,688,000 (as at 31 December 2008: Nil) as securities for the Group's banking facilities.

GEARING RATIO

As at 31 December 2009, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 24% (as at 31 December 2008: 36%). Net debt represents the aggregate amount of the Group's interest-bearing bank borrowings and long-term bank loan, non-current portion of loans from non-financial institutions and non-current portion of the loans due to related parties less cash and cash equivalent of the Group. Total capital includes equity attributable to the owners of the parent and convertible notes of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group's reporting currency is denominated in HKD. The Group's monetary assets, loans and transactions were principally denominated in RMB and HKD. The Group was exposed to foreign currency risk arising from the exposure of HKD against RMB. Considering that the exchange rate between HKD and RMB is relatively stable, the Group believed that the corresponding exposure to RMB exchange rate fluctuation was insignificant. However, the Group had a net exchange exposure to RMB as the Group's assets were principally located in China and the revenues were in RMB.

The Group does not have any derivative financial instruments or hedging instruments. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in future as may be necessary.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had discounted bills receivable amounting to HK$56,701,000 (2008: HK$53,748,000), which have not reached maturity.

EXECUTIVE DIRECTORS

Mr. Cai Sui Xin, aged 48, was appointed an executive director and the chairman of Loudong General Nice Resources (China) Holdings Limited (the "Company") with effect from 19 September 2008. He is the founder and chairman of General Nice Development Limited, General Nice Resources (Hong Kong) Limited and General Nice (Tianjin) Industry Company Limited (collectively "General Nice"). General Nice has developed into two main segments of business, the first segment involves the mining of coal, coal washing, coke manufacturing, logistic business for coke and coal, and the sale of coal, coking coal and coke; the second segment involves the exploration of iron mines and the importing of iron ore into the People's Republic of China (the "PRC"). With Mr. Cai's well-established business relationship in Tianjin and Shanxi, General Nice has expanded to one of the PRC's biggest private producers and operators of metallurgical coke. Mr. Cai is the executive chairman and an executive director of Abterra Limited, a company listed on the Singapore Exchange Securities Trading Limited ("SGX"). Mr. Cai is currently a director of Abterra Coal & Coke Limited ("Abterra HK") and Shanxi Loudong General Nice Coking and Gas Company Limited ("Shanxi Loudong"), both are subsidiaries of the Company.

Mr. Zhao Cheng Shu, aged 46, was appointed an executive director of the Company on 2 April 2009. He is also the deputy chairman of the Company. Mr. Zhao is an economist and a senior engineer and has accumulated over 20 years of experience in the management of sizeable enterprises in the PRC. He is a specialist in corporate management and an entrepreneur. Currently he is a director and the general manager of Shanxi Loudong, which is a subsidiary of the Company. He is responsible for overall management and operations of Shanxi Loudong. Besides, Mr. Zhao is the general manager of Xiao Yi Loudong Industry and Trading Group Co. Ltd. ("Xiao Yi Loudong"), a director of Hing Lou Resources Limited ("Hing Lou"), the vice president of the Federation of Young Entrepreneurs of Shanxi Province, Standing Committee of the Political Consultative Conference and a representative to the National People's Congress of Xiaoyi City of Shanxi Province, deputy president of the Chamber of Industrial and Commerce of Xiaoyi City of Shanxi Province, a member of the Committee of the Political Consultative Conference of Luiliang City of Shanxi Province, etc. Both Xiao Yi Loudong and Hing Lou are currently interested in more than 5% of the issued ordinary share capital of the Company. Mr. Zhao has contributed a lot to the society and thus been awarded many honourable titles and prizes, including "Advance Worker Assisting Economic Development of Private Enterprises of Luiliang City of Shanxi Province", "Outstanding Entrepreneur of Private Enterprise of Shanxi Province", "Young Leader of Special Technology of Luiliang City of Shanxi Province", "Outstanding Person in Pushing Relief from Poverty for the Society", "Role Model for Labour in Shanxi Province", "Ethical Role Model", "Medalist of Labour Day in Shanxi Province", etc. Mr. Zhao holds a Master degree in Enterprise Management specialising in Industrial Economics awarded by the Graduate School of China Institute of Social Science (中國社會科學院).

EXECUTIVE DIRECTORS (continued)

Mr. Lau Yu, aged 41, was appointed an executive director of the Company with effect from 22 September 2008. He is also the chief executive officer of the Company. Mr. Lau has over 17 years of solid experience in international trading of mineral resources and metals, including coal, coke, iron ore and steel. With his extensive experience in the trading of coke and metallurgy, Mr. Lau has established strong relationships with customers in India, Australia, South Africa, Venezuela and Brazil. Mr. Lau is the chief executive officer and an executive director of Abterra Limited, a company listed on the SGX. He is also the chief executive officer and a director of General Nice Resources (Hong Kong) Limited ("GNR"), a substantial shareholder of Abterra Limited. Mr. Lau holds a Bachelor of Business Administration degree from the School of Finance in University of Hawaii in the United States of America. With his strong financial background, he has made various good financial arrangements for both Abterra Limited and GNR. Mr. Lau is currently a director of Abterra HK and Shanxi Loudong, both are subsidiaries of the Company.

Mr. Ng Tze For, aged 48, was appointed an executive director of the Company with effect from 11 September 2008. He has more than 20 years experience in banking, corporate finance, business development and strategy planning for a number of international banks and listed companies in Hong Kong, Beijing and Shanghai. Mr. Ng graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration degree and obtained a Master degree in Business Administration from City University of Hong Kong. Mr. Ng was an executive director of Lee Kee Holdings Limited (stock code: 637), of which the shares are listed on the main board of The Stock Exchange of Hong Kong Limited ("SEHK"), from 14 September 2006 to 4 July 2008.

Miss Li Xiaojuan, aged 29, was appointed an executive director of the Company on 30 March 2009. She is currently the deputy general manager of Shanxi Loudong, a subsidiary of the Company, and is mainly responsible for the corporate finance of Shanxi Loudong. Before her appointment as the deputy general manager, she was the deputy head of Finance of Shanxi Loudong. Besides, Miss Li is currently the deputy general manager of GNR and a director of Hing Lou. Both GNR and Hing Lou are currently interested in more than 5% of the issued ordinary share capital of the Company. Miss Li graduated from Fu Dan University (復旦大學) in the PRC with a Bachelor's degree in Economics and subsequently obtained a Master of Science degree in Investments from the University of Birmingham in the United Kingdom.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Siu Chung, aged 34, was appointed an independent non-executive director, audit committee member and remuneration committee member of the Company on 30 December 2008. He holds a Bachelor of Laws degree (LLB) from the University of London, a postgraduate certificate in laws (PCLL) from the University of Hong Kong and a master of laws (Chinese and Comparative Law) (LLM) from City University of Hong Kong. Mr. Cheung is a solicitor of The Law Society of Hong Kong and the affiliate of The Association of Chartered Certified Accountants (ACCA). Having worked in law firms and professional financial and accounting firms for more than 10 years, Mr. Cheung possesses extensive experience in handling financial and accounting matters and dealing with legal matters. Mr. Cheung is currently an independent non-executive director of B M Intelligence International Limited (stock code: 8158) since 16 July 2007. In addition, he was a non-executive director of Tiger Tech Holdings Limited (stock code: 8046) from 11 July 2007 to 21 November 2008.

Mr. Li Xiao Long, aged 49, was appointed an independent non-executive director, audit committee member and remuneration committee member of the Company on 20 February 2009. He is currently the managing director of Fei&Long Consulting und Handels GmbH in Germany where he provides consultation to clients on international trade. His clients are mainly machinery manufacturers in Europe having business with Chinese companies. His previous employments included managerial positions in a mineral resources company in Beijing and some insurance companies in the PRC. With his valuable experience in international business, in 2006 he was appointed the Economic Adviser to the Development and Reformation Committee of Shanxi Province in the PRC (中國山西省發展改革委員會).

Ms. Choy So Yuk, ***JP*****,** aged 59, was appointed an independent non-executive director, audit committee member and remuneration committee member of the Company on 5 June 2009. She obtained her Bachelor of Science and Master of Philosophy degrees from the University of Hong Kong in 1974 and 1980 respectively. Ms. Choy was the founding managing director of SHK International Services Limited (which was subsequently acquired by Ms. Choy and changed its name to Oriental-Western Promotions Limited). Ms. Choy holds a wide variety of political, social and academic positions, such as a deputy of the National People's Congress of China, a member of the Fujian Provincial Committee of the Chinese People's Political Consultative Conference, and a director of Fujian Middle School. Ms. Choy was a member of the Legislative Council in Hong Kong from 1998 to 2008. Ms. Choy is currently an independent non-executive director of Huafeng Group Holdings Limited (stock code: 364) since its listing on the SEHK on 30 August 2002.

SENIOR MANAGEMENT

Mr. Kwok Kam Tim, aged 33, joined the Company in 2008 and was appointed the company secretary and authorised representative of the Company with effect from 9 February 2010. He is an associate member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Kwok holds a Bachelor of Arts degree in Accounting from The Hong Kong Polytechnic University, and a Bachelor of Engineering degree from The University of Hong Kong Science and Technology. He had worked in an international accounting firm and has over 8 years of experience in accounting, auditing and financial management. Currently, Mr. Kwok is an independent non-executive director of Ming Kei Energy Holdings Limited (stock code: 8239), the shares of which are listed on the growth enterprise market of the SEHK.

The board of directors (the "Board") of Loudong General Nice Resources (China) Holdings Limited (the "Company") is pleased to present the corporate governance report for the year ended 31 December 2009.

A. CORPORATE GOVERNANCE PRACTICES

The Board is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Board strives to implement the best practices embodied in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") where feasible and as far as practicable.

In the opinion of the directors of the Company (the "Directors"), the Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2009, except for the following deviations:

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

Code Provision E.1.2
Due to other commitments which must be attended to by the chairman of the Company (the "Chairman"), the Chairman was not present at the Annual General Meeting of the Company held on 3 June 2009.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2009.

C. BOARD OF DIRECTORS

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

During the year ended 31 December 2009, the Board comprises five executive Directors, namely Mr. Cai Sui Xin, Mr. Zhao Cheng Shu, Mr. Lau Yu, Mr. Ng Tze For and Miss Li Xiao Juan and four INEDs, namely Mr. Lo Tung Sing, Tony, Mr. Cheung Siu Chung, Mr. Li Xiao Long and Ms. Choy So Yuk.

C. BOARD OF DIRECTORS (continued)

Details of the attendance of Directors at the Board meetings held during the year ended 31 December 2009 are set out in the following table:

Directors	No. of Board Meetings Held	Attended
Executive Directors		
Mr. Cai Sui Xin *(Chairman)*	16	10
Mr. Zhao Chengshu *(Deputy Chairman)* (appointed on 2 April 2009)	14	8
Mr. Lau Yu *(Chief Executive Officer)*	16	15
Mr. Ng Tze For	16	16
Miss Li Xiao Juan (appointed on 30 March 2009)	14	9
Mr. Lee Sammy Sean (resigned on 5 August 2009)	8	6
Mr. Lui Ngok Che (resigned on 5 August 2009)	8	8
Independent Non-executive Directors		
Mr. Cheung Siu Chung	16	10
Mr. Li Xiao Long (appointed on 20 February 2009)	15	3
Ms. Choy So Yuk (appointed on 5 June 2009)	12	2
Mr. Lo Tung Sing, Tony (resigned on 1 February 2010)	16	7
Mr. Leung Chung Sing (resigned on 20 February 2009)	1	0

Throughout the year ended 31 December 2009, the Company met at all times the requirements of the Listing Rules to have at least three INEDs with at least one INED possessing appropriate accounting and financial management expertise and professional qualifications.

The Company has received from its INEDs annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the INEDs are independent.

Biographical details of all Directors are disclosed in the sections headed “Biography of Directors and Senior Management” in this Annual Report. To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships amongst members of the Board.

D. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of chairman and chief executive officer should be separated and not performed by the same individual.

During the year under review, Mr. Cai Sui Xin was the Chairman while Mr. Lau Yu acted as the chief executive officer of the Company.

E. NON-EXECUTIVE DIRECTORS

As explained in Paragraph A above, none of the existing INEDs was appointed for a specific term.

F. REMUNERATION OF DIRECTORS

During the year ended 31 December 2009, the remuneration committee of the Company (the "Remuneration Committee") comprised four INEDs, namely Mr. Lo Tung Sing, Tony, Mr. Cheung Siu Chung, Mr. Li Xiao Long and Ms. Choy So Yuk.

The Remuneration Committee's terms of reference are summarised as follows:

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

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

The Group's remuneration policy has been formulated with reference to the market practice and the qualification, duties and responsibilities of Directors and employees. In order to attract, retain, and motivate personnel of the required quality to manage the Company successfully, the Company adopted a share option scheme in 2007 to reward those eligible participants who contribute to the success of the Group's operations.

During the year, the Remuneration Committee reviewed and recommended to the Board the remuneration of the newly appointed INEDs and the adjustments to the remuneration of certain existing Executive Directors.

G. NOMINATION OF DIRECTORS

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

H. AUDITORS' REMUNERATION

For the year under review, the fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the auditors of the Company, Ernst & Young, amounted to HK$1,600,000 and HK$462,000 respectively. The non-audit services mainly relate to the professional services rendered in connection with the open offer of the Company.

I. AUDIT COMMITTEE

During the year ended 31 December 2009, the audit committee of the Company (the "Audit Committee") comprised four INEDs, namely Mr. Lo Tung Sing, Tony, Mr. Cheung Siu Chung, Mr. Li Xiao Long and Ms. Choy So Yuk.

The Audit Committee's terms of reference are summarised as follows:

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

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

(iii) to review financial and accounting policies and practices;

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

(v) to review connected party transactions.

During the year ended 31 December 2009, the Audit Committee held two meetings to discuss internal control, financial reporting matters and other areas of concerns during the audit. The attendance record of individual member at these Audit Committee meetings is set out in the following table:

	No. of Audit Committee Meetings	
Committee Members	**Held**	**Attended**
Leung Chung Sing (ceased to be a member on 20 February 2009)	0	0
Lo Tung Sing, Tony (ceased to be a member on 1 February 2010)	2	2
Cheung Siu Chung	2	2
Li Xiao Long (became a member on 20 February 2009)	1	1
Choy So Yuk (became a member on 5 June 2009)	1	1

The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The audited financial statements of the Company for the year ended 31 December 2009 have been reviewed by the Audit Committee before recommending it to the Board for approval.

J. FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant financial period. In preparing the consolidated financial statements for the year ended 31 December 2009, the Directors ensured that the consolidated financial statements have been prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for the timely publication of the consolidated financial statements of the Group.

The Directors confirm that, having made all reasonable enquiries, that to the best of their knowledge, information and belief, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement made by Ernst & Young, the independent auditors of the Company, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditors' Report " in this Annual Report.

K. INTERNAL CONTROL

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

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

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

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

The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 December 2009 is sound and effective to safeguard the interests of the shareholders' investments and the Company's assets.

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

The directors of Loudong General Nice Resources (China) Holdings Limited (the "Company") are pleased to present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

CHANGE OF COMPANY NAME

Pursuant to the special resolution passed at a special general meeting of the Company held on 15 April 2009 and approved by the Registrars of Companies in Bermuda and Hong Kong, the name of the Company was changed from The Sun's Group Limited to Loudong General Nice Resources (China) Holdings Limited with effect from 8 May 2009.

The Company also adopted "樓東俊安資源（中國）控股有限公司" as its secondary name.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 23 to the consolidated financial statements.

The Group has commenced the business of production and trading of coke, coal gas and chemical by-products and generation of electricity subsequent to the acquisition of a 50.1% equity interest in Shanxi Loudong General Nice Coking and Gas Company Limited ("Loudong PRC"), a company located in Shanxi Province, the People's Republic of China in 2008. During the year under review, the Group also completed the disposal of all equity interests in (i) New Fortune Development Limited, which held two adjoining 8-storey buildings in Hong Kong and (ii) Rolling Development Limited and New Point Management Limited, which were engaged in the investment and management of a hotel in Hong Kong.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 31 to 37.

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, is set out on page 114, which does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 15 and 16 to the consolidated financial statements, respectively. Further details of the Group's investment properties are set out on page 75.

CONSTRUCTION IN PROGRESS

Details of construction in progress of the Group are set out in note 15 to the consolidated financial statements on pages 73 to 74.

BANK BORROWINGS

Details of bank borrowings of the Company and the Group are set out in note 31 to the consolidated financial statements on page 87.

SHARE CAPITAL AND CONVERTIBLE NOTES

Details of movements in the Company's share capital and convertible notes during the year are set out in notes 33 and 32 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2009.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$360,779,000 (2008: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 87.58% (2008: 75.34%) of the total sales for the year and sales to the largest customer accounted for 59.12% (2008: 35.57%). Purchases from the Group's five largest suppliers accounted for 36.82% (2008: 75.87%) of the total purchases for the year and purchases from the largest supplier accounted for 11.79% (2008: 18.33%).

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

DIRECTORS

The directors of the Company who were in office during the year and those as at the date of this report are as follows:

Executive directors:	
Mr. Cai Sui Xin	
Mr. Zhao Cheng Shu	(appointed on 2 April 2009)
Mr. Lau Yu	
Mr. Ng Tze For	
Miss Li Xiao Juan	(appointed on 30 March 2009)
Mr. Lee Sammy Sean	(resigned on 5 August 2009)
Mr. Lui Ngok Che	(resigned on 5 August 2009)
Independent non-executive directors:	
Mr. Cheung Siu Chung	
Mr. Li Xiao Long	(appointed on 20 February 2009)
Ms. Choy So Yuk	(appointed on 5 June 2009)
Mr. Lo Tung Sing, Tony	(resigned on 1 February 2010)
Mr. Leung Chung Sing	(resigned on 20 February 2009)

In accordance with Bye-law 86(2) of the Company's Bye-laws, Ms. Choy So Yuk retires at the forthcoming annual general meeting and, being eligible, offers herself for re-election. In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Cai Sui Xin, Mr. Lau Yu and Mr. Ng Tze For retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MANAGEMENT CONTRACTS

No contract for management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the year.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 12.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS

As at 31 December 2009, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long Positions in the Shares of the Company

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Percentage (*see Note 1*)
Cai Sui Xin	Nil	Nil	601,254,612 (*See Note 2*)	5,300,000 (under share option)	606,554,612	46.16%
Zhao Cheng Shu	Nil	Nil	Nil	4,000,000 (under share option)	4,000,000	0.40%
Lau Yu	7,342,000	Nil	Nil	4,000,000 (under share option)	11,342,000	1.14%
Ng Tze For	Nil	Nil	Nil	2,900,000 (under share option)	2,900,000	0.29%
Li Xiao Juan	630,000	Nil	Nil	3,500,000 (under share option)	4,130,000	0.42%
Cheung Siu Chung	Nil	Nil	Nil	200,000 (under share option)	200,000	0.02%
Lo Tung Sing, Tony	Nil	Nil	Nil	200,000 (under share option)	200,000	0.02%
Li Xiao Long	Nil	Nil	Nil	200,000 (under share option)	200,000	0.02%
Choy So Yuk	Nil	Nil	Nil	200,000 (under share option)	200,000	0.02%

DIRECTORS' INTERESTS (continued)

Notes:

1. The total number of issued shares of the Company as at 31 December 2009 is 991,237,903 and has been applied in the calculation of the percentage of the shareholdings of each director (except Mr. Cai Sui Xin). The issued share capital enlarged by full exercise of the conversion rights attaching to the convertible note with the principal amount of HK$700,000,000 at a conversion price of HK$2.168 (that is, 1,314,116,131 shares) has been applied in the calculation of the percentage of the shareholdings of Mr. Cai Sui Xin.

2. These interests in the Company comprise 278,376,383 issued shares of the Company beneficially owned by General Nice Resources (Hong Kong) Limited ("GNR") and 322,878,228 underlying shares which may be allotted and issued to GNR upon full exercise of the conversion rights attaching to the convertible note with the principal amount of HK$700,000,000 at a conversion price of HK$2.168. Mr. Cai Sui Xin was deemed to be interested in those shares by virtue of the fact that General Nice Development Limited ("GND") holds 80% equity interest in GNR while Vantage Region International Limited ("Vantage Region") and Mr. Cai Sui Xin hold 50% and 5% equity interest in GND respectively. Vantage Region is in turn wholly owned by Mr. Cai Sui Xin.

Save as disclosed above, as at 31 December 2009, none of the directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests", "Substantial Shareholders' and Other Persons' Interest" and "Share Option Scheme" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 25 June 2007 for the purpose of providing incentives to Participants (as defined in the Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole.

Details of the Scheme are set out in note 34 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 December 2009, the following persons, one of whom is a director of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long Positions in the Shares of the Company

Name		Capacity	Nature of Interest	Number of Shares	Percentage *(See Note a)*
Cai Sui Xin	(i)	Beneficial Owner	Other Interests	5,300,000 (under share option)	46.16%
	(ii)	Owner of Controlled Corporation	Corporate Interests	601,254,612 *(See Note b)*	
GNR		Beneficial Owner	Corporate Interest	601,254,612 *(See Note c)*	45.75%
GND		Owner of Controlled Corporation	Corporate Interest	601,254,612 *(See Note c)*	45.75%
Vantage Region		Owner of Controlled Corporation	Corporate Interest	601,254,612 *(See Note c)*	45.75%
Tsoi Ming Chi		Owner of Controlled Corporation	Corporate Interest	601,254,612 *(See Note c)*	45.75%
Invesco Hong Kong Limited ("Invesco")		Investment Manager	Corporate Interest	60,000,000	6.05%
Mastermind Assets Management Limited ("Mastermind Assets")		Beneficial Owner	Corporate Interest	58,842,000	5.94%
Lee Sammy Sean		Owner of Controlled Corporation	Corporate Interest	58,842,000 *(See Note d)*	5.94%
Halibis Capital Management (Hong Kong) Limited ("Halibis")		Investment Manager	Corporate Interest	50,919,000	5.17%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (continued)

Notes:

a. The total number of issued shares of the Company as at 31 December 2009 is 991,237,903 and has been applied in the calculation of the percentage of the shareholdings of Invesco, Mastermind Assets, Mr. Lee Sammy Sean and Halibis. The issued share capital enlarged by full exercise of the conversion rights attaching to the convertible note with the principal amount of HK$700,000,000 at a conversion price of HK$2.168 (that is, 1,314,116,131 shares) has been applied in the calculation of the percentage of the shareholdings of Mr. Cai Sui Xin, GNR, GND, Vantage Region and Mr. Tsoi Ming Chi.

b. Please refer to Note 2 of the section headed "Directors' Interests".

c. These interests in the Company comprise 278,376,383 issued shares of the Company beneficially owned by GNR and 322,878,228 underlying shares which may be allotted and issued to GNR upon full exercise of the conversion rights attaching to the convertible note with the principal amount of HK$700,000,000 at a conversion price of HK$2.168. GND holds 80% equity interest in GNR while Vantage Region and Mr. Tsoi Ming Chi hold 50% and 35% equity interest in GND respectively. Each of GND, Vantage Region and Mr. Tsoi Ming Chi was deemed to be interested in those shares held by GNR.

d. Mr. Lee Sammy Sean was deemed to be interested in the shares held by Mastermind Assets by virtue of the fact that Mastermind Assets is wholly owned by him.

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31 December 2009.

CONTINUING CONNECTED TRANSACTIONS

1. On 31 January 2007, GNR (a substantial shareholder of the Company) and Loudong PRC (a 50.1% owned subsidiary of the Company) entered into a tolling contract (the "Tolling Contract") for a term of two years commencing from 1 March 2007 and expiring on 28 February 2009 (both days inclusive).

   Pursuant to the Tolling Contract, Loudong PRC agreed to process coals into coke and deliver coke to GNR and GNR agreed to purchase coke from Loudong PRC in accordance with the terms and conditions of the Tolling Contract.

   As GNR is a connected person of the Company, the transactions contemplated under the Tolling Contract constituted continuing connected transactions for the Company under the Listing Rules.

   The expected maximum aggregate annual value for the transactions contemplated under the Toll Contract for the year ended 31 December 2009 is HK$2,060,000. However, no transactions contemplated under the Toll Contract were carried out during the year.

   Further details of the Tolling Contract have been disclosed in the Company's announcements dated 28 March 2008 and 14 May 2008 respectively.

CONTINUING CONNECTED TRANSACTIONS (continued)

2. On 18 July 2007, Loudong PRC, General Nice (Tianjin) Industry Co. Ltd. ("GNT") (an associate company of GNR) and GNR entered into a coke export contract (the "Export Contract") for a term commencing from 31 July 2007 and expiring on 31 July 2009 (both days inclusive) and Loudong PRC and GNT on 7 May 2008 entered into a side agreement (the "Side Agreement") to clarify their respective rights and obligations under the Export Contract.

   Pursuant to the Export Contract and the Side Agreement, Loudong PRC and GNT agreed to supply Chinese low ash metallurgical coke to GNR in accordance with the terms and conditions stipulated therein.

   As GNR and GNT are connected persons of the Company, the transactions contemplated under the Export Contract and the Side Agreement constituted continuing connected transactions for the Company under the Listing Rules.

   The expected maximum aggregate annual value for the transactions contemplated under the Export Contract and the Side Agreement is HK$139,285,000 for the year ended 31 December 2009. However, no transactions contemplated under the Export Contract and Side Agreement were carried out during the year.

   Further details of the Export Contract and the Side Agreement have been disclosed in the Company's announcements dated 28 March 2008 and 14 May 2008 respectively.

The continuing connected transactions under the Tolling Contract and the Export Contract and the Side Agreement have been reviewed by the Company's independent non-executive directors who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The auditors of the Company have provided a confirmation in accordance with the relevant provisions of the Listing Rules applicable to the continuing connected transactions under the Tolling Contract and the Export Contract and the Side Agreement for the year ended 31 December 2009.

CONNECTED TRANSACTIONS

1. On 29 October 2008, City Joint Investments Limited ("City Joint"), a wholly-owned subsidiary of the Company, and Everbig Investments Limited ("Everbig") entered into a conditional agreement (the "Hotel Disposal Agreement") pursuant to which City Joint agreed to sell and Everbig agreed to purchase the entire issued share capital of Rolling Development Limited ("RDL") and the entire issued share capital of New Point Management Limited ("NPML") at an aggregate consideration of HK$80,000,000. The principal asset of RDL was the hotel property situated at Nos. 92 and 94 Woosung Street, Jordon, Kowloon, Hong Kong (the "Hotel Property") while NPML held the licence granted under The Hotel and Guesthouse Accommodation Ordinance Cap. 349 to operate Goodrich Hotel which was situated at the Hotel Property.

CONNECTED TRANSACTIONS (continued)

2. On 29 October 2008, the Company and Everbig entered into a conditional agreement (the "Land Disposal Agreement") pursuant to which the Company agreed to sell and Everbig agreed to acquire the entire issued share capital of New Fortune Development Limited ("NF") at a consideration of HK$63,000,000. The principal assets of NF were two adjoining 8-storey buildings situated at Nos. 423 and 425 Reclamation Street, Mongkok, Kowloon, Hong Kong.

As the entire issued share capital of Everbig was legally and beneficially owned by Mr. Lee Sammy Sean ("Mr. Lee"), an executive director of the Company at the relevant time. Mr. Lee was also interested in the entire issued share capital of Mastermind Assets which was interested in approximately 25.14% of the entire issued share capital of the Company at the relevant time. Accordingly, Everbig was a connected person of the Company and the transactions contemplated under the Hotel Disposal Agreement and the Land Disposal Agreement constituted connected transactions for the Company and were approved by the shareholders of the Company at a special general meeting held on 5 December 2008.

Completion of the Land Disposal Agreement and the Hotel Disposal Agreement took place on 12 January 2009 and 22 January 2009 respectively.

Further details of the Hotel Disposal Agreement and the Land Disposal Agreement have been disclosed in the announcement and the circular of the Company dated 29 October 2008 and 19 November 2008 respectively.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules from the date of the last annual report of the Company to the date of this Annual Report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

Mr. Cai Sui Xin is also a director and beneficial owner of GND and GNT which are also involved in the trading of coke and coal-related chemicals.

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

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 13 to 17 of this Annual Report.

EVENTS AFTER REPORTING PERIOD

Details of the significant events of the Group after reporting period are set out in note 46 to the consolidated financial statements.

AUDITORS

Ernst & Young were appointed auditors of the Company to fill the casual vacancy caused by the resignation of NCN CPA Limited at a special general meeting held on 31 December 2008 until the conclusion of the next annual general meeting. Save for the above, there were no other changes in the Company's auditors in the past three years.

A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Cai Sui Xin
Chairman

Hong Kong
30 March 2010

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安 永

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To the shareholders of LOUDONG GENERAL NICE RESOURCES (CHINA) HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Loudong General Nice Resources (China) Holdings Limited set out on pages 31 to 112, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18/F, Two International Finance Centre,
8 Finance Street, Central,
Hong Kong

30 March 2010

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**1,224,798**	506,833
Cost of sales		**(778,276)**	(293,111)
Gross profit		**446,522**	213,722
Other income	5	**118,789**	15,421
Selling and distribution costs		**(53,494)**	(48,003)
Administrative expenses		**(67,148)**	(69,153)
Other operating expenses	6	**(27,309)**	(11,415)
Goodwill impairment loss	20	**–**	(571,139)
Finance costs	7	**(80,733)**	(31,652)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	8	**336,627**	(502,219)
Income tax expense	11	**(141,927)**	(15,423)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**194,700**	(517,642)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	13	**4,796**	3,043
PROFIT/(LOSS) FOR THE YEAR		**199,496**	(514,599)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**2,900**	(10,184)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**202,396**	(524,783)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Profit attributable to:			
Owners of the parent		**50,414**	(563,433)
Minority interests		**149,082**	48,834
		199,496	(514,599)
Total comprehensive income attributable to:			
Owners of the parent		**51,867**	(568,535)
Minority interests		**150,529**	43,752
		202,396	(524,783)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic			
– For profit/(loss) for the year		**HK$0.07**	HK$(1.35)
– For profit/(loss) from continuing operations		**HK$0.07**	HK$(1.36)
Diluted			
– For profit/(loss) for the year		**HK$0.07**	N/A
– For profit/(loss) from continuing operations		**HK$0.07**	N/A

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,266,238**	2,494,182
Investment properties	16	**11,199**	9,660
Prepaid land premiums	17	**50,716**	37,772
Interests in an associate	18	**5,792**	5,783
Available-for-sale investments	19	**5,679**	5,443
Goodwill	20	**330,083**	50,083
Other long-term assets	21	**200,000**	–
Deferred tax assets	22	**6,814**	20,865
TOTAL NON-CURRENT ASSETS		**2,876,521**	2,623,788
CURRENT ASSETS			
Inventories	24	**473,849**	256,304
Trade and bills receivables	25	**184,908**	221,530
Prepayments, deposits and other receivables	26	**595,374**	493,183
Equity investments at fair value through profit or loss	27	**568**	7,074
Amounts due from related companies	43	**34,673**	5,028
Pledged deposits	28	**134,908**	294,579
Cash and cash equivalents	28	**59,068**	13,746
		1,483,348	1,291,444
Assets of a disposal group classified as held for sale	13	**–**	143,224
Total current assets		**1,483,348**	1,434,668
CURRENT LIABILITIES			
Trade and bills payables	29	**244,819**	494,882
Other payables and accruals	30	**212,183**	296,408
Interest-bearing bank and other borrowings	31	**222,095**	306,158
Amounts due to related companies	43	**6,592**	8,443
Amounts due to a shareholder	43	**291,223**	987
Amount due to a director	43	**12**	–
Tax payable		**274,540**	244,904
		1,251,464	1,351,782
Liabilities directly associated with the assets classified as held for sale	13	**–**	224
Total current liabilities		**1,251,464**	1,352,006
NET CURRENT ASSETS		**231,884**	82,662
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,108,405**	2,706,450

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Long-term bank loans	31	**9,532**	3,550
Loans from related companies	43	**524,840**	747,898
Loan from a shareholder	43	**–**	830
Loans from non-financial institutions	31	**13,606**	24,402
Convertible notes	32	**638,117**	868,953
Tax payable	11	**89,108**	–
Other long-term payables	11	**13,429**	–
Deferred tax liabilities	22	**34,526**	27,698
TOTAL NON-CURRENT LIABILITIES		**1,323,158**	1,673,331
NET ASSETS		**1,785,247**	1,033,119
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**9,912**	5,331
Equity component of convertible notes	32	**107,436**	153,480
Exchange realignment		**(3,649)**	(5,102)
Reserves	35(a)	**751,397**	109,788
		865,096	263,497
Minority interests		**920,151**	769,622
TOTAL EQUITY		**1,785,247**	1,033,119

Cai Sui Xin
Director

Zhao Cheng Shu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

	Attributable to owners of the parent									
	Share capital HK$'000	Equity component of convertible notes HK$'000	Share option reserve HK$'000	Exchange realignment HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	3,611	–	–	–	338,368	1,026	(14,453)	328,552	–	328,552
Issue of ordinary shares through placement	1,720	–	–	–	348,280	–	–	350,000	–	350,000
Issue of convertible notes	–	153,480	–	–	–	–	–	153,480	–	153,480
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	725,870	725,870
Total comprehensive income for the year	–	–	–	(5,102)	–	–	(563,433)	(568,535)	43,752	(524,783)
At 31 December 2008 and at 1 January 2009	5,331	153,480	–	(5,102)	686,648	1,026	(577,886)	263,497	769,622	1,033,119
Issue of ordinary shares through rights issue	2,132	–	–	–	136,704	–	–	138,836	–	138,836
Issue of ordinary shares through placement	1,065	–	–	–	130,442	–	–	131,507	–	131,507
Conversion of convertible notes	1,384	(46,044)	–	–	313,964	–	–	269,304	–	269,304
Equity-settled share option arrangements	–	–	10,085	–	–	–	–	10,085	–	10,085
Transfer to reserve	–	–	–	–	–	11,985	(11,985)	–	–	–
Total comprehensive income for the year	–	–	–	1,453	–	–	50,414	51,867	150,529	202,396
At 31 December 2009	9,912	107,436	10,085*	(3,649)	1,267,758*	13,011*	(539,457)*	865,096	920,151	1,785,247

* These reserve accounts comprise the consolidated reserves of HK$751,397,000 (2008: HK$109,788,000) in the consolidated statement of financial position.

Consolidated Statements of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		**336,627**	(502,219)
From discontinued operations	13	**5,944**	2,435
Adjustments for:			
Finance costs excluding interest on convertible notes	7	**17,172**	9,219
Share of profit of an associate	18	**(9)**	–
Interest income	5	**(6,882)**	(8,323)
Loss on disposal of items of property, plant and equipment	8	**38**	1,189
Fair value gain, net:			
Equity investments at fair value through profit or loss		**(2,487)**	107
Depreciation	15	**98,744**	27,379
Changes in fair value of investment properties	16	**(1,539)**	4,207
Amortisation of prepaid land premiums	17	**1,022**	1,341
(Reversal)/provision for inventories	8	**(18,176)**	18,176
(Reversal)/provision for trade receivables	25	**(38,096)**	5,543
Equity-settled share option expenses	34	**10,085**	–
Goodwill impairment	20	**–**	571,139
Interest accrual for convertible notes	7	**63,561**	22,433
		466,004	152,626
Increase in inventories		**(199,369)**	(115,121)
Decrease/(increase) in trade and bills receivables		**74,718**	(2,433)
(Increase)/decrease in prepayments, deposits and other receivables		**(12,049)**	140,850
(Increase)/decrease in amounts due from related parties		**(29,645)**	139,171
Decrease in an amount due from shareholder		**–**	22,886
(Decrease)/increase in trade and bills payables		**(186,165)**	847
Decrease in other payables and accruals		**(70,796)**	(246,202)
Increase in an amount due to a shareholder		**–**	987
Decrease in amounts due to related companies		**(1,851)**	(26,386)
Increase in amounts due to a director		**12**	–
Cash generated from operations		**40,859**	67,225
Income tax paid		**(3,452)**	(1,346)
Net cash flows from operating activities		**37,407**	65,879

Consolidated Statements of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Net cash flows from operating activities		**37,407**	65,879
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	**6,882**	8,323
Purchases of items of property, plant and equipment		**(55,115)**	(12,647)
Addition to prepaid land premiums		**(13,966)**	–
Proceeds from disposal of items of property, plant and equipment		**10**	3,033
Proceeds from disposal of prepaid land premiums		**–**	3,476
Proceeds from disposal of trading investment		**8,993**	–
Deposit paid for purchase of a subsidiary		**(200,000)**	–
Purchase of an investment property		**–**	(299)
Acquisition of a subsidiary	36	**–**	(114,859)
Proceeds from assets held for sale		**143,000**	–
Decrease in pledged deposits		**159,671**	–
Purchases of available-for-sale investments		**(236)**	(4,553)
Net cash flows from/(used in) investing activities		**49,239**	(117,526)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**270,343**	150,000
New bank loans		**452,301**	106,901
(Decrease)/increase in loans from related companies		**(190,797)**	170,866
Decrease in a loan from a shareholder		**–**	(391,326)
Repayment of loans from banks and non-financial institutions		**(541,178)**	(126,806)
Interest paid		**(31,993)**	(7,102)
Net cash flows used in financing activities		**(41,324)**	(97,467)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**45,322**	(149,114)
Cash and cash equivalents at beginning of year		**13,746**	163,211
Cash and short-term deposit attributable to a discontinued operation		**–**	(351)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**59,068**	13,746
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in statement of financial position	28	**59,068**	13,746
Cash and short term deposits attributable to a discontinued operation	13	**–**	351
Cash and cash equivalents as stated in statement of cash flows		**59,068**	14,097

Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**52**	–
Amounts due from subsidiaries	23	**778,866**	778,861
Investments in subsidiaries	23	**–**	78
TOTAL NON-CURRENT ASSETS		**778,918**	778,939
CURRENT ASSETS			
Prepayments, deposits and other receivables		**292**	290
Amount due from a related company		**29,564**	–
Amounts due from subsidiaries	23	**488,090**	212,007
Cash and cash equivalents	28	**4,417**	5
TOTAL CURRENT ASSETS		**522,363**	212,302
CURRENT LIABILITIES			
Other payables and accruals		**735**	633
Amounts due to subsidiaries		**1,740**	–
Amount due to a shareholder		**11,223**	–
Amounts due to related companies		**584**	–
TOTAL CURRENT LIABILITIES		**14,282**	633
NET CURRENT ASSETS		**508,081**	211,669
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,286,999**	990,608
NON-CURRENT LIABILITIES			
Convertible notes	32	**638,117**	868,953
TOTAL NON-CURRENT LIABILITIES		**638,117**	868,953
NET ASSETS		**648,882**	121,655
EQUITY			
Share capital	33	**9,912**	5,331
Equity component of convertible notes	33	**107,436**	153,480
Reserves	35(b)	**531,534**	(37,156)
TOTAL EQUITY		**648,882**	121,655

Cai Sui Xin
Director

Zhao Cheng Shu
Director

1. CORPORATE INFORMATION

Loudong General Nice Resources (China) Holdings Limited (the "Company", formerly known as The Sun's Group Limited) was incorporated in Bermuda on 9 July 1993 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares have been listed on The Stock Exchange of Hong Kong Limited ("HKEX") since January 1994. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Unit B, 12/F., Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the Group for the year ended 31 December 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of a subsidiary is accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Contingent consideration is recognised if the adjustment is probable and can be measured reliably. Subsequent measurement to the contingent consideration affects goodwill.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments – Disclosure of information about segment assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSS are as follows:

(a) Amendments to HKFRS 1 *First-time Adoption of HKFRSs and* HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively. HKAS 27 has also been amended to deal with the measurement of the cost of investments where a parent reorganises the structure of its group by establishing a new entity as its parent. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

(b) Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payments schemes with non-vesting conditions attached, the amendment has no impact on the financial position or result of operation of the Group.

(c) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. As the Group does not have any significant holdings of assets or liabilities measured at fair value, the fair value measurement disclosure is not irrelevant. The revised liquidity risk disclosures are presented in note 44 to the financial statement.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(d) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. In the past, the Group's primary reporting format was business segments. The impact of this standard is set out in note 4.

(e) HKAS 1 (Revised) *Presentation of Financial Statements*

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

(f) Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The amendment has had no impact on the financial position or results of operations of the Group.

(g) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group. During the year, borrowing costs of HK$23,037,000 have been capitalised on qualifying assets included in construction in progress as shown in note 7 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(h) In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs.

Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adoptions* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

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

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2010

[3] Effective for annual periods beginning on or after 1 February 2010

[4] Effective for annual periods beginning on or after 1 July 2010

[5] Effective for annual periods beginning on or after 1 January 2011

[6] Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

Further information about these changes that are expected to significantly effect the Group are as follows:

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

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

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

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement.* This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

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

It is expected that HKAS 39 will to be replaced by HKFRS 9 in its entirety by the end of 2010. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government related entities.

The HKAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the HKAS 32 Amendment from 1 January 2011. The amendment will only have a financial impact on the Group in the event that it issues such rights, options or warrants in the future.

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

HK(IFRIC)-Int 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with HKAS 39 *Financial Instruments: Recognition* and Measurement and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. The interpretation will only have a material financial impact on the Group in the event that the Group undertakes such a transaction in the future.

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

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. Except for the amendment to HKAS 18 and the amendment to HKFRS 8, the Group expects to adopt the amendments from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Associates

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

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associations, which was not previously eliminated or recognised in the consolidated reserve, is included as part of the Group's interests in associate and is not individually tested for impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December 2009. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

Impairment of non-financial assets other than goodwill

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill (continued)

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Buildings	30 years
Plant facilities	30 years
Office equipment	10 years
Machinery	20 years
Vehicles	10 years
Plant infrastructure	20 years
Leasehold improvements, furniture and fixtures	5 years

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

Investment properties

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

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

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

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

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Convertible notes

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Inventories

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

Cash and cash equivalents

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Revenue recognition

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in note 34 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Other employee benefits

For the Company and its subsidiaries located in Hong Kong

Retirement benefit schemes

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

For the subsidiaries located in PRC

(i) Pension obligations

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

(ii) Medical benefit costs

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

(iii) Housing fund

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

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

Foreign currencies

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

The functional currency subsidiaries incorporated in PRC is Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and its income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Operating lease commitments – Group as lessor

The Group has entered into commercial leases in respect of certain property, plant and equipment used for mining purposes. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains the significant risks and rewards of ownership of these assets which are therefore accounted for as operating leases. The carrying amount of property, plant and equipment subject to these operating leases at 31 December 2009 was HK$273,500,000 (2008: HK$449,562,000).

Estimation uncertainty

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

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the 2008 report of an independent Hong Kong professional valuer, Vigers Appraisal & Consulting Limited and historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated. The carrying amount of property, plant and equipment at 31 December 2009 was HK$2,266,238,000 (2008: HK$2,494,182,000).

Provision for impairment of trade and other receivables

The Group makes provision for trade and other receivables based on an assessment of the recoverability of trade receivables and other receivables. Provisions are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed. The carrying amounts of trade and bills receivables at 31 December 2009 were HK$184,908,000 (2008: HK$221,530,000).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2009 was HK$330,083,000 (2008: HK$50,083,000). More details are given in Note 20.

4. OPERATING SEGMENT INFORMATION

In the past, the Group's primary reporting format was business segment. The application of HKFRS 8 has resulted in a redesignation of the Group's reporting segments as compared with the primary reportable segments determined in accordance with HKAS 14. In prior years, primary segment information was analysed on the basis of three operating divisions:

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

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

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

Following the disposal of the discontinued operations, management has reassessed the Group's reportable segment in the context of HKFRS 8, which is "coal processing and production of industrial coke and coal-related chemicals and supply of electricity". Information regarding this segment can be obtained by reference to the consolidated financial statements as a whole.

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the PRC, and over 90% of the Group's assets are located in PRC. Revenue from continuing operations of approximately HK$771,148,000 (2008: HK$153,758,000) was derived from sales to a single customer.

5. REVENUE AND OTHER INCOME

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

An analysis of revenue, other income and gains is as follows:

	2009 HK$'000	2008 HK$'000
Revenue		
Sales of goods	**1,224,798**	506,833
Other income		
Collection of a trade receivable previously written off	**79,913**	–
Rental income from leasing property, plant and equipment	**20,346**	3,890
Bank interest income	**6,882**	8,323
Sundry income	**7,501**	1,228
	114,642	13,441
Gains		
Increase in fair value of an investment property	**1,539**	–
Gain on disposal of an equity investment	**–**	1,980
Others	**2,608**	–
	4,147	1,980
	118,789	15,421

6. OTHER OPERATING EXPENSES

	2009 HK$'000	2008 HK$'000
Decrease in fair value of investment properties	**–**	4,207
Cost of operating lease – Group as lessor	**20,164**	3,040
Bank charges	**3,934**	3,103
Loss from disposal of assets	**1,956**	–
Other	**1,255**	1,065
Total	**27,309**	11,415

7. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on borrowings wholly repayable within five years:		
Bank loans	**26,500**	10,220
Financial cost arisen from bills receivable discount	**7,530**	3,160
Loans from non-financial institutions	**6,179**	3,214
Convertible notes	**63,561**	22,433
	103,770	39,027
Less: Interest capitalised	**(23,037)**	(7,375)
	80,733	31,652

8. PROFIT/LOSS BEFORE TAX

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

	Note	2009 HK$'000	2008 HK$'000
Cost of goods sold		**770,856**	263,367
Minimum lease payments under operating leases:			
Operating lease rentals – land and buildings		**389**	226
Auditors' remuneration		**1,600**	1,500
Staff costs (including directors' remuneration)			
– Wages and salaries		**37,295**	17,703
– Retirement benefit scheme contributions		**316**	127
Legal and professional fee		**2,455**	10,802
Depreciation	15	**98,744**	27,379
Amortisation of prepaid land premiums	17	**1,022**	1,341
(Increase)/decrease in fair value of investment properties	16	**(1,539)**	4,207
(Reversal)/provision for inventories		**(18,176)**	18,176
(Reversal)/provision of bad debt on trade receivables	25	**(38,096)**	5,721
Collection of a trade receivable previously written off	5	**(79,913)**	–
Convertible notes interest expense	7	**63,561**	22,433
Bank charge	6	**3,934**	3,103
Loss on disposal of items of property, plant and equipment		**38**	1,189

9. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

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

	Group	
	2009	2008
	HK$'000	HK$'000
Fees	**552**	533
Other emoluments:		
Salaries, allowances and benefits in kind	**2,465**	1,020
Equity settled share option expenses	**9,528**	–
Pension scheme contributions	**21**	15
	12,566	1,568

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period was determined as at the date of grant and the amount included in the financial statement for the current year is included in the above directors' remuneration disclosure.

(a) Independent non-executive directors

The fees paid to independent non-executive directors and equity-settled option expenses during the year were as follows:

	2009		2008	
	Equity settled option expenses	**HK$'000**	Equity settled option expenses	HK$'000
Choy So Yuk, JP (appointed on 5 June 2009)	**93**	**69**	–	–
Li Xiao Long (appointed on 20 February 2009)	**93**	**103**	–	–
Lo Tung Sing, Tony (appointed on 3 July 2008)	**93**	**120**	–	60
Leung Chung Sing (appointed on 14 April 2008 and resigned on 20 February 2009)	**–**	**17**	–	90
Cheung Siu Chung (appointed on 30 December 2008)	**93**	**180**	–	–
Kwee Chong Kok, Michael (resigned on 30 December 2008)	**–**	**–**	–	125
Chiu Antony (resigned on 31 October 2008)	**–**	**–**	–	104
Ho Kwan Tat (resigned on 14 April 2008)	**–**	**–**	–	29
	372	**489**	–	408

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

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

(b) Executive directors

	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009						
Executive directors:						
Cai Sui Xin	–	–	–	2,463	–	2,463
Lau Yu	–	200	50	1,859	4	2,113
Lee Sammy Sean (resigned on 5 August 2009)	63	–	–	–	–	63
Li Xiao Juan (appointed on 30 March 2009)	–	320	80	1,627	4	2,031
Lui Ngok Che (resigned on 5 August 2009)	–	55	–	–	1	56
Ng Tze For (appointed on 11 September 2008)	–	1,440	120	1,348	12	2,920
Zhao Cheng Shu (appointed on 2 April 2009)	–	200	–	1,859	–	2,059
	63	2,215	250	9,156	21	11,705
2008						
Executive directors:						
Lee Sammy Sean	125	–	–	–	–	125
Lui Ngok Che	–	660	–	–	12	672
Ng Tze For (appointed on 11 September 2008)	–	360	–	–	3	363
	125	1,020	–	–	15	1,160

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2008: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining nil (2008: three) non-director, highest paid employees for the year are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**–**	2,056
Equity-settled share option expenses	**–**	–
Pension scheme contributions	**–**	29
	–	2,085

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

	Number of employees	
	2009	2008
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	1

During the year, share options were granted to non-director, highest paid employees, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period was determined as at the date of grant and amount included in the financial statement for the current year is included in the above non-director, highest paid employees' remuneration disclosure.

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in the PRC have been calculated at the rates of tax applicable to the subsidiaries operating therein, based on existing legislation, interpretations and practices in respect thereof. Shanxi Loudong is subject to a statutory tax rate of 25%, while it was entitled to a favourable tax rate of 12.5% under tax holiday regulate in 2008, which was the last year of tax holiday granted.

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

	2009 HK$'000	2008 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**708**	847
Current – PRC	**121,249**	15,344
Deferred (Note 22)	**19,970**	(768)
Total tax charge for the year	**141,927**	15,423

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

Group – 2009

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax from continuing operations	**(103,206)**		**439,833**		**336,627**	
Tax at the statutory tax rate	**(17,029)**	**16.5**	**109,958**	**25.0**	**92,929**	**27.6**
Deferred tax assets not recognised	**6,200**	**(6.0)**	**–**	**–**	**6,200**	**1.8**
Expenses not deductible for tax	**10,829**	**(10.5)**	**30,789**	**7.0**	**41,618**	**12.4**
Others	**1,180**	**(1.1)**	**–**	**–**	**1,180**	**0.3**
Tax charge at the Group's effective rate	**1,180**	**(1.1)**	**140,747**	**32.0**	**141,927**	**42.1**

11. INCOME TAX (continued)

Group – 2008

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax from continuing operations	(611,471)		109,252		(502,219)	
Tax at the statutory tax rate	(100,892)	16.5	27,313	25.0	(73,579)	14.7
Benefits of tax holiday	–	–	(13,657)	(12.5)	(13,657)	2.7
Reversal of deferred tax assets previously recognised	1,881	(0.3)	517	0.5	2,398	(0.5)
Deferred tax assets not recognised	6,655	(1.1)	–	–	6,655	(1.3)
Effect of higher rate of deferred tax	–	–	(900)	(0.8)	(900)	0.2
Expenses not deductible for tax	94,238	(15.4)	–	–	94,238	(18.8)
Others	(2)	–	270	0.2	268	0.1
Tax charge at the Group's effective rate	1,880	(0.3)	13,543	12.4	15,423	(2.9)

According to an agreement reached between Shanxi Loudong and local tax bureau, Shanxi Loudong is granted a grace period to settle the outstanding corporate income tax payable brought forward from previous years with total amount of RMB78,459,000 (around HK$89,108,000) no later than the end of year 2011. Moreover, Shanxi Loudong is granted to settle RMB11,825,000 (around HK$13,429,000) of outstanding value-added tax payable brought forward from previous years no later than then end of year 2011. Both balances have been recorded as other long-term payable.

12. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2009 includes a loss of HK$22,505,000 (2008: HK$700,211,000) which has been dealt with in the financial statements of the Company (note 35(b)).

13. DISCONTINUED OPERATIONS

Disposal of the hotel operation business

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

13. DISCONTINUED OPERATIONS (continued)

Disposal of the property investment business

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

The results of the discontinued operations included in the consolidated income statement are as follows:

	2009 **HK$'000**	2008 HK$'000
Revenue and other income	**6,454**	7,452
Expenses	**(510)**	(5,017)
Profit from operations before income tax expense	**5,944**	2,435
Income tax (benefit)/expense	**(1,148)**	608
Profit for the year from discontinued operations	**4,796**	3,043

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

	2009 **HK$'000**	2008 HK$'000
Assets		
Property, plant and equipment	–	12,243
Prepaid land premiums	–	63,481
Land held for development	–	63,196
Goodwill	–	2,811
Deferred tax assets	–	941
Trade and bills receivables	–	654
Prepayments, deposits and other receivables	–	1,217
Cash and cash equivalents	–	351
	–	144,894
Less: Impairment of the assets classified as held for sale	–	(1,670)
Assets classified as held for sale	–	143,224
Liabilities		
Other payables and accruals	–	(224)
Liabilities directly associated with the assets classified as held for sale	–	(224)
Net assets directly associated with the disposal group	–	(143,000)

13. DISCONTINUED OPERATIONS (continued)

Disposal of the property investment business (continued)

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

	2009 HK$'000	2008 HK$'000
Operating activities	**–**	(2,194)
Net cash outflow	**–**	(2,194)
Earnings per share:		
Basic, from the discontinued operations	**HK$0.00**	HK$0.01

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

	2009	2008
Profit attributable to ordinary equity holders of the parent from the discontinued operations	**HK$4,796,000**	HK$3,043,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**697,593,000**	417,508,000
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**701,649,000**	548,656,000

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

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

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 697,593,000 (2008: 417,508,000) in issue during the year, as adjusted to reflect the placement and subscription of new shares and conversion of convertible notes to new shares during the year.

The calculation of diluted earnings/(loss) per share is based on the earning for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible notes, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

The calculations of basic and diluted earnings/(loss) per share are based on:

	2009 HK$'000	2008 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation:		
From continuing operations	**45,618**	(566,476)
From discontinued operations	**4,796**	3,043
	50,414	(563,433)
Interest on convertible notes	**63,561**	22,433
Profit attributable to ordinary equity holders of the parent before interest on convertible notes	**113,975***	(541,000)
Attributable to:		
From continuing operations	**109,179**	(544,043)
From discontinued operations	**4,796**	3,043
	113,975	(541,000)

	Number of shares 2009 '000	 2008 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**697,593**	417,508
Effect of dilution – weighted average number of ordinary shares		
Share options	**4,056**	–
Convertible notes	**424,102**	131,148
	1,125,751	548,656

Because the diluted earnings/(loss) per share amount is increased when taking convertible notes into account, the convertible notes have an anti-dilutive effect on the basic earnings/(loss) per share for the years and were ignored in the calculation of diluted earnings/(loss) per share. Therefore, diluted earnings/(loss) per share amounts are based on the profit for the year and profit/(loss) attributable to continuing operations of HK$50,414,000 and (2008: loss of HK$563,433,000), and the weighted average number of ordinary shares of 701,649,000 (2008: 417,508,000) in issue during the year.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Plant facilities HK$'000	Office equipment HK$'000	Machinery HK$'000	Vehicles HK$'000	Plant infrastructure HK$'000	Leasehold improvement, furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2009									
Cost:									
At 1 January 2009	**1,145**	**803,025**	**32,114**	**979,447**	**18,214**	**283,929**	**863**	**400,300**	**2,519,037**
Additions	**1,924**	**–**	**200**	**16,226**	**3,395**	**–**	**215**	**10,796**	**32,756**
Transfer from CIP	**–**	**–**	**–**	**199,406**	**–**	**–**	**–**	**(199,406)**	**–**
Disposals	**–**	**–**	**–**	**(187,131)**	**(88)**	**–**	**–**	**–**	**(187,219)**
Capitalised interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23,037**	**23,037**
Exchange realignment	**47**	**1,399**	**54**	**493**	**43**	**519**	**–**	**501**	**3,056**
At 31 December 2009	**3,116**	**804,424**	**32,368**	**1,008,441**	**21,564**	**284,448**	**1,078**	**235,228**	**2,390,667**
Accumulated depreciation:									
At 1 January 2009	**610**	**8,009**	**1,038**	**9,634**	**634**	**4,707**	**223**	**–**	**24,855**
Charge for the year	**62**	**26,512**	**3,146**	**54,548**	**1,972**	**12,327**	**177**	**–**	**98,744**
Disposals	**–**	**–**	**–**	**–**	**(40)**	**–**	**–**	**–**	**(40)**
Exchange realignment	**5**	**163**	**9**	**480**	**26**	**187**	**–**	**–**	**870**
At 31 December 2009	**677**	**34,684**	**4,193**	**64,662**	**2,592**	**17,221**	**400**	**–**	**124,429**
Net book value:									
At 31 December 2009	**2,439**	**769,740**	**28,175**	**943,779**	**18,972**	**267,227**	**678**	**235,228**	**2,266,238**
At 31 December 2008	535	795,016	31,076	969,813	17,580	279,222	640	400,300	2,494,182

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings HK$'000	Plant facilities HK$'000	Office equipment HK$'000	Machinery HK$'000	Vehicles HK$'000	Plant infrastructure HK$'000	Leasehold improvement, furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2008									
Cost:									
At 1 January 2008	12,240	–	–	–	–	–	5,170	–	17,410
Additions	161	4,072	36	9,232	744	15	65	8,506	22,831
Acquisition of a subsidiary (note 36)	1,209	805,599	32,342	790,527	17,655	286,390	–	584,879	2,518,601
Assets included in discontinued operations	(10,100)	–	–	–	–	–	(3,772)	–	(13,872)
Disposals	(2,140)	–	–	(2,454)	–	–	(600)	–	(5,194)
Transfer from CIP	–	–	–	188,813	–	–	–	(188,813)	–
Exchange realignment	(225)	(6,646)	(264)	(6,671)	(185)	(2,476)	–	(4,272)	(20,739)
At 31 December 2008	1,145	803,025	32,114	979,447	18,214	283,929	863	400,300	2,519,037
Accumulated depreciation:									
At 1 January 2008	3,073	–	–	–	–	–	501	–	3,574
Charge for the year	623	8,649	1,064	10,473	747	4,863	960	–	27,379
Assets included in discontinued operations	(471)	–	–	–	–	–	(1,158)	–	(1,629)
Disposals	(65)	–	–	(827)	–	–	(80)	–	(972)
Exchange realignment	(2,550)	(640)	(26)	(12)	(113)	(156)	–	–	(3,497)
At 31 December 2008	610	8,009	1,038	9,634	634	4,707	223	–	24,855
Net book value:									
At 31 December 2008	535	795,016	31,076	969,813	17,580	279,222	640	400,300	2,494,182
At 31 December 2007	9,167	–	–	–	–	–	4,669	–	13,836

16. INVESTMENT PROPERTIES

	2009 HK$'000	2008 HK$'000
Carrying amount at 1 January	**9,660**	13,568
Additions	**–**	299
Net profit/(loss) from a fair value adjustment	**1,539**	(4,207)
Carrying amount at 31 December	**11,199**	9,660

The Group's investment properties located in Beijing were revalued on 31 December 2009 by Vigers Appraisal & Consulting Limited, independent professionally qualified valuers, at HK$11,199,000.

These properties were pledged to secure general banking facilities granted to the Group (note 31).

17. PREPAID LAND PREMIUMS

	Group	
	2009 HK$'000	2008 HK$'000
Cost:		
At 1 January	**38,021**	70,387
Additions in this year	**13,907**	–
Acquisition of a subsidiary (note 36)	**–**	38,361
Reclassified as disposal group held for sale	**–**	(66,900)
Currency realignment	**71**	(341)
Disposals	**–**	(3,486)
At 31 December	**51,999**	38,021
Accumulated amortisation:		
At 1 January	**249**	1,329
Charge for the year	**1,022**	1,341
Reclassified as disposal group held for sale	**–**	(2,374)
Currency realignment	**12**	(47)
At 31 December	**1,283**	249
Net book value:		
At 31 December	**50,716**	37,772

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

18. INTEREST IN AN ASSOCIATE

	Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**1,108**	1,099
Goodwill on acquisition	**4,684**	4,684
Unlisted shares, at cost	**5,792**	5,783

Particulars of the principal associate are as follows:

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

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

The Group's trade payable balance with the associate is disclosed in note 43 to the financial statements.

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

	2009	2008
	HK$'000	HK$'000
Assets	**21,028**	13,856
Liabilities	**15,196**	8,073
Revenue	**10,546**	3,592
Profit	**49**	–

19. AVAILABLE-FOR-SALE INVESTMENTS

	2009 HK$'000	2008 HK$'000
Unlisted equity investments, at cost	**5,679**	5,443

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

As at 31 December 2009, certain unlisted equity investments with a carrying amount of HK$5,679,000 (2008: HK$5,443,000) were stated at cost because the range of reasonable fair value estimates cannot be measured reliably. The Group does not intend to dispose them in the near future.

20. GOODWILL

	2009 HK$'000	2008 HK$'000
Opening balance	**50,083**	2,811
Acquisition of a subsidiary (note 36)	**280,000**	621,222
Assets included in disposal group held for sale	**–**	(2,811)
Impairment during the year	**–**	(571,139)
Closing balance	**330,083**	50,083
As at 31 December		
Cost	**901,222**	621,222
Accumulated impairment	**(571,139)**	(571,139)
	330,083	50,083

Impairment testing of goodwill

Goodwill acquired through the business combination has been allocated to the coke cash generating unit. For the purpose of impairment testing, the recoverable amounts of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five year period with a growth rate beyond the time horizon, which is approved by senior management. At 31 December 2009, the discount rate applied to cash flow projections is 15% (2008:13%). Key assumptions used in the value in use calculation for 31 December 2009 are as follows:

Revenues

Future revenues are estimated based on annual output taking into account the designed capacity at expected future commodity prices.

20. GOODWILL (continued)

Impairment testing of goodwill (continued)

Commodity prices

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

Discount rates

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

Growth rates

Cash flows beyond the five year forecast period are assumed to grow at a constant 2.0% (2008:2.0%) per annum, based on expected long term inflation rates in the PRC.

21. OTHER LONG-TERM ASSETS

During the year, Shanxi Loudong, a subsidiary of the Company, placed deposits amounting to HK$200,000,000 to acquire 49% equity interest in Shanxi Linxian Taiye Coal Mining Company Limited ("Taiye"), a coal mining company. As at the date of approval of these financial statements, the acquisition has not been completed.

22. DEFERRED TAX

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

Deferred tax assets

Group

31 December 2009

	Bad debt provision HK$'000	Inventory provision HK$'000	Total HK$'000
At 1 January 2009	**16,338**	**4,527**	**20,865**
Deferred tax charged to the statement of comprehensive income (note 11)	**(9,542)**	**(4,531)**	**(14,073)**
Exchange alignment	**18**	**4**	**22**
At 31 December 2009	**6,814**	**–**	**6,814**

22. DEFERRED TAX (continued)

Deferred tax liabilities

	Capitalised interest HK$'000	Book value in excess of tax base of prepaid land premiums HK$'000	Others HK$'000	Book value in excess of tax base of property, plant and equipment HK$'000	Total HK$'000
At 1 January 2009	**10,484**	**2,030**	**369**	**14,815**	**27,698**
Deferred tax charged/ (credited) to the statement of comprehensive income (note 11)	**5,595**	**(699)**	**147**	**854**	**5,897**
Exchange alignment	**22**	**948**	**–**	**(39)**	**931**
At 31 December 2009	**16,101**	**2,279**	**516**	**15,630**	**34,526**

Deferred tax assets

Group

31 December 2008

	Bad debt provision HK$'000	Inventory provision HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2008	–	–	893	893
Acquisition of a subsidiary	14,952	–	–	14,952
Deferred tax credited/(charged) to the statement of comprehensive income (note 11)	1,503	4,544	(616)	5,431
Reclassified to discontinued operations	–	–	(277)	(277)
Exchange alignment	(117)	(17)	–	(134)
At 31 December 2008	16,338	4,527	–	20,865

22. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

	Capitalised interest HK$'000	Book value in excess of tax base of prepaid land premiums HK$'000	Others HK$'000	Book value in excess of tax base of property, plant and equipment HK$'000	Total HK$'000
At 1 January 2008	–	–	–	(712)	(712)
Acquisition of a subsidiary	8,713	1,963	–	12,257	22,933
Deferred tax charged/(credited) to the statement of comprehensive income (note 11)	1,844	82	369	2,368	4,663
Reclassification to discontinued operations	–	–	–	664	664
Exchange alignment	(73)	(15)	–	238	150
At 31 December 2008	10,484	2,030	369	14,815	27,698

The Group has accumulative tax losses arising in Hong Kong of HK$77,979,000 (2008: HK$40,332,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2009, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of withholding taxes associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$11,617,000 at 31 December 2009 (2008: HK$4,133,000).

23. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**–***	78

* The investment at cost has been presented as nil as a result of rounding.

Amounts due from subsidiaries:

	Company	
	2009	2008
	HK$'000	HK$'000
Current	**488,090**	212,007
Non-current	**1,350,005**	1,350,000
Less: Impairment provision for investment in a subsidiary (note 20)	**(571,139)**	(571,139)
	1,266,956	990,868

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

23. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration operations	Issued and fully paid share capital	Percentage of equity interest held %	Principal activities
Kingfund Corporation Limited	Hong Kong	HK$1	100	Property investment
Abterra Coal & Coke Limited	Hong Kong	HK$10,000	100	Investment holding
City Joint Investments Limited	British Virgin Islands	US$1	100	Investment holding
Buddies Power Enterprises Limited	British Virgin Islands	US$1	100	Investment holding
Fortune Smart Investment Limited	Hong Kong	HK$1	100	Property management
Shanxi Loudong	PRC/Mainland China	RMB246,000,000	50.1	Coke extracting and the manufacture of relevant chemicals
Super Energy Limited	Hong Kong	HK$1	100	Administrative function

24. INVENTORIES

	Group	
	2009	2008
	HK$'000	HK$'000
Raw materials at cost	**99,397**	52,075
Work in progress at cost (2008: at net realisable value)	**16,032**	45,303
Finished goods at cost (2008: at net realisable value)	**357,703**	157,818
Spare parts and consumables at cost	**717**	1,108
Total inventories at the lower of cost and net realisable value	**473,849**	256,304

25. TRADE AND BILLS RECEIVABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**138,091**	260,472
Bills receivables	**74,071**	26,408
Impairment provision	**(27,254)**	(65,350)
	184,908	221,530

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

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within 1 year	**98,092**	221,626
1 to 2 years	**30,996**	28,865
Over 2 years	**9,003**	9,981
	138,091	260,472

25. TRADE AND BILLS RECEIVABLES (continued)

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

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**65,350**	–
Addition as a result of acquisition of a subsidiary	**–**	59,807
Impairment losses (reversed)/recognised (note 8)	**(38,096)**	5,721
Less: Impairment losses recognised in discontinued operations	**–**	(178)
At 31 December	**27,254**	65,350

The above provision for impairment of trade receivables is in relation to individually impaired trade receivables with a carrying amount of HK$33,168,000 (2008: HK$73,341,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2009	2008
	HK$'000	HK$'000
Within 1 year	**94,288**	174,628
1 to 2 years	**1,652**	19,902
Over 2 years	**8,983**	592
	104,923	195,122

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

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

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Advances to suppliers	**531,514**	309,476
Other receivables	**63,860**	183,707
	595,374	493,183

None of the above assets is impaired. The financial assets included in the above balances relate to receivables for which there is no recent history to default.

27. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	HK$'000	HK$'000
Listed equity investments, at market value:		
PRC	**568**	7,074

The above equity investments at 31 December 2008 and 2009 were classified as held for trading.

28. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**193,976**	308,325	**4,417**	5
Less: time deposits pledged as security	**(134,908)**	(294,579)	**–**	–
Cash and cash equivalents	**59,068**	13,746	**4,417**	5

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$177,557,000 (2008: HK$303,643,000). The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

28. CASH AND CASH EQUIVALENTS (continued)

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

29. TRADE AND BILLS PAYABLE

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

	Group	
	2009	2008
	HK$'000	HK$'000
Within 1 year	**222,076**	477,703
1 to 2 years	**22,743**	6,392
Over 2 years	–	10,787
	244,819	494,882

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

30. OTHER PAYABLES AND ACCRUALS

	Group	
	2009	2008
	HK$'000	HK$'000
Customer advances	**29,112**	56,241
Value-added tax payable	**60,958**	148,969
Other payables	**109,931**	76,378
Accruals	**12,182**	14,820
	212,183	296,408

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2009 Effective interest rate (%)	2009 Maturity	2009 HK$'000	2008 Effective interest rate (%)	2008 Maturity	2008 HK$'000
Current						
Bank loans – unsecured	**4.860% – 7.434%**	**2010**	**210,558**	5.913% – 10.571%	2009	295,825
Loan from local credit corporation – unsecured	**10.178%**	**2010**	**9,086**	14.904% – 17.181%	2009	10,222
Current portion of a long term bank loan – secured	**3.00% – 3.25%**	**2010**	**2,451**	3.25% – 5%	2009	111
			222,095			306,158
Non-current						
Secured bank loan	**3.00% – 3.25%**	**2011 – 2031**	**9,532**	3.25% – 5%	2010 – 2031	3,550
Total bank and other borrowings			**231,627**			309,708

Notes:

(a) Certain of the Group's bank loans are secured by mortgages over the Group's investment properties and building and prepaid land premium situated in Beijing and Hong Kong respectively, which had an aggregate carrying value at the balance sheet date of approximately HK$11,199,000 and HK$15,688,000 respectively (2008: HK$9,660,000 and nil respectively).

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

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

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

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

32. CONVERTIBLE NOTES

On 31 August 2008, the Company issued convertible notes with a nominal value of HK$1,000,000,000 as a partial consideration of the business combination set out in Note 36. The notes carry interest rate of 2% per annum, payable annually and are convertible at the option of the noteholders into ordinary shares on the basis of one ordinary share for every HK$2.50 note held at any time from the date of issue up to seven business days preceding the maturity date. As a result of the open offer and subscription of new shares during this year, the exercise price has been adjusted to HK$2.168 per share at 31 December 2009. The notes holders may demand the Company to redeem the convertible notes if the trading of the shares has been suspended consecutively for more than 45 trading days. Any convertible notes not converted will be redeemed on 30 August 2011 at the principal amount outstanding together with all accrued and unpaid interest.

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

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

	Group	
	2009	2008
	HK$'000	HK$'000
Nominal value of convertible notes outstanding at the end of year	**700,000**	1,000,000
Equity component	**(107,436)**	(153,480)
Liability component	**592,564**	846,520
Accumulative interest expense amortised	**85,994**	22,433
Less: Interest settled	**(25,057)**	–
Interest converted	**(15,384)**	–
Liability component at 31 December	**638,117**	868,953

33. SHARE CAPITAL

	Group	
	2009	2008
	HK$'000	HK$'000
Authorised:		
200,000,000,000 (2008: 200,000,000,000) ordinary shares of HK$0.01 each	**2,000,000**	2,000,000
Issued and fully paid:		
991,237,903 (2008: 533,115,372) ordinary shares of HK$0.01 each	**9,912**	5,331

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

(a) Open offer

On 16 June 2009, the Company announced a proposed open offer to raise not less than HK$140,742,000 before expenses by issuing 213,246,148 offer shares at the subscription price of HK$0.66 per offer share on the basis of two offer shares for every five shares held on 29 June 2009 (the "Offer"). All the conditions of the Offer were fulfilled on 21 July 2009. After the completion of the Offer, the number of the total issued ordinary shares of the Company increased from 533,115,372 to 746,361,520. Details of the Offer had been disclosed in the Company's announcements dated 16 June 2009 and 23 July 2009 respectively and the prospectus in respect of the Offer dated 2 July 2009.

(b) Placing of existing shares and top up subscription of new shares

On 27 August 2009, General Nice Resources (Hong Kong) Limited ("GNR"), a substantial shareholder of the Company, as the subscriber and the Company entered into an agreement with China Merchants Securities (HK) Co., Ltd. ("CM Securities") pursuant to which CM Securities agreed to place the placing shares comprising 106,500,000 existing ordinary issued shares of the Company at the placing price of HK$1.28 per placing share to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules) and not connected persons of the Company; and GNR agreed to subscribe up to 106,500,000 new ordinary shares of the Company at the same placing price.

Following the completion of the aforesaid placing and subscription on 2 September 2009 and 9 September 2009 respectively, the number of the total issued ordinary shares of the Company increased from 746,361,520 to 852,861,520. Details of the aforesaid transactions had been disclosed in the Company's announcements dated 28 August 2009 and 9 September 2009 respectively.

33. SHARE CAPITAL (continued)

(c) Conversion of convertible note

On 25 September 2009, the Company received from GNR a notice for the conversion of the convertible note# in the amount of HK$300,000,000. As a result, the Company allotted and issued a total of 138,376,383 conversion shares to GNR at the conversion price of HK$2.168 per conversion share on the same date. Following the issue of the conversion shares, the number of the total issued ordinary shares of the Company increased from 852,861,520 to 991,237,903. Details of the aforesaid matter had been disclosed in the Company's announcement dated 30 September 2009.

The convertible note in the principal amount of HK$1,000,000,000 convertible into 400,000,000 shares of HK$0.01 each in the capital of the Company with an initial conversion price of HK$2.50 per conversion share with 2% interest per annum was issued to GNR on 2 September 2008. The convertible notes is transferable and the conversion price is adjustable in accordance with the terms and conditions of the relevant instrument. The conversion price was subsequently adjusted from HK$2.5 to HK$2.204 on 30 June 2009 as a result of the Offer and was further adjusted to HK$2.168 on 27 August 2009 and HK$2.146 on 15 January 2010 as a result of two subscriptions of new shares of the Company.

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

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2009	533,115,372	5,331	686,648	691,979
Shares issued	458,122,531	4,581	581,110	585,691
At 31 December 2009	991,237,903	9,912	1,267,758	1,277,670

34. SHARE OPTION SCHEME

On 25 June 2007 (the "Adoption Date"), the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives to Participants (as defined in the Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole. Participants include the directors and any employees of the Group. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years from the Adoption Date. The principal terms of the Scheme are summarised as follows:

a. The maximum number of shares in respect of which share options may be granted under the Scheme must not exceed 10% of the number of shares of the Company in issue as at the Adoption Date. The maximum number of shares to be issued under the share options granted to each Participant in the Scheme within any 12-month period is limited to 1% of the number of shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

b. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the number of shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

c. The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a consideration of HK$10.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on the expiry of six months after the date of grant and ends on a date which is not later than the expiry date of the Scheme.

d. The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares stated in the Stock Exchange's daily quotations sheets on the date of grant; and (ii) the average closing price of the Company's shares stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

34. SHARE OPTION SCHEME (continued)

The following options were granted and outstanding under the Scheme during the year:

Name or category of participants	Number of share options granted during the year and at 31 December 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ (per share)
Director				
Cai Sui Xin	5,300,000	9 July 2009	09/01/2010 to 24/06/2017	0.886
Zhao Cheng Shu	4,000,000	9 July 2009	09/01/2010 to 24/06/2017	0.886
Lau Yu	4,000,000	9 July 2009	09/01/2010 to 24/06/2017	0.886
Ng Tze For	2,900,000	9 July 2009	09/01/2010 to 24/06/2017	0.886
Li Xiao Juan	3,500,000	9 July 2009	09/01/2010 to 24/06/2017	0.886
Lo Tung Sing, Tony	200,000	9 July 2009	09/07/2010 to 24/06/2017	0.886
Cheung Siu Chung	200,000	9 July 2009	09/07/2010 to 24/06/2017	0.886
Li Xiao Long	200,000	9 July 2009	09/07/2010 to 24/06/2017	0.886
Choy So Yuk	200,000	9 July 2009	09/07/2010 to 24/06/2017	0.886
	20,500,000			
Other employees				
(in aggregate)	1,200,000	9 July 2009	09/01/2010 to 24/06/2017	0.886
Total	21,700,000			

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of capitalisation or rights issues, or other similar changes in the Company's share capital.

The closing price of the Company's share immediately before the date of grant was HK$0.83. The fair value of the share options granted during the year was HK$10,085,000 (2008: Nil), of which a share option expense of HK$10,085,000 (2008: Nil) is recognised in the consolidated statement of comprehensive income, during the year ended 31 December 2009.

34. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a The Hull White Trinomial Model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the formula used for the year ended 31 December 2009:

Dividend yield:	–
Expected volatility:	77.082%
Risk-free interest rate:	2.246%
Post-forfeiture rate:	0%
Exercise price multiple:	1.99-2.8

The exercise price multiple of share options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

During the year, no share options were exercised, cancelled or lapsed in accordance with the terms of the Scheme. At 31 December 2009, the total number of 21,700,000 share options outstanding under the Scheme represented approximately 2.19% of the Company's shares in issue at that date.

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 5 the financial statements.

35. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	338,368	160,670	(184,263)	314,775
Issue of ordinary shares through placement	149,280	–	–	149,280
Issue of ordinary shares as part of the consideration of the business combination as set out in note 36	199,000	–	–	199,000
Total comprehensive income	–	–	(700,211)	(700,211)
At 31 December 2008 and at 1 January 2009	686,648	160,670	(884,474)	(37,156)
Issue of ordinary shares through rights issue	136,704	–	–	136,704
Issue of ordinary shares through placement	130,442	–	–	130,442
Conversion of convertible notes	313,964	–	–	313,964
Equity-settled share option arrangement	–	10,085	–	10,085
Total comprehensive income	–	–	(22,505)	(22,505)
At 31 December 2009	1,267,758	170,755	(906,979)	531,534

(c) Loss attributable to equity holders of the parent

The consolidated loss attributable to equity holders of the parent for the year ended 31 December 2009 includes a loss of HK$22,505,000 (2008: HK$700,211,000) which has been dealt with in the financial statements of the Company.

36. BUSINESS COMBINATION

On 3 September 2008, Buddies Power Enterprises Limited, a subsidiary of the Company acquired a 100% interest in Abterra Coal and Coke Limited, which holds a 50.1% equity interest in Shanxi Loudong General Nice Coking and Gas Co. Ltd., a company incorporated in Mainland China. The total consideration was HK$1,350 million plus a contingent consideration of HK$280 million in the event that the aggregate audited net profits attributable to the 50.1% equity interest of Shanxi Loudong General Nice Coking and Gas Co. Ltd ("Shanxi Loudong") for the financial years ending 31 December 2008 and 2009 exceed HK$230 million. As at the date of acquisition, the contingent consideration was neither likely nor reliably measurable and no liability was recorded in respect of any additional consideration as at 31 December 2009. In 2009, as the operating results of Shanxi Loudong for the financial years ending 31 December 2008 and 2009 exceeded the target, additional consideration of HK$280 million was recorded under goodwill (note 20).

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

	Notes	Fair value recognised on acquisition HK$'000	Previous carrying amount HK$'000
Property, plant and equipment	15	2,518,601	2,330,731
Prepaid land premiums	17	38,361	38,361
Available-for-sale investments		6,741	6,741
Deferred tax assets	22	14,952	49,681
Inventories		159,359	159,359
Trade and bills receivables		223,220	223,220
Prepayments and other receivables		923,843	923,843
Equity investments at fair value through profit and loss		7,234	7,234
Amounts due from related companies		144,199	144,199
Amount due from a shareholder		22,886	22,886
Cash and bank balances		35,141	35,141
Trade and bills payable		(493,954)	(493,954)
Other payables and accruals		(535,446)	(535,446)
Interest-bearing bank and other borrowings		(328,230)	(328,230)
Amounts due to related companies		(34,829)	(34,829)
Tax payable		(230,723)	(230,723)
Loans from related companies		(969,188)	(969,188)
Loans from non-financial institutions		(24,586)	(24,586)
Deferred tax liabilities	22	(22,933)	(10,675)
Minority interests		(725,870)	(655,671)
		728,778	658,094

36. BUSINESS COMBINATION (continued)

	Notes	Fair value recognised on acquisition HK$'000	Previous carrying amount HK$'000
Goodwill on acquisition	20	901,222	
Satisfied by cash		150,000	
Satisfied by convertible notes		1,000,000	
Satisfied by shares issued (note)		200,000	
Satisfied by payable to a shareholder		280,000	
Total consideration		1,630,000	

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

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

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

During the year ended 31 December 2008, from the date of its acquisition, Abterra Coal and Coke Limited contributed HK$506,833,000 to the Group's revenue and HK$97,866,000 to the consolidated profit.

Had the combination taken place at the beginning of 2008, the revenue from the continuing operations of the Group and the loss of the Group for the year would have been HK$2,362,136,000 and HK$165,814,000, respectively.

37. DISPOSAL OF SUBSIDIARIES

	2009 HK$'000	2008 HK$'000
Net assets disposed of:		
Trade receivables	**877**	–
Prepayments and other receivables	**60**	–
Accruals and other payables	**(477)**	–
	460	–
Gain on disposal of subsidiaries	**–**	–
	460	–
Satisfied by:		
Amounts due from Mr. Lee Sammy Sean	**460**	–

An analysis of the net flow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2009 HK$'000	2008 HK$'000
Cash consideration	**–**	–
Cash and bank balances disposed of	**–**	–
Net flow of cash and cash equivalents In respect of the disposal of subsidiaries	**–**	–

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the year, the Group entered into a property, plant and equipment disposal agreements in respect of certain machinery with a total consideration of HK$187,131,000, which was satisfied by (i) transfer of payable totalling HK$96,989,000; and (ii) future in-kind supplies of coal with a fair value of HK$90,142,000.

(b) On 25 September 2009, the Company received from GNR a notice for the conversion of the convertible notes in the amount of HK$300,000,000. As a result, the Company allotted and issued a total of 138,376,383 conversion shares to GNR at the conversion price of HK$2.168 per conversion share on the same date. As at the date of conversion, the carrying value of the liability component of the converted convertible notes is HK$269,304,000.

(c) As indicated in note 36, during the year, as the operating results of Shanxi Loudong for the financial years ending 31 December 2008 and 2009 exceeded the target, additional consideration of HK$280 million was recorded under goodwill (note 20) and payable to a shareholder (note 43).

39. CONTINGENT LIABILITY

As at 31 December 2009, a subsidiary of the Company has discounted bills receivable amounting to HK$56,701,000 (2008: HK$53,748,200) which have not reached maturity.

The Group had no other contingent liabilities as at 31 December 2009 (2008: note 36).

40. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in Note 31, to the financial statements.

41. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties (Note 16) under operating lease arrangements, with leases negotiated for terms ranging from two to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

In addition, the Group leases certain property, plant and machinery to mining companies, which supply coal to Shanxi Loudong.

At 31 December 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within 1 year	**20,164**	21,380
In the 2nd to 5th years, inclusive	**80,656**	85,518
After 5 years	**125,320**	297,509
	226,140	404,407

41. OPERATING LEASE ARRANGEMENTS (continued)

As lessee

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

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within 1 year	**336**	120
1 to 2 years	**224**	97
	560	217

42. COMMITMENTS

	Group	
	2009	2008
	HK$'000	HK$'000
Authorised, but not contracted for:		
In respect of:		
– Office premise	**–**	12,750
– Acquisition of 39.9% equity interest in Shanxi Loudong (i)	**600,000**	–
	600,000	12,750

(i) On 9 November 2009, the Group has entered into negotiations to acquire a further 39.9% equity interest in Shanxi Loudong at consideration of HK$600 million satisfied by cash of HK$350 million and convertible notes of HK$250 million. The acquisition has not been completed as the date of approval of these financial statements.

As disclosed in note 21, the Group has entered into negotiations to acquire a 49% equity interest in Taiye. The final acquisition price has not yet been agreed as at the date of approval of these financial statements.

43. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

		Group	
		2009	2008
	Notes	**HK$'000**	HK$'000
Sales of goods to related parties	(i)	**–**	59,375
Loan from a related parties	(ii)	**–**	173,284
Transportation fees paid to an associate	(iii)	**13,651**	6,847

Notes:

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

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

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

(iv) Administration and finance services are provided to the Group by GNR free of charge.

(b) Agreements with related parties

(i) On 31 January 2007, Shanxi Loudong, a subsidiary of the Group, reached an agreement with GNR, a shareholder of the Company, that Shanxi Loudong would provide tolling service for GNR by converting coal provided by GNR into coke. The contract was valid between 1 March 2007 and 28 February 2009. During the period, Shanxi loudong was obliged to toll no less than 162,000 and 180,000 metric tons of coke to GNR for the first and second contractual years respectively, if GNR so requires. The tolling service prices were set at USD8 per metric ton. The agreement has expired and has not been exercised in 2009 (2008: nil).

(ii) According to an agreement between Shanxi Loudong and GNT on 18 July 2007 and a side agreement between the two parties on 7 May 2008, Shanxi Loudong would supply Chinese low ash metallurgical coke to GNR through GNT based on quoted prices in the open market. The contracts are valid between 31 July 2007 and 31 July 2009. During the contract period, Shanxi Loudong was obliged to provide to GNT the coke with total sales value of at least US$62,500,004. The agreement expired and was not been exercised in 2009 (2008: during the post-acquisition period ended 31 December 2008, the Group sold coke of approximately HK$59,375,000 to GNT).

43. RELATED PARTY TRANSACTIONS (continued)

(c) Contingent consideration payables

As explained in note 36, as at 31 December 2009, a payable to a shareholder of HK$280 million was recognised in settlement of the contingent consideration due on the acquisition of Shanxi Loudong. This payable is due on demand, does not bear interest and is unsecured.

(d) Outstanding balances with related parties

The balances with a shareholder and related parties are unsecured, interest-free and have no fixed terms of repayment except for the non-current balances which the related parties have agreed not to ask for repayment before 1 September 2011. These balances represented cash advances to or from those related parties and were non-trade in nature. The carrying amounts of these balances approximated to their fair values as at the balance sheet date.

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

Outstanding balances with related parties:

(i) *Current portion*

	Group	
	2009	2008
	HK$'000	HK$'000
Due from related companies		
GNT	**29,564**	–
Shanxi Minerals Industrial & Trading Co., Ltd.	**4,739**	4,732
Shanxi Nan Tie Lou Jun Coke Transportation Co., Ltd. ("Nan Tie")	**370**	296
	34,673	5,028
Due to a related company		
GND	**583**	–
Nan Tie	**6,009**	8,443
	6,592	8,443

43. RELATED PARTY TRANSACTIONS (continued)

(d) Outstanding balances with related parties (continued)

(ii) Non-current portion

	Group	
	2009	2008
	HK$'000	HK$'000
Loan from related companies		
GND	**271,994**	193,749
GNT	**108,668**	301,891
Da Jin International (Group) Corporation	**–**	235,249
Xiaoyi Loudong Industry & Trading Group Co., Ltd.	**144,178**	17,009
	524,840	747,898

(e) Outstanding balances with related parties:

(i) Current portion

	Group	
	2009	2008
	HK$'000	HK$'000
Due to a shareholder		
GNR	**291,223**	987

Of the balance at 31 December 2009, HK$280,000,000 arises from the contingent consideration as indicated in note 36.

(ii) Non-current portion

	Group	
	2009	2008
	HK$'000	HK$'000
Loan from a shareholder		
GNR	**–**	830

(f) Outstanding balances with a director

(i) Current portion

	Group	
	2009	2008
	HK$'000	HK$'000
Due to a director		
Li Xiao Juan	**12**	–

43. RELATED PARTY TRANSACTIONS (continued)

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

	Group	
	2009	2008
	HK$'000	HK$'000
Short term employee benefits	**3,199**	3,759
Post-employment benefits	**40**	44
Total compensation paid to key management personnel	**3,239**	3,803

Further details of key management emoluments are included in note 9 to the financial statements.

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

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2009 Financial assets	**Group**			
	Financial assets at fair value through profit or loss-held for trading HK$'000	**Loans and receivables HK$'000**	**Available-for-sale financial assets HK$'000**	**Total HK$'000**
Available-for-sale investments	–	–	5,679	5,679
Trade receivables	–	184,908	–	184,908
Financial assets included in prepayments, deposits and other receivables*	–	63,860	–	63,860
Amounts due from related companies	–	34,673	–	34,673
Equity investments at fair value through profit or loss	568	–	–	568
Pledged deposits	–	134,908	–	134,908
Cash and cash equivalents	–	59,068	–	59,068
	568	477,417	5,679	483,664

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2009 **Financial liabilities**	**Financial liabilities at amortised cost** **HK$'000**
Interest-bearing bank and other borrowings	**222,095**
Amounts due to related companies	**6,592**
Amount due to a shareholder	**291,223**
Amount due to a director	**12**
Long-term bank loans	**9,532**
Loans from related companies	**524,840**
Loans from non-financial institutions	**13,606**
Trade and bills payables	**244,819**
Financial liabilities included in other payables and accruals (Note 30)	**184,318**
Convertible notes	**638,117**
Tax payable	**363,648**
	2,498,802

2008 Financial assets	Group			
	Financial assets at fair value through profit or loss-held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	5,443	5,443
Trade receivables	–	221,530	–	221,530
Financial assets included in prepayments, deposits and other receivables*	–	183,707	–	183,707#
Amounts due from related companies	–	5,028	–	5,028
Equity investments at fair value through profit or loss	7,074	–	–	7,074
Pledged deposits	–	294,579	–	294,579
Cash and cash equivalents	–	13,746	–	13,746
	7,074	718,590	5,443	731,107

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2008 **Financial liabilities**	Financial liabilities at amortised cost HK$'000
Interest-bearing bank and other borrowings	306,158
Amounts due to related companies	8,443
Amount due to a shareholder	987
Long-term bank loans	3,550
Loans from related companies	747,898
Loan from a shareholder	830
Loans from non-financial institutions	24,402
Trade and bills payables	494,882
Financial liabilities included in other payables and accruals (Note 30)	225,347#
Convertible notes	868,953
Tax payable	244,904
	2,926,354

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

	Company	
	2009	2008
Financial assets	**Loans and receivables** **HK$'000**	Loans and receivables HK$'000
Amounts due from subsidiaries	**1,266,956**	1,562,007
Amounts due from related companies	**22,898**	–
Financial assets included in prepayments, deposits and other receivables	**292**	290
Cash and cash equivalents	**4,417**	5
	1,294,563	1,562,302

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial liabilities

	2009 Financial liabilities at amortised cost HK$'000	2008 Financial liabilities at amortised cost HK$'000
Other payables and accruals	**7,401**	633
Amounts due to a shareholder	**11,223**	–
Amounts due to subsidiaries	**1,740**	–
Amounts due from related companies	**584**	–
Convertible notes	**638,117**	868,953
	659,065	869,586

45. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates related primarily to the Group's long term debt obligations with a floating interest rate.

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

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

45. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
2009	**100**	**(2,452)**	**(1,839)**
	(100)	**2,452**	**1,839**
2008	100	(10,227)	(7,670)
	(100)	10,024	7,518

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of the reporting period, the Group has certain concentration of credit risks as 22% (2008: 41%) of the Group's trade receivables were due from the Group's largest customer.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade are disclosed in note 25 to the financial statements.

Foreign currency risk

The Group had minimal transactional currency exposures in 2009 as almost all of the Group's sales and costs in 2009 were denominated in the functional currencies of the units making the sales. The Group does not use any derivatives to minimise the foreign exchange exposure.

45. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

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

	Increase/ (decrease) in United States dollar rate	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
31 December 2009	**5%**	**–**	**–**
	(5%)	**–**	**–**
31 December 2008	5%	(4,014)	(3,513)
	(5%)	4,014	3,513

Liquidity risk

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

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Group 2009				
	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	3 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	**222,095**	**396**	**1,270**	**7,866**	**231,627**
Amounts due to related companies	**6,592**	**–**	**–**	**–**	**6,592**
Amount due to a shareholder	**291,223**	**–**	**–**	**–**	**291,223**
Loans from non-financial institutions	**–**	**13,606**	**–**	**–**	**13,606**
Trade and bills payables	**244,819**	**–**	**–**	**–**	**244,819**
Loan from related parties	**–**	**524,840**	**–**	**–**	**524,840**
Financial liabilities included in other payables and accruals	**170,889**	**13,429**	**–**	**–**	**184,318**
Convertible notes	**14,000**	**712,000**	**–**	**–**	**726,000**
Tax payable	**274,540**	**89,108**	**–**	**–**	**363,648**
	1,224,158	**1,353,379**	**1,270**	**7,866**	**2,586,673**

45. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

	Group 2008				
	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	3 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	306,158	114	369	3,067	309,708
Amounts due to related parties	8,443	–	–	–	8,443
Trade and bills payables	494,882	–	–	–	494,882
Financial liabilities included in other payables and accruals	225,347	–	–	–	225,347
Amount due to a shareholder	987	–	–	–	987
Amounts due from related parties	–	747,898	–	–	747,898
Loan from non-financial institutions	–	24,402	–	–	24,402
Loan from a shareholder	–	830	–	–	830
Convertible bond	20,000	20,000	1,000,000	–	1,040,000
Tax payable	244,904	–	–	–	244,904
	1,300,721	793,244	1,000,369	3,067	3,097,401

	Company 2009				
	Within 1 year or on demand HK$'000	**1 to 2 years HK$'000**	**3 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Due to related parties	**13,547**	**–**	**–**	**–**	**13,547**
Other payables and accruals	**7,401**	**–**	**–**	**–**	**7,401**
Convertible notes	**–**	**712,000**	**–**	**–**	**712,000**
	20,948	**712,000**	**–**	**–**	**732,948**

45. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

	Company 2008				
	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	3 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Other payables and accruals	633	–	–	–	633
Convertible notes	20,000	20,000	1,000,000	–	1,040,000
	20,633	20,000	1,000,000	–	1,040,633

Capital management

The primary objective of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 31 December 2008.

45. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to maintain the gearing ratio between 30% and 50%. Net debt includes interest-bearing bank and other borrowings, long-term loans from related parties, less cash and cash equivalents and excludes discontinued operations. Capital includes convertible notes and equity attributable to owners of the parent. The gearing ratios as at the ends of the reporting periods were as follows:

	31 December 2009 HK$'000	31 December 2008 HK$'000
Interest-bearing bank borrowings	**222,095**	306,158
Long-term bank loans	**9,532**	3,550
Due to related parties	**524,840**	758,158
Non-current loans from non-financial institutions	**13,606**	24,402
Less: Cash and cash equivalents	**(59,068)**	(13,746)
Net debt	**711,005**	1,078,522
Equity	**1,785,247**	1,033,119
Convertible notes	**638,117**	868,953
Total capital	**2,423,364**	1,902,072
Total capital and net debt	**3,134,369**	2,980,594
Gearing ratio	**23%**	36%

46. EVENTS AFTER THE REPORTING PERIOD

(a) Placing of existing shares and top up subscription of new shares

On 15 January 2010, GNR as the subscriber and the Company entered into an agreement with Enlighten Securities Limited ("Enlighten") pursuant to which Enlighten agreed to place the placing shares comprising 167,502,000 existing ordinary issued shares of the Company at the placing price of HK$1.5 per placing share to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules) and not connected persons of the Company; and GNR agreed to subscribe up to 167,502,000 new ordinary shares of the Company at the same placing price. The aforesaid placing and subscription were completed on 21 January 2010 and 27 January 2010 respectively. Details of the aforesaid transactions had been disclosed in the Company's announcements dated 18 January 2010 and 27 January 2010 respectively.

46. EVENTS AFTER THE REPORTING PERIOD (continued)

(b) Conversion of convertible note

(i) On 10 February 2010, the Company received from Hing Lou Resources Limited ("Hing Lou") a notice for the conversion of the convertible note in the amount of HK$150,000,000. As a result, the Company allotted and issued a total of 69,897,483 conversion shares to Hing Lou at the conversion price of HK$2.146 per conversion share on the same date and Hing Lou has become a shareholder of the Company interested in more than 5% of the issued share capital of the Company since that date. Details of the aforesaid matter had been disclosed in the Company's announcement dated 11 February 2010.

(ii) On 22 February 2010, the Company received from a holder of the convertible note a notice for the conversion of the convertible note in the amount of HK$40,000,000. As a result, the Company allotted and issued a total of 18,639,328 conversion shares to such holder at the conversion price of HK$2.146 per conversion share on the same date.

(iii) On 9 March 2010, the Company received from a holder of the convertible note a notice for the conversion of the convertible note in the amount of HK$53,650,000. As a result, the Company allotted and issued a total of 25,000,000 conversion shares to such holder at the conversion price of HK$2.146 per conversion share on the same date.

(iv) On 18 March 2010, the Company received from a holder of the convertible note a notice for the conversion of the convertible note in the amount of HK$53,650,000. As a result, the Company allotted and issued a total of 25,000,000 conversion shares to such holder at the conversion price of HK$2.146 per conversion share on the same date.

47. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue by the Company's board of directors on 30 March 2010.

Particulars of Properties

31 December 2009

INVESTMENT PROPERTIES

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

Five Year Financial Summary

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

	Year ended 31 December				
	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000 (Remark)	2005 HK$'000 (Remark)
RESULTS					
CONTINUING OPERATIONS					
Revenue	**1,224,798**	506,833	3,128	2,106	2,726
Cost of sales	**(778,276)**	(293,111)	(2,010)	–	–
Gross profit	**446,522**	213,722	1,118	2,106	2,726
Other income	**118,789**	15,421	12,812	1,118	54
Selling and distribution costs	**(53,494)**	(48,003)	–	–	–
Administration expenses	**(67,148)**	(69,153)	(5,488)	(2,357)	(11,538)
Other operating expenses	**(27,309)**	(11,415)	–	–	–
Gain on the debt restructuring	**–**	–	–	560,549	–
Restructing cost	**–**	–	–	(12,043)	–
Negative goodwill	**–**	–	–	893	–
Increase in fair value of an investment property	**–**	–	–	2,244	700
Impairment loss on trading receivables	**–**	–	–	–	(1,444)
Change in fair value of held for trading investment	**–**	–	–	(11)	–
Goodwill impairment loss	**–**	(571,139)	–	–	–
Finance costs	**(80,733)**	(31,652)	(154)	(434)	–
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**336,627**	(502,219)	8,288	551,975	(9,502)
Income tax expense	**(141,927)**	(15,423)	(413)	2,466	(472)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**194,700**	(517,642)	7,875	554,441	(9,974)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discounted operations	**4,796**	3,043	(5,135)	562	–
PROFIT/(LOSS) FOR THE YEAR	**199,496**	(514,599)	2,740	555,003	(9,974)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	**1,453**	(10,184)	–	–	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX					
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**200,949**	(524,783)	2,740	555,003	(9,974)
Profit attributable to:					
Owners of the parent	**50,414**	(563,433)	2,740	555,003	(9,974)
Minority interests	**149,082**	48,834	–	–	–
	199,496	(514,599)	2,740	555,003	(9,974)
Total comprehensive profit attributable to:					
Owners of the parent	**51,867**	(568,535)	2,740	555,003	(9,974)
Minority interests	**150,529**	43,752	–	–	–
	202,396	(524,783)	2,740	555,003	(9,974)
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**4,359,869**	4,058,456	333,675	190,208	7,077
TOTAL LIABILITIES	**(2,574,622)**	(3,025,337)	(5,123)	(5,479)	(578,023)
MINORITY INTERESTS	**(920,151)**	(769,622)	–	–	–
	865,096	263,497	328,552	184,729	(570,946)

Remark: Financial information for years 2005 and 2006 was not restated for discontinued operations as the materiality was insignificant for investors' decision