HUSCOKE RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 704)

2009

Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Baoqi *(Acting Chairman)*
Mr. Wu Jixian *(Chief Executive Officer)*
Mr. Chim Kim Lun, Ricky
Mr. Cheung Ka Fai *(Chief Financial Officer)*
(appointed on 30th October, 2009)
Mr. Lam Po Kwai, Frankie
(resigned on 12th January, 2009)
Mr. Cheng Kwok Hing, Andy
(resigned on 2nd November, 2009)

Independent Non-executive Directors

Mr. Lam Hoy Lee, Laurie
Mr. Wan Hon Keung
Mr. To Wing Tim, Paddy
(appointed on 30th October, 2009)
Mr. Sun Tak Keung (resigned on 18th January, 2010)

AUDIT COMMITTEE

Mr. Wan Hon Keung
Mr. Lam Hoy Lee, Laurie
Mr. To Wing Tim, Paddy
(appointed on 30th October, 2009)
Mr. Sun Tak Keung
(resigned on 18th January, 2010)

COMPANY SECRETARY

Mr. Cheung Ka Fai

COMPANY SOLICITORS

In Hong Kong

Chiu & Partners

In Bermuda

Appleby Spurling Hunter

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong

Tricor Secretaries Limited

In Bermuda

Butterfield Corporate Services Limited

PRINCIPAL OFFICE IN HONG KONG

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

I would like to present the annual audited consolidated results of Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2009.

RESULTS AND BUSINESS OVERVIEW

In 2009, the Group has completed the disposal of the original households business and focus on the development of the coal related businesses acquired in 2008. These coal-related businesses have turnaround the Group's loss making positions. Revenue generated from these new businesses was around HK$998.38 million, representing an increase of around 11.6%. The Group's gross profit margins have been improved from 10.0% to 15.4%. Net Profit for the year was around HK$107.24 million.

For the PRC coke export market, 2009 was a disaster year. With the outbreak of the economic tsunami happened in late 2008, overseas' steel mills reduced the production scale and lead to the closure of the PRC export market. No revenue has been generated from coke trading in 2009. However, in the first half of 2010, the PRC export quota obtained by the Company was 310,000 representing around 5% of the total export quota granted by the PRC government.

With the contribution by the coal related businesses stated above, the Group announced to acquire the coke processing plant in December 2009 and the acquisition has been approved by the special general meeting dated 22nd February, 2010 and the Group is working to complete the acquisition.

PROSPECTS

After the acquisition of the coke processing facilities, the Group will become an integrated coke producer and exporter in the PRC. Net profits generated in current year, especially in this difficult year, have strengthen our confidence in the development of the coal related businesses. The Group may consider to cooperate with its business partner to further expand the coke processing facilities and to use the by-products in the manufacturing process to develop coal chemical like Methanol. Management believes that using the by-products to generate coal chemical will create a large margin to the Group.

Another area for the Group's expansion is in the coal mining. To secure more resources, the Group will consider locking up coal resources by acquiring or signing some long term contracts with nearby coal mines which can ultimately improve the profitability of the Group. With the correct successful step in engaging in the coal-related business, the management are very optimistic in the prospects of the Group and will continue to focus on this profitable business.

CHAIRMAN'S STATEMENT

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2009 (2008: Nil).

APPRECIATION

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

Li Baoqi
Acting Chairman

Hong Kong, 9th April, 2010

EXECUTIVE DIRECTORS

Mr. Li Baoqi, aged 55, has been appointed as an executive Director since June 2008 and as the Acting Chairman of the Company since January 2009. Mr. Li has over 25 years of working experience in foreign economy and trade. He worked as the Assistant to General Manager of 中國冶金進出口吉林公司 (China Metallurgy Import and Export Jilin Company), the Manager and the Assistant General Manager of the Import and Export Division of 中國冶金進出口深圳公司 (China Metallurge Import and Export Shenzhen Company, now known as 中鋼集團深圳公司 (China Steel Group Shenzhen Company)).

Mr. Wu Jixian, aged 46, has been appointed as an executive Director and Chief Executive Officer since June 2008. Mr. Wu has over 20 years of working experience in, variously, trading, marketing and China's coal industry. He worked as the Manager of Electric Appliance Export Division and Manager of Metallurgy & Mine Division of 中國機械設備進出口深圳公司 (China National Machinery & Equipment Import & Export Shenzhen Co. Ltd). He had also worked for certain oversea corporations, including the Sales Manager of JH Coal & Chemical International Inc., Canada, President of Marcell Industrial Inc., Canada and General Manager of Great Launch Inc., Canada.

Mr. Chim Kim Lun, Ricky, aged 40, has been appointed as an executive Director of the Company since September, 2007. He holds a Bachelor degree in Arts from the University of British Columbia in Canada and has over 10 years of commercial and industrial experiences and of experience in investment. Mr. Chim is an executive director of Asia Resources Holdings Limited and of Bestway International Holdings Limited. Mr. Chim was an executive director of Yueshou Environmental Holdings Limited, of BEL Global Resources Holdings Limited, of Karce International Holdings Company Limited and of Hengli Properties Development (Group) Limited, which are listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Cheung Ka Fai, aged 35, has been appointed as the Company Secretary and Chief Financial Officer of the Company since June, 2008 and as an executive Director since October 2009. Mr. Cheung is responsible for the overall management of the financial function of the Group including oversight of the financial reporting procedures and internal control. He is a professional accountant with more than 10 years' experience in auditing, accounting and finance industry. He is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Pubic Accountants. Mr. Cheung obtained his Bachelor degree in accountancy from the Hong Kong Polytechnic University and his Master degree in business administration from the University of Bradford.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wan Hon Keung, aged 48, has been appointed as an independent non-executive Director of the Company since 16th April, 2008 and is a member of the Nomination Committee and the Remuneration Committee and the chairman of Audit Committee of the Company. He has over 20 years of experience in accounting and administration fields. Mr. Wan is a fellow member of the Association of Chartered Certified Accountants and associate member of Hong Kong Institute of Certified Public Accountants. Mr. Wan was an independent non-executive director of Polyard Petroleum International Group Limited which is listed on the GEM board of The Stock Exchange of Hong Kong Limited and was an independent non-executive director of both Karce International Holdings Company Limited and Xian Yuen Titanium Resources Holdings Limited, both of which are listed on the main board of the Stock Exchange of Hong Kong Limited.

Mr. Lam Hoy Lee, Laurie, aged 51, has been appointed as an independent non-executive Director on September 2008 and is a member of the Audit Committee and the Remuneration Committee and the chairman of Nomination Committee. He has over 20 years of experience in legal field. Mr. Lam is a solicitor of Hong Kong, Singapore and a solicitor and counsel of Australia. Mr. Lam did not hold any directorship in other listed companies in the last three years.

Mr. To Wing Tim, Paddy, aged 58, has been appointed as an independent non-executive Director of the Company since October, 2009. Mr. To obtained his diploma in accountancy from the University of Hong Kong in 1991 and has over 30 years of experience in auditing, accounting and finance industry and has been practicing as a Certified Public Accountant in Hong Kong since 1980. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, associate members of both the Taxation Institute of Hong Kong and Association of Certified General Accountants in Canada.

BUSINESS REVIEW

In 2008, the Group started to engage in coal relating businesses through two very substantial acquisitions. In 2009, facing the challenges from the outbreak of the economic tsunami, the Group still succeeded in turnaround its loss making position to record a net profit. The Group's turnover for continuing operations for the year ended 31st December, 2009 has been increased by 11.6% from HK$894.50 million to HK$998.38 million. Gross Profit margin has been improved from last year's 10.0% to current year's 15.4%.

The coal related ancillary business is the main source of revenue for the Group in 2009. It mainly related to the coal washing business and the use of by-products in the coal washing process to generate heat and electricity and supply to the region. For the year ended 31st December, 2009, this segment contributed around HK$997.79 million revenue to the Group. Net profits after tax contributed by this segment was around HK$135.02 million and gross profit margin for this segment was around 19.7%. In 2009, with the Government stimulation policy, especially in the increase in the spending in infrastructure, the PRC coke market gradually recovered and the Group can sell its refined coal to nearby coke producers.

For coke trading business, 2009 is a disaster year. With the reduction in the production scale of overseas' steel mills since the economic tsunami and the increase in the export tax from 25% to 40% in late 2008, the PRC coke export market was closed in 2009. No revenue has been contributed by this segment.

In 2009, in order to streamline the Group's resources to coal related businesses, the Group has disposed its interests in the trading and manufacturing of the household products. Such disposal was completed on 12th October, 2009. This discontinued operations has contributed around HK$24.97 million profit to the Group in the year 2009.

OVERALL GROSS PROFITS

Although there was an amortization of other intangible assets amounting HK$43.51 million and the closure of the coke trading business stated above, the Group's gross profits has been improved from 2008's HK$89.70 million to 2009's HK$153.46 million. Gross profit margin was improved from 10.0% to 15.4%. The main reason for such improvement is due to the higher margin generated in the coal related business. As discussed above, the gross profit margin for the coal related ancillary business was around 19.7% for the year ended 31st December, 2009.

FINANCE COSTS

Interest expenses increased greatly from 2008's HK$10.10 million to current year's HK$15.31 million.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES OVER ASSETS

At 31st December, 2009, the Group pledged certain buildings, prepaid lease payments and investment properties which have an aggregate carrying value of approximately HK28.81 million (2008: HK$32.54 million), HK$49.76 million (2008: HK$73.08 million) and HK$37.00 million (2008: HK$26.66 million) respectively and the benefits of the leases and tenancies of the investment properties to secure general banking facilities granted to the Group.

At 31st December, 2008, the Group also pledged bank deposit of approximately HK$0.94 million to secure general banking facilities granted to a subsidiary. There was no pledged deposit at 31st December, 2009.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets and current ratio were approximately HK$258.24 million and 1.37:1 as at 31st December, 2009. At 31st December, 2008 the amount was HK$64.72 million and 1.08:1.

The Group's bank balances and cash equivalents amounted to approximately HK$29.12 million (31st December, 2008: approximately HK$68.02 million). Bank borrowings amounted to approximately HK$376.45 million. Around HK$333.25 million of the bank borrowings was the structured trade finance for the coke export business and around HK$43.2 million bank borrowings was the mortgaged loan for various properties located in Hong Kong.

EMPLOYEES AND REMUNERATION

As at 31st December, 2009, the Group had approximately 1,124 employees (31st December, 2008: approximately 930 employees). Less than 100 staffs are stationed in Hong Kong and the rest are PRC workers. The Group's staff cost for continuing operations amounted to approximately HK$29.75 million for the year ended 31st December, 2009 and approximately HK$11.11 million was recorded in last corresponding period.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward motivate individual performance. Up to the date of this report, there are 17,500,000 share options granted under the share option scheme.

PROSPECTS

For coke trading business, management believes that the PRC export market starts to re-open in around April and May of 2010. The downturn in 2009 were mainly due to the reduction in the production capacity of overseas' steel mills and their consumption of the original inventories. With the recovery of the economy, the production capacities gradually recover and the inventory level reduces, demand for PRC export coke increases. Currently, negotiation for the export in 2010 restarted. The export quota handled by the Group in the first half of 2010 has been increased to around 310,000 tones, represented around 5% of the total export quota granted by the PRC government. With this scarced export quota, management are confident that contributions from this segment will resume in 2010.

The continued contributions from the coal related businesses, especially in the economic recession period, have proven the correct direction of the Group. In 22nd February, 2010, The Group's shareholders have approved the acquisition of a 800,000 tones capacity coke processing assets. At the date of this report, the Group's joint venture has get the approval for the inclusion of the coke processing business from the Shanxi Development and Reform Commission and the Shanxi Commerce Department. It is currently applying for the new business license from the Shanxi Commerce Department. After obtaining the new business license and completing the new capital injection, the Joint Venture of the Company will try to complete the acquisition.

According to the Group's circular dated 29th January, 2010, the unaudited profit generated by these 800,000 tones coke processing plant for the nine months ended 30th September, 2009 was around RMB182.75 million. Thus, it is expected that these coke processing assets can contribute to the Group and further improve the Group's profitability after acquired.

After such completion, the Group will become the manufacturer and trader of refined coal, coke and coal chemicals. It can produce refined coals through the coal washing process and used the refined coals for coke processing and coal chemicals product. It can select to sell the manufactured coke in either the domestic PRC market or through the export market. After the new acquisition, the Group can use the by-products in coal washing process to generate electricity and heat and the by-products in coke processing to general coal chemicals like coal gas, coal tar, ammonium sulfate and crude benzyl. All these by-products can generate additional revenue to the Group. It is expected that the margin from the manufacturing process will be further improved.

The completion of the refined coal and coke processing line is just the first successful step for the Group to engage in the coal related business. After completing the acquisition, the Group may consider to further expand its coal related businesses in two main areas. Firstly, it may consider locking up the coal resources by signing some long term supply agreements with nearby coal mines. It may even consider to acquire some shares of coal mines in order to get its raw materials at special prices. The second area of expansion is that the Group may consider further expanding its production capacity in coke processing and using the by-products in the expanded capacity to generate other coal chemicals like Methanol.

The economic tsunami strengthen the management's beliefs in focusing on the coal related businesses which can contribute higher return to the Group. With the expected increase in steel production in countries like USA, Russia and Europe, demands for PRC's coke will surely be increased in the coming years. It supports the Group's repositioning to become a refined coal and coke producer and trader and one of the largest exporters of coke in the PRC. With all these successful moves, management are optimistic in the prospects of the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to upholding good corporate governance. The Board considers effective corporate governance essential to protect shareholders' interests and enhance stakeholders' value. During the year 2009, the Board has continued to spend considerable efforts to identify and formalize the appropriate corporate governance practices to ensure transparency, accountability and effective internal control.

The Company has complied throughout the year ended 31st December, 2009 with the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

THE BOARD OF DIRECTORS

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

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

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

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

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

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

THE BOARD OF DIRECTORS *(Continued)*

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

The Company held seven full Board meetings in 2009. Individual attendance of each Director is set out below.

	Notes	**Number of meetings attended**
Chairman		
Mr. Li Baoqi		5/7
Mr. Lam Po Kwai, Frankie	*1*	0/7
Executive Directors		
Mr. Wu Jixian		7/7
Mr. Chim Kim Lun, Ricky		7/7
Mr. Cheng Kwok Hing, Andy	*2*	5/7
Mr. Cheung Ka Fai	*3*	2/7
Independent Non-executive Directors		
Mr. Lam Hoy Lee, Laurie		7/7
Mr. Sun Tak Keung	*4*	4/7
Mr. Wan Hon Keung		6/7
Mr. To Wing Tim, Paddy	*5*	1/7

Notes:

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

2. Mr. Cheng Kwok Hing, Andy was resigned as executive Director with effect from 2nd November, 2009

3. Mr. Cheung Ka Fai was appointed as executive Director with effect from 30th October, 2009

4. Mr. Sun Tak Keung was resigned as independent non-executive Director with effect from 18th January, 2010

5. Mr. To Wing Tim, Paddy was appointed as independent non-executive Directors with effect from 30th October, 2009

AUDIT COMMITTEE

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

In 2009, the Audit Committee held two meetings and had a 100 percent attendance rate.

The work of the Audit Committee during 2009 included:

— reviewing the Directors' Report and full year accounts for the year ended 31st December, 2009 and the annual results announcement;

— reviewing the interim accounts for the six months ended 30th June, 2009 and the interim results announcement; and

— reviewing the internal audit plan for 2009.

REMUNERATION COMMITTEE

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

Two committee meetings were held during 2009 year with an attendance rate of 100 percent.

The work of the Remuneration Committee during 2009 included:

— reviewing the Group's incentive schemes; and

— reviewing the remuneration packages of Directors.

Information relating to the remuneration of each director for 2009 is set out in Note 14 on the accounts.

NOMINATION COMMITTEE

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

One committee meeting was held during the year of 2009 with an attendance rate of 100%. It reviewed the composition of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of listed companies contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the directors of the Company (the "Code"). Specific enquiry of the Directors of the Company has been made, and all Directors confirmed that they had complied with the required standard as set out in the Code and the Model Code throughout the year ended 31st December, 2009.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Auditor's Report on pages 22 and 23.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2009, the Auditor of the Company received approximately HK$1.28 million for audit services (2008: HK$1.67 million).

INTERNAL CONTROL

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

The Directors have conducted a review of the effectiveness of the system of internal control of the Group during the year of 2009. The review covered all materials controls, including financial, operational and compliance controls and risk management functions.

COMMUNICATION WITH SHAREHOLDERS

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

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries are set out in note 44 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 24.

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

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 97.44% of the Group's total turnover and the largest customer accounted for approximately 93.70% of the Group's total turnover.

The five largest suppliers of the Group accounted for approximately 48.37% of the Group's total purchases for the year and the largest suppliers accounted for approximately 14.25% of the Group's total purchases.

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 33 to the consolidated financial statements.

SHARE OPTION SCHEME

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

Particulars of the Company's share option scheme are set out in note 35 to the consolidated financial statements.

SHARE OPTION SCHEME *(Continued)*

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

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

For the year ended 31st December, 2009, options were granted to certain directors and eligible employees. Details of which are set out in note 35 to the consolidated financial statements and there was no outstanding share options at 31st December, 2008.

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

Details of acquisitions and other movements in property, plant and equipment, prepaid lease payments and investment properties of the Group are set out in notes 16, 17 and 18 to the consolidated financial statements respectively.

PROPERTIES

Details of the properties of the Group at 31st December, 2009 are set out on page 106.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2009 were as follows:

	2009	2008
	HK$'000	*HK$'000*
Convertible bonds reserve	**1,233,250**	2,084,900
Contributed surplus	**1,599,000**	747,600
Accumulated losses	**(1,799,101)**	(1,899,775)
	1,033,149	932,725

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

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

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Li Baoqi *(Acting Chairman)*	
Mr. Wu Jixian	
Mr. Chim Kim Lun, Ricky	
Mr. Cheung Ka Fai	(appointed on 30th October, 2009)
Mr. Lam Po Kwai, Frankie	(resigned on 12th January, 2009)
Mr. Cheng Kwok Hing, Andy	(resigned on 2nd November, 2009)

Independent non-executive directors:

Mr. Lam Hoy Lee, Laurie	
Mr. Wan Hon Keung	
Mr. To Wing Tim, Paddy	(appointed on 30th October, 2009)
Mr. Sun Tak Keung	(resigned on 18th January, 2010)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(Continued)*

In accordance with Bye-law 99 (as amended by Bye-law 182(vi)) of the Company's Bye-laws, Mr. Chim Kim Lun, Ricky, Mr. Cheung Ka Fai and Mr. To Wing Tim, Paddy retire, and being eligible, offer themselves for re-election.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31st December, 2009, the interests of the directors and the chief executives and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the Shares

Name of Director	*Note*	Number of Shares held	Percentage of the Company's existing issued share capital (%)
Wu Jixian	*(a)*	450,000,000	13.37
To Wing Tim, Paddy	*(b)*	660,000	0.02
Sun Tak Keung	*(c)*	1,164,000	0.03

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES *(Continued)*

Long positions in the underlying Shares

Name of Director	*Note*	Number of Shares held	Percentage of the Company's existing issued share capital (%)
Wu Jixian	*(a)*	2,614,300,000	77.68
Li Baoqi	*(d)*	1,500,000	0.04
Cheung Ka Fai	*(e)*	1,000,000	0.03

Note:

(a) As at 31st December, 2009, Mr. Wu Jixian, an executive Director, beneficially owned 450,000,000 Shares, he was also interested in convertible bonds in the aggregate principal amount of HK$1,045,000,000, which were convertible into 2,612,500,000 Shares. Mr. Wu was also entitled to share options to subscribe for a maximum of 1,800,000 Shares upon exercise of the options in full.

(b) Among the 660,000 Shares held by Mr. To Wing Tim, Paddy, an independent non-executive Director, 100,000 Shares were held by Mr. To as beneficial owner and 560,000 Shares held by Ms. Leung Yuet Mei, the spouse of Mr. To. Accordingly, Mr. To was deemed to be interested in the said 660,000 Shares under Part XV of the SFO.

(c) Mr. Sun Tak Keung has resigned as an independent non-executive Director on 18th January 2010.

(d) As at 31st December, 2009, Mr. Li Baoqi, an executive Director was entitled to share options to subscribe for a maximum of 1,500,000 Shares upon exercise of the options in full.

(e) As at 31st December, 2009, Mr. Cheung Ka Fai, an executive Director was entitled to share options to subscribe for a maximum of 1,000,000 Shares upon exercise of the options in full.

Save as disclosed above, as at 31st December, 2009, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at 31st December, 2009, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company.

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

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2009 with the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Details of the Corporate Governance Report are set out on page 10.

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme are set out in note 35 to the consolidated financial statements.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2009.

AUDIT COMMITTEE

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

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in note 43 to the consolidated financial statements.

AUDITOR

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

On behalf of the Board
Li Baoqi
ACTING CHAIRMAN

9th April, 2010

Deloitte.
德勤

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

We have audited the consolidated financial statements of Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 104, which comprise the consolidated statement of financial position as at 31st December, 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
9th April, 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Revenue	7	**998,376**	894,501
Cost of sales			
— Amortisation of other intangible asset		**(43,512)**	(27,194)
— Others		**(801,408)**	(777,607)
		(844,920)	(804,801)
Gross profit		**153,456**	89,700
Other income	8	**19,528**	5,340
Selling and distribution costs		**(2,703)**	(825)
Administrative expenses		**(42,069)**	(27,893)
Other gains and losses	9	**10,869**	(13,179)
Finance costs	10	**(15,305)**	(10,104)
Profit before taxation and impairment loss of goodwill		**123,776**	43,039
Impairment loss on goodwill	19	**—**	(1,870,383)
Profit (loss) before taxation		**123,776**	(1,827,344)
Taxation	11	**(41,506)**	(15,959)
Profit (loss) for the year from continuing operations		**82,270**	(1,843,303)
Discontinued operations			
Profit (loss) for the year from discontinued operations	12	**24,968**	(9,485)
Profit (loss) for the year	13	**107,238**	(1,852,788)
Other comprehensive income for the year:			
Exchange differences arising on translation of foreign operations		**—**	323
Total comprehensive income (expense) for the year		**107,238**	(1,852,465)
Profit (loss) for the year attributable to:			
Owners of the Company		**93,736**	(1,858,198)
Minority interests		**13,502**	5,410
		107,238	(1,852,788)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
Total comprehensive income (expense) attributable to:			
Owners of the Company		**93,736**	(1,857,897)
Minority interests		**13,502**	5,432
		107,238	(1,852,465)
Earnings (loss) per share	15		
From continuing and discontinued operations			
Basic		**HK1.57 cents**	(HK69.94 cents)
Diluted		**HK1.57 cents**	N/A
From continuing operations			
Basic		**HK1.15 cents**	(HK69.58 cents)
Diluted		**HK1.15 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	**497,633**	532,618
Prepaid lease payments	17	**51,295**	80,115
Investment properties	18	**37,000**	26,658
Goodwill	19	**399,262**	399,262
Other intangible asset	20	**799,486**	842,998
Available-for-sale investments	22	**2,568**	3,448
Retirement benefit scheme's assets	23	**—**	3,825
		1,787,244	1,888,924
Current assets			
Inventories	24	**59,571**	68,867
Debtors, bills receivable and prepayments	25	**588,857**	565,921
Amount due from minority shareholder of a subsidiary	26	**272,623**	186,887
Prepaid lease payments	17	**488**	730
Investments held for trading	27	**3,334**	3,243
Short term bank deposits	28	**—**	13,569
Short term pledged bank deposit	28	**—**	936
Bank balances and cash	28	**29,122**	54,451
		953,995	894,604
Current liabilities			
Creditors, bills payable and accrued charges	29	**279,305**	248,770
Amount due to minority shareholder of a subsidiary	26	**—**	18,955
Amount due to a director	30	**—**	12,000
Promissory notes	31	**15,000**	96,032
Tax payable		**62,799**	56,663
Bank borrowings	32	**338,650**	397,460
		695,754	829,880
Net current assets		**258,241**	64,724
Total assets less current liabilities		**2,045,485**	1,953,648

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	33	**336,543**	181,293
Reserves		**1,459,318**	1,520,072
Equity attributable to owners of the Company		**1,795,861**	1,701,365
Minority interests		**72,380**	58,878
Total equity		**1,868,241**	1,760,243
Non-current liabilities			
Deferred taxation	36	**139,444**	143,887
Bank borrowings	32	**37,800**	49,518
		177,244	193,405
		2,045,485	1,953,648

The consolidated financial statements on pages 24 to 104 were approved and authorised for issue by the Board of Directors on 9th April, 2010 and are signed on its behalf by:

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2009

	Attributable to owners of the Company											
	Share capital	Share premium	Contributed surplus	Special reserve	Share options reserve	Translation reserve	Capital redemption reserve	Convertible bonds reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(note i)	*(note ii)*								
At 1st January, 2008	47,793	144,997	—	18,236	—	290	85	—	(34,639)	176,762	—	176,762
Exchange differences arising on translation of foreign operations	—	—	—	—	—	301	—	—	—	301	22	323
(Loss) profit for the year	—	—	—	—	—	—	—	—	(1,858,198)	(1,858,198)	5,410	(1,852,788)
Total comprehensive income (expense) for the year	—	—	—	—	—	301	—	—	(1,858,198)	(1,857,897)	5,432	(1,852,465)
Recognition of equity component of convertible bonds	—	—	—	—	—	—	—	3,382,500	—	3,382,500	—	3,382,500
Conversion of convertible bonds	133,500	—	747,600	—	—	—	—	(881,100)	—	—	—	—
Acquisition of businesses	—	—	—	—	—	—	—	—	—	—	53,446	53,446
At 31st December, 2008	181,293	144,997	747,600	18,236	—	591	85	2,501,400	(1,892,837)	1,701,365	58,878	1,760,243
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	—	—	93,736	93,736	13,502	107,238
Conversion of convertible bonds	155,250	—	851,400	—	—	—	—	(1,006,650)	—	—	—	—
Recognition of share based payments	—	—	—	—	760	—	—	—	—	760	—	760
At 31st December, 2009	336,543	144,997	1,599,000	18,236	760	591	85	1,494,750	(1,799,101)	1,795,861	72,380	1,868,241

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2009

	2009	2008
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit (loss) before taxation	**148,744**	(1,837,800)
Adjustments for:		
Impairment loss on goodwill	**—**	1,870,383
Allowances for bad and doubtful debts	**—**	2,600
Share-based payment	**760**	—
(Gain) loss on fair value change of investments held for trading	**(91)**	396
Loss on fair value change of retirement benefit scheme's assets	**—**	252
Interest expense	**12,191**	10,501
Interest income	**(10)**	(2,257)
Depreciation of property, plant and equipment	**42,230**	17,576
Release of prepaid lease payments	**825**	542
Amortisation of other intangible asset	**43,512**	27,194
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	**(437)**	247
(Gain) loss on fair value change of investment properties	**(10,342)**	13,575
Imputed interest expenses on promissory notes	**3,968**	2,843
Loss on early redemption of promissory notes	**—**	2,713
Gain on disposal of subsidiaries	**(19,056)**	(8,375)
Operating cash flows before movements in working capital	**222,294**	100,390
(Increase) decrease in inventories	**(3,650)**	33,400
Increase in debtors, bills receivable and prepayments	**(158,418)**	(99,828)
Increase in amount due from minority shareholder of a subsidiary	**(85,736)**	(151,340)
Increase in creditors, bills payable and accrued charges	**103,062**	25,838
(Decrease) increase in amount due to minority shareholder of a subsidiary	**(18,955)**	18,955
Increase in investments held for trading	**—**	(456)
Cash generated from (used in) operations	**58,597**	(73,041)
Income taxes paid	**(38,870)**	(298)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**19,727**	(73,339)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(24,975)**	(1,788)
Acquisition of businesses, net of cash and cash equivalent acquired	37	**—**	(1,406)
Decrease in pledged bank deposits		**936**	1,974
Proceeds from disposal of property, plant and equipment and prepaid lease payments		**26,624**	5,237
Disposal of subsidiaries	38	**40,796**	31,569
Refund of advance payments to minority shareholder of a subsidiary for purchases		**77,703**	—
Interest received		**10**	2,257
NET CASH FROM INVESTING ACTIVITIES		**121,094**	37,843
FINANCING ACTIVITIES			
New bank borrowings raised		**284,582**	448,502
Repayment of bank borrowings		**(355,110)**	(331,685)
Repayment of promissory notes		**(85,000)**	(100,000)
(Repayment to) advance from a director		**(12,000)**	12,000
Interest paid		**(12,191)**	(10,501)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(179,719)**	18,316
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(38,898)**	(17,180)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**68,020**	85,090
EFFECT OF FOREIGN CURRENCY RATE CHANGES		**—**	110
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**29,122**	68,020
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
BEING:			
Short term bank deposits		**—**	13,569
Bank balances and cash		**29,122**	54,451
		29,122	68,020

1. GENERAL

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

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 44.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) — INT 9 & HKAS 39 (Amendments)	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
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

In addition, in the current year, the Group has elected to early adopt the amendment to HKFRS 5 as part of Improvements to HKFRSs 2009 (adopted in advance of effective date of 1st January, 2010).

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

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

Improving disclosures about financial instruments (amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value.

Early adoption of amendment to HKFRS 5 as part of Improvements to HKFRSs 2009

The amendment has clarified that HKFRS 5 has specified the disclosure required in respect of disposal groups classified as discontinued operations. Disclosures requirements in other HKFRSs do not generally apply to such disposal groups.

New and revised HKFRSs affecting the reported results and/or financial position

HKAS 23 (Revised 2007) Borrowing costs

In previous years, the Group expensed all borrowing costs when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalize all such borrowing costs as part of the cost of the qualifying asset. The revised accounting policy does not have a material effect on the reported results and financial position of the Group for the current or prior accounting periods.

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for amendment to HKFRS 5[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction[3]
HKFRS 3 (Revised)	Business combination[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments[5]

[1] Effective for annual periods beginning on or after 1st July, 2009.
[2] Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1st January, 2010.
[4] Effective for annual periods beginning on or after 1st February, 2010.
[5] Effective for annual periods beginning on or after 1st July, 2010.
[6] Effective for annual periods beginning on or after 1st January, 2011.
[7] Effective for annual periods beginning on or after 1st January, 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

Business combinations

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

Revenue recognition

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

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

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

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

Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

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

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Leasing

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

The Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

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

Leasehold land and building

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Retirement benefit costs

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1st January, 2009 are added to the cost of those assets until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Inventories

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

Financial instruments

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

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

Investments held for trading

A financial asset is classified as held for trading if:

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

Investments held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Impairment of financial assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

Financial liabilities and equity

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees, points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities

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

Equity instruments

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

Derecognition

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees (Continued)

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

4. KEY SOURCES OF 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.

Other intangible asset

The estimated useful life of other intangible asset, being export agency agreement, acquired on acquisition of business as set out in note 37 is based on the management's best estimate of the expected life of the agency agreement, according to their understanding of the trading of coke business. In addition, the actual amount of export sales by the sole supplier to the Group is subject to actual amount of export quota obtained by the sole supplier and the amount of export quota granted by the Ministry of Commerce of China to the sole supplier semi-annually. If the actual amount of export sales by the sole supplier to the Group is different from estimated, indication of impairment of other intangible may arise.

Estimated impairment of goodwill and other intangible asset

Determining whether goodwill and other intangible asset are impaired requires an estimation of the value in use of the cash-generating units ("CGU(s)") to which goodwill and other intangible asset have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Cash flow projection, based on expected future cash flows of the CGU, has been performed and management is confident that the carrying amounts of the assets after impairment will be recovered in full. This situation will be closely monitored by the management. Any change in the business environment may lead to the change of expected future cash flows. If the future recoverable amounts fall below the carrying amounts of the CGUs, recognition of impairment is required. As at 31st December, 2009, the carrying amounts of goodwill and other intangible asset were approximately HK$399,262,000 (2008: HK$399,262,000) and HK$799,486,000 (2008: HK$842,998,000) respectively. During the year ended 31st December, 2008, an impairment loss of goodwill amounting to HK$1,870,383,000 was recognised in the consolidated statement of comprehensive income. In the opinion of the directors, there was no further impairment loss on goodwill and other intangible asset at 31st December, 2009. Details of the recoverable amount calculation are disclosed in note 21.

Depreciation

The Group depreciates its property, plant and equipment over the estimated useful life, commencing from the date the property, plant and equipment are ready for their intended use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The depreciation will be changed when the useful life is expected to be different from estimated and would affect the profit or loss for the period in which such change of estimate takes place. During the year ended 31st December, 2009, the depreciation from continuing operations charged to the profit or loss was approximately HK$41,465,000 (2008: HK$7,730,000).

5. CAPITAL RISK MANAGEMENT

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

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

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Investments held for trading	**3,334**	3,243
Loans and receivables (including cash and cash equivalents)	**335,223**	331,723
Available-for-sale investments	**2,568**	3,448
	341,125	338,414
Financial liabilities		
Amortised cost	**548,180**	707,227

Financial risk management objectives and policies

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

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

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk

The Group has foreign currency sales and purchases, denominated in currencies other than the functional currency of the respective group entities which exposed the Group to foreign currency risk. Approximately 21%, 20% and 19% (2008: 79%, 77% and 36%) of the Group's sales, purchases and other cost of sales, respectively, are denominated in currencies other than the functional currency of the respective group entities. In addition, certain debtors, bills receivable, bank deposits, bank balances, creditors, bills payable and accrued charges, amount due to minority shareholder of a subsidiary and bank borrowings are denominated in currencies other than the functional currency of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets		**Liabilities**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars ("US$")	**10,329**	82,548	**333,250**	421,440
Renminbi ("RMB")	**—**	2,197	**—**	4,580
	10,329	84,745	**333,250**	426,020

Sensitivity analysis

The Group is mainly exposed to US$ and RMB against HK$, the functional currency of relevant group entities with foreign currency exposure.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis (Continued)

The following table details the Group's sensitivity to a rate increase or decrease in HK$ against foreign currencies. A sensitivity of 0.5% would be used for analysis against US$, whereas 5% would be used against foreign currencies other than US$ (the "Sensitivity Rates"). The Sensitivity Rates used represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a rate change in foreign currency rates. A negative number below indicates a decrease in post-tax profit for the year (2008: an increase in post-tax loss for the year) where HK$ weaken by the Sensitivity Rates against the relevant currencies. There would be an equal and opposite impact on the loss for the year where HK$ strengthen by the Sensitivity Rates against the relevant currencies.

	2009	2008
	HK$'000	*HK$'000*
Impact in profit (loss) for the year		
US$ impact	**(1,615)**	(1,695)
RMB impact	**—**	(119)

Interest rate risk

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

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

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to interest rates for the non-derivative instruments. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease represent management's assessments of the reasonably possible changes in interest rates of variable rate bank borrowings respectively.

For variable rate bank borrowings, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK$2,900,000 (2008: loss for the year would increase/decrease by approximately HK$3,258,000).

Other price risk

The Company's directors considered the Group's exposure to other price risk is limited because the carrying amounts of investments held for trading and available-for-sale investments are insignificant in both years.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the counterparties failure to perform their obligations as at 31st December, 2009 and 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the respective consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management closely monitors the subsequent settlement of the debts and does not grant long credit period to customers. In addition, the Group reviews the recoverable amount of each amount due from individual debtors and minority shareholder of a subsidiary at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

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

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31st December, 2009, the Group had available unutilised short-term bank loan facilities of approximately HK$20,000,000 (2008: HK$204,750,000). Details of the Group's borrowings at 31st December, 2009 are set out in note 32.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from existing interest rate at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables

2009	Weighted average interest rate *% per annum*	Less than 1 month *HK$'000*	1-3 months *HK$'000*	3-6 months *HK$'000*	6 months to 1 year *HK$'000*	1-5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amounts at 31.12.2009 *HK$'000*
Non-derivative financial liabilities									
Trade and other creditors	—	58,469	89,375	8,886	—	—	—	156,730	156,730
Promissory notes	5.00%	—	—	15,000	—	—	—	15,000	15,000
Bank borrowings	2.29%	1,287	2,572	3,082	340,947	24,322	18,241	390,451	376,450
		59,756	91,947	26,968	340,947	24,322	18,241	562,181	548,180

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

6. FINANCIAL INSTRUMENTS *(Continued)*

Fair value

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

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

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

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

Fair value measurement recognised in the statement of financial position

Available-for-sale investments and investments held for trading are measured subsequent to initial recognition at fair value and are grouped into Level 1. Level 1 fair value measurements are those derived from quoted prices in active market for identical assets or liabilities.

7. REVENUE AND SEGMENT INFORMATION

Revenue

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Sale of goods		
— coke	**—**	676,286
— refined coal	**939,738**	207,432
Revenue from sales of electricity and heat	**58,047**	9,992
Rental income from investment properties	**591**	791
	998,376	894,501

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Business segments

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard, HKAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments.

The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor changed the basis of measurement of segment profit or loss.

For management purposes, the Group is currently organised into three operating divisions — (i) trading of coke; (ii) coal-related ancillary business; and (iii) property investment business.

Trading-coke	—	purchases and sales of coke
Coal-related	—	washing of raw coal into refined coal for sales and sales of electricity and heat (generated as the by-products during washing of raw coal)
Property investment	—	holding of investment properties

On 31st October, 2008, the Group completed the disposal of an operating division which was engaged in manufacturing and sale of other consumer products, as set out in note 38(ii). On 12th October, 2009, the Group completed the disposal of two operating divisions, which engaged in (i) trading of household products and (ii) manufacturing and sales of household products as set out in note 38(i).

Each of these discontinued operations was reported as a separate business segment under HKAS 14. For HKFRS 8 reporting purposes, on the basis of internal reports reviewed by the chief operating decision maker, these discontinued operations did not constitute separate operating segments.

Segment information about these businesses is presented below.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results

For the year ended 31st December, 2009

	Continuing operations			
	Trading-coke *HK$'000*	Coal-related *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
REVENUE				
Segment revenue — external sales	—	997,785	591	998,376
RESULTS				
Segment results before amortisation of other intangible asset	(2,733)	135,017	9,800	142,084
Amortisation of other intangible asset	(43,512)	—	—	(43,512)
Segment results	(46,245)	135,017	9,800	98,572
Other income				22
Corporate administrative expenses				(10,910)
Gain on fair value change of investments held for trading				91
Gain on disposal of property, plant and equipment and prepaid lease payments				436
Imputed interest expenses on promissory notes				(3,968)
Deferred tax charge on properties (for corporate)				(1,973)
Profit for the year from continuing operations				82,270

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31st December, 2008

	Continuing operations			
	Trading-coke *HK$'000*	Coal-related *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
REVENUE				
Segment revenue — external sales	676,286	217,424	791	894,501
RESULTS				
Segment results before amortisation of other intangible asset and impairment loss on goodwill	34,161	53,992	(13,424)	74,729
Amortisation of other intangible asset	(27,194)	—	—	(27,194)
Impairment loss on goodwill	(1,074,495)	(795,888)	—	(1,870,383)
Segment results	(1,067,528)	(741,896)	(13,424)	(1,822,848)
Other income				2,499
Corporate administrative expenses				(20,681)
Gain on fair value change of investments held for trading				396
Imputed interest expenses on promissory notes				(2,843)
Deferred tax credit on properties (for corporate)				174
Loss for the year from continuing operations				(1,843,303)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the results generated by each segment without allocation of corporate administrative expenses and unallocated items, including gain on fair value change of investments held for trading, certain other income, gain on disposal of property, plant and equipment and prepaid lease payments, imputed interest expenses on promissory notes and deferred taxation on properties for corporate use. This is the measure reported to the directors for the purposes of resource allocation and performance assessment.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

As at 31st December, 2009

	Continuing operations			
	Trading-coke *HK$'000*	Coal-related *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
SEGMENT ASSETS				
Segment assets	1,208,915	1,363,927	37,848	2,610,690
Buildings (for corporate)				41,781
Prepaid lease payments (for corporate)				51,783
Available-for-sale investments				2,568
Other debtors and prepayments (for corporate)				1,961
Investments held for trading				3,334
Bank balances and cash				29,122
Consolidated assets				2,741,239
SEGMENT LIABILITIES				
Segment liabilities	552,713	252,779	44,800	850,292
Other creditors and accrued charges (for corporate)				1,778
Promissory notes				15,000
Deferred taxation				5,928
Consolidated liabilities				872,998

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

As at 31st December, 2008

	Continuing operations			
	Trading-coke *HK$'000*	Coal-related *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
ASSETS				
Segment assets	1,320,428	1,132,054	26,742	2,479,224
Assets related to discontinued operations				131,334
Buildings (for corporate)				32,543
Prepaid lease payments (for corporate)				73,077
Available-for-sale investments				3,448
Other debtors and prepayments (for corporate)				54
Investments held for trading				3,243
Short term bank deposits				13,569
Bank balances and cash				47,036
Consolidated assets				2,783,528
LIABILITIES				
Segment liabilities	658,990	155,705	48,808	863,503
Liabilities related to discontinued operations				43,726
Other creditors and accrued charges (for corporate)				4,069
Amount due to a director				12,000
Promissory notes				96,032
Deferred taxation				3,955
Consolidated liabilities				1,023,285

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments, other than assets related to discontinued operations, assets of investment nature including available-for-sale investments and investments held for trading and cash and cash equivalents of the Group, and corporate assets of the Group.

- All liabilities are allocated to operating segments, other than liabilities related to discontinued operations, borrowings not directly related to operation of segments such as amount due to a director and promissory notes, and corporate liabilities of the Group.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 31st December, 2009

	Continuing operations			
	Trading-coke *HK$'000*	**Coal-related** *HK$'000*	**Property investment** *HK$'000*	**Total** *HK$'000*
Additions of property, plant and equipment	—	24,488	—	24,488
Amortisation of other intangible asset	43,512	—	—	43,512
Depreciation of property, plant and equipment	—	39,336	—	39,336
Gain on fair value change of investment properties	—	—	10,342	10,342
Interest expense on bank borrowings	10,742	—	595	11,337
Income tax (credit) expenses	(7,179)	45,006	1,706	39,533

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31st December, 2008

	Continuing operations			
	Trading-coke *HK$'000*	Coal-related *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Additions of property, plant and equipment	129	1,583	—	1,712
Amortisation of other intangible asset	27,194	—	—	27,194
Depreciation of property, plant and equipment	248	7,354	—	7,602
Loss on fair value change of investment properties	—	—	13,575	13,575
Interest expense on bank borrowings	6,879	—	382	7,261
Income tax expenses (credit)	614	17,844	(2,325)	16,133

Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

The Group's revenue from continuing operations from external customers by geographical location of customers irrespective of the origin of the goods, and information about its non-current assets from continuing operations by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	Year ended 31.12.2009 ***HK$'000***	Year ended 31.12.2008 *HK$'000*	**2009** ***HK$'000***	2008 *HK$'000*
Hong Kong	**591**	791	**926,155**	1,007,307
PRC	**997,785**	217,424	**858,521**	874,344
America	**—**	676,286	**—**	—
	998,376	894,501	**1,784,676**	1,881,651

Note: Non-current assets excluded those relating to discontinued operations, financial instruments and retirement benefit scheme assets.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2009 HK$'000	2008 HK$'000
Customer A — coal-related segment	**934,911**	207,432
Customer B — trading-coke segment	**—**	499,226
Customer C — trading-coke segment	**—**	177,060

8. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Continuing operations		
Interest income on bank deposits	**6**	1,086
Subsidies from PRC government authorities *(note 1)*	**8,230**	2,841
Reimbursement from minority shareholder of a subsidiary *(note 2)*	**10,535**	—
Sundry income	**757**	1,413
	19,528	5,340

Notes:

(1) 山西金岩和嘉能源有限公司 ("金岩和嘉"), a subsidiary of the Company is entitled to receive subsidies from the government authority for the provision of heat in a city in PRC. The subsidies were recognised in profit or loss on a straight-line basis over the subsidy period.

During the year ended 31st December, 2008, 金岩和嘉 received subsidies of approximately HK$6,818,000 from the government authority in respect of the subsidy period. At 31st December, 2008, it had deferred revenue of approximately HK$3,977,000 recognised in the consolidated statement of financial position.

At 31st December, 2009, 金岩和嘉 had receivable from the government authority of approximately HK$4,253,000, representing the subsidies for November and December 2009 which were received subsequent to the year ended 31st December, 2009.

(2) There was no purchase of coke from the minority shareholder of a subsidiary during the year. The minority shareholder of a subsidiary agreed to reimburse the Group's interest expenses on export loans (note 32) which were used to finance the advance payments paid to it for purchases (note 25).

9. OTHER GAINS AND LOSSES

	2009	2008
	HK$'000	*HK$'000*
Gain on fair value change of investments held for trading	**91**	396
Gain on disposal of property, plant and equipment and prepaid lease payments	**436**	—
Gain (loss) on fair value change of investment properties *(note 18)*	**10,342**	(13,575)
	10,869	(13,179)

10. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank borrowings		
— wholly repayable within five years	**10,742**	6,340
— not wholly repayable within five years	**595**	921
Imputed interest expenses on promissory notes	**3,968**	2,843
	15,305	10,104

11. TAXATION

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Current taxation		
Hong Kong Profits Tax	**—**	6,491
PRC Enterprise Income Tax	**45,006**	17,273
	45,006	23,764
Overprovision of Hong Kong Profits Tax in prior years	**—**	(819)
	45,006	22,945
Deferred taxation *(note 36)*		
Current year	**(3,500)**	(6,920)
Attributable to a change in tax rate	**—**	(66)
	(3,500)	(6,986)
	41,506	15,959

11. TAXATION *(Continued)*

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards. Therefore, the PRC Enterprise Income Tax is calculated at a tax rate of 25% in both years, which is the prevailing tax rate in the PRC.

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

	Hong Kong		**PRC**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) before taxation from continuing operations	**(56,246)**	(1,898,719)	**180,022**	71,375	**123,776**	(1,827,344)
Taxation at the domestic tax rate	**(9,281)**	(313,289)	**45,006**	17,844	**35,725**	(295,445)
Tax effect of expenses not deductible for tax purpose	**4,221**	309,707	**—**	—	**4,221**	309,707
Tax effect of income not taxable for tax purpose	**(88)**	(2,326)	**—**	—	**(88)**	(2,326)
Overprovision in prior years	**—**	(819)	**—**	—	**—**	(819)
Tax effect of tax losses not recognised	**1,648**	4,908	**—**	—	**1,648**	4,908
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate	**—**	(66)	**—**	—	**—**	(66)
Taxation from continuing operations for the year	**(3,500)**	(1,885)	**45,006**	17,844	**41,506**	15,959

12. DISCONTINUED OPERATIONS

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) for the year from discontinued operations		
— Frankie Group (as defined in (i) below)	**24,968**	6,394
— Bigfield Group (as defined in (ii) below)	**—**	(15,879)
	24,968	(9,485)

(i) On 19th August, 2009, the Group entered into a sale agreement to dispose of Frankie Dominion (Holdings) Limited and its subsidiaries (collectively known as "Frankie Group") which carried out all of the Group's operations related to (i) trading of household products and (ii) manufacturing and sales of household products. The disposal was effected in order to redeploy their resources to other businesses of the Group. The disposal resulted in a gain on disposal of approximately HK$19,056,000 and was completed on 12th October, 2009, on which date control of Frankie Group was passed to the acquirer.

The profit for the year from Frankie Group is analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
Profit of Frankie Group for the year	**5,912**	6,394
Gain on disposal of Frankie Group *(note 38)*	**19,056**	—
	24,968	6,394

12. DISCONTINUED OPERATIONS *(Continued)*

(i) *(Continued)*

The results of Frankie Group for the period from 1st January, 2009 to 12th October, 2009, which have been included in the consolidated statement of comprehensive income, were as follows:

	2009	2008
	HK$'000	*HK$'000*
Revenue	**268,425**	340,587
Cost of sales	**(242,210)**	(297,280)
Other income	**559**	1,813
Selling and distribution costs	**(2,788)**	(6,678)
Administrative expenses	**(17,220)**	(28,694)
Finance costs	**(854)**	(3,174)
Profit before taxation	**5,912**	6,574
Taxation	**—**	(180)
Profit for the period/year	**5,912**	6,394
Profit for the period/year from Frankie Group include the following:		
Allowance for bad and doubtful debts	**—**	2,600
Auditor's remuneration	**200**	331
Cost of inventories recognised as an expense	**242,210**	297,280
Depreciation of property, plant and equipment	**765**	2,392
Release of prepaid lease payments	**106**	142
(Gain) loss on disposal of property, plant and equipment	**(1)**	55
Net foreign exchange loss	**599**	1,034
Operating lease payments in respect of rented properties	**598**	797
Staff costs:		
Directors' remuneration	**—**	2,848
Other staff salaries and allowances and benefits	**10,257**	13,654
Other staff retirement benefits scheme contributions	**329**	400
	10,586	16,902
Loss on fair value change of retirement benefit scheme's assets	**—**	252
Interest expense on bank borrowings wholly repayable within five years	**854**	3,174
Interest income on bank deposits	**4**	1,160

12. DISCONTINUED OPERATIONS *(Continued)*

(i) *(Continued)*

During the year, Frankie Group used HK$5,385,000 (2008: HK$23,598,000) in the Group's net operating cash flows, contributed HK$1,331,000 (2008: HK$18,277,000) in respect of investing activities and paid HK$12,964,000 (2008: HK$47,352,000) in respect of financing activities.

The carrying amounts of the assets and liabilities of Frankie Group at the date of disposal are disclosed in note 38 (i).

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

The loss for the year from Bigfield Group was analysed as follows:

	2008
	HK$'000
Loss of Bigfield Group for the year	(24,254)
Gain on disposal of Bigfield Group *(note 38)*	8,375
	(15,879)

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

	2008
	HK$'000
Revenue	135,990
Cost of sales	(154,850)
Other income	139
Administrative expenses	(6,618)
Finance costs	(66)
Loss before taxation	(25,405)
Taxation	1,151
Loss for the period	(24,254)

12. DISCONTINUED OPERATIONS *(Continued)*

(ii) *(Continued)*

	2008
	HK$'000
Loss for the period from Bigfield Group operation include the following:	
Auditor's remuneration	278
Cost of inventories recognised as an expense	154,850
Depreciation of property, plant and equipment	7,454
Release of prepaid lease payments	3
Loss on disposal of property, plant and equipment	192
Net foreign exchange gain	(89)
Operating lease payments in respect of rented properties	7,934
Staff costs:	
Directors' remuneration	—
Other staff salaries and allowances and benefits	36,980
Other staff retirement benefits scheme contributions	151
	37,131
Interest expense on bank borrowings wholly repayable within five years	66
Interest income on bank deposits	11

During the year ended 31st December, 2008, Bigfield Group used HK$33,681,000 in the Group's net operating cash flows, contributed HK$5,224,000 in respect of investing activities and paid HK$4,438,000 in respect of financing activities.

The carrying amounts of the assets and liabilities of Bigfield Group at the date of disposal are disclosed in note 38 (ii).

13. PROFIT (LOSS) FOR THE YEAR

	Continuing operations	
	2009	2008
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,280**	1,065
Cost of inventories recognised as an expense	**801,408**	777,607
Depreciation of property, plant and equipment	**41,465**	7,730
Release of prepaid lease payments	**719**	397
Loss on early redemption of promissory notes	**—**	2,713
Gross rental income from investment properties	**(591)**	(791)
Less: direct operating expenses from investment properties that generated rental income during the year	**112**	258
Rental income net of outgoings	**(479)**	(533)
Net foreign exchange loss (gain)	**38**	(616)
Operating lease payments in respect of leasehold interest in land and rented properties	**545**	94
Staff costs:		
Directors' remuneration *(note 14)*	**5,240**	6,587
Other staff salaries and allowances and benefits	**22,497**	4,410
Other staff retirement benefits scheme contributions	**2,011**	110
	29,748	11,107

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

For the year ended 31st December, 2009

	Directors' fees *HK$'000*	Salaries and other benefits *HK$'000*	Performance related incentive payment *HK$'000* *(note)*	Share-based payments *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total 2009 *HK$'000*
Name of directors						
Li Baoqi	416	504	200	207	—	1,327
Wu Jixian	780	1,758	425	249	12	3,224
Chim Kim Lun, Ricky	—	—	—	—	—	—
Cheng Kwok Hing, Andy (resigned on 2nd November, 2009)	310	—	—	—	7	317
Cheung Ka Fai (appointed on 30th October, 2009)	34	150	186	—	2	372
Lam Hoy Lee, Laurie	—	—	—	—	—	—
Wan Hon Keung	—	—	—	—	—	—
Sun Tak Keung (resigned on 18th January, 2010)	—	—	—	—	—	—
To Wing Tim, Paddy (appointed on 30th October, 2009)	—	—	—	—	—	—
Lam Po Kwai, Frankie (resigned on 12th January, 2009)	—	—	—	—	—	—
Total emoluments	1,540	2,412	811	456	21	5,240

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

Directors' emoluments *(Continued)*

For the year ended 31st December, 2008

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

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

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

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

Employees' emoluments

Of the five highest paid individuals of the Group, three (2008: four) are directors including one (2008: two) directors appointed or resigned during the year, details of whose emoluments as directors are set above. The emoluments of the remaining two (2008: one) highest paid employee, other than directors of the Company, were as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	**2,766**	755
Retirement benefit scheme contributions	**24**	12
	2,790	767

Emoluments of this remaining two (2008: one) highest paid employee were within the following bands:

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

15. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted earnings (2008: basic loss) per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Profit for the purposes of basic and diluted earnings (2008: loss for the purpose of basic loss) per share	**93,736**	(1,858,198)

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

For continuing and discontinued operations *(Continued)*

	Number of shares	
	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of shares for the purposes of basic and diluted earnings (2008: for the purpose of basic loss) per share	**5,977,926**	2,656,888

From continuing operations

The calculation of the basic and diluted earnings (2008: basic loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to owners of the Company	**93,736**	(1,858,198)
Less: (Profit) loss for the year from discontinued operations	**(24,968)**	9,485
Profit for the purposes of basic and diluted earnings (2008: loss for the purpose of basic loss) per share from continuing operations	**68,768**	(1,848,713)

The denominators used are the same as those detailed above for basic and diluted earnings (2008: basic loss) per share from continuing and discontinued operations.

From discontinued operations

The calculation of the basic and diluted earnings (2008: basic loss) per share from discontinued operations attributable to the owners of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) for the year from discontinued operations	**24,968**	(9,485)
Basic earnings (loss) per share from discontinued operations	**HK0.42 cent**	(HK0.36 cent)
Diluted earnings per share from discontinued operations	**HK0.42 cent**	N/A

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

From discontinued operations *(Continued)*

The denominators used are the same as those detailed above for basic and diluted earnings (2008: basic loss) per share from continuing and discontinued operations.

As disclosed in note 34, the convertible bonds shall be converted automatically into new shares of the Company at date of maturity. Shares that are issuable solely after the passage of time are not contingently issuable shares and are included in the calculation of basic and diluted earnings (2008: basic loss) per share.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for 2009. Diluted loss per share for the year ended 31st December, 2008 was not shown as there were no potential ordinary shares subsisted during the year presented.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Coal-related ancillary machinery	Plant and machinery	Computer equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1st January, 2008	47,337	—	246,669	12,851	108,648	7,787	—	423,292
Exchange realignment	65	90	—	16	—	9	14	194
Transfers from investment properties	20,319	—	—	—	—	—	—	20,319
Additions	—	—	—	333	190	—	1,265	1,788
Acquired on acquisition of businesses *(note 37)*	172,367	221,201	—	37,601	531	22,560	34,900	489,160
Disposals	—	—	(20,127)	—	(871)	(938)	—	(21,936)
Disposal upon disposal of subsidiaries	(6,572)	—	(193,151)	(9,056)	(79,819)	(1,995)	—	(290,593)
At 31st December, 2008	233,516	221,291	33,391	41,745	28,679	27,423	36,179	622,224
Additions	—	316	—	3	207	306	24,143	24,975
Disposals	(3,521)	—	—	—	(4)	—	—	(3,525)
Disposal upon disposal of subsidiaries	(12,405)	—	(33,391)	(3,813)	(28,175)	(4,854)	—	(82,638)
At 31st December, 2009	217,590	221,607	—	37,935	707	22,875	60,322	561,036
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2008	18,609	—	225,770	10,955	98,044	4,946	—	358,324
Provided for the year	2,499	4,447	4,680	1,708	2,810	1,432	—	17,576
Eliminated on disposals	—	—	(15,005)	—	(651)	(796)	—	(16,452)
Eliminated on disposal of subsidiaries	(3,661)	—	(182,054)	(8,103)	(74,239)	(1,785)	—	(269,842)
At 31st December, 2008	17,447	4,447	33,391	4,560	25,964	3,797	—	89,606
Provided for the year	7,051	22,811	—	6,689	604	5,075	—	42,230
Eliminated on disposals	(41)	—	—	—	(3)	—	—	(44)
Eliminated on disposal of subsidiaries	(2,161)	—	(33,391)	(3,378)	(26,228)	(3,231)	—	(68,389)
At 31st December, 2009	22,296	27,258	—	7,871	337	5,641	—	63,403
CARRYING VALUES								
At 31st December, 2009	195,294	194,349	—	30,064	370	17,234	60,322	497,633
At 31st December, 2008	216,069	216,844	—	37,185	2,715	23,626	36,179	532,618

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

The items of property, plant and equipment are depreciated using the straight-line method at the following rates per annum:

Buildings	Over the shorter of the term of the lease of the land and 50 years
Coal-related ancillary machinery	12.5%
Others	20%

The carrying value of properties shown above comprises:

	2009	2008
	HK$'000	*HK$'000*
Properties situated on leasehold interest in land:		
— In Hong Kong under long lease	**28,811**	35,515
— Outside Hong Kong under medium-term lease	**166,483**	180,554
	195,294	216,069

At 31st December, 2009, the Group pledged buildings having a carrying value of approximately HK$28,811,000 (2008: HK$32,542,000) to secure general banking facilities granted to the Group.

17. PREPAID LEASE PAYMENTS

	2009	2008
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold interest in land:		
In Hong Kong under long lease	**49,764**	74,404
Outside Hong Kong under medium-term lease	**2,019**	6,441
	51,783	80,845
Analysed for reporting purposes as:		
Current asset	**488**	730
Non-current asset	**51,295**	80,115
	51,783	80,845

17. PREPAID LEASE PAYMENTS *(Continued)*

At 31st December, 2009, the Group pledged prepaid lease payments having a carrying value of approximately HK$49,764,000 (2008: HK$73,077,000) to secure general banking facilities granted to the Group.

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2008	—
Acquired on acquisition of businesses *(note 37)*	60,552
Transfer to property, plant and equipment on 1st October, 2008	(20,319)
Loss on fair value change recognised in profit or loss	(13,575)
At 31st December, 2008	26,658
Gain on fair value change recognised in profit or loss	10,342
At 31st December, 2009	37,000

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

The fair values of the investment properties at 1st October, 2008 and 31st December, 2008 had been arrived at on the basis of a valuation carried out on these dates by Norton Appraisals Limited. The fair value of the investment properties at 31st December, 2009 had been arrived at on the basis of a valuation carried out by B.I. Appraisals Limited. Both valuers are independent qualified professional valuers not connected with the Group and are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to comparable market transactions for similar properties in the same locations and conditions.

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

At 31st December, 2009, the Group's investment properties with a carrying value of HK$37,000,000 (2008: hk$26,658,000) were pledged to secure general banking facilities granted to the Group.

19. GOODWILL

	HK$'000
COST AND CARRYING VALUES	
At 1st January, 2008	—
Acquisition of businesses *(note 37)*	2,269,645
Impairment loss recognised in the year	(1,870,383)
At 31st December, 2008 and 2009	399,262

Particulars regarding impairment testing on goodwill are disclosed in note 21.

20. OTHER INTANGIBLE ASSET

Export agency

	HK$'000
COST	
At 1st January, 2008	—
Acquisition of businesses *(note 37)*	870,192
At 31st December, 2008 and 2009	870,192
AMORTISATION	
At 1st January, 2008	—
Charge for the year	27,194
At 31st December, 2008	27,194
Charge for the year	43,512
At 31st December, 2009	70,706
CARRYING VALUE	
At 31st December, 2009	799,486
At 31st December, 2008	842,998

20. OTHER INTANGIBLE ASSET *(Continued)*

Export agency *(Continued)*

The export agency intangible asset relates to export agency agreement entered into between a PRC coke supplier, which is the minority shareholder of 金岩和嘉, and a subsidiary of the Company incorporated in Hong Kong, which entitled the Group to have an exclusive right to handle the export business of coke from the supplier. The agreement is effective for 3 years from the agreement date of 1st January, 2007, and will continue to be effective if there is no change related to the contractual parties. The directors of the Company are of the opinion that the coke supplier would be able to obtain the export quota from the relevant PRC government authority for a period of not less than 20 years and has the ability to utilise the export quota, and that the subsidiary of the Company will continue to handle the export business of coke from the coke supplier for the 20-year duration. Taking into consideration of market and competitive information, the management of the Group estimated that the useful life of the intangible asset is 20 years, being the operating period of the coke supplier and the period over which the Group's entitlement to handle export sales of the coke supplier is expected to generate net cash flows for the Group. The discounted cash flow method, with cash flows projections covering 20 years, being the estimated period of the export agency agreement with the sole supplier, and a discount rate of 13.4%, had been used to estimate the fair value of the intangible asset at date of acquisition. The export agency intangible asset is amortised on a straight-line method over the estimated useful life of 20 years.

Particulars regarding impairment testing on other intangible asset are disclosed in note 21.

21. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSET

For the purpose of impairment testing, goodwill and other intangible asset have been allocated to two individual CGUs, including one subsidiary in trading-coke segment and one subsidiary in coal-related business. The carrying amounts of goodwill and the export agency intangible asset as at 31st December, 2008 and 2009 allocated to these units are as follows:

	Goodwill		**Export agency**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Huscoke International Group Limited (trading-coke segment)	**10,718**	10,718	**799,486**	842,998	**810,204**	853,716
金岩和嘉 (coal-related business segment)	**388,544**	388,544	**—**	—	**388,544**	388,544
	399,262	399,262	**799,486**	842,998	**1,198,748**	1,242,260

21. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSET *(Continued)*

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

The goodwill arising from the acquisition of Pride Eagle Investment Limited and its subsidiaries ("Pride Eagle Group") and Joy Wisdom International Limited and its subsidiaries ("Joy Wisdom Group") amounted to HK$1,085,213,000 and HK$1,184,432,000 respectively, representing the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of Pride Eagle Group and Joy Wisdom Group. As part of the consideration of the acquisitions, Tranche 1 Bonds and Tranche 2 Bonds (as defined in note 34) were issued. In accordance with HKFRS 3 "Business combinations" issued by the HKICPA, the cost of the acquisitions were determined based on the fair values of Tranche 1 Bonds and Tranche 2 Bonds at the acquisition dates. The fair values of these bonds were determined by reference to the market value of the ordinary shares of the Company at the dates of the acquisitions of Pride Eagle Group and Joy Wisdom Group. With the unexpected increase in the market value of the ordinary shares of the Company between the date of Agreement (as defined in note 31) and the date of completion of the acquisitions, the goodwill arising from the acquisitions was greater than what was expected by the management of the Group when the Agreement was entered into, representing the anticipated profitability of the business. The Group therefore recognised the excess of the carrying amounts of the CGUs (including goodwill) over the recoverable amounts of the CGUs, which were arrived at based on value in use calculations as detailed below, as impairment loss on goodwill.

During the year ended 31st December, 2009, the directors assess the impairment of goodwill and export agency intangible asset based on value in use calculation. In the directors' opinion, there is no impairment on goodwill and export agency intangible asset as at 31st December, 2009. Details of the value in use calculations are as follows:

Huscoke International Group Limited

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

21. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSET *(Continued)*

The Group prepares cash flows forecasts derived from the most recent financial budgets approved by management for the next 5 years, and extrapolates cash flows beyond the 5 years based on a steady growth rate of 5% (2008: 5%). The financial budgets and growth rates are estimated with reference to the development curve of the industry. The rate used to discount the forecast cash flows for CGU is 15.40% (2008: 14.65%).

The financial budgets for the next 5 years have been prepared and approved by management based on the following major assumptions:

(1) The management expected a resumption of global demand for coke exported from PRC by considering coke is an essential component in steel production. The economic tsunami in late 2008 led to a reduction in the production scale of foreign steel mills. During the year ended 31st December, 2009, there was no revenue generated by this CGU. The management considered the situation in 2009 was exceptional, and expected partial resumption of the PRC coke export market during the year ending 31st December, 2010 and full resumption in the subsequent years;

(2) The management expected an increase in sales volume of coke export with the increase on the export quota obtained by the coke supplier from the relevant PRC government authority for export in the year 2009; and

(3) The selling price of export coke, including the coke export tariff rate of 40%, is made with reference with the latest export price disclosed by the relevant PRC government authority at 31st December, 2009.

金岩和嘉

The recoverable amount of this CGU, representing the operating division of coal-related ancillary business, has been determined on the basis of a value in use calculation of this CGU. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts estimated by the management. The Group prepares cash flows forecasts derived from the most recent financial budgets approved by the management for the next 5 years, which is the general development period for the related business and extrapolates cash flows beyond the 5 years based on a steady growth rate of 5% (2008: 5%). The rate used to discount the forecast cash flows for CGU is 15.40% (2008: 14.65%).

22. AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
	HK$'000	*HK$'000*
Club debentures, at fair value	**2,568**	3,448

23. RETIREMENT BENEFIT SCHEME

Defined contribution scheme

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

The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on 4% to 8% of the monthly salaries of their current employees to fund the schemes. The employees are entitled to retirement benefits calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the retirement benefits to these retired staff. Therefore, the obligation of the Group is the contributions paid or payable to the state retirement schemes.

The total cost charged to profit or loss of HK$2,361,000 (2008: HK$700,000) represents contributions paid and payable to these schemes by the Group at rates specified in the rules of the schemes.

Defined benefit scheme

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

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

At 31st December, 2008, the fair value of the scheme's assets is HK$3,825,000. During the year ended 31st December, 2008, the Company recognised the loss on fair value change of the excess of the scheme's assets over defined benefit scheme's obligations of HK$252,000 in profit or loss.

Upon disposal of Frankie Group on 12th October, 2009, the Group did not operate the defined benefit scheme.

24. INVENTORIES

	2009	2008
	HK$'000	HK$'000
Raw materials	59,571	68,725
Finished goods	—	142
	59,571	68,867

25. DEBTORS, BILLS RECEIVABLE AND PREPAYMENTS

	2009	2008
	HK$'000	HK$'000
Trade debtors and bills receivable	26,170	76,015
Less: Allowances for bad and doubtful debts	—	(2,600)
	26,170	73,415
Other debtors and prepayments	12,519	3,108
Advance payments to minority shareholder of a subsidiary for purchases	387,297	465,000
Advance payments to suppliers	162,871	24,377
Amounts due from related companies	—	21
	588,857	565,921

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

	2009	2008
	HK$'000	HK$'000
0-60 days	10,034	51,740
61-90 days	8,523	4,857
> 90 days	7,613	16,818
	26,170	73,415

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

At 31st December, 2008, trade debtors and bills receivable of approximately HK$27,575,000 and HK$1,297,000 were denominated in US$ and RMB respectively, the currencies other than the functional currency of the respective group entities. There were no trade debtors and bills receivable denominated in foreign currencies at 31st December, 2009.

During the year ended 31st December, 2008, the Group discounted bills receivable of HK$3,484,000 to banks. As part of the transfer, the Group provided the transferees with a credit guarantee over the expected losses of those receivables. Accordingly, the Group continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured other bank loans (see note 32). There were no bills receivable discounted to banks at 31st December, 2009.

The Group allows a credit period of 120 days (2008: 90 days) to its customers. At 31st December, 2008, trade debtors of approximately HK$16,818,000 were past due but not provided for impairment loss as there had not been a significant change in credit quality. The Group did not hold any collateral over the aforesaid trade debtors. The average age of these debtors was 154 days. At 31st December, 2009, there was no trade debtor has been past due but not provided for impairment loss.

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

Advance payments are requested by the coke supplier, who is also the minority shareholder of a subsidiary, for purchase of coke for trading. The balances are unsecured, non-interest bearing and to be settled with future purchases. For the year ended 31st December, 2009, there was no purchase of coke from the coke supplier. The coke supplier refunded the advance payments to the Group partially as requested by the Group. In the opinion of the directors, the balances at 31st December, 2009 will be settled with future purchases from the coke supplier, or upon requests by the Group within one year, whichever is earlier.

Advance payments are requested by the suppliers of raw materials for coal-related business. The balances are unsecured, non-interest bearing and to be settled with future purchases. The balances are substantially settled with purchases after the report period.

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

Movement in the allowance for bad doubtful debts

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	**2,600**	—
Allowance for bad and doubtful debts for trade debtors	**—**	2,600
Written off against trade debtors	**(2,600)**	—
Balance at end of the year	**—**	2,600

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

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

26. AMOUNT DUE FROM AND TO MINORITY SHAREHOLDER OF A SUBSIDIARY

The balances due are trading in nature and are unsecured, non-interest bearing and repayable within the credit term. The credit period is 120 days (2008: 90 days) and the balances are aged within the credit period.

At the end of the reporting period, no amount due from minority shareholder was past due for which the Group had not provided for impairment loss. The amount due from it was substantially settled within the credit period after the report period.

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

27. INVESTMENTS HELD FOR TRADING

	2009 HK$'000	2008 HK$'000
Mutual funds	**3,334**	3,243

At 31st December, 2008 and 2009, the portfolio of mutual funds held by the Group includes equity securities listed in Hong Kong. The amount is denominated in US$, the currency other than the functional currency of respective group entity.

28. BANK DEPOSITS AND BANK BALANCES

Short term bank deposits and bank balances included short-term deposits with an original maturity of three months or less. Bank deposits received interest at prevailing market interest rate ranged from 0.01% to 2.1% (2008: 0.05% to 6.87%) per annum.

Bank balances and cash and short-term bank deposits of approximately HK$6,995,000 (2008: HK$51,730,000) and nil (2008: HK$900,000) were denominated in US$ and RMB respectively, the currencies other than the functional currency of the respective group entities.

At 31st December, 2008 the Group's bank deposit of approximately HK$936,000 had been pledged to secure banking facilities granted to a subsidiary. The pledged bank deposit carried fixed interest rate of 1.35% per annum. There was no pledged deposit at 31st December, 2009.

29. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	2009	2008
	HK$'000	*HK$'000*
Trade creditors	**123,579**	114,417
Bills payable	**—**	1,141
Other creditors and accrued charges	**33,149**	24,093
Advance received from a customer	**69,804**	77,500
Other taxes payable in PRC	**52,773**	31,138
Amount due to a related company	**—**	481
	279,305	248,770

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

	2009	2008
	HK$'000	*HK$'000*
0-60 days	**87,519**	75,622
61-90 days	**27,174**	5,222
> 90 days	**8,886**	34,714
	123,579	115,558

29. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES *(Continued)*

At 31st December, 2008, trade creditors and bills payable of approximately HK$11,502,000 and HK$4,580,000 were denominated in US$ and RMB respectively, the currencies other than the functional currency of the respective group entities. There were no trade creditors and bills payable denominated in foreign currencies at 31st December, 2009.

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

30. AMOUNT DUE TO A DIRECTOR

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

31. PROMISSORY NOTES

	2009
	HK$'000
Balance at 1st January, 2008	—
Issued upon acquisition of businesses at fair value *(note 37)*	**190,476**
Imputed interest expense	**2,843**
Repayment during the year	**(100,000)**
Loss on early redemption	**2,713**
Balance at 31st December, 2008	**96,032**
Imputed interest expense	**3,968**
Repayment during the year	**(85,000)**
Balance at 31st December, 2009	**15,000**

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

The fair values of the notes at the dates of acquisition, determined based on the present value of the promissory notes, are arrived at based on the maturity period of 12 months and an effective interest rate of 5% per annum.

32. BANK BORROWINGS

	2009	2008
	HK$'000	*HK$'000*
Bank borrowings comprise the following:		
Export loans	**333,250**	387,500
Mortgage loans	**43,200**	55,994
Other bank loans	**—**	3,484
	376,450	446,978
Secured	**376,450**	443,494
Unsecured	**—**	3,484
	376,450	446,978
Carrying amount repayable:		
On demand or within one year	**338,650**	397,460
More than one year, but not exceeding two years	**5,400**	6,509
More than two years but not more than five years	**16,200**	19,733
More than five years	**16,200**	23,276
	376,450	446,978
Less: Amounts due within one year shown under current liabilities	**(338,650)**	(397,460)
	37,800	49,518

Export loans represent the loans obtained by the Group to make advance payments to a minority shareholder of a subsidiary for purchases as set out in note 25. At 31st December, 2009, the export loans will be settled within one year, or by receipts from future export sales of coke, whichever is earlier (2008: the export loans would be settled by receipts from future export sales of coke).

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

Bank borrowings of approximately HK$333,250,000 (2008: HK$390,983,000) were denominated in US$, the currency other than the functional currency of the respective group entities.

The above borrowings bear interests at floating rates, and thus expose to cash flow interest rate risk. The average effective interest rate is approximately 2.34% (2008: 3.62%) per annum.

33. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each		Nominal value	
	2009	2008	**2009**	2008
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
At beginning of the year	**20,000,000**	1,000,000	**2,000,000**	100,000
Increase on 7th April, 2008 *(note a)*	**—**	9,000,000	**—**	900,000
Increase on 23rd July, 2008 *(note b)*	**—**	10,000,000	**—**	1,000,000
At end of the year	**20,000,000**	20,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
At beginning of the year	**1,812,926**	477,926	**181,293**	47,793
Conversion of convertible bonds *(note 34)*	**1,552,500**	1,335,000	**155,250**	133,500
At end of the year	**3,365,426**	1,812,926	**336,543**	181,293

Notes:

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

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

34. CONVERTIBLE BONDS

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

The convertible bonds do not bear any interest and are freely transferable, provided that where the convertible bonds are intended to be transferred to a connected person (as defined in the Listing Rules) of the Group (other than the associates of the bondholder) such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange, if any.

34. CONVERTIBLE BONDS *(Continued)*

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

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

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

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

	Carrying amount	**Principal amount**
	HK$'000	*HK$'000*
At 1st January, 2008	—	—
Issued during the year, upon the acquisitions of businesses *(note 37)*	3,382,500	2,200,000
Converted during the year	(881,100)	(534,000)
At 31st December, 2008	2,501,400	1,666,000
Converted during the year	(1,006,650)	(621,000)
At 31st December, 2009	1,494,750	1,045,000

34. CONVERTIBLE BONDS *(Continued)*

At the time when the convertible bonds are converted into ordinary shares of the Company, the nominal value of share capital issued upon conversion will be transferred from the convertible bonds reserve to the share capital account while the difference between the fair value of the convertible bonds at their issuance dates and the nominal value of share capital issued will be transferred from the convertible bonds reserve to the contributed surplus account. During the year, convertible bonds with aggregate carrying value of HK$1,006,650,000 (2008: HK$881,100,000) were converted into 1,552,500,000 (2008: 1,335,000,000) number of the Company's shares. Accordingly, HK$155,250,000 (2008: HK$133,500,000) was transferred to share capital account while HK$851,400,000 (2008: HK$747,600,000) was transferred to contributed surplus account. If the remaining convertible bonds with an aggregate carrying value of HK$1,494,750,000 (2008: HK$2,501,400,000) are fully converted into ordinary shares of the Company subsequently, HK$261,500,000 (2008: HK$416,500,000) will be transferred to the share capital account while the remaining HK$1,233,250,000 (2008: HK$2,084,900,000) will be transferred to the contributed surplus account.

35. SHARE OPTION SCHEME

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

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

Details of options are as follows:

Date of grant	Exercised period	Exercise price
27th February, 2009	27th February, 2009 to 26th February, 2014	HK$0.50

35. SHARE OPTION SCHEME *(Continued)*

The following table discloses movements of the Company's share options held by executive directors and employees during the year:

Executive directors

Outstanding at 1.1.2008 and 2009	Granted during year	Outstanding at 31.12.2009
—	3,300,000	3,300,000

Employees

Outstanding at 1.1.2008 and 2009	Granted during year	Outstanding at 31.12.2009
—	2,200,000	2,200,000

Total exercisable share options at the end of the year	5,500,000

During the year ended 31st December, 2009, options were granted on 27th February, 2009. The estimated fair value of the option granted is HK$0.1381 per option, amounting to approximately HK$760,000 in aggregate.

The fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2009
Weighted average share price	HK$0.48
Exercise price	HK$0.50
Expected volatility	44.36%
Expected life	2.5 years
Risk-free rate	0.92%
Expected dividend yield	Nil

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK$760,000 for the year ended 31st December, 2009 in relation to share options granted by the Company.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

36. DEFERRED TAXATION

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

	Accelerated tax depreciation	Tax losses	Fair value of investment properties	Fair value adjustments on business combination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2008	2,302	—	—	—	2,302
Acquisition of businesses *(note 37)*	4,152	(231)	2,219	143,582	149,722
Credit to profit or loss	(982)	(211)	(2,325)	(4,487)	(8,005)
Effect of change in tax rate	(132)	—	—	—	(132)
At 31st December, 2008	5,340	(442)	(106)	139,095	143,887
Charge (credit) to profit or loss	1,665	308	1,706	(7,179)	(3,500)
Disposal of subsidiaries *(note 38)*	(943)	—	—	—	(943)
At 31st December, 2009	6,062	(134)	1,600	131,916	139,444

Starting from 1st January, 2008, the tax law of the PRC requires withholding tax upon the distribution of undistributed retained profits earned by the PRC subsidiaries to the foreign shareholders. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits amounting to approximately HK$187,315,000 (2008: HK$52,298,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group had estimated unused tax losses of approximately HK$10,801,000 (2008: HK$16,222,000) available for offset against future profits. At 31st December, 2009, a deferred tax asset had been recognised in respect of approximately HK$813,000 (2008: HK$2,675,000), no deferred tax asset has been recognised in respect of the remaining HK$9,988,000 (2008: HK$13,547,000) due to the uncertainty of future profit streams. The losses may be carried forward indefinitely.

37. ACQUISITION OF BUSINESSES

(i) Acquisition of Pride Eagle Group

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

The net assets acquired in this acquisition are as follows:

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

37. ACQUISITION OF BUSINESSES *(Continued)*

(i) Acquisition of Pride Eagle Group *(Continued)*

Pride Eagle Group principally engages in the trading of PRC produced coke for export and property investment. The goodwill arising on the acquisition of Pride Eagle Group is attributable to the anticipated profitability of the trading of coke business and the unexpected increase in market value of the ordinary shares of the Company between the date of Agreement and the date of completion of the acquisition. An impairment loss on goodwill of approximately HK$1,074,495,000 was recognised for the year ended 31st December, 2008 as set out in note 21.

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

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

(ii) Acquisition of Joy Wisdom Group

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

37. ACQUISITION OF BUSINESSES *(Continued)*

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

The net assets acquired in the transaction are as follows:

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

37. ACQUISITION OF BUSINESSES *(Continued)*

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

Joy Wisdom International Limited is an investment holding company which in turn holds 90% of the registered capital of 金岩和嘉. 金岩和嘉 principally engages in the coal-related ancillary businesses which include the businesses of coal washing service, electric power generation, transport services in respect of coal and other ancillary materials and generation of heat. The goodwill arising on the acquisition of Joy Wisdom Group is attributable to the anticipated profitability of its businesses and the unexpected increase in market value of the ordinary shares of the Company between the date of Agreement and the date of completion of the acquisition. An impairment loss on goodwill of approximately HK$795,888,000 was recognised for the year ended 31st December, 2008 as set out in note 21.

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

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

Note: The determination of the fair value of the promissory notes and convertible bonds are set out in notes 31 and 34 respectively.

38. DISPOSAL OF SUBSIDIARIES

(i) As disclosed in note 12(i), the Group disposed of Frankie Group on 12th October, 2009. The net assets of Frankie Group at the date of the disposal were as follows:

	HK$'000
Property, plant and equipment	14,249
Prepaid lease payments	5,531
Retirement benefit scheme's assets	3,825
Available-for-sale investment	880
Inventories	12,946
Debtors, bills receivable and prepayments	57,779
Bank balances and cash	19,204
Creditors, bills payable and accrued charges	(72,527)
Deferred taxation	(943)
	40,944
Gain on disposal of subsidiaries	19,056
Total consideration settled by cash	60,000
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	60,000
Bank balances and cash disposed of	(19,204)
	40,796

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

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

(ii) As disclosed in note 12(ii), the Group disposed of Bigfield Group on 31st October, 2008. The net assets of Bigfield Group at the date of disposal were as follows:

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

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

39. PLEDGE OF ASSETS

At 31st December, 2009, the Group pledged certain buildings, prepaid lease payments and investment properties which have an aggregate carrying value of approximately HK$28,811,000 (2008: HK$32,542,000), HK$49,764,000 (2008: HK$73,077,000) and HK$37,000,000 (2008: HK$26,658,000) respectively and the benefits of the leases and tenancies of the investment properties to secure general banking facilities granted to the Group.

At 31st December, 2008, the Group also pledged bank deposit of approximately HK$936,000 to secure general banking facilities granted to a subsidiary. There was no pledged deposit at 31st December, 2009.

40. CAPITAL COMMITMENTS

	2009	2008
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**3,130**	66

At 31st December, 2009, the Group had entered into a conditional sale and purchase agreement on 10th December, 2009 for acquisition of coke processing assets from Xiaoyi City Golden Rock Electricity Coal Chemical Company Limited, a minority shareholder of a subsidiary, at a consideration of approximately RMB639.13 million (equivalent to approximately HK$726.28 million). The consideration shall be satisfied by the issue of promissory notes and cash.

41. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2009	2008
	HK$'000	*HK$'000*
Within one year	**545**	1,144
In the second to fifth year inclusive	**2,182**	1,918
Over 5 years	**7,455**	7,033
	10,182	10,095

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

41. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor

Property rental income earned by the Group during the year was approximately HK$1,361,000 (2008: HK$791,000). The properties held have committed tenants for lease terms of 2 years.

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

	2009	2008
	HK$'000	*HK$'000*
Within one year	**—**	151

42. RELATED PARTY TRANSACTIONS

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

	2009	2008
	HK$'000	*HK$'000*
Sales of refined coal and electricity to a minority shareholder of a subsidiary	**934,911**	210,022
Purchases of coke from a minority shareholder of a subsidiary	**—**	625,165
Reimbursement from a minority shareholder of a subsidiary	**10,535**	—
Rental expense to a related company	**—**	1,200
Management fee income from a related company	**—**	495

The related companies referred to above are companies in which certain directors of the Company have beneficial interests. During the year ended 31st December, 2008, rental expense was for the provision of quarters to certain directors of the Company and has been included in directors' emoluments.

Details of balances and transactions with related parties and minority shareholder of a subsidiary are set out in the consolidated statement of financial position and notes 25, 26, 29, 30, 31, 35 and 37(ii) to the consolidated financial statements.

42. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

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

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	**4,763**	10,649
Share-based payments	**456**	—
Retirement benefit costs	**21**	55
	5,240	10,704

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

43. EVENTS AFTER THE REPORTING PERIOD

On 22nd February, 2010, the acquisition of coke processing assets from Xiaoyi City Golden Rock Electricity Coal Chemical Company Limited as set out in note 40 was approved by the shareholders. The acquisition was not completed up to the date these consolidated financial statements are authorised for issue.

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of company	Country/ place of incorporation or registration	Principal place of operation	Nominal value of issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Group		Principal activities
				2009	2008	
Rich Key Enterprises Limited *(note i)*	British Virgin Islands	Hong Kong	Ordinary — US$1	**100%**	100%	Investment holding
Pride Eagle Investments Limited	British Virgin Islands	Hong Kong	Ordinary — US$1	**100%**	100%	Investment holding
Huscoke International Group Limited	Hong Kong	Hong Kong	Ordinary — HK$10,000	**100%**	100%	Trading of coke
Ocean Signal Limited	Hong Kong	Hong Kong	Ordinary — HK$10,000	**100%**	100%	Properties holding
Joy Wisdom International Limited	British Virgin Islands	Hong Kong	Ordinary — US$1	**100%**	100%	Investment holding
Huscoke International Investment Limited	Hong Kong	Hong Kong	Ordinary — HK$10,000	**100%**	100%	Investment holding
金岩和嘉 *(note ii)*	PRC	PRC	HK$500,000,000	**90%**	90%	Coal-related ancillary businesses- coal washing and generation of electric power and heat
Dominion Trading Ltd.	British Virgin Islands	Hong Kong	Ordinary — US$100	**100%**	100%	Investment holding, property and share investment
Frankie Dominion (B.V.I.) Company Limited *(note i)*	British Virgin Islands	Hong Kong	Ordinary — US$35,000	**100%**	100%	Investment holding
Frankie Dominion (Holdings) Limited *(note iii)*	Hong Kong	Hong Kong	Ordinary — HK$1,000 Deferred — HK$35,000,000 *(note iv)*	**—**	100%	Investment holding, property investment and design, manufacture and sale of a diversified range of consumer home products
Frankie Trading Company Limited *(note iii)*	Hong Kong	Hong Kong	Ordinary — HK$5,000,000	**—**	100%	Inactive
Home Mart Store Limited *(note iii)*	Hong Kong	Hong Kong	Ordinary — HK$5,000,000	**—**	100%	Inactive
Michel Manufactory Limited *(note iii)*	Hong Kong	Hong Kong	Ordinary — HK$10,000	**—**	100%	Inactive
嘉利興(廣州)貿易有限公司 ("嘉利興") *(note iii, v)*	PRC	PRC	HK$3,000,000	**—**	100%	Net yet commence business

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

Notes:

(i) The subsidiaries are held by the Company directly.

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

(iii) The subsidiaries were disposed of during the year ended 31st December, 2009.

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

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

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

	Year ended 31st December,				
	2005	2006	2006	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	747,483	714,731	640,635	1,371,078	**1,266,801**
(Loss) profit before taxation	(17,570)	16,059	(42,486)	(1,837,800)	**148,744**
Taxation credit (charge)	(987)	914	317	(14,988)	**(41,506)**
(Loss) profit for the year	(18,557)	16,973	(42,169)	(1,852,788)	**107,238**
Attributable to:					
Owners of the Company	(13,031)	18,912	(42,169)	(1,858,198)	**93,736**
Minority interests	(5,526)	(1,939)	—	5,410	**13,502**
	(18,557)	16,973	(42,169)	(1,852,788)	**107,238**

ASSETS AND LIABILITIES

	At 31st December,				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	424,882	394,002	280,997	2,783,528	**2,741,239**
Total liabilities	(180,312)	(171,760)	(104,235)	(1,023,285)	**(872,998)**
	244,570	222,242	176,762	1,760,243	**1,868,241**
Equity attributable to owners of the Company	203,159	222,242	176,762	1,701,365	**1,795,861**
Minority interests	41,411	—	—	58,878	**72,380**
	244,570	222,242	176,762	1,760,243	**1,868,241**

PARTICULARS OF PROPERTIES

Name/location	Lease term	Type	Gross floor area (sq.m.)	Attributable interest
Properties Held for the Group's Own Use				
HONG KONG				
Units 4203, 4205 and 4208 42nd Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long lease	C	283	100%
The People's Republic of China				
山西省孝義市經濟開發區金岩路1號	Medium term lease	C & I	29,148	90%
廣東省東莞市長安鎮大板地工業區1號	Medium term lease	C & 1	9,000	100%
Properties Held for Investment				
HONG KONG				
Units 4206 42nd Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long lease	C	126	100%

C Commercial
I Industrial