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If you have sold or transferred all your shares in Frankie Dominion International Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or registered institution or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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FRANKIE DOMINION INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 704)

**(i) VERY SUBSTANTIAL ACQUISITION
AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF COAL PROCESSING ASSETS
INVOLVING ISSUE OF CONVERTIBLE BONDS;
(ii) CONTINUING CONNECTED TRANSACTIONS;
(iii) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(iv) PROPOSED CHANGE OF COMPANY NAME;
AND
(v) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and Independent Shareholders**



Hantec Capital Limited

A notice convening the special general meeting to be held at the Board Room, 1st Floor, The Aberdeen Marine Club, 8 Shum Wan Road, Aberdeen, Hong Kong at 10:30 a.m. on Wednesday, 23 July 2008 (or any adjournment thereof) is set out on pages SGM-1 to SGM-5 of this circular. Form of proxy for use in the special general meeting is enclosed. Whether or not you propose to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the special general meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting thereof, should you so desire.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Debts by the Company under the Sale and Purchase Agreement
“Acquisition Price”	the aggregate consideration of initially HK\$2,400 million (subject to adjustment) for the Acquisition
“Announcement”	the announcement of the Company dated 13 May 2008 in relation to the Acquisition
“Associate(s)”	has the meaning given to that term in the Listing Rules
“Audited Accounts”	in respect of any particular financial year or years, the audited consolidated profit and loss accounts of the Target Group for the year ending the relevant financial year or years and the audited consolidated balance sheet of the Group as at the closing date of relevant financial year or years, together with all notes thereto, in the agreed form, which profit and loss accounts and balance sheet shall be prepared in accordance with the accounting principles generally accepted in Hong Kong at such time and audited in accordance with the auditing standards and guidelines issued from time to time by the Hong Kong Institute of Certified Public Accountants
“Board”	board of the Directors
“Business Day”	a day (other than Saturday and Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Coal-related Ancillary Businesses”	businesses of coal washing service, electric power generation, transport services in respect of coal and other ancillary materials and generation of heat to be owned by the Group upon the completion of the Second Previous Acquisition
“Coal Master Supply Agreement”	the conditional agreement dated 21 April 2008 and entered into between Joy Wisdom and the Target Company in relation to the supply of watered or processed coal by Joy Wisdom (and/or its subsidiaries) to the Target Company (and/or its subsidiaries)

DEFINITIONS

“Coal Processing Assets”	plant and machineries to be acquired by the PRC Subsidiaries pursuant to the Preliminary Reorganisation Agreement
“Coal Processing Business”	businesses of coal chemical-processing and other ancillary services to be carried out by the PRC Subsidiaries after the acquisition of the Coal Processing Assets
“Coal Transactions”	the sale and purchase of watered or processed coal pursuant to the Coal Master Supply Agreement
“Coke Master Supply Agreement”	the conditional agreement dated 21 April 2008 and entered into between Pride Eagle and the Target Company in relation to the supply of coke by the Target Company (and/or its subsidiaries) to Pride Eagle (and/or its subsidiaries)
“Coke Transactions”	the sale and purchase of coke pursuant to the Coke Master Supply Agreement
“Company”	Frankie Dominion International Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	the completion of the Acquisition
“Completion Accounts”	the profit and loss account for the period commencing from 1 January 2008 and ending on the Completion Date and the consolidated balance sheet of the Target Group as at the Completion Date, which are to be prepared in accordance with the accounting principles generally adopted in Hong Kong at such time
“Completion Date”	being the third Business Day after the fulfillment (or waiver) of the closing conditions as to the Completion or such other date as the parties shall agree in writing under the Sale and Purchase Agreement
“connected person(s)”	has the meaning given to that term in the Listing Rules
“Conversion Period”	the period commencing from the Completion Date and expiring on the 5th anniversary of such date of commencement up to 4:00 p.m. (Hong Kong time)
“Conversion Price”	the initial conversion price of HK\$0.63 per Conversion Share, subject to adjustments pursuant to the terms of the New Convertible Bonds

DEFINITIONS

“Conversion Shares”	the Shares to be allotted and issued upon the exercise of the conversion rights in respect of the New Convertible Bonds
“Directors”	directors of the Company
“Enlarged Group”	the Group as enlarged by the Acquisition
“Existing Convertible Bonds”	the Tranche 1 Bonds and the Tranche 2 Bonds
“First Previous Acquisition”	the acquisition of the entire issued share capital in, and certain shareholders loan to Pride Eagle by the Purchaser from the Vendor pursuant to the Previous Acquisition Agreement
“Grand Cathay”	Grand Cathay Securities (Hong Kong) Limited, a licensed corporation permitted to engage in type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and the SFO
“Group”	the Company and its subsidiaries
“Hantec”	Hantec Capital Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, and the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Acquisition and the Transactions
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Subsidiary”	Huscoke Coal Chemical Group Limited (和嘉煤化工集團有限公司), a company incorporated in Hong Kong with limited liability on 15 April 2008
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huscoke Group”	Huscoke International and its subsidiaries
“Huscoke International”	Huscoke International Group Limited, a company incorporated in Hong Kong with limited liability which is a wholly-owned subsidiary of the Company after completion of the First Previous Acquisition on 16 May 2008

DEFINITIONS

“Huscoke Investment”	Huscoke International Investment Limited, a company incorporated in Hong Kong with limited liability which is currently beneficially owned by the Vendor through Joy Wisdom and which will become a wholly-owned subsidiary of the Company upon the completion of the Second Previous Acquisition
“Independent Board Committee”	the independent board committee of the Company constituted by all the independent non-executive Directors to advise the Independent Shareholders on the Master Supply Agreements, the Transactions, the Sale and Purchase Agreement and the Acquisition
“Independent Shareholders”	Shareholders other than the Vendor and his Associates
“Independent Third Party (Parties)”	the third party (parties) independent of the Company and connected persons of the Company
“Joy Wisdom”	Joy Wisdom International Limited, a company incorporated in the British Virgin Islands with limited liability which is currently beneficially owned by the Vendor and will become a wholly-owned subsidiary of the Company upon the completion of the Second Previous Acquisition
“Last Trading Day”	21 April 2008, being the trading day immediately prior to the date on which the Shares were suspended from trading on the Stock Exchange pending the release of the Announcement
“Latest Practicable Date”	27 June 2008, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	5:00 p.m. on 31 October 2008 or such later date as the Vendor and the Purchaser may agree in writing
“Master Supply Agreements”	the Coal Master Supply Agreement and the Coke Master Supply Agreement
“New Convertible Bonds”	the convertible bonds in the principal amount of HK\$2,400 million to be issued by the Company in favour of the Vendor at the Completion pursuant to the Sale and Purchase Agreement

DEFINITIONS

“PRC Operation Licence(s)”	the licence(s) held by (or pending registration to be held by) the PRC Subsidiaries in connection with the Coal Processing Business
“PRC Subsidiaries”	such company or companies to be established in the PRC and owned (as to 91% immediately before the Completion) by the HK Subsidiary for taking up the Coal Processing Assets
“Preliminary Reorganisation Agreement”	an agreement dated 21 April 2008 and made between the Vendor and the Hong Kong Subsidiary in relation to the acquisition of the Coal Processing Assets
“Previous Acquisitions”	the First Previous Acquisition and the Second Previous Acquisition
“Previous Acquisition Agreement”	an agreement dated 11 January 2008 and made among the Vendor, the Purchaser and the Company in relation to the First Previous Acquisition and the Second Previous Acquisition as announced by the Company on 24 January 2008
“Pride Eagle”	Pride Eagle Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is a wholly-owned subsidiary of the Company upon completion of the First Previous Acquisition on 16 May 2008
“Purchaser”	Rich Key Enterprises Limited, a wholly-owned subsidiary of the Company
“Reorganisation”	the reorganisation has been or will be carried out in accordance with the Preliminary Reorganisation Agreement as detailed in the paragraph headed “Information on the Target Group” of this circular
“RMB”	Renminbi, the lawful currency of PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 21 April 2008 entered into between the Company, the Vendor and the Purchaser in relation to the Acquisition
“Sale Debts”	being the face value of the loans outstanding as at the Completion made by or on behalf of the Vendor to the Target Company
“Sale Shares”	being such number of share as shall represent the entire issued share capital in the Target Company immediately before the Completion

DEFINITIONS

“Second Previous Acquisition”	the acquisition of the entire issued share capital in, and certain shareholders loan to, Joy Wisdom, by the Purchaser from the Vendor pursuant to the Previous Acquisition Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting to be convened and held by the Company for considering, and if thought fit, approving, among other things, (i) the Sale and Purchase Agreement, the Master Supply Agreements and all transactions contemplated thereunder; (ii) the proposed increase the authorised share capital of the Company; and (iii) the proposed change of the Company name and adoption of the secondary name
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder Loans”	the interest-free loans owing from time to time by members of the Target Group to the Vendor and his Associates
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Oden Group Limited, a company incorporated in British Virgin Islands with limited liability
“Target Group”	the Target Company, the HK Subsidiary and the PRC Subsidiaries
“Tranche 1 Bonds”	the convertible bonds in principal amount of HK\$1,100 million issued by the Company on 16 May 2008 in favour of the Vendor pursuant to the terms of the Previous Acquisition Agreement
“Tranche 2 Bonds”	the convertible bonds in principal amount of HK\$1,100 million to be issued by the Company in favour of the Vendor pursuant to the terms of the Previous Acquisition Agreement
“Transactions”	the Coal Transactions and the Coke Transactions
“Vendor”	Mr. Wu Jixian, a Director and a director of certain subsidiaries of the Company subsequent to the completion of the First Previous Acquisition on 16 May 2008
“%”	per cent.

For illustrative purpose, the conversion rate between HK\$ and RMB is at HK\$1.00 = RMB0.93 as at 31 December 2007.

LETTER FROM THE BOARD



FRANKIE DOMINION INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 704)

Executive Directors:

Mr. Lam Po Kwai, Frankie (Chairman)
Mr. Chim Kim Lun, Ricky
Mr. Cheng Kwok Hing, Andy
Mr. Wu Jixian
Mr. Li Baoqi

Non-Executive Director:

Ms. Lee Yuen Bing, Nina

Independent Non-executive Directors:

Mr. Lee Johnson
Mr. Wan Hon Keung
Mr. Sun Tak Keung

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Office in Hong Kong:

Room 4205
Far East Finance Center
16 Harcourt Road
Admiralty
Hong Kong

30 June 2008

To the Shareholders

Dear Sir/Madam,

**(i) VERY SUBSTANTIAL ACQUISITION
AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF COAL PROCESSING ASSETS
INVOLVING ISSUE OF CONVERTIBLE BONDS;
(ii) CONTINUING CONNECTED TRANSACTIONS;
(iii) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(iv) PROPOSED CHANGE OF COMPANY NAME;
AND
(v) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 13 May 2008, the Company announced (i) a very substantial acquisition and connected transaction in relation to the acquisition of Coal Processing Assets involving issue of convertible bonds; (ii) the continuing connected transactions in relation to the Transactions; (iii) the proposed increase in authorised share capital; and (iv) the proposed change of name of the Company.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, amongst other things, further details of (i) the Acquisition; (ii) the Transactions; (iii) the proposed increase in authorised share capital; (iv) the proposed change of the company name; (v) the recommendation of the Independent Board Committee regarding the Acquisition and the Transactions to the Independent Shareholders; (vi) a letter from an independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition and the Transactions; and (vii) a notice of the SGM.

THE SALE AND PURCHASE AGREEMENT

Date: 21 April 2008

Parties:

Purchaser : Rich Key Enterprises Limited, a wholly-owned subsidiary of the Company

Purchaser's warrantor : The Company, which jointly and severally with the Purchaser, gives certain representations, warrants and undertaking in favour of the Vendor

Vendor : Wu Jixian

Given the Vendor is a Director and a director of certain subsidiaries of the Company, the Vendor is a connected person of the Company under the Listing Rules. The Vendor holds the Tranche 1 Bonds in principal amount of HK\$1,015 million as at the Latest Practicable Date. Upon the completion of the Second Previous Acquisition, the Vendor will hold an aggregate of HK\$2,115 million of the Existing Convertible Bond (assuming no transfer and/or conversion of the Existing Convertible Bonds made at all). Details and terms of Existing Convertible Bonds are set out in the Company's announcement dated 24 January 2008 and circular dated 20 March 2008.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell or procure the sale of (i) the Sale Shares, being the entire issued share capital of the Target Company immediately before the Completion; and (ii) the Sale Debts, subject to the terms and conditions as set out in the Sale and Purchase Agreement.

To the best of the Directors' knowledge and information having made all reasonable enquiry, as at the Latest Practicable Date, the amount of the Sale Debt is approximately HK\$10,000.

The information regarding the Target Group is set out in the paragraph headed "Information on the Target Group" below.

LETTER FROM THE BOARD

Consideration

The Acquisition Price is initially HK\$2,400 million, subject to adjustment as set out in the paragraph headed “Adjustments to the Acquisition Price” below.

The Acquisition Price shall be satisfied by the Company issuing the New Convertible Bonds upon the Completion, which are convertible into the Conversion Shares at an initial conversion price of HK\$0.63 per Conversion Share, subject to adjustments.

The consideration of the Sale Shares shall be an amount equal to the difference between the Acquisition Price and the face value of the Sale Debts as at the Completion Date. The consideration of the Sale Debt shall be an amount equal to the face value of the Sale Debts as at the Completion Date. In the event that the Sale Debts exceeds the Acquisition Price, the entirety of such Sale Debts shall be assigned to the Purchaser (or to its order) at a consideration of the Acquisition Price less HK\$1.

The Acquisition Price was determined after arm’s length negotiation with reference to the business prospects of the Target Group, the potential synergy on the Coal-related Ancillary Businesses to be acquired by the Group upon completion of the Second Previous Acquisition, a price earning multiple of about 8 times which is derived from the Acquisition Price divided by the sum of the Guaranteed 2009 Net Profit (as defined in the paragraph headed “Adjustments to the Acquisition Price” below), and the price earnings multiple with reference to the weighted average price earnings ratio of approximately 20 times of the Hong Kong Hang Seng Index and the Hong Kong Hang Seng Composite Index in energy sector for December 2007. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Adjustments to the Acquisition Price

Pursuant to the Sale and Purchase Agreement, the Vendor represents and warrants to the Purchaser that as at the Completion Date:

- (i) the audited consolidated net tangible assets of the Target Group (after the minority interests but before the any adjustment in relation to any valuation of any of the PRC Operation Licence(s)) as shown in the Completion Accounts in respect of the Target Group shall not be less than HK\$650 million (the “NTA Warranty”);
- (ii) there shall be no other borrowings, obligations or liabilities (whether actual or contingent) of the Target Group owing to any other party (whether the Vendor or its Associates or otherwise); and
- (iii) (otherwise than those as disclosed to and agreed by the Purchaser in advance) there are no guarantees given by any member of the Target Group whatsoever and howsoever.

LETTER FROM THE BOARD

If there occurs any breach of the warranty set out in (i) above and reflected in the Completion Accounts, the Acquisition Price shall be reduced by an amount equal to the shortfall (or to the extent that the shortfall is not more than HK\$150 million, the Vendor may elect to make up the shortfall by payment as gift to the Target Company of such amount of cash as equal to the shortfall). If there occurs any breach of the warranties set out in (ii) or (iii) above and reflected in the Completion Accounts, the Acquisition Price shall be reduced by an amount equal to the aggregate amount of such additional liabilities, provided that if the shortfall in the audited consolidated net tangible assets of the Target Group is caused by the same liabilities in connection with the breach of the warranties set out in (ii) above, the above adjustment to the Acquisition Price shall be made once and shall not be double-counted. In the event of a reduction of the Acquisition Price pursuant to the foregoing adjustment, the Purchaser shall, issue and deliver to the Vendor, against the delivery up for cancellation of the then New Convertible Bonds held by it, new Convertible Bonds for the balance of the Acquisition Price payable on the basis of the Acquisition Price as so adjusted.

The above mentioned payment as gift arrangement is an alternative way provided for the Vendor to make the shortfall by cash directly to the Target Company, instead of the cancellation and re-issue of the New Convertible Bonds arrangements, where such shortfall is equal to or less than HK\$150 million of the NTA Warranty.

In the event that the amount (“**Vendor Retained Debt**”) calculated based on the following formula:

$$\begin{array}{ll} \text{The Vendor Retained Debt} & = \{ \text{Total consolidated or combined tangible assets} \\ & \text{of the Target Group as at the Completion Date} \} \\ & \text{less } \{ \text{Total consolidated or combined liabilities} \\ & \text{of the Target Group owing to parties (other than} \\ & \text{the Vendor and his Associates) as at the} \\ & \text{Completion Date} \} \text{ less } \{ \text{HK\$650 million} \} \end{array}$$

is greater than zero, the Vendor Retained Debt shall be excluded from (and shall not form part of) the Sale Debts, and the Vendor Retained Debt shall, notwithstanding the Completion, remaining to be owing by the relevant members of the Target Group to the Vendor and shall be repaid by such members of the Target Group to the Vendor in accordance with the then prevailing terms of advances made by the Vendor or his Associates.

Furthermore, the Vendor irrevocably guarantees to the Purchaser that the net profit (including any profit derived from any sales of coke by the Target Group to the Group) after minority interests but before tax and before extraordinary or exceptional items of the Target Company for the financial year ending 31 December 2009 as shown in its respective Audited Accounts (“**Audited 2009 Net Profit**”) shall not be less than HK\$300 million (“**Guaranteed 2009 Net Profit**”).

LETTER FROM THE BOARD

If the Audited 2009 Net Profit is less than HK\$300 million, then the Acquisition Price shall be adjusted (before taking account of the NTA Warranty) by the following formula:

$$\text{Adjusted Acquisition Price} = \frac{\text{HK\$1,750 million}}{(\text{Note 1})} \times \frac{\text{Audited 2009 Net Profit}}{\text{Guaranteed 2009 Net Profit}}$$

Note 1: HK\$1,750 million = the Acquisition Price less the NTA Warranty

Or where the Audited 2009 Net Profit is less than zero, then the adjusted Acquisition Price shall (before taking account of the NTA Warranty) be deemed to be zero.

In the event of a reduction of the Acquisition Price pursuant to the above adjustment, the Vendor shall, within five Business Days after the date of publication of the Audited Accounts of the Target Group for the year ending 31 December 2009, (a) make payment to the Purchaser for the reduced amount of the Acquisition Price (but taking into account of the NTA Warranty being met and for such purpose, the portion of the Acquisition Price attributable to the NTA Warranty in any event shall not exceed HK\$650 million) by way of either cash or the delivery up for cancellation of the then New Convertible Bonds held by it, and (b) against the Vendor's discharge of its said payment obligations pursuant to paragraph (a) above, the Purchaser shall (within five Business Days from the date of the Vendor's discharge of the said payment obligations) procure the issue by the Company and delivery to the Vendor of the New Convertible Bonds for the balance (if any) of the Acquisition Price so adjusted. For the avoidance of doubt, no upward adjustment to the Acquisition Price shall be made if the Audited 2009 Net Profit is equal to or greater than the Guaranteed 2009 Net Profit.

If the Acquisition Price has to be adjusted as mentioned above, any New Convertible Bonds to be delivered by the Vendor to the Company for payment of the shortfall and the Company's cancellation will be calculated based on their face value of the principal amounts of such New Convertible Bonds. Only outstanding New Convertible Bonds may be used for payment of such shortfall. In the event that part of the New Convertible Bonds has been converted, such part will no longer be available for payment of the shortfall.

The rationale of the above adjustments to the Acquisition Price is based on the commercial decision between the parties after arm's length negotiation, with reference to the NTA Warranty and the proportion of the Guaranteed 2009 Net Profit achieved by the Audited 2009 Net Profit.

An announcement will be made in the event that the Acquisition Price has been adjusted in accordance with the above adjustments.

LETTER FROM THE BOARD

Closing Conditions

Completion of the Acquisition is subject to the following conditions being fulfilled and remaining satisfied as the Completion (or waived by the Purchaser pursuant to the Sale and Purchase Agreement):

- (a) receipt by the Purchaser from the Vendor of a legal opinion on the PRC laws (in such form and substance to the Purchaser's satisfaction) covering, among others, the following major issues:
 - (i) each of the PRC Subsidiaries having been duly established and validly subsisting;
 - (ii) each of the PRC Subsidiaries having obtained all relevant operating permits required at the time of its establishment and such permits remaining valid;
 - (iii) the legality of the operation and business of each of the PRC Subsidiaries;
 - (iv) each of the PRC Subsidiaries having obtained the PRC Operation Licences and all such licences being in full force and effect;
 - (v) (where applicable) each of the PRC Subsidiaries having obtained the rights to use and occupy the properties owned, leased or occupied by the Target Group;
 - (vi) (if required) all necessary approval, authorisation, consent, registration and filings required having been obtained and effected by the Target Company, the HK Subsidiary and/or each of the PRC Subsidiaries (where applicable) in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder,

and such other aspects of the PRC law as the Purchaser may consider appropriate or relevant to the transactions contemplated by the Sale and Purchase Agreement;

- (b) (if required) the Bermuda Monetary Authority granting its permission to the allotment and the issue of the Conversion Shares and the increase in the authorised share capital of the Company;
- (c) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares which may be issued upon the exercise of the conversion rights attaching to the New Convertible Bonds;

LETTER FROM THE BOARD

- (d) the approval by the Shareholders (or, as the case may be, the Independent Shareholders) at the SGM of the Sale and Purchase Agreement and the transactions contemplated thereby (including but not limited to the allotment and issue of the Conversion Shares and the increase of the authorised share capital to HK\$2,000 million) and all other consents and acts required under the Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;
- (e) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the Acquisition contemplated by the Sale and Purchase Agreement having been obtained;
- (f) all relevant approvals, consents, registration and filing procedures (including without limitation the registration of the Target Company as the registered holder of the entire issued shares in the HK Subsidiary) relating to the Target Company, the HK Subsidiary and the PRC Subsidiaries in connection with the Acquisition contemplated by the Sale and Purchase Agreement having been obtained/completed;
- (g) the Purchaser being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, operational or other aspects that the Purchaser considers relevant) on the Target Company, the HK Subsidiary, the PRC Subsidiaries, the Coal Processing Business and their related businesses, assets, liabilities, activities, operations, prospects and other status which the Purchaser, its agents or professional advisers think necessary and appropriate to conduct;
- (h) the Purchaser being satisfied, from the date of the Sale and Purchase Agreement and at any time before the Completion, that the warranties given by the Vendor under the Sale and Purchase Agreement remain true, accurate, not misleading or in breach in any material respect and that no events have suggested that there were any breaches thereof or other provisions of the Sale and Purchase Agreement by the Vendor;
- (i) the Purchaser being satisfied that, from the date of the Sale and Purchase Agreement to the Completion, there has not been any material adverse change in respect of any member of the Target Group;
- (j) the Vendor providing the Purchaser with a confirmation or other documents, showing that all licence fees and other fees required to be paid by the PRC Subsidiaries to the relevant governmental authorities in respect of the Coal Processing Business, all the fees required to be paid by the PRC Subsidiaries in obtaining the PRC Operation Licences having been fully paid and there are no outstanding fees;

LETTER FROM THE BOARD

- (k) all outstanding Shareholder Loans owing by the Target Group to the Vendor's Associates having been assigned to the Vendor immediately before the Completion and all necessary approvals, consents, authorisations and licences in relation thereto having been obtained from the relevant governmental authorities or parties concerned; and
- (l) no indication being received from the Stock Exchange that the transactions contemplated under the Sale and Purchase Agreement will be treated or, as the case may be, ruled by the Stock Exchange as a "reverse takeover" under the Listing Rules.

Although completion of the Reorganisation is not set out as an independent closing condition in the Sale and Purchase Agreement, by virtue of closing condition (a) above, since the PRC legal opinion could only be issued after completion of the Reorganisation, such condition would require the Reorganisation to be completed before the Completion.

The Purchaser may at its absolute discretion at any time waive in writing any of the closing conditions referred to in (a), (e), (f), (g), (h), (i), (j) and (k) above (to the extent it is capable of waiving) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser.

The rights to waive the above closing conditions are conferred to the Purchaser for the purpose of giving it the maximum commercial flexibilities to take the lead of the transactions. Such rights will only be exercised if and when the Directors believe such exercise is in the best interests of the Company and will not prejudice the Company's interest to a material extent. The Purchaser does not have any immediate intention to waive any of the closing conditions. The Directors confirm that they will ensure that no waiver would be made to the detriment of the interests of the Shareholders and the Company as a whole. If the closing conditions are not fulfilled or waived on or before the Long Stop Date, the Sale and Purchase Agreement shall lapse and be of no further effect (save for certain provisions under the Sale and Purchase Agreement), and no party to the Sale and Purchase Agreement shall have any claim against or liability to the other parties, save in respect of any antecedent breaches of the Sale and Purchase Agreement, including any breaches of the closing conditions.

To the best knowledge and information of the Directors, having made all reasonable enquiry, as at the Latest Practicable Date, save for condition (b), other conditions precedent set out above were not yet fulfilled.

Completion

The Completion shall take place at 11:00 a.m. (Hong Kong time) on the Completion Date or such other date as may be agreed between the parties to the Sale and Purchase Agreement. Upon the Completion, the Target Company will become a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

TERMS OF THE NEW CONVERTIBLE BONDS

The terms of the New Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK\$2,400 million

Interest

The New Convertible Bonds shall accrue no interest.

Maturity Date

The 5th anniversary of the date of first issue of the New Convertible Bonds or, if that is not a Business Day, the first Business Day thereafter.

Conversion

The bondholder may at any time during the Conversion Period convert the whole or part (in multiples of HK\$1 million (or such smaller denomination as may be agreed by the Company)) of the principal amount of the New Convertible Bonds into the Conversion Shares at the Conversion Price, provided that (i) no conversion rights attached to the New Convertible Bonds may be exercised, to the extent that following such exercise, a holder of the New 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 (or in such percentage of the issued share capital of the Company as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being level for triggering a mandatory general offer); and (ii) no holder of the New Convertible Bonds shall exercise the conversion right attached to the New Convertible Bonds held by such holder if immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under Rule 8.08 of the Listing Rules and as required by the Stock Exchange.

The issue of the New Convertible Bonds will not result in a change of control of the Company. The Company will also comply with the relevant requirements to maintain the minimum public float requirements as under Rule 8.08 of the Listing Rules when the conversion rights attached to the New Convertible Bonds are exercised.

Save for the redemption as provided in the Sale and Purchase Agreement due to adjustment of the Acquisition Price, any New Convertible Bond which remains outstanding by 4:00 p.m. on the maturity date shall be redeemed by the Company at its principal amount.

LETTER FROM THE BOARD

Conversion Price

The New Convertible Bonds shall be converted at the Conversion Price of HK\$0.63 per Conversion Share, subject to adjustment as set out in the sub-paragraph headed "Adjustment to Conversion Price" below.

The Conversion Price of HK\$0.63 per Conversion Share represents (i) the closing price of HK\$0.63 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium approximately 0.3% to the average of the closing prices of approximately HK\$0.628 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 0.2% to the average of the closing prices of HK\$0.631 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

Assuming exercise in full of the conversion rights attaching to the New Convertible Bonds at the initial Conversion Price of HK\$0.63 per Conversion Share by the bondholder, the Company will allot and issue an aggregate of 3,809,523,809 new Shares, representing approximately (i) 5.5 times of the existing issued share capital of the Company; and (ii) 38.9% of the issued share capital of the Company as enlarged by the exercise in full of the conversion rights attaching to the New Convertible Bonds and the Existing Convertible Bonds. The Conversion Shares will be allotted and issued pursuant to a specific mandate to be sought at the SGM.

Adjustment to the Conversion Price

The Conversion Price is subject to adjustment upon the occurrence of, among other matter, subdivision or consolidation of the Shares, capitalization issues, rights issues and the grant to the Shareholders of options, warrants or other rights to subscribe for or purchase any Shares, which adjustments shall where relevant, be certified by an approved merchant banker or the auditors of the Company. In the event that part of the New Convertible Bonds has been converted, no changes would be made to the part of the New Convertible Bonds so converted and cancelled. Adjustments would be made to the then outstanding New Convertible Bonds which are not yet converted.

Ranking

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue on the date of allotment and issue of such Conversion Shares.

Transferability

The New Convertible Bonds are freely transferable, provided that where the New Convertible Bonds are intended to be transferable to a connected person of the Company (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.

LETTER FROM THE BOARD

Voting rights

The New Convertible Bonds do not confer any voting rights at any meetings of the Company.

Listing

The New Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

In view of the potential dilution effect upon exercise of the conversion rights attaching to the New Convertible Bonds, the Company is required to disclose by way of announcement all relevant details of the conversion of the New Convertible Bonds in the following manner:

- (i) the Company will make a monthly announcement ("**Monthly Announcement**") on the website of the Stock Exchange and the Company. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:
 - a. whether there is any conversion of the New Convertible Bonds during the relevant month. If there is a conversion, details thereof including the conversion date, number of new Shares issued and conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - b. the amount of outstanding New Convertible Bonds after the conversion, if any;
 - c. the total number of Shares issued pursuant to other transactions during the relevant month, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and
 - d. the total issued share capital of the Company as at the commencement and the last day of the relevant month;
- (ii) in addition to the Monthly Announcement, if the cumulative amount of the Conversion Shares issued pursuant to the conversion of the New Convertible Bonds reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the New Convertible Bonds (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange and the Company including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the New Convertible Bonds (as the case

LETTER FROM THE BOARD

may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the New Convertible Bonds (as the case may be); and

- (iii) if the Company forms the view that any issue of Conversion Shares will trigger the disclosure requirements under Rule 13.09 of the Listing Rules, then the Company is obliged to make such disclosure regardless of the issue of any announcements in relation to the New Convertible Bonds as mentioned in (i) and (ii) above.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date, and for illustrative purpose, the effects on the shareholding structure of the Company assuming full conversion of the New Convertible Bonds:

	As at the Latest Practicable Date		Assuming full conversion of the Tranche 1 Bonds (Note 4)		Assuming full conversion of the Tranche 1 Bonds and Tranche 2 Bonds (Note 4)		Assuming full conversion of the Existing Convertible Bonds and the New Convertible Bonds (Note 4)		Assuming conversion of the New Convertible Bonds to the extent immediately before the Vendor would be interested in 30% of the Company based on the number of issued Shares as at the Latest Practicable Date	
	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%
Golden Mount Limited (Note 1)	100,097,209	14.50	100,097,209	3.10	100,097,209	1.67	100,097,209	1.02	100,097,209	10.15
The Directors (Note 2)	45,576,844	6.60	45,576,844	1.41	45,576,844	0.76	45,576,844	0.47	45,576,844	4.63
Solidpole Limited (Note 3)	34,855,428	5.05	34,855,428	1.08	34,855,428	0.58	34,855,428	0.36	34,855,428	3.53
The Vendor	-	0.00	2,537,500,000	78.61	5,287,500,000	88.45	9,097,023,809	92.95	295,756,099	29.99
Public Shareholders	509,896,811	73.85	509,896,811	15.80	509,896,811	8.54	509,896,811	5.20	509,896,811	51.70
Total	690,426,292	100.00	3,227,926,292	100.00	5,977,926,292	100.00	9,787,450,101	100.00	986,182,391	100.00

Notes:

- Golden Mount Limited is owned by Mr. Chim Pui Chung who is the father of Mr. Chim Kim Lun, Ricky, a Director.
- As at the Latest Practicable Date, these Shares are held by the following Directors: as to 44,412,844 Shares by Mr. Lam Po Kwai, Frankie and as to 1,164,000 Shares by Mr. Sun Tak Keung.
- Solidpole Limited is a wholly-owned subsidiary of China Everbright Ltd. which is in turn a 55.47% owned subsidiary of Honorich Holdings Ltd.. Honorich Holdings Ltd. is a wholly-owned subsidiary of Datten Investments Ltd which in turn a wholly-owned subsidiary of China Everbright Holdings Company Limited.

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- (4) These columns are shown for illustrative purpose only. Pursuant to the terms of the Existing Convertible Bonds and the New Convertible Bonds, the Vendor shall not exercise any right to convert the Existing Convertible Bonds and New Convertible Bonds into the new Shares/ Conversion Shares to the extent that following such exercise, the Vendor, and parties acting in concert with him, taken together, will directly or indirectly, control or be interested in 30%) or more of the entire issued Shares or in such lower percentage 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 no holder of the Existing Convertible Bonds and the New Convertible Bonds shall exercise the conversion right attached to the Existing Convertible Bonds and the New Convertible Bonds held by such holder if immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under Rule 8.08 of the Listing Rules and as required by the Stock Exchange. The Company will comply with the relevant requirements that the Company will maintain the minimum public float requirements as under Rule 8.08 of the Listing Rules when the conversion rights attached to the Existing Convertible Bonds and the New Convertible Bonds are exercised.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment company incorporated in the British Virgin Islands on 7 December 2007.

By the Preliminary Reorganisation Agreement, the Reorganisation has been or will be carried out:

- (i) before Completion, the Coal Processing Assets were currently operated by 孝義市金岩電力煤化工有限公司 (Xiaoyi City Golden Rock Electricity Coal Chemical Company Limited)* ("**Golden Rock**"), and the related assets and liabilities will become vested in the PRC Subsidiaries; and
- (ii) following the steps mentioned in (i) above, the HK Subsidiary will hold 91% of the registered capital in the PRC Subsidiaries.

and all the above steps under the Reorganisation shall be consummated on or before the Completion.

Golden Rock is a limited liability company established in the PRC in 1999. To the best knowledge and information of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, the registered capital of RMB80 million of Golden Rock is owned by three Independent Third Parties. Under the Second Previous Acquisition, it is proposed that Golden Rock will be an equity holder of the PRC subsidiary of Joy Wisdom to be established in the PRC and engaged in the Coal-related Ancillary Businesses. Save as disclosed above, Golden Rock is an Independent Third Party and is independent of the Vendor and his connected persons. Upon the completion of the Preliminary Reorganisation Agreement, Golden Rock will hold 9% of the PRC Subsidiaries.

To the best knowledge and information of the Directors having made all reasonable enquiries, the original acquisition costs of the Coal Processing Assets by the PRC Subsidiaries from Golden Rock will be approximately HK\$650 million and as at the Latest Practicable Date, the PRC Subsidiaries has not yet been formed and the Coal Processing Assets has not yet been acquired by the PRC Subsidiaries.

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According to the Board, the Sale and Purchase Agreement does not provide nor contemplate that Golden Rock will transfer to the PRC Subsidiaries any of its existing customers, suppliers and/or any staff or personnel relating the Coal Processing Assets or any contractual rights made with such existing customers, suppliers and/or staff or personnel. Furthermore, in negotiating the terms of the Sale and Purchase Agreement between the Company and the Vendor, no discussion or any arrangement relating to such transfer as part of the consideration.

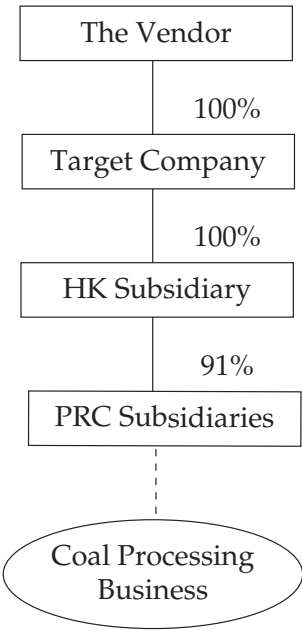
The Coal Processing Assets, which include coke ovens and coking coal towers, are located in Xiaoyi City, Shangxi. At present, the Coal Processing Assets are being operated by approximately 600 staff with an annual production capacity of 800,000 tons of coke.

The corporate structure of the Target Group before and after the Reorganisation and at Completion is set out below:

As at the date of signing the Sale and Purchase Agreement

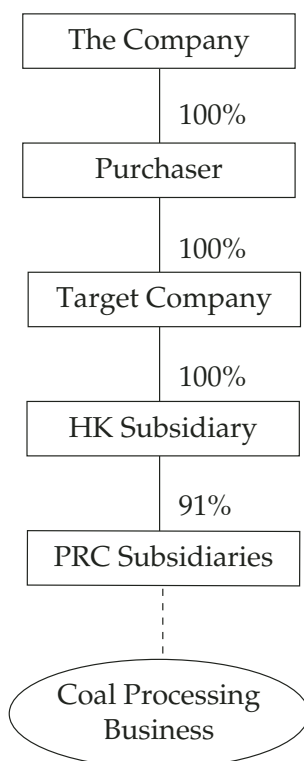


After the Reorganisation, assuming the Acquisition is not yet completed



LETTER FROM THE BOARD

After the Completion



As the Coal Processing Business has not been formed, no historical financial record is available as at the Latest Practicable Date.

However, based on the financial information in relation to the Coal Processing Assets for the year ended 31 December 2007 set out in Appendix II to this circular, the unaudited revenue and net profit derived from the Coal Processing Assets were approximately RMB804.8 million and RMB130.8 million, respectively. Since such plants and machineries were under construction before the year ended 31 December 2007, no income was derived for the financial year ended 31 December 2006 and 31 December 2005. The net assets value of the Coal Processing Assets proposed to be acquired amounted to approximately HK\$650 million.

Other than the entering into the Preliminary Reorganisation Agreement, no member of the Target Group has conducted any businesses since their respective dates of incorporation.

The Target Company is an investment company incorporated in the British Virgin Islands on 7 December 2007. Before the completion of the Reorganisation, the Target Company and its subsidiaries are dormant with no major assets nor liabilities. As set out in the Appendix II and Appendix III to the Circular, the accountants' report on the Target Company and its subsidiaries has not been prepared for the inclusion of the Circular as the Directors consider that the such financial information the Target Company and its subsidiaries are not material for the Acquisition.

LETTER FROM THE BOARD

According to the valuation report on the Coal Processing Assets set out in Appendix V to this circular, B. I. Appraisals Limited, the independent valuer, have not been provided by the Company with copies of title documents relating to the buildings and structures for the fixed assets held by Golden Rock (“Buildings”). In the course of their valuation, they have relied on the advice given by the Group regarding the title to the Buildings and the legal opinion prepared by 山西晉義律師事務所 (Shanxi Jin Yi Law Firm), the Group’s legal advisor on PRC law, regarding the title to and the interest of the Group in the Buildings.

The legal opinion of Shanxi Jin Yi Law Firm dated 27 June 2008 is summarized as follows:

- a) As the Buildings were built by Golden Rock Group, the ownership of the Buildings is naturally vested in Golden Rock Group and there shall not be any dispute with other third party in such ownership.
- b) Though Golden Rock Group has not yet registered the ownership of the Buildings; its ownership is protected under the PRC law.
- c) The Buildings are free from any third party rights and are not distrained upon by any judicial and arbitration authorities nor being subject to administrative penalty from local government on such reason as illegal improvements. There is no limitation in the right to use the Buildings.
- d) According to Article 68 of 【中華人民共和國物權法】 (Law on Property Rights of the PRC), which states that “the Business Enterprise enjoys, in accordance with the law and administrative regulations, the rights to occupy, use, make profit and dispose of its current and fixed assets”, Golden Rock Group has the right to transfer to other third party the Buildings, which were built by itself, within the scope of the permitted relevant law.

As the existing management of the Group does not have the relevant experience and expertise in operating the Coal Processing Business, it is expected that the existing personnel may be retained for the daily operation of the Target Group, and where appropriate, suitable new personnel will be recruited. The Company may also invite person(s) who has substantial experience in Coal Processing Business joining the Board to participate in the management of the newly acquired business. The Directors consider that the vertical integration of the Coal Processing Business will enable the Group to have synergy to the trading of coke business recently engaged by the Group upon completion of the First Previous Acquisition and the Coal-related Ancillary Businesses to be acquired by the Company upon completion of the Second Previous Acquisition.

REASONS FOR THE PROPOSED ACQUISITION

The Group is principally engaged in the design, manufacture and sale of a diversified range of consumer home products.

On 24 January 2008, the Group announced the First Previous Acquisition and the Second Previous Acquisition from the Vendor. Upon completion of the Previous Acquisitions and the Completion, the Group will also engage trading of coke, the Coal-related Ancillary Businesses and the Coal Processing Business.

The completion of the First Previous Acquisition took place on 16 May 2008 and, save for any unforeseen reasons, the Directors expected that the Second Previous Acquisition would be taken place in one or two months’ time.

LETTER FROM THE BOARD

For the six months ended 30 June 2007, the Group recorded an unaudited loss of approximately HK\$19.2 million as compared to a profit of approximately HK\$6.3 million for the same period in year 2006. For the year ended 31 December 2007, the Group recorded an audited turnover of approximately HK\$640.6 million, representing a decline of 10.37% from approximately HK\$714.7 million in 2006. The loss was mainly due to stagnant sales and the persisting high levels of production cost as a result of fluctuating raw materials prices. The Directors consider that demand for household products slackened while competition was fierce that resulted in intense pressure on profit margins.

According to the US Energy Information Administration (the “EIA”), world coal consumption increases by 74% and international coal trade increases by 44% over the projection period from 2004 to 2030, while coal’s share of world energy consumption increases from 26% in 2004 to 28% in 2030. According to EIA, coal is the second-largest fuel source of energy-related carbon dioxide emissions behind oil, accounting for 39% of the world total in 2004 and it is projected to become the largest source by 2010. Furthermore, China and India together account for 72% of the projected increase in world coal consumption from 2004 to 2030 as strong economic growth is projected for both countries and much of the increase in their demand for energy is expected to be met by coal. Moreover, international traded coal made up 15% of total world consumption in 2004 and world trade coal is projected to grow at an average annual rate of 1.5%.

As the Group started engaging in trading of coke business after completion of the First Previous Acquisition and will engage in the Coal-related Ancillary Business after completion of the Second Previous Acquisition, the Directors consider that the Coal Processing Business, being the upstream of the Group’s coke trading business and downstream of the Coal-related Ancillary Business, will enable the Group to complete its coal business operation. Besides, the vertical integration of the Coal Processing Business will enable the Group to have synergy to the trading of coke business recently engaged by the Group upon completion of the First Previous Acquisition and the Coal-related Ancillary Businesses to be acquired by the Company upon completion of the Second Previous Acquisition.

After discussion with the Vendor, the Directors will, on the best effort basis, retain the existing staff of Golden Rock and appoint suitable new personnel for the daily operation of the Target Group. Having considered the annual production capacity of approximately 800,000 tons of coke by the Coal Processing Assets, the Directors and the Vendor consider that the Guaranteed 2009 Net Profit is reasonable.

In view of the above, the Directors consider that the Acquisition represents an opportunity for the Group to further diversify into the prosperous coal business and broaden its revenue base. The Directors currently have no intention to change the existing principal business of the Group. Save for the Company may invite person(s) who has substantial experience in Coal Processing Business joining the Board to participate in the management of the new coal and coke business to be acquired, there will not be change in control of the Company as a result of the Acquisition. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Prior to Acquisition, the Company does not hold any interest in the Target Company. Upon the completion of Acquisition, the Company will directly and beneficially own 100% of the equity interest in the Target Company and the HK Subsidiary and 91% equity interest in the PRC Subsidiaries. According to the accounting policies of the Group, the Target Group will be treated as indirect wholly-owned subsidiaries of the Company and its financial results will be consolidated into the Group.

Earnings

The Group recorded an audited consolidated loss attributable to the equity holders of the Company of approximately HK\$42.2 million for the year ended 31 December 2007. According to the unaudited pro forma financial information on the Enlarged Group set out in Appendix III to this circular, the unaudited consolidated loss attributable to the equity holders of the Enlarged Group would be approximately HK\$81.0 million after the completion of Acquisition and the pro forma basic loss per share will be approximately HK17.0 cents being the pro forma net loss of the Enlarged Group divided by the total weighted average number of ordinary shares issued.

Assets

As at 31 December 2007, the audited total assets of the Group were approximately HK\$281.0 million. As set out in the unaudited pro forma balance sheet of the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma total assets of the Enlarged Group would be increased by approximately HK\$2,471.5 million to approximately HK\$2,752.5 million, where the unaudited pro forma net assets of the Enlarged Group would be approximately HK\$806.6 million. The increase in unaudited total assets is mainly attributable to the net effect of increase in property, plant and equipment of approximately HK\$794.5 million and increase in goodwill of approximately HK\$1,677.0 million.

Goodwill of approximately HK\$1,677.0 million arising from Acquisition, which is derived from the consideration of HK\$2,400.0 million minus the fair value of equity interest in the net assets of Target Group acquired which amounted to approximately HK\$723.0 million as at 31 December 2007. The positive goodwill would be recognised in the consolidated balance sheet.

Liabilities

The Group recorded audited consolidated total liabilities of approximately HK\$104.2 million as at 31 December 2007. As set out in the pro forma consolidated balance sheet of the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma total liabilities of the Enlarged Group would be increased by approximately HK\$1,841.6 million to approximately HK\$1,945.8 million. The increase is mainly attributable to the issuance of New Convertible Bond of approximately HK\$1,731.3 million and the deferred tax liabilities of approximately HK\$110.3 million. The Directors are of the view that there would not be any material capital commitment nor contingent liability arising from Acquisition that will have material adverse impact on the financial position of the Group immediately after the completion of Acquisition.

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FINANCIAL AND TRADING PROSPECTS

As the Group started engaging in trading of coke business after completion of the First Previous Acquisition on 16 May 2008 and will engage in the Coal-related Ancillary Business after completion of the Second Previous Acquisition, the Directors consider that the Coal Processing Business, being the upstream of the Group's coke trading business and downstream of the Coal-related Ancillary Business, will enable the Group to complete its coal business operation. Besides, the vertical integration of the Coal Processing Business will enable the Group to have synergy to the trading of coke business recently engaged by the Group upon completion of the First Previous Acquisition and the Coal-related Ancillary Businesses to be acquired by the Company upon completion of the Second Previous Acquisition. As the existing management of the Group does not have the relevant experience and expertise in operating the Coal Processing Business, it is expected that the existing personnel will be retained for the daily operation of the Target Group, and where appropriate, suitable new personnel will be recruited in the future. The Company may also invite person(s) who has substantial experience in Coal-related Ancillary Businesses joining the Board to participate in the management of the new business to be acquired by the Group. With the existing clienteles as well as the existing revenue base of the Target Group, the Directors believe that the Group will be able to widen its source of income by diversifying its business into prospective energy related business and improving the Group's profitability by broadening its business scope.

In view of the increase in demand for coal around the world, the Directors are optimistic about the performance of the Group as the Group's investment in the coal-related business is expected to improve the Group's profitability, sustain its growth momentum, and broaden the revenue stream of the Group.

Accordingly, the Company will focus, including the corporate resources, on the development of the Coal Processing Business and Coal-related Ancillary Businesses while the Company will continue to operate its business of design, manufacture and sale of consumer home products to maintain stable income stream to the Group.

THE MASTER SUPPLY AGREEMENTS

On 21 April 2008, Joy Wisdom and Pride Eagle have entered into the Coal Master Supply Agreement and the Coke Master Supply Agreement with the Target Company in relation to the sale and supply of coal and coke products respectively.

Given that the Vendor is the sole and ultimate beneficial owner of the Target Group prior to the Completion and is a Director and a director of certain subsidiaries of the Company subsequent to the completion of the First Acquisition on 16 May 2008, each member of the Target Group prior to the Completion is a connected person under the Listing Rules. Therefore, the Coal Master Supply Agreement and the Coal Transactions between Joy Wisdom (and/or its subsidiaries) and the Target Group upon completion of the Reorganisation and the Second Previous Acquisition but before the Completion, and the Coke Master Supply Agreement and Coke Transactions between Pride Eagle (and/or its subsidiaries) and the Target Group upon completion of the Reorganisation and the

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First Previous Acquisition but before the Completion will constitute continuing connected transactions for the Company under the Listing Rules.

Terms of the Coal Master Supply Agreement

- Date: 21 April 2008
- Parties: (i) Joy Wisdom (for itself and on behalf of its subsidiaries from time to time) as supplier; and
- (ii) the Target Company (for itself and on behalf of its subsidiaries from time to time) as purchaser
- Subject: The sale of watered/processed coal by Joy Wisdom (and/or its subsidiaries) to the Target Company (and/or its subsidiaries)
- Term: Two months from the date the conditions precedent of the Coal Master Supply Agreement are fulfilled
- Price: The price of the watered or processed coal will be (i) not less than the relevant market price; and (ii) not less than the price offered to any third parties by Joy Wisdom and/or its subsidiaries
- Conditions: (i) the completion of the Reorganisation and the Second Previous Acquisition;
- (ii) the approval by the Independent Shareholders at the SGM of the Coal Master Supply Agreement and the transactions contemplated thereby; and
- (iii) (if required) the approval and/or waiver granted by the Stock Exchange from strict compliance of the applicable rules or regulations (including Chapter 14A of the Listing Rules)

Terms of the Coke Master Supply Agreement

- Date: 21 April 2008
- Parties: (i) Pride Eagle (for itself and on behalf of its subsidiaries from time to time) as purchaser; and
- (ii) the Target Company (for itself and on behalf of its subsidiaries from time to time) as supplier
- Subject: The sale of coke by the Target Company and/or its subsidiaries to Pride Eagle and/or its subsidiaries

LETTER FROM THE BOARD

- Term: Two months from the date the conditions precedent of the Coke Master Supply Agreement are fulfilled
- Price: The price of the coke shall be (i) not more than the relevant market price; and (ii) not higher than the price offered to any third parties by the Target Company and/or its subsidiaries
- Conditions: (i) the completion of the Reorganisation and the First Previous Acquisition;
- (ii) the approval by the Independent Shareholders at the SGM of the Coke Master Supply Agreement and the transactions contemplated thereby; and
- (iii) (if required) the approval and/or waiver granted by the Stock Exchange from strict compliance of the applicable rules or regulations (including Chapter 14A of the Listing Rules)

Cap Amount

For the purpose of Rule 14A.35(2) of the Listing Rules, the Directors propose that the cap amounts of the Coal Transactions and Coke Transactions under the Master Supply Agreements will not exceed the following:

For the two-month period after conditions precedent of each of the Master Supply Agreements are fulfilled:

	Sale/Purchase Amount (HK\$'000)
Watered or processed coal	300,000
Coke	350,000

The cap amounts are determined by reference to the maximum production capacity (i.e. approximately 66,000 tons of coke per month) of the Coal Processing Assets and the current market price of the watered or processed coal and the coke of RMB1,500 per tons and RMB2,400 per tons, respectively.

Reasons for the Transactions

As to date and prior to completion of the acquisition of the Coal-related Ancillary Businesses by Huscoke Investment (which is currently 100% beneficially owned by the Vendor) through its subsidiary in the PRC and the Reorganisation (i) the Coal-related Ancillary Businesses and the Coal Processing Assets are both owned by Golden Rock; (ii)

LETTER FROM THE BOARD

Golden Rock has used the watered or processed coal processed by itself for the processing of coke; and (iii) Golden Rock has been selling coke to Huscoke International since 2007. Upon completion of the acquisition of the Coal-related Ancillary Businesses by Huscoke Investment but before completion of the Second Previous Acquisition, the Coal-related Ancillary Businesses will be owned by the Vendor through Huscoke International and its subsidiary in the PRC. Upon completion of the Reorganisation but before the Completion, the Coal Processing Business will be owned by the Target Group.

The completion of the First Previous Acquisition took place on 16 May 2008. Save for any unforeseen reasons, the Directors expected that the Second Previous Acquisition would be taken place in one or two months' time.

As the Group started engaging in trading of coke business after completion of the First Previous Acquisition and will engage in the Coal-related Ancillary Business after completion of the Second Previous Acquisition, the Transactions are consistent with the past business dealings of Golden Rock before completion of the above mentioned reorganisations and acquisitions.

As the Transactions will be conducted on normal commercial terms and conditions determined on an arm's length basis, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Master Supply Agreements (including the cap amounts) are fair and reasonable and it is in the best interest of the Group to engage in the Transactions as they will facilitate the new businesses (namely, the Coal-related Ancillary Businesses and trading of coke) of the Group.

IMPLICATION FROM THE LISTING RULES

The Acquisition constitutes a very substantial acquisition on the part of the Company under chapter 14 of the Listing Rules. Given the Vendor is a Director and a director of certain subsidiaries of the Company, the Vendor is a connected person of the Company under the Listing Rules and therefore the Acquisition also constitutes a connected transaction of the Company upon chapter 14A of the Listing Rules. Pursuant to the chapters 14 and 14A of the Listing Rules, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirement. The Vendor and its Associates will be required to abstain from voting for the approval of the Acquisition and the transactions contemplated thereunder at the SGM.

Given that the Vendor is the sole and ultimate beneficial owner of the Target Group prior to the Completion and is a Director and a director of certain subsidiaries of the Company, each member of the Target Group prior to the Completion is a connected person under the Listing Rules. Therefore, the Coal Master Supply Agreement and the Coal Transactions between Joy Wisdom (and/or its subsidiaries) and the Target Group upon completion of the Reorganisation and the Second Previous Acquisition but before the Completion and the Coke Master Supply Agreement and Coke Transactions between Pride Eagle (and/or its subsidiaries) and the Target Group upon completion of the Reorganisation and the First Previous Acquisition but before the Completion will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the

LETTER FROM THE BOARD

relevant percentage ratios of the cap amount of the Transactions will exceed 2.5% on annual basis, the Master Supply Agreements and the Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirement pursuant to Rule 14A.35 of the Listing Rules. The Vendor and his Associates will be required to abstain from voting in the SGM to be convened for the approval of, inter alia, the Transactions. To the best knowledge of the Directors, having made all reasonable enquiry, save for the interest in the underlying Shares held by the Vendor under the Existing Convertible Bonds and the New Convertible Bonds as disclosed in Appendix VIII to this circular, none of the Vendor and his Associates held any Shares as at the Latest Practicable Date.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the existing authorised share capital of the Company are HK\$1,000 million divided into 10,000 million Shares, of which 690,426,292 Shares were in issue. As such, most of the existing balance of authorised but unissued share capital of 9,309,573,708 Shares may be used for the allotment and issue of the 3,809,523,809 Conversion Shares and the 5,287,500,000 new Shares, upon the conversion of the outstanding Existing Convertible Bonds and the New Convertible Bonds, if the conversion rights attached thereto are exercised in full respectively.

Accordingly, the Company proposes to increase its authorised share capital from HK\$1,000 million comprising 10,000 million Shares to HK\$2,000 million comprising 20,000 million Shares, by creation of 10,000 million new Shares, which will be put at the SGM for Shareholders' approval.

Save for the new Shares and the new Conversion Shares which may be allotted and issued upon the conversion of the Existing Convertible Bonds and the New Convertible Bonds respectively, the Company has no present intention to issue new Shares as at the Latest Practicable Date.

PROPOSED CHANGE OF NAME OF THE COMPANY AND ADOPTION OF SECONDARY NAME

The Board proposes to change the name of the Company from "Frankie Dominion International Limited" to "Huscoke Resources Holdings Limited" and adopt "和嘉資源控股有限公司" as secondary name of the Company.

Reasons and conditions for the change

Completion of the First Previous Acquisition took place on 16 May 2008. Following such completion, the Group started engaging in the trading of coke business. Upon completion of the Second Previous Acquisition and the Acquisition, the Group will also engage in the Coal-related Ancillary Businesses and the Coal Processing Business. The Board considers the proposed new name of the Company provides a better identification of the Group's new development and expansion to the coal related businesses.

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The proposed change of the name of the Company and adoption of the secondary name is conditional upon (i) the passing of a special resolution by the Shareholders at the SGM; and (ii) the approval by the Registrar of Companies in Bermuda. The Company will carry out all necessary filing procedures with the Registrar of Companies in Bermuda and also with the Companies Registry in Hong Kong.

Status of the existing certificates for securities of the Company

The change of the name of the Company will not affect any rights of the Shareholders. The existing certificates for securities of the Company bearing the existing name of the Company shall, after the proposed change of the name of the Company becoming effective, continue to be evidence of title to such securities and will be valid for trading, settlement, registration and delivery for the same number of securities in the new name of the Company. Once the change of company name becomes effective and the registration of such change of name in Hong Kong is effected, any new certificates for securities of the Company shall be issued in the new name of the Company.

The size of board lot for trading in the Shares will remain unchanged after the proposed change of the name of the Company is effective. Accordingly, there will not be any arrangement on free exchange of existing share certificates of the Company for new share certificates bearing the new name of the Company.

Subject to the change of the name of the Company becomes effective, and the registration of such change of name in Hong Kong is effected, the Shareholders may submit their existing share certificates for the Shares to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in exchange for new share certificates at the expense of the Shareholders at a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) per new share certificate.

Further announcement will be made after the proposed change of the name of the Company is effected.

SGM

A notice convening the SGM is set out on pages SGM-1 to SGM-5 of this circular. The SGM will be convened and held at Board Room, 1st Floor, The Aberdeen Marine Club, 8 Shum Wan Road, Aberdeen, Hong Kong at 10:30 a.m. on Wednesday, 23 July 2008 at which resolutions will be proposed to Shareholders to consider, if thought fit, to approve (i) the Sale and Purchase Agreement, the Master Supply Agreements and all transactions contemplated thereunder; (ii) the proposed increase the authorised share capital of the Company and; (iii) the proposed change of the Company name and adoption of the secondary name.

LETTER FROM THE BOARD

Form of proxy for use in the SGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting thereof, should you so desire.

PROCEDURE FOR DEMANDING A POLL

Pursuant to Bye-Law 70 of the Bye-Laws, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three members present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by any member or members present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring the right.

Unless a poll be so demanded and not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carries unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceeding of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement and the Master Supply Agreements are normal commercial terms that are fair and reasonable so far as the Independent Shareholders are concerned, and each of the Acquisition and the Transactions are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the SGM to approve each of the Acquisition (including the issue of the New Convertible Bonds), and the Transactions, and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Directors also consider (i) the proposed increase in authorized share capital; and (ii) the proposed change of the Company name and the adoptions of secondary name are in the interest of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve (i) the proposed increase in authorized share capital; and (ii) the proposed change of the Company name and the adoptions of secondary name.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement, the Master Supply Agreements, and the transactions contemplated thereunder. Hantec has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement, Master Supply Agreements, and the transactions contemplated thereunder. The appointment of Hantec has been approved by the Independent Board Committee.

Your attention is drawn to the letter from the Independent Board Committee set out on page 33 of this circular. Your attention is also drawn to the letter of advice from Hantec which contains, among other things, their advice to the Independent Board Committee and Independent Shareholders in respect of the Acquisition and the Transactions, and the principal factors and reasons considered by them in arriving at such advice. The text of the letter from Hantec is set out on pages 34 to 50 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

The financial information on Huscoke Group set out in Appendix IV to this circular is for information purposes only.

Your faithfully,
For and on behalf of the Board of
FRANKIE DOMINION INTERNATIONAL LIMITED
Lam Po Kwai, Frankie
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



FRANKIE DOMINION INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 704)

30 June 2008

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed as the Independent Board Committee to advise you in connection with Acquisition and the Transactions, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 30 June 2008 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Sale and Purchase Agreement and the Master Supplies Agreements, and the advice of Hantec in relation thereto as set out from pages 34 to 50 of the Circular, we are of the view that Acquisition and the Transactions are fair and reasonable and is in the interest of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder, the Master Supply Agreements and the Transactions (including without limitation, the capped amounts of the Coke Transactions and the Coal Transactions).

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Lee Johnson

Independent non-executive

Director

Mr. Wan Hon Keung

Independent non-executive

Director

Mr. Sun Tak Keung

Independent non-executive

Director

LETTER FROM HANTEC

The following is the full text of a letter of advice from Hantec to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this circular:



Hantec Capital Limited

45th Floor, COSCO Tower

183 Queen's Road Central

Hong Kong

30 June 2008

*To the Independent Board Committee and the Independent Shareholders of
Frankie Dominion International Limited*

Dear Sirs/Madams,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Acquisition and the continuing connected transactions in relation to the Transactions, details of which are set out in the Letter from the Board (the "**Letter from the Board**") contained in the circular (the "**Circular**") of the Company to the Shareholders dated 30 June 2008, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

On 21 April 2008, the Company, the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser agreed to acquire from the Vendor the Sale Shares and the Sale Debts at a consideration of HK\$2,400 million in accordance with the terms and conditions as set out in the Sale and Purchase Agreement. The Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules. Given the Vendor is a Director and a director of certain subsidiaries of the Company, the Vendor is a connected person of the Company under the Listing Rules and therefore the Acquisition constitutes a connected transaction of the Company upon Chapter 14A of the Listing Rules. The Vendor and its Associates will be required to abstain from voting for the approval of the Acquisition and the transactions contemplated thereunder at the SGM.

LETTER FROM HANTEC

On 21 April 2008, each of Joy Wisdom and Pride Eagle has entered into the Coal Master Supply Agreement and the Coke Master Supply Agreement with the Target Company in relation to the sale and supply of watered/processed coal and coke products respectively. Given that the Vendor is the sole and ultimate beneficial owner of the Target Group prior to the Completion and is a Director and a director of certain subsidiaries of the Company, each member of the Target Group prior to the Completion is a connected person under the Listing Rules. Therefore, the Coal Master Supply Agreement and the Coal Transactions between Joy Wisdom (and/or its subsidiaries) and the Target Group upon completion of the Reorganisation and the Second Previous Acquisition but before the Completion and the Coke Master Supply Agreement and Coke Transactions between Pride Eagle (and/or its subsidiaries) and the Target Group upon completion of the Reorganisation and the First Previous Acquisition but before the Completion will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios of the cap amount of the Transactions will exceed 2.5% on annual basis, the Master Supply Agreements and the Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirement pursuant to Rule 14A.35 of the Listing Rules. The Vendor and his Associates will abstain from voting in the SGM to be convened for the approval of, inter alia, the Transactions. To the best knowledge of the Directors, having made all reasonable enquiries, save for the interest in the underlying Shares held by the Vendor under the Existing Convertible Bonds and the New Convertible Bonds as disclosed in Appendix VIII to the Circular, none of the Vendor and his Associates held any Shares as at the Latest Practicable Date.

The Independent Board Committee comprising three independent non executive Directors, namely Mr. Lee Johnson, Mr. Wan Hon Keung and Mr. Sun Tak Keung, have been appointed to advise the Independent Shareholders as to whether the Sale and Purchase Agreement, the Acquisition, the Master Supply Agreements and the Transactions are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate

or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statements in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, Pride Eagle, Joy Wisdom and the Target Group.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

The principal factors and reasons that we have taken into consideration in assessing the Acquisition, the Transactions and the terms thereof in arriving at our opinion are set out as follows:

1. Background of the Acquisition

Information on the Group

The Group is principally engaged in the design, manufacture and sale of a diversified range of consumer home products. Upon completion of the Previous Acquisitions and the Completion, the Group will also engage in trading of coke, the Coal-related Ancillary Businesses and the Coal Processing Business. The First Previous Acquisition has been taken place on 16 May 2008 and save for unforeseen reasons, the Directors expected the Second Previous Acquisition was expected to be taken place in one to two months' time.

For the six months ended 30 June 2007, the Group recorded an unaudited loss attributable to equity holders of the Company of approximately HK\$19.2 million as compared to a profit attributable to equity holders of the Company of approximately HK\$6.3 million for the same period in year 2006. For the year ended 31 December 2007, the Group recorded an audited turnover of approximately HK\$640.6 million, representing a decline of 10.37% from approximately HK\$714.7 million in 2006. The loss was mainly due to stagnant sales and the persisting high levels of production cost as a result of fluctuating raw materials prices. The Directors consider that demand for household products slackened while competition was fierce that resulted in intense pressure on profit margins.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell or procure the sale of (i) the Sale Shares, being the entire issued share capital of the Target Company immediately before the Completion; and (ii) the Sale Debts, subject to the terms and conditions as set out in the Sale and Purchase Agreement.

LETTER FROM HANTEC

To the best of the Directors' knowledge and information having made all reasonable enquiry, as at the Latest Practicable Date, the amount of the Sale Debt is approximately HK\$10,000.

Information on the Target Group

The Target Company is an investment company incorporated in the British Virgin Islands on 7 December 2007. Before the completion of the Reorganisation, the Target Company and its subsidiaries are dormant with no major assets nor liabilities.

By the Preliminary Reorganisation Agreement, the Reorganisation has been or will be carried out:

- (i) before Completion, the Coal Processing Assets were currently operated by 孝義市金岩電力煤化工有限公司 (Xiaoyi City Golden Rock Electricity Coal Chemical Company Limited)* ("**GoldenRock**"), and the related assets and liabilities will become vested in the PRC Subsidiaries; and
- (ii) following the steps mentioned in (i) above, the HK Subsidiary will hold 91% of the registered capital in the PRC Subsidiaries.

and all the above steps under the Reorganisation shall be consummated on or before the Completion.

Golden Rock is a limited liability company established in the PRC in 1999. To the best knowledge and information of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, the registered capital of RMB80 million of Golden Rock is owned by three Independent Third Parties. Under the Second Previous Acquisition, it is proposed that Golden Rock will be an equity holder of the PRC subsidiary of Joy Wisdom to be established in the PRC and engaged in the Coal-related Ancillary Businesses. Save as disclosed above, Golden Rock is an Independent Third Party and is independent of the Vendor and his connected persons. Upon the completion of the Preliminary Reorganisation Agreement, Golden Rock will hold 9% of the PRC Subsidiaries.

To the best knowledge and information of the Directors have made all reasonable enquiries, the original acquisition costs of the Coal Processing Assets by the PRC Subsidiaries from Golden Rock will be approximately HK\$650 million and as at the Latest Practicable Date, the PRC Subsidiaries have not yet been formed and the Coal Processing Assets have not yet been acquired by the PRC Subsidiaries.

As set out in the Letter from the Board, the Sale and Purchase Agreement does not provide nor contemplate that Golden Rock will transfer to the PRC Subsidiaries any of its existing customers, suppliers and/or any staff or personnel relating to the Coal Processing Assets or any contractual rights made with such existing customers,

* For identification purpose only

LETTER FROM HANTEC

suppliers and/or staff or personnel. Furthermore, in negotiating the terms of the Sale and Purchase Agreement between the Company and the Vendor, no discussion or any arrangement relating to such transfer were regarded as part of the consideration.

As set out in the Letter from the Board, the Coal Processing Assets, which include coke ovens and coking coal towers, to be acquired by PRC Subsidiaries are located in Xiaoyi City, Shangxi. At present, the Coal Processing Assets are being operated by approximately 600 staff with an annual production capacity of 800,000 tons of Coke.

As the Coal Processing Business has not been formed, no historical financial record is available as at the Latest Practicable Date. However, based on the financial information in relation to the Coal Processing Assets for the year ended 31 December 2007 as set out in Appendix II to the Circular, the revenue and net profit before tax derived from the Coal Processing Assets were approximately RMB804.8 million and RMB130.8 million respectively. Since such plants and machineries of the Coal Processing Assets were under construction before the year ended 31 December 2007, no income was derived for the two financial year ended 31 December 2006. The market value of the Coal Processing Assets as valued by B.I. Appraisals Limited amounted to RMB742,500,000 as at 30 April 2008. Other than the entering into the Preliminary Reorganisation Agreement, no members of the Target Group have conducted any businesses since their respective incorporation.

As advised by the Directors, the vertical integration of the Coal Processing Business will enable the Group to have synergy to trading of coke recently engaged by the Group and the Coal-related Ancillary Businesses to be acquired by the Company upon completion of the Second Previous Acquisition.

2. Reasons for and benefits of the Acquisition

As stated in the Letter from the Board, the Group started engaging in trading of coke business after completion of the First Previous Acquisition which has been taken place on 16 May 2008 and will engage in the Coal-related Ancillary Business upon completion of the Second Previous Acquisition, the Directors consider that the Coal Processing Business, being the upstream of the Group's coke trading business and downstream of the Coal-related Ancillary Business, will enable the Group to complete its coal business operation. Besides, the vertical integration of the Coal Processing Business will enable the Group to have synergy to trading of coke recently engaged by the Group and the Coal-related Ancillary Businesses to be acquired by the Company upon completion of the Second Previous Acquisition.

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The Group is principally engaged in the design, manufacture and sale of a diversified range of consumer home products. Upon completion of the Previous Acquisitions, the Reorganization and the Completion, the Group will engage in trading of Coke, the Coal-related Ancillary Businesses and the Coal Processing Business. Accordingly, the Company will focus, including the corporate resources, on the development of the Coal Processing Business and Coal-related Ancillary Businesses while the Company will continue to operate its business of design, manufacture and sale of consumer home products to maintain stable income stream to the Group.

As set out in the Letter from the Board, according to the US Energy Information Administration (the “EIA”), world coal consumption increases by 74% and international coal trade increases by 44% over the projection period from 2004 to 2030, while coal’s share of world energy consumption increases from 26% in 2004 to 28% in 2030. According to EIA, coal is the second-largest fuel source of energy-related carbon dioxide emissions behind oil, accounting for 39% of the world total in 2004 and it is projected to become the largest source by 2010. Furthermore, China and India together account for 72% of the projected increase in world coal consumption from 2004 to 2030 as strong economic growth is projected for both countries and much of the increase in their demand for energy is expected to be met by coal. Moreover, international traded coal made up 15% of total world consumption in 2004 and world traded coal is projected to grow at an average annual rate of 1.5%. With respect to the increase in demand for coal around the world, the Directors are optimistic about the performance of the Group as the Group’s investment in the coal-related business is expected to improve the Group’s profitability, sustain its growth momentum, and broaden the revenue stream of the Group.

In view of the above, the Directors consider that the Acquisition represents an opportunity for the Group to further diversify into the prosperous coal business and broaden its revenue base. The Directors currently have no intention to change the existing principal business of the Group. Save for the Company may invite person(s) who has substantial experience in Coal Processing Business joining the Board to participate in the management of the new coal and coke business to be acquired, there will be no change in control of the Company as a results of the Acquisition. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Having taken into account that (i) the Acquisition will enable the Group to have synergy to trading of coke currently engaged by the Group and the Coal-related Ancillary Businesses upon completion of the Second Previous Acquisition, (ii) the Acquisition is in line with the Group’s development strategy of diversification into the prosperous coal business, (iii) the Acquisition is expected to strengthen the Group’s earnings base with respect to the historical profitability of the business attributable to the Coal Processing Assets as mentioned above, and (iv) the positive future outlook of the coal related business, we concur with the Directors that the Acquisition is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole and is in line with the Group’s development strategy.

3. The Consideration

The Acquisition Price is initially HK\$2,400 million, subject to adjustments as set out in the Letter from the Board under the section headed “Adjustments to the Acquisition Price”. The Acquisition Price shall be satisfied by the Company issuing the New Convertible Bonds upon the Completion, which are convertible into the Conversion Shares at an initial conversion price of HK\$0.63 per Conversion Share, subject to adjustments.

The consideration of the Sale Shares shall be an amount equal to the difference between the Acquisition Price and the face value of the Sale Debts as at the Completion Date. The consideration of the Sale Debt shall be an amount equal to the face value of the Sale Debts as at the Completion Date. In the event that the Sale Debts exceeds the Acquisition Price, the entirety of such Sale Debts shall be assigned to the Purchaser (or to its order) at a consideration of the Acquisition Price less HK\$1.

As set out in the Letter from the Board, the Acquisition Price was determined after arm’s length negotiation with reference to the business prospects of the Target Group, the potential synergy on the Coal-related Ancillary Businesses to be acquired by the Group upon completion of the Second Previous Acquisition, a price earning multiple of about 8 times for the Acquisition which is derived from the Acquisition Price divided by the sum of the Guaranteed 2009 Net Profit (as defined in the Letter from the Board under the section headed “**Adjustments to the Acquisition Price**”), and the price earnings multiple with reference to the weighted average price earnings ratio of approximately 20 times of the Hong Kong Hang Seng Index and the Hong Kong Hang Seng Composite Index in energy sector for December 2007. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Comparison with HK Comparable Companies

As stated in the Letter from the Board, a price earning multiple of about 8 times which is derived from the Acquisition Price divided by the sum of the Guaranteed 2009 Net Profit. In assessing the fairness and reasonableness of the Consideration, we have identified, on our best effort, following companies listed on the Stock Exchange (the “**Comparable Companies**”), of which part of their businesses, and/or their associate companies, and/or their jointly controlled entities are engaged

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in the coal processing business, details of which including their price earning multiples are set out below.

Company name	Business activities	Share price (as at the Last Trading Date)	Earning per share for the latest financial year	Price earning multiple (as at the Last Trading Date)
China Best Group Holding Limited	International air and sea freight forwarding, securities investment and manufacture & sale of coke.	0.11	N/A ^(a)	N/A ^(a)
Dynamic Energy Holdings Limited	Production and sale of coal in the PRC.	1.39	0.22	6.41
Fushan International Energy Group Limited	Production and sales of coking coal products and side products, acting as an agent in the coal business and sales of jewellery products.	4.54 ^(b)	N/A ^(a)	N/A ^(a)
China Shenhua Energy Co. Limited – H Shares	Production and sale of coal, generation and sale of power and the provision of transportation services in the PRC.	35.00	1.22	28.66
Yanzhou Coal Mining Co. Limited – H Shares	Underground mining, preparation, sales and railway transportation services of coal.	16.90	0.72	23.39
Hidili Industry International Development Limited	Coal mining and production and sale of high quality clean coal and coke.	12.20	0.41	29.92
China Coal Energy Co. Limited – H Shares	Production, sales and trading of coal, coke, coal-based chemicals, and manufacture of coal mining equipments.	16.40	0.56	29.06
Range				6.41 times to 29.92 times
Mean				23.49 times
Target Group				8 times

(a) recorded loss for the latest financial year and price earning multiple is therefore not applicable.

(b) As the trading of the shares of Fushan International Energy Group Limited was suspended on the Last Trading Date, the share price was therefore referred to the closing price on 18 April 2008, being the last trading date of the shares of Fushan International Energy Group Limited prior to the Last Trading Date.

Source: <http://www.hkex.com.hk>

LETTER FROM HANTEC

As illustrated above, the price earning multiples of the Comparable Companies identified vary from 6.41 times to 29.92 times with the mean value of approximately 23.49 times. From the above, we observed that the price earning multiples of the Target Group of 8 times represented by the Acquisition Price is within the range of the Comparable Companies, and represented a discount of approximately 65.9% to the average of the price earning multiples of the Comparable Companies of approximately 23.49 times. Hence we consider the Acquisition Price is acceptable and is in the interest of the Company.

Having taken into consideration that (i) the price earning multiples of the Target Group of 8 times represented by the Acquisition Price is within the range, (ii) the profitability of the business attributable to the Coal Processing Assets mentioned under the section headed “Information on the Target Group” above, (iii) the Acquisition Price has been arrived at after arm’s length negotiation with reference to the business prospects of the Target Group, the potential synergy on the Coal-related Ancillary Businesses to be acquired by the Group upon completion of the Second Previous Acquisition, and (iv) the positive financial results attributable to the Coal Processing Assets will be consolidated into the Group’s account, we are of the view that the Acquisition Price is considered reasonable and on normal commercial terms to the Company and is fair and reasonable so far as the Independent Shareholders are concerned.

4. Adjustments to the Acquisition Price

The Acquisition Price of approximately HK\$2,400 million is subject to adjustments, the details of which are set out in the Letter from the Board under the section headed “Adjustments to the Acquisition Price”.

Based on the adjustments set out in the Letter from the Board and having considered that (i) the net tangible assets of the Target Group is warranted through the NTA Warranty by Vendor of not less than HK\$650 million and the remaining balance of HK\$1750 million will be adjusted downward based on the actual performance of the Coal Processing Business in the event that the Guaranteed 2009 Net Profit can’t be achieved, (ii) the bases for the adjustments to the Acquisition Price including the making up the shortfall of NTA Warranty and the repayment for the reduced amount of the Acquisition Price which both provide safeguard to the Group for the reasonable adjustments towards the Acquisition Price, (iii) the Acquisition Price will be adjusted downward in the event of the failure to achieve the Guaranteed 2009 Net Profit, and (iv) the said adjustments were made based on the commercial decision between the parties after arm’s length negotiation, we are of the view that the adjustments to the Acquisition Price were on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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5. The New Convertible Bonds

The Acquisition Price shall be satisfied by the Company issuing the New Convertible Bonds upon the Completion, which are convertible into the Conversion Shares at an initial Conversion Price of HK\$0.63 per Conversion Share, subject to adjustments. The Convertible Bonds are interest-free and have a maturity of five years.

The Conversion Price of HK\$0.63 per Conversion Share represents:

- (i) the closing price of HK\$0.63 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 0.3% to the average of the closing prices of approximately HK\$0.628 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 0.2% to the average of the closing prices of HK\$0.631 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 170.3% over the audited net asset value per Share as at 30 April 2008 of approximately HK\$0.37 per Share.

To evaluate the fairness and reasonableness of the terms of the New Convertible Bonds, we have identified and reviewed, on a best effort basis, a number of transactions involving the issue of convertible bonds/notes at a fixed price by companies listed on the Stock Exchange from 14 February 2008 to 21 April 2008 (the “Comparable Issues”), being the two months before the date of entering into the Sale and Purchase Agreement, as summarized below:

Company	Stock Code	Date of announcement	Maturity	Interest rate %	Premium/ (discount) of conversion price to the average closing price as price for	
					at the last trading day %	the last five trading days %
Xian Yuen Titanium Resources Holdings Limited	353	18 April 2008	5	0	(1.96)	0.40
Global Solution Engineering Limited	8192	10 April 2008	5	0	(13.80)	(3.80)
Shougang Concord Technology Holdings Limited	521	3 April 2008	3	3	15.80	23.30
Tradeeasy Holdings Limited	8163	28 March 2008	3	0	(64.29)	(45.05)
Wang Sing International Holdings Group Limited	2389	25 March 2008	2	0	(8.00)	(6.10)

LETTER FROM HANTEC

Company	Stock Code	Date of announcement	Maturity	Interest rate %	Premium/ (discount) of conversion price to the average closing price as at the last trading day	
					at the last trading day %	the last five trading days %
Kai Yuan Holdings Limited	1215	10 March 2008	2	3.5	9.32	26.50
Smart Rich Energy Finance (Holdings) Limited	1051	5 March 2008	3	1	12.32	9.62
China HealthCare Holdings Limited	673	4 March 2008	3	2	110.90	127.50
Riche Multi Media Holdings Limited	764	4 March 2008	10	5	3.23	7.38
Easyknit Enterprises Holdings Limited	616	3 March 2008	1	1	9.09	22.45
Fulbond Holdings Limited	1041	29 February 2008	2	6	(19.63)	(6.52)
Golife Concepts Holdings Limited	8172	20 February 2008	3	2	18.64	22.81
Henry Group Holdings Limited	859	19 February 2008	1-4	1.68	90.00	86.30
Nubrand Group Holdings Limited(1)	835	19 February 2008	5	0	(1.96)	(6.02)
Nubrand Group Holdings Limited(2)	835	19 February 2008	5	0	25.49	20.30
Country Garden Holdings Company Limited	2007	15 February 2008	5	2.5	32.70	41.85
Maximum			10	6	110.90	127.50
Minimum			1	0	(64.29)	(45.05)
Average			3.80	1.73	13.62	20.06
Average excluding Maximum and Minimum					12.23	17.03
The Company		13 May 2008	5	0.00	0.00	0.30

Notes:

1. The transaction in relation to the acquisition of Giant Field Group Limited.
2. The transaction in relation to the acquisition of Power Field Group Limited.

Source: <http://www.hkex.com.hk>

We note from the table above that conversion price of the Comparable Issues ranged from a discount of approximately 64.29% to a premium of approximately 110.90% to the respective closing price as at the last trading days prior to the release of the relevant announcements with an average of a premium of approximately 13.62%. The Conversion Price, which represented the closing price of the Shares as quoted on the Last Trading Date, hence falls within the said market range of the Comparable Issues and is therefore in line with normal market practice, we considered that Conversion Price is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

The New Convertible Bonds have a maturity of five years whereas the terms to maturity of the Comparable Issues ranged from one year to ten years with an average term to maturity of approximately 3.80 years. The term to the maturity of the New Convertible Bonds fall within the said market range and we are of the view that it is in line with the normal market practice.

LETTER FROM HANTEC

The interest rates of the Comparable Issues ranged from nil to 6% per annum, with an average of approximately 1.73%. Taken into account the New Convertible Bonds carry no interest, we are of the view that the interest rate of the New Convertible Bonds is fair and reasonable so far as the Company and the Independent Shareholders are concerned and is in the interest of the Company and the Independent Shareholders as a whole.

According to the analysis as stated above, we are of the view that the basis of determining the terms of the New Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned, and the terms of the New Convertible Bonds are on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole.

6. Dilution of the shareholding interests in the Company

On the basis that the New Convertible Bonds are fully converted into the Conversion Shares within the Conversion Period by the bondholder(s), 3,809,523,809 Conversion Shares will be issued by the Company to the bondholder(s). The 3,809,523,809 Conversion Shares upon the exercise in full of the conversion rights attaching to the New Convertible Bonds represent approximately (i) 5.5 times of the existing issued share capital of the Company; and (ii) 38.9% of the issued share capital of the Company as enlarged by the exercise in full of the conversion rights attaching to the New Convertible Bonds and the Existing Convertible Bonds.

Set out below is the shareholding structure of the Company as at the Latest Practicable Date, and for illustrative purpose, the effects on the shareholding structure of the Company assuming full conversion of the New Convertible Bonds:

Shareholder	As at the Latest Practicable date		Assuming full conversion of the outstanding amount of the Tranche 1 Bonds (Note 4) (Note 5)		Assuming full conversion of the outstanding amount of the Tranche 1 Bonds and the Tranche 2 Bonds (Note 4) (Note 5)		Assuming full conversion of the outstanding amount of the Tranche 1 bonds and the Tranche 2 Bonds and the New Convertible Bonds (Note 4) (Note 5)		Assuming conversion of the New Convertible Bonds to the extent immediately before the Vendor would be interested in 30% of the Company based on the number of issued Shares as at the Latest Practicable Date	
	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%
Golden Mount Limited (Note 1)	100,097,209	14.50	100,097,209	3.10	100,097,209	1.67	100,097,209	1.02	100,097,209	10.15
The Directors (Note 2)	45,576,844	6.60	45,576,844	1.41	45,576,844	0.76	45,576,844	0.47	45,576,844	4.63
Solidpole Limited (Note 3)	34,855,428	5.05	34,855,428	1.08	34,855,428	0.58	34,855,428	0.36	34,855,428	3.53
The Vendor	–	–	2,537,500,000 (Note 5)	78.61	5,287,500,000	88.45	9,097,023,809	92.95	295,756,099	29.99
Public Shareholders	509,896,811	73.85	509,896,811	15.80	509,896,811	8.54	509,896,811	5.20	509,896,811	51.70
Total	<u>690,426,292</u>	<u>100.00</u>	<u>3,227,926,292</u>	<u>100.00</u>	<u>5,977,926,292</u>	<u>100.00</u>	<u>9,787,450,101</u>	<u>100.00</u>	<u>986,182,391</u>	<u>100.00</u>

LETTER FROM HANTEC

Notes:

- (1) Golden Mount Limited is owned by Mr. Chim Pui Chung who is the father of Mr. Chim Kim Lun, Ricky, a Director.
- (2) As at the Latest Practicable Date, these Shares are held by the following Directors: as to 44,412,844 Shares by Mr. Lam Po Kwai, Frankie, as to 73,433 Shares by Ms. Wong Yau Ching, Maria and as to 1,164,000 Shares by Mr. Sun Tak Keung.
- (3) Solidpole Ltd. is a wholly-owned subsidiary of China Everbright Ltd. which is in turn a 55.47% owned subsidiary of Honorich Holdings Ltd.. Honorich Holdings Ltd. is a wholly-owned subsidiary of Datten Investments Ltd which in turn a wholly-owned subsidiary of China Everbright Holdings Company Ltd.
- (4) These columns are shown for illustrative purpose only. Pursuant to the terms of the Existing Convertible Bonds and the New Convertible Bonds, the Vendor shall not exercise any right to convert the Existing Convertible Bonds and New Convertible Bonds into the new Shares/ Conversion Shares to the extent that following such exercise, the Vendor, and parties acting in concert with him, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued Shares or in such lower percentage 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 no holder of the Existing Convertible Bonds and the New Convertible Bonds shall exercise the conversion right attached to the Existing Convertible Bonds and the New Convertible Bonds held by such holder if immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under Rule 8.08 of the Listing Rules and as required by the Stock Exchange. The Company will comply with the relevant requirements that the Company will maintain the minimum public float requirements as under Rule 8.08 of the Listing Rules when the conversion rights attached to the Existing Convertible Bonds and the New Convertible Bonds are exercised.
- (5) As announced by the Company on 28 May 2008 and 18 June 2008, conversion rights attaching to the Tranche 1 Bonds in the aggregate amount of HK\$47,000,000 and HK\$38,000,000 were exercised by the holder of Tranche 1 Bonds at the conversion price of HK\$0.40 respectively, resulting in the allotment and issue of 117,500,000 and 95,000,000 Shares respectively. After the above conversion, the aggregate outstanding principal amount of the Tranche 1 Bonds is HK\$1,015,000,000. Assuming full conversion of the outstanding principal amount of the Tranche 1 Bonds of HK\$1,015,000,000, 2,537,500,000 Shares will be issued by the Company to the bondholder(s).

As shown in the above table, the shareholding interests of the public Shareholders in the Company will be substantially diluted from approximately 73.85% as at the Latest Practicable Date to 5.20% assuming full conversion of the outstanding amount of the Tranche 1 bonds and the Tranche 2 Bonds and the New Convertible Bonds representing a decrease of approximately 68.65%. After taking into account that (i) the terms (including the Acquisition Price and the Conversion Price) of the Sales and Purchase Agreement were fairly and reasonably set, (ii) the Acquisition will enable the Group to have synergy to trading of coke and the Coal-related Ancillary Businesses upon completion of the Second Previous Acquisition, (iii) the Acquisition is in line with the Group's development strategy of diversification into the prosperous coal business, (iv) the Acquisition is expected to strengthen the Group's earnings base with respect to the historical profitability of the business attributable to the Coal Processing Assets of the Golden Rock, and (v) it may be very difficult for the Group to use other fund raising exercises such as rights issue or open offer in light of the significant amount of the funds required for the Acquisition as well as the necessity of the underwriting arrangement to be in place, we are of the view that the dilution effect to the public Shareholders is acceptable.

7. Financial effects of the Acquisition on the Group

Upon the Completion, the Company will directly and beneficially own 100% of the equity interest in the Target Company and the HK Subsidiary and 91% equity interest in the PRC Subsidiaries. According to the accounting policies of the Group, the Target Group will be treated as indirect wholly-owned subsidiaries of the Company and its financial results will be consolidated into the Group.

(i) Earnings

The Group recorded an audited consolidated loss attributable to the equity holders of the Company of approximately HK\$42.1 million for the year ended 31 December 2007. According to the unaudited pro forma financial information on the Enlarged Group set out in Appendix III to the Circular, the unaudited consolidated loss attributable to the equity holders of the Enlarged Group would be approximately HK\$81.0 million after the completion of Acquisition and the pro forma basic loss per share will be approximately HK\$17.0 cents being the pro forma net loss of the Enlarged Group divided by the total weighted average number of ordinary shares issued. Considering (i) the historical performance of the Coal Processing Assets to be acquired by the PRC Subsidiaries pursuant to the Preliminary Reorganisation Agreement, (ii) the promising Guaranteed 2009 Net Profit as mentioned above, (iii) the Coal Processing Business, being the upstream of the Group's coke trading business and downstream of the Coal-related Ancillary Business, will enable the Group to complete its coal business operation, and to further diversity into the prosperous coal business and broaden its revenue base, and (iv) the vertical integration of the Coal Processing Business will enable the Group to have synergy to the trading of coke and the Coal-related Ancillary Businesses to be acquired by the Company upon completion of the Previous Acquisitions, we are of the view that the Acquisition will contribute positively to the Group's financial performance.

(ii) Net assets value

As at 31 December 2007, the audited total assets and net assets of the Group were approximately HK\$281.0 million and HK\$176.8 million respectively. As set out in the unaudited pro forma balance sheet of the Enlarged Group to the Appendix III of the Circular, the unaudited pro forma total assets of the Enlarged Group would be increased by approximately HK\$2,471.5 million to approximately HK\$2,752.5 million. Besides, the unaudited pro forma net assets of the Enlarged Group would be increased by approximately HK\$629.9 million to HK\$806.6 million, representing an increase of approximately 356.3%.

(iii) Gearing

As disclosed in Appendix I, the gearing ratio of the Group (defined as total liabilities over the total assets) as at 31 December 2007 was approximately 37.1%. According to the unaudited pro forma balance sheet of the Enlarged Group as set out in Appendix III to the Circular, the unaudited pro forma total liabilities and

total assets of the Enlarged Group would be approximately HK\$1,945.9 million and HK\$2,752.5 million respectively upon Completion. Attributable to the issuance of the New Convertible Bonds, the gearing ratio of the Enlarged Group would be significantly increased to approximately 70.7% upon Completion.

While the gearing ratio of the Enlarged Group would increase significantly as a result of the issue of the New Convertible Bonds, such New Convertible Bonds, which are interest-free and have a maturity of five years, are not expected to have any adverse impact on the cash flow of the Enlarged Group in the near future. On the other hand, the liabilities of the Group would be reduced as a result of any conversion of the Convertible Bonds. Having considered the benefits of improving the net assets of the Enlarged Group attributable to the Shareholders upon completions of the Acquisition and the expected benefits to be brought by the Acquisition as discussed above, we consider that the effect of the Acquisition on the gearing ratio of the Enlarged Group to be acceptable.

8. The Transactions

(i) Background and reasons for the Transactions

On 21 April 2008, Joy Wisdom and Pride Eagle have entered into the Coal Master Supply Agreement and the Coke Master Supply Agreement with the Target Company in relation to the sale and supply of coal and coke products respectively. Given that the Vendor is the sole and ultimate beneficial owner of the Target Group prior to the Completion and is a Director and a director of certain subsidiaries of the Company, each member of the Target Group prior to the Completion is a connected person under the Listing Rules. Therefore, the Coal Master Supply Agreement and the Coal Transactions between Joy Wisdom (and/or its subsidiaries) and the Target Group upon completion of the Reorganisation and the Second Previous Acquisition but before the Completion, and the Coke Master Supply Agreement and Coke Transactions between Pride Eagle (and/or its subsidiaries) and the Target Group upon completion of the Reorganisation and the First Previous Acquisition but before the Completion will constitute continuing connected transactions for the Company under the Listing Rules. The price of the watered or processed coal supplied under the Coal Master Supply Agreement by Joy Wisdom (and/or its subsidiaries) to the Target Company (and/or its subsidiaries) will be (i) not less than the relevant market price; and (ii) not less than the price offered to any third parties by Joy Wisdom and/or its subsidiaries. The price of the coke supplied under the Coke Master Supply Agreement by the Target Company (and/or its subsidiaries) to Pride Eagle (and/or its subsidiaries) will be (i) not more than the relevant market price; and (ii) not higher than the price offered to any third parties by the Target Company and/or its subsidiaries. The other major terms of the Master Supply Agreements have been disclosed in the Letter from the Board.

LETTER FROM HANTEC

As to date and prior to completion of the acquisition of the Coal-related Ancillary Businesses by Huscoke Investment (which is currently 100% beneficially owned by the Vendor) through its subsidiary in the PRC and the Reorganisation, (i) the Coal-related Ancillary Businesses and the Coal Processing Assets are both owned by Golden Rock; (ii) Golden Rock has used the watered or processed coal processed by itself for the processing of coke and (iii) Golden Rock has been selling coke to Huscoke International since 2007. Upon completion of the acquisition of the Coal-related Ancillary Businesses by Huscoke Investment but before completion of the Second Previous Acquisition, the Coal-related Ancillary Businesses will be owned by the Vendor through Huscoke International and its subsidiary in the PRC. Upon completion of the Reorganisation but before the Completion, the Coal Processing Business will be owned by the Target Group.

The completion of the First Previous Acquisition took place on 16 May 2008. Save for any unforeseen reasons, the Directors expected that the Second Previous Acquisition would be taken place in one or two months' time.

As the Group started to engage in trading of coke business and will engage in the Coal-related Ancillary Business after completion of the Second Previous Acquisition, the Transactions are consistent with the past business dealings of Golden Rock before completion of the above mentioned Reorganisation and acquisitions.

As set out in the Letter from the Board, the Directors (including the independent non-executive Directors after considering the advice from Hantec) consider that the terms and conditions of the Master Supply Agreements (including the cap amounts) are fair and reasonable and it is in the best interest of the Group to engage in the Transactions as they will facilitate the new businesses (namely, the Coal-related Ancillary Businesses and trading of coke) of the Group.

In view of the above, in particular that (i) the Transactions are entered into on normal commercial terms and in the ordinary and usual course of the Group's business which the price of the watered or processed coal supplied under the Coal Master Supply Agreement by Joy Wisdom (and/or its subsidiaries) to the Target Company (and/or its subsidiaries) will be (a) not less than the relevant market price; and (b) not less than the price offered to any third parties by Joy Wisdom and/or its subsidiaries and the price of the coke supplied under the Coke Master Supply Agreement by the Target Company (and/or its subsidiaries) to Pride Eagle (and/or its subsidiaries) will be (a) not more than the relevant market price; and (b) not higher than the price offered to any third parties by the Target Company and/or its subsidiaries, (ii) it is in the interest of the Group as engaging in the said Transactions will facilitate the new businesses namely, the Coal-related Ancillary Businesses upon completion of the Second previous Acquisition and the trading of coke, and (iii) the continuing connected transactions in relation to the Transactions will cease upon Completion as Joy Wisdom, Pride Eagle and the Target Company will become wholly-owned subsidiaries of the Company, we therefore consider that the entering into the continuing connected transactions in relation to the Transactions is in the interests of the Company and the Shareholders as a whole.

LETTER FROM HANTEC

(ii) *Cap amounts*

The Directors have proposed the cap amounts for the two-month period after conditions precedent for the Master Supply Agreements are fulfilled for the continuing connected transactions of HK\$300 million for the sale of watered/processed coal under the Coal Master Supply Agreement and HK\$350 million for the sale of coke under the Coke Master Supply Agreement respectively.

As set out in the Letter from the Board, the cap amounts are determined by reference to the maximum production capacity (i.e. approximately 66,000 tons of coke per month) of the Coal Processing Assets and the current market price of the watered or processed coal and the coke of RMB1,500 per ton and RMB2,400 per ton, respectively.

Having considered that (i) the continuing connected transactions in relation to the Transactions are expected to be entered into for only two-month period and will cease upon Completion, (ii) the cap amounts are determined with reference to the maximum production capacity of approximately 66,000 tons of coke per month and the relevant market price of the watered or processed coal and the coke, (iii) the Master Supply Agreements can provide flexibility to the development of the Group's new businesses of the Coal-related Ancillary Businesses upon completion of the Second Previous Acquisition and the trading of coke, and (iv) the pricing under the Master Supply Agreements is no less favourable than the rates the Group can obtain from or offer to the independent third parties, we are of the view that the cap amounts are fair and reasonable and the continuing connected transactions in relation to the Transactions are entered into commercial and usual course of business and are in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the Acquisition, the terms of the Sale and Purchase Agreement and the continuing connected transactions in relation to the Transactions are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We also consider that the Acquisition and the Transactions are on normal commercial terms and is in the ordinary and usual course of business of the Company. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Acquisition and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Hantec Capital Limited
Robert Siu
Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

The following is a summary of the consolidated financial information of the Group for each of the three years ended 31 December 2005, 2006 and 2007 as extracted from the annual reports of the Company:

Results

	Year ended 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>640,635</u>	<u>714,731</u>	<u>747,483</u>
(Loss)/Profit before tax	(42,487)	16,059	(17,570)
Taxation (charge) credit	<u>317</u>	<u>914</u>	<u>(987)</u>
(Loss)/Profit for the year	<u>(42,170)</u>	<u>16,973</u>	<u>(18,557)</u>
Attributable to:			
Equity holders of the Company	(42,170)	18,912	(13,031)
Minority Interests	<u>—</u>	<u>(1,939)</u>	<u>(5,526)</u>
	<u>(42,170)</u>	<u>16,973</u>	<u>(18,557)</u>
Dividends	—	—	—

Assets, liabilities and minority interests

	Year ended 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Total assets	280,996	394,002	424,882
Total liabilities	(104,234)	(171,760)	(180,312)
Minority interests	<u>—</u>	<u>—</u>	<u>41,411</u>
	<u>176,762</u>	<u>222,242</u>	<u>244,570</u>

None of the audited financial statements of the Group for the three years ended 31 December 2007 was qualified by the auditors.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2005 AND 2006

The following is extracted the text of the audited financial statements of the Group together with the accompanying notes contained on pages 24 to 70 of the annual report of the Company for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31st December, 2007

	NOTES	2007 HK\$	2006 HK\$
Revenue		640,635,174	714,731,279
Cost of sales		<u>(615,908,834)</u>	<u>(645,465,503)</u>
Gross profit		24,726,340	69,265,776
Other income	7	31,020,193	9,432,183
Selling and distribution costs		(18,269,969)	(24,636,777)
Administrative expenses		(52,475,768)	(60,641,282)
Change in fair value of investments held for trading		2,454,111	(117,148)
Impairment loss on property, plant and equipment		(22,000,000)	–
(Loss) gain on disposal/liquidation of an associate		(135)	66,135
Loss on disposal/liquidation of subsidiaries	28	(3,572,603)	–
Discount on acquisition of additional interests in a subsidiary	8	–	28,222,523
Finance costs	9	(4,368,807)	(5,792,712)
Share of profits of associates		<u>–</u>	<u>260,696</u>
(Loss) profit before taxation		(42,486,638)	16,059,394
Taxation credit	10	<u>317,413</u>	<u>913,536</u>
(Loss) profit for the year	11	<u><u>(42,169,225)</u></u>	<u><u>16,972,930</u></u>
Attributable to:			
Equity holders of the Company		(42,169,225)	18,911,884
Minority interests		<u>–</u>	<u>(1,938,954)</u>
		<u><u>(42,169,225)</u></u>	<u><u>16,972,930</u></u>
Basic (loss) earning per share	14	<u><u>(8.82 cents)</u></u>	<u><u>3.96 cents</u></u>

CONSOLIDATED BALANCE SHEET*At 31st December, 2007*

	NOTES	2007 HK\$	2006 HK\$
Non-current assets			
Property, plant and equipment	15	64,967,741	114,944,655
Prepaid lease payments	16	7,918,562	22,019,155
Interest in an associate	17	–	314,591
Available-for-sale investment	18	880,000	880,000
Retirement benefit scheme's assets	32	4,076,754	–
		<u>77,843,057</u>	<u>138,158,401</u>
Current assets			
Inventories	19	44,481,716	67,563,136
Debtors, bills receivable and prepayments	20	70,448,675	92,810,269
Prepaid lease payments	16	222,294	626,880
Investments held for trading	21	–	8,630,365
Taxation recoverable		–	1,949,071
Short term bank deposits	22	63,688,160	39,504,927
Short term pledged bank deposit	22	2,910,064	2,840,002
Bank balances and cash	22	21,402,159	41,918,748
		<u>203,153,068</u>	<u>255,843,398</u>
Current liabilities			
Creditors, bills payable and accrued charges	23	65,492,725	96,751,084
Amount due to an associate	17	–	294,000
Tax payable		117,811	–
Bank borrowings	24	36,322,198	70,028,856
		<u>101,932,734</u>	<u>167,073,940</u>
Net current assets		<u>101,220,334</u>	<u>88,769,458</u>
		<u>179,063,391</u>	<u>226,927,859</u>
Capital and reserves			
Share capital	25	47,792,629	47,792,629
Reserves		128,969,167	174,449,340
Total equity		176,761,796	222,241,969
Non-current liability			
Deferred taxation	27	2,301,595	4,685,890
		<u>179,063,391</u>	<u>226,927,859</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31st December, 2007

	Attributable to equity holders of the Company						Total	Minority interests	Total
	Share capital HK\$	Share premium HK\$	Special reserve HK\$	Translation reserve HK\$	Capital redemption reserve HK\$	(Accumulated losses) retained profits HK\$			
At 1st January, 2006	47,792,629	144,997,035	18,236,237	3,429,851	85,000	(11,382,170)	203,158,582	41,411,477	244,570,059
Exchange differences arising on translation of foreign operation and net income recognised directly in equity	-	-	-	426,137	-	-	426,137	-	426,137
Release of translation reserve upon disposal of an associate	-	-	-	(254,634)	-	-	(254,634)	-	(254,634)
Profit (loss) for the year	-	-	-	-	-	18,911,884	18,911,884	(1,938,954)	16,972,930
Total recognised income (expense) for the year	-	-	-	171,503	-	18,911,884	19,083,387	(1,938,954)	17,144,433
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(39,472,523)	(39,472,523)
At 31st December, 2006	47,792,629	144,997,035	18,236,237	3,601,354	85,000	7,529,714	222,241,969	-	222,241,969
Exchange differences arising on translation of foreign operation and net income recognised directly in equity	-	-	-	1,795,620	-	-	1,795,620	-	1,795,620
Release of translation reserve upon disposal/liquidation of subsidiaries	-	-	-	(5,106,568)	-	-	(5,106,568)	-	(5,106,568)
Loss for the year	-	-	-	-	-	(42,169,225)	(42,169,225)	-	(42,169,225)
Total recognised expense for the year	-	-	-	(3,310,948)	-	(42,169,225)	(45,480,173)	-	(45,480,173)
At 31st December, 2007	<u>47,792,629</u>	<u>144,997,035</u>	<u>18,236,237</u>	<u>290,406</u>	<u>85,000</u>	<u>(34,639,511)</u>	<u>176,761,796</u>	<u>-</u>	<u>176,761,796</u>

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

CONSOLIDATED CASH FLOW STATEMENT*For The Year Ended 31st December, 2007*

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
OPERATING ACTIVITIES		
(Loss) profit before taxation	(42,486,638)	16,059,394
Adjustments for:		
Allowances for bad and doubtful debts	–	2,303,865
Change in fair value of investments held for trading	(2,435,492)	117,148
Change in fair value of retirement benefits scheme's assets	(4,076,754)	–
Interest expense	4,368,807	5,792,712
Interest income	(2,702,280)	(2,386,806)
Share of losses of associates	–	(260,696)
Depreciation of property, plant and equipment	15,813,432	17,897,189
Release of prepaid lease payments	222,294	622,308
Gain on disposal of property, plant and equipment	(18,748,846)	(318,406)
Impairment loss on property, plant and equipment	22,000,000	–
Discount on acquisition of additional interests in a subsidiary	–	(28,222,523)
Loss on disposal/liquidation of subsidiaries	3,572,603	–
Loss (gain) on disposal/liquidation of an associate	135	(66,135)
Operating cash flows before movements in working capital	(24,472,739)	11,538,050
Decrease (increase) in inventories	22,664,575	(586,592)
Decrease (increase) in debtors, bills receivable and prepayments	20,618,329	(5,904,791)
(Decrease) increase in creditors, bills payable and accrued charges	(28,567,920)	4,675,506
Decrease (increase) in investments held for trading	11,860,552	(5,608,778)
Cash generated from operations	2,102,797	4,113,395
Hong Kong Profits Tax refund	–	1,128
NET CASH FROM OPERATING ACTIVITIES	<u>2,102,797</u>	<u>4,114,523</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	NOTE	2007 HK\$	2006 HK\$
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(9,103,526)	(9,346,111)
Acquisition of additional interest in a subsidiary		–	(11,250,000)
Increase in pledged bank deposits		(70,062)	(99,140)
Decrease in bank deposits		–	15,600,000
Distribution from an associate		20,456	–
Proceeds from disposal of an associate		–	532,800
Proceeds from disposal of property, plant and equipment		39,588,806	6,159,612
Disposal/liquidation of subsidiaries	28	6,148,745	1,923,078
Interest received		2,702,280	2,386,806
NET CASH FROM INVESTING ACTIVITIES		39,286,699	5,907,045
FINANCING ACTIVITIES			
New bank borrowings raised		289,983,692	432,926,196
Repayment of bank borrowings		(323,690,350)	(445,213,243)
Interest paid		(4,368,807)	(5,792,712)
NET CASH USED IN FINANCING ACTIVITIES		(38,075,465)	(18,079,759)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		3,314,031	(8,058,191)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		81,423,675	89,461,809
EFFECT OF FOREIGN CURRENCY RATE CHANGES		352,613	20,057
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		85,090,319	81,423,675
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
BEING:			
Short term bank deposits		63,688,160	39,504,927
Bank balances and cash		21,402,159	41,918,748
		85,090,319	81,423,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2007

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture and sale of a diversified range of consumer home products.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-INT 8	Scope of HKFRS 2
HK(IFRIC)-INT 9	Reassessment of embedded derivatives
HK(IFRIC)-INT 10	Interim financial reporting and impairment

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC)-INT 11	HKFRS 2: Group and treasury share transactions ³
HK(IFRIC)-INT 12	Service concession arrangements ⁴
HK(IFRIC)-INT 13	Customer loyalty programmes ⁵
HK(IFRIC)-INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction ⁴

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

² Effective for annual periods beginning on or after 1st July, 2009.

³ Effective for annual periods beginning on or after 1st March, 2007.

⁴ Effective for annual periods beginning on or after 1st January, 2008.

⁵ Effective for annual periods beginning on or after 1st July, 2008.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the futures as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the 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.

On acquisition of additional interest in subsidiaries, goodwill was calculated as the difference between the consideration paid for the additional interest and the carrying amount of the net assets of the subsidiaries attributable to the additional interest acquired. If the Group's additional interest in the net assets of the subsidiaries exceeds the consideration paid for the additional interest, the excess is recognised in the consolidated income statement.

Business Combination

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.

Investment in an associate

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

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

Revenue recognition

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

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

Service income are recognised when services are provided.

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

Property, plant and equipment

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

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

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

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Foreign currencies

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

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

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

Retirement benefit costs

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

For defined benefit retirement benefit plan, the cost of providing benefits is determined using the projected unit credit method. Past service cost is recognised immediately to the extent that the benefits are already vested.

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

Borrowing costs

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

Taxation

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

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

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

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

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

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

Inventories

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

Financial instruments

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

Financial assets

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

Investments held for trading

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

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 on 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.

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

Available-for-sale financial assets

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

Impairment of financial assets

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

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

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

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

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

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

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

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

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities including creditors, bills payable, amount due to an associate and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

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 the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial assets and recognise a collateralised borrowing for proceeds received.

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

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. 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 borrowings disclosed in note 24, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks 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 the addition of new borrowings and the repayment of existing borrowings.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2007 HK\$	2006 HK\$
Financial assets		
Fair value through profit or loss – held for trading	–	8,630,365
Loans and receivables (including cash and cash equivalents)	157,015,099	176,622,128
Available-for-sale financial assets	880,000	880,000
	<u>157,895,099</u>	<u>186,132,493</u>
Financial liabilities		
Amortised cost	<u>88,161,156</u>	<u>148,183,819</u>

Financial risk management objectives and policies

The Group's major financial instruments include debtors, bills receivable, bank balances and deposits, investments held-for-trading, creditors, bills payable, amount due to an associate 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.

Currency risk

The Group has foreign currency sales and purchases, denominated in currencies other than the Group's functional currency which exposed itself to foreign currency risk. Approximately 84%, 91% and 20% (2006: 80%, 62% and 17%) of the Group's sales, purchases and other cost of sales 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 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	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
United States dollars ("US\$")	26,489,000	119,577,000	42,216,000	92,614,000
Australian dollars ("AUD")	25,615,000	–	–	–
New Zealand dollars ("NZD")	14,074,000	–	–	–
Renminbi ("RMB")	4,293,000	7,496,000	2,159,000	–
	<u>70,471,000</u>	<u>127,073,000</u>	<u>44,375,000</u>	<u>92,614,000</u>

The directors of the Company expect the foreign exchange exposure on US\$ against Hong Kong dollars to be minimal because Hong Kong dollars are pegged with US\$.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates a decrease in loss for the year (2006: an increase in profit for the year) where Hong Kong dollars weaken 5% against the relevant currencies. For a 5% strengthening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the loss for the year (2006: profit for the year).

	AUD impact	NZD impact	RMB impact	
	2007 HK\$	2007 HK\$	2007 HK\$	2006 HK\$
Decrease in loss/increase in profit for the year				
– if Hong Kong dollars weakens against relevant foreign currencies	1,280,750	703,700	106,700	374,780
Increase in loss/decrease in profit for the year				
– if Hong Kong dollars strengthens against relevant foreign currencies	(1,280,750)	(703,700)	(106,700)	(374,780)

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 interest bearing financial assets and financial liabilities at variable rate. Interest bearing financial assets are mainly deposits with banks. Interest bearing financial liabilities are mainly 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 Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest cash flows.

The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to interest rates for the non-derivative instruments at the balance sheet date. For variable-rate bank deposits and borrowings, the analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year would decrease/increase by HK\$136,830 (2006: the Group's profit for the year would decrease/increase by HK\$152,620). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and bank borrowings.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2007 and 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management closely monitors the subsequent settlement of the debts and does not grant long credit period to customers. In addition, the Group reviews the recoverable amount of each individual trade debtors at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade debtors, with exposure spread over a number of counterparties and customers.

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, 2007, the Group has available unutilised short-term bank loan facilities of approximately HK\$203,000,000 (2006: HK\$253,000,000). Details of the Group's borrowings at 31st December, 2007 are set out in note 24.

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

Liquidity tables

	Weighted average effective interest rate % per annum	Less than 1 month HK\$	1-3 months HK\$	3-6 months HK\$	Total undiscounted cash flows HK\$	Total carrying amounts at 31.12.2007 HK\$
2007						
Non-derivative financial liabilities						
Trade and other creditors	-	28,920,061	19,293,335	534,100	48,747,496	48,747,496
Bills payable	-	1,374,111	1,717,351	-	3,091,462	3,091,462
Bank borrowings	6.82	17,210,252	19,407,799	117,009	36,735,060	36,322,198
		<u>47,504,424</u>	<u>40,418,485</u>	<u>651,109</u>	<u>88,574,018</u>	<u>88,161,156</u>

	Weighted average effective interest rate % per annum	Less than 1 month HK\$	1-3 months HK\$	3-6 months HK\$	Total undiscounted cash flows HK\$	Total carrying amounts at 31.12.2006 HK\$
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2006

Non-derivative financial liabilities						
Trade and other creditors	-	31,314,756	28,155,265	2,018,292	61,488,313	61,488,313
Bills payable	-	7,242,302	9,130,448	-	16,372,750	16,372,750
Amount due to an associate	-	294,000	-	-	294,000	294,000
Bank borrowings	7.05	35,642,181	35,054,976	425,799	71,122,956	70,028,756
		<u>74,493,239</u>	<u>72,340,689</u>	<u>2,444,091</u>	<u>149,278,019</u>	<u>148,183,819</u>

Fair value

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

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of available-for-sale investments is determined by reference to the bid price quoted in a second hand market. The fair value of investments held for trading is determined based on the quoted market bid prices available on the relevant exchange or based on the relevant price quoted from the brokers.

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

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating divisions – trading, manufacturing and sale of household and other consumer products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Trading	– resale of household products
Manufacturing – household products	– manufacturing and sale of household products
Manufacturing – others	– manufacturing and sale of other consumer products

Segment information about these businesses is presented below.

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Consolidated HK\$
REVENUE				
External sales	165,769,404	96,618,130	378,247,640	640,635,174
RESULTS				
Segment results	11,356,311	12,094,884	(16,994,824)	6,456,371
Unallocated income				31,020,193
Unallocated expenses				(52,475,768)
Change in fair value of investments held for trading				2,454,111
Impairment loss on property, plant and equipment				(22,000,000)
Loss on liquidation of an associate				(135)
Gain (loss) on disposal/ liquidation of subsidiaries	–	43,605	(3,616,208)	(3,572,603)
Finance costs				(4,368,807)
Loss before taxation				(42,486,638)
Taxation credit				317,413
Loss for the year				(42,169,225)

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

ASSETS AND LIABILITIES AS AT 31ST DECEMBER, 2007

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Consolidated HK\$
ASSETS				
Segment assets	45,431,953	41,385,492	99,311,351	186,128,796
Unallocated corporate assets				94,867,329
Consolidated total assets				<u>280,996,125</u>
LIABILITIES				
Segment liabilities	9,638,396	9,183,270	42,348,969	61,170,635
Unallocated corporate liabilities				43,063,694
Consolidated total liabilities				<u>104,234,329</u>

OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Unallocated HK\$	Consolidated HK\$
Capital additions	1,372,667	112,127	7,618,732	–	9,103,526
Depreciation of property, plant and equipment	1,730,935	1,638,118	12,444,379	–	15,813,432
Release of prepaid lease payments	108,221	110,227	3,846	–	222,294
Gain (loss) on disposal of property, plant and equipment	–	10,993,691	7,815,129	(59,974)	18,748,846
Impairment loss on property, plant and equipment	<u>–</u>	<u>–</u>	<u>22,000,000</u>	<u>–</u>	<u>22,000,000</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Consolidated HK\$
REVENUE				
External sales	190,662,788	112,175,957	411,892,534	714,731,279
RESULTS				
Segment results	9,821,966	14,901,580	17,601,588	42,325,134
Unallocated income				9,432,183
Unallocated expenses				(58,337,417)
Change in fair value of investments held for trading				(117,148)
Gain on disposal of an associate				66,135
Discount on acquisition of additional interests in a subsidiary	–	–	28,222,523	28,222,523
Finance costs				(5,792,712)
Share of profits of associates				260,696
Profit before taxation				16,059,394
Taxation credit				913,536
Profit for the year				16,972,930

ASSETS AND LIABILITIES AS AT 31ST DECEMBER, 2006

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Consolidated HK\$
ASSETS				
Segment assets	50,867,206	64,045,138	182,104,673	297,017,017
Interests in associates				314,591
Unallocated corporate assets				96,670,191
Consolidated total assets				394,001,799
LIABILITIES				
Segment liabilities	12,806,473	13,971,712	67,703,542	94,481,727
Unallocated corporate liabilities				77,278,103
Consolidated total liabilities				171,759,830

OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Trading	Manufacturing – household products	Manufacturing – others	Unallocated	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$
Capital additions	2,515,280	1,340,544	5,474,398	15,889	9,346,111
Depreciation of property, plant and equipment	1,791,951	1,894,105	14,194,303	16,830	17,897,189
Release of prepaid lease payments	160,763	162,366	299,179	–	622,308
(Loss) gain on disposal of property, plant and equipment	(150,548)	(80,236)	(130,128)	679,318	318,406
Allowances for bad and doubtful debts	2,213,157	–	90,708	–	2,303,865
	<u>2,213,157</u>	<u>–</u>	<u>90,708</u>	<u>–</u>	<u>2,303,865</u>

Geographical segments

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

Geographical market	Sales revenue by geographical market	
	Year ended	Year ended
	31.12.2007 HK\$	31.12.2006 HK\$
North America	220,249,452	233,107,426
Holland	186,111,461	181,377,092
United Kingdom	93,505,977	115,548,808
Germany	43,402,367	59,375,977
Hong Kong	21,712,985	36,937,309
Other European countries	35,095,688	35,680,632
Australia	17,220,220	20,819,752
France	5,025,484	12,074,452
The People's Republic of China (excluding Hong Kong) (the "PRC")	10,354,931	11,466,964
Others	7,956,609	8,342,867
	<u>640,635,174</u>	<u>714,731,279</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	At 31.12.2007 HK\$	At 31.12.2006 HK\$	Year ended 31.12.2007 HK\$	Year ended 31.12.2006 HK\$
Hong Kong	140,349,542	152,864,465	1,573,139	2,569,409
PRC	45,779,254	144,152,552	7,530,387	6,760,813
Unallocated	—	—	—	15,889
	<u>186,128,796</u>	<u>297,017,017</u>	<u>9,103,526</u>	<u>9,346,111</u>

7. OTHER INCOME

	2007 HK\$	2006 HK\$
Commission income	4,364,064	2,512,644
Interest income on bank deposits	2,702,280	2,386,806
Interest income on overdue trade debtors	896,216	644,203
Amount recovered from insurance claim on damaged inventories	—	3,283,947
Gain on disposal of property, plant and equipment	18,748,846	318,406
Excess of scheme assets over defined benefit scheme obligations	4,076,754	—
Sundry income	232,033	286,177
	<u>31,020,193</u>	<u>9,432,183</u>

8. DISCOUNT ON ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

During the year ended 31st December, 2006, an indirect wholly owned subsidiary of the Company entered into agreement with a minority shareholder of Bigfield Goldenford Holdings Limited ("Bigfield") to purchase his 37.5% shareholding in Bigfield at a consideration of HK\$11,250,000. A discount on acquisition of additional interest in Bigfield of HK\$28,222,523 has been recognised in the consolidated income statement.

9. FINANCE COSTS

Finance costs represent interest expense on bank borrowings wholly repayable within five years.

10. TAXATION CREDIT

	2007 HK\$	2006 HK\$
Current taxation		
Hong Kong Profits Tax	(2,066,882)	–
Underprovision of Hong Kong Profits Tax in prior years	–	(67,247)
Deferred taxation (<i>note 27</i>)	2,384,295	980,783
	<u>317,413</u>	<u>913,536</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax was made for the year ended 31st December, 2006 as the companies in Hong Kong had no assessable profits.

No provision for profits tax is made in other jurisdictions as the subsidiaries in other jurisdictions have no assessable profits for the year.

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

	2007 HK\$	2006 HK\$
(Loss) profit before taxation	<u>(42,486,638)</u>	<u>16,059,394</u>
Taxation at the Hong Kong Profits Tax rate of 17.5%	7,435,162	(2,810,394)
Tax effect of share of results of associates	–	45,622
Tax effect of expenses not deductible for tax purpose	(6,295,709)	(5,355,038)
Tax effect of income not taxable for tax purpose	3,438,026	8,833,111
Underprovision in respect of prior years	–	(67,247)
Tax effect of utilisation of tax losses previously not recognised	141,529	267,482
Tax effect of tax losses not recognised	<u>(4,401,595)</u>	<u>–</u>
Taxation credit for the year	<u>317,413</u>	<u>913,536</u>

11. (LOSS) PROFIT FOR THE YEAR

	2007 HK\$	2006 HK\$
(Loss) profit for the year has been arrived at after charging:		
Allowance for bad and doubtful debts	–	2,303,865
Auditor's remuneration	1,180,710	1,213,763
Cost of inventories recognised as an expense	615,908,834	645,465,503
Depreciation of property, plant and equipment	15,813,432	17,897,189
Release of prepaid lease payments	222,294	622,308
Net foreign exchange loss	3,490,749	2,458,423
Operating lease payments in respect of rented properties	13,360,697	16,528,654
Staff costs:		
Directors' remuneration	7,159,150	6,835,000
Other staff salaries and allowances and benefits	100,246,022	91,734,843
Other staff retirement benefits scheme contributions	3,492,949	3,301,679
	<u>110,898,121</u>	<u>101,871,522</u>

12. DIRECTORS' EMOLUMENTS

For the year ended 31st December, 2007

	Directors' fees HK\$	Salaries and other benefits HK\$	Performance related incentive benefits HK\$ (Note)	Pension scheme contribution HK\$	Total 2007 HK\$
Name of directors					
Lam Po Kwai, Frankie	–	2,400,000	–	48,000	2,448,000
Wong Yau Ching, Maria	–	2,000,000	656,000	48,000	2,704,000
So Man Yee, Katherine	–	764,000	164,000	24,800	952,800
Chim Kim Lum, Ricky	–	–	–	–	–
Cheng Kwok Hing, Andy	–	–	–	–	–
Lee Yuen Bing, Nina	30,000	387,000	–	19,350	436,350
Au Son Yiu	198,000	–	–	–	198,000
Johnson Lee	198,000	–	–	–	198,000
Tang Tin Sek	222,000	–	–	–	222,000
Total emoluments	<u>648,000</u>	<u>5,551,000</u>	<u>820,000</u>	<u>140,150</u>	<u>7,159,150</u>

For the year ended 31st December, 2006

	Directors' fees	Salaries and other benefits	Performance related incentive benefits	Pension scheme contribution	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
			(Note)		
Name of directors					
Lam Po Kwai, Frankie	–	2,400,000	–	48,000	2,448,000
Wong Yau Ching, Maria	–	1,840,000	258,800	48,000	2,146,800
So Man Yee, Katherine	–	748,000	64,700	24,800	837,500
Lee Yuen Bing, Nina	–	650,000	64,700	25,000	739,700
Au Son Yiu	198,000	–	–	–	198,000
Johnson Lee	198,000	–	–	–	198,000
Tang Tin Sek	222,000	–	–	–	222,000
He Ling	45,000	–	–	–	45,000
Total emoluments	<u>663,000</u>	<u>5,638,000</u>	<u>388,200</u>	<u>145,800</u>	<u>6,835,000</u>

Note: The performance related incentive payment is determined as a percentage of each profitable subsidiary of the Group for the two years ended 31st December, 2007.

During both years, no remuneration 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 the year.

13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included three (2006: two) directors, details of whose emoluments are set out above. The emoluments of the remaining two (2006: three) highest paid employees, other than directors of the Company, were as follows:

	2007 HK\$	2006 HK\$
Salaries and other benefits	2,182,583	3,368,848
Retirement benefits scheme contributions	<u>39,000</u>	<u>45,200</u>
	<u>2,221,583</u>	<u>3,414,048</u>

Emoluments of these remaining two (2006: three) highest paid employees were within the following bands:

	Number of employees	
	2007	2006
Nil – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>2</u>

14. BASIC (LOSS) EARNING PER SHARE

The calculation of the basic (loss) earning per share is based on the loss attributable to the equity holders of the Company of HK\$42,169,225 (2006: profit of HK\$18,911,884) and 477,926,292 (2006: 477,926,292) shares in issue during the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$	Computer equipment HK\$	Furniture and fixtures HK\$	Motor vehicles HK\$	Plant and machinery HK\$	Total HK\$
COST						
At 1st January, 2006	76,109,301	15,270,928	111,898,344	8,479,136	275,961,798	487,719,507
Exchange realignment	325,930	–	50,393	28,212	752,166	1,156,701
Additions	207,950	272,519	2,678,470	4,687,576	1,499,596	9,346,111
Disposals	(7,732,260)	(3,180,268)	(3,915,180)	(2,989,624)	(11,962,709)	(29,780,041)
At 31st December, 2006	68,910,921	12,363,179	110,712,027	10,205,300	266,250,851	468,442,278
Exchange realignment	446,010	–	77,802	38,606	1,235,289	1,797,707
Additions	–	618,286	1,435,773	538,001	6,511,466	9,103,526
Disposals	(13,099,990)	(54,339)	(181,486)	(1,725,761)	(3,198,657)	(18,260,233)
Disposal upon disposal of subsidiaries	(8,920,191)	(75,644)	(3,395,750)	(1,269,534)	(24,130,115)	(37,791,234)
At 31st December, 2007	47,336,750	12,851,482	108,648,366	7,786,612	246,668,834	423,292,044
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2006	22,955,561	12,270,504	89,680,649	7,290,635	226,457,440	358,654,789
Exchange realignment	114,271	–	45,614	16,062	708,533	884,480
Provided for the year	2,136,917	633,300	4,703,756	715,598	9,707,618	17,897,189
Eliminated on disposals	(2,510,828)	(3,178,518)	(3,909,985)	(2,380,729)	(11,958,775)	(23,938,835)
At 31st December, 2006	22,695,921	9,725,286	90,520,034	5,641,566	224,914,816	353,497,623
Exchange realignment	156,366	–	62,418	21,980	969,572	1,210,336
Provided for the year	1,579,156	591,274	4,132,537	925,600	8,584,865	15,813,432
Impairment loss recognised in consolidated income statement	1,980,000	660,000	5,280,000	440,000	13,640,000	22,000,000
Eliminated on disposals	(4,565,298)	(15,916)	(128,164)	(1,538,700)	(2,210,377)	(8,458,455)
Eliminated on disposal of subsidiaries	(3,237,322)	(4,721)	(1,822,163)	(544,719)	(20,129,708)	(25,738,633)
At 31st December, 2007	18,608,823	10,955,923	98,044,662	4,945,727	225,769,168	358,324,303
CARRYING VALUES						
At 31st December, 2007	<u>28,727,927</u>	<u>1,895,559</u>	<u>10,603,704</u>	<u>2,840,885</u>	<u>20,899,666</u>	<u>64,967,741</u>
At 31st December, 2006	<u>46,215,000</u>	<u>2,637,893</u>	<u>20,191,993</u>	<u>4,563,734</u>	<u>41,336,035</u>	<u>114,944,655</u>

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

Buildings	Over the term of the lease
Others	Reducing balance method at 20%

The carrying value of properties shown above comprises:

	2007 HK\$	2006 HK\$
Properties:		
– In Hong Kong, long leases	3,117,916	10,884,508
– Outside Hong Kong, long leases	–	428,077
– Outside Hong Kong, medium-term leases	25,610,011	34,902,415
	<u>28,727,927</u>	<u>46,215,000</u>

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

16. PREPAID LEASE PAYMENTS

	2007 HK\$	2006 HK\$
The Group's prepaid lease payments comprise:		
Leasehold land:		
Held in Hong Kong under long lease	1,515,802	11,485,422
Held outside Hong Kong under long lease	–	494,218
Held outside Hong Kong under medium-term lease	6,625,054	10,666,395
	<u>8,140,856</u>	<u>22,646,035</u>
Analysed for reporting purposes as:		
Current asset	222,294	626,880
Non-current asset	7,918,562	22,019,155
	<u>8,140,856</u>	<u>22,646,035</u>

17. INTEREST IN AN ASSOCIATE

	2007 HK\$	2006 HK\$
Cost of investment in an unlisted associate	–	51,098
Share of post-acquisition profits	–	263,493
	<u>–</u>	<u>314,591</u>

During the year ended 31st December, 2007, the associate, Webradio Ltd., was deregistered. The distribution was settled by cash of HK\$20,456 and waiver of amount due to an associate of HK\$294,000 respectively.

At 31st December, 2006, amount due to an associate was unsecured, non-interest bearing and repayable on demand.

18. AVAILABLE-FOR-SALE INVESTMENT

	2007 HK\$	2006 HK\$
Club debenture, at fair value	<u>880,000</u>	<u>880,000</u>

19. INVENTORIES

	2007 HK\$	2006 HK\$
Raw materials	27,754,216	50,315,582
Work in progress	4,502,946	5,592,163
Finished goods	12,224,554	11,655,391
	<u>44,481,716</u>	<u>67,563,136</u>

20. DEBTORS, BILLS RECEIVABLE AND PREPAYMENTS

	2007 HK\$	2006 HK\$
Trade debtors and bills receivable	66,498,894	87,173,510
Less: Allowances for bad and doubtful debts	–	(2,598,560)
	<u>66,498,894</u>	<u>84,574,950</u>
Other debtors and prepayments	3,949,781	8,235,319
	<u>70,448,675</u>	<u>92,810,269</u>

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

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
0-60 days	51,634,710	71,184,437
61-90 days	7,098,674	6,360,126
> 90 days	7,765,510	7,030,387
	<u>66,498,894</u>	<u>84,574,950</u>

Trade debtors and bills receivable of approximately HK\$22,398,000 (2006: HK\$70,700,000) were denominated in US\$, the currency other than the functional currency of the respective group entities.

During the year, the Group transferred HK\$9,441,007 (2006: HK\$22,654,110) of bills receivable to banks. As part of the transfer, the Group provided the transferee with a credit guarantee over the expected losses of those receivables. Accordingly, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured other bank loans (see note 24).

The Group allows an average credit period of 90 days to its customers. As at 31st December, 2007, trade debtors of approximately HK\$7,765,510 (2006: HK\$7,030,387), were past due but not provided for as there has not been a significant change in credit quality and the amounts are subsequently settled. The Group does not hold any collateral over the aforesaid trade debtors. The average age of these debtors is 155 (2006: 168) days.

In the opinion of the directors, the Group has maintained long term relationship with existing customers who have a strong financial position. The directors consider that such relationship enables 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.

Movement in the allowance for bad doubtful debts

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Balance at beginning of the year	2,598,560	942,132
Impairment losses recognised on trade debtors	–	2,303,865
Written off as against trade debtors	<u>(2,598,560)</u>	<u>(647,437)</u>
Balance at end of the year	<u>–</u>	<u>2,598,560</u>

At 31st December, 2006, allowance for bad and doubtful debts are individually impaired trade debtors with an aggregate balance of HK\$2,598,560 which had been in severe financial difficulties. The Group does not hold any collateral over these balances.

21. INVESTMENTS HELD FOR TRADING

	2007 HK\$	2006 HK\$
Equity securities listed in Hong Kong	–	1,279,437
Mutual funds	–	7,350,928
	<u>–</u>	<u>8,630,365</u>

22. BANK DEPOSITS AND BANK BALANCES

The Group's bank deposits of approximately HK\$2.9 million (2006: HK\$2.8 million) have been pledged to secure banking facilities granted to a subsidiary. The pledged bank deposit carry fixed interest rate of 3.76% (2006: 3.5%) per annum.

Short term bank deposits and bank balances included short-term deposits with an original maturity of three months or less. Bank deposits received interest at floating rate ranged from 2.75% to 8.25% (2006: 2.25% to 4.25%) per annum.

Bank balances and cash and short-term bank deposits of approximately HK\$4,091,000 (2006: HK\$48,877,000), HK\$25,615,000 (2006: nil), HK\$14,074,000 (2006: nil) and HK\$4,293,000 (2006: HK\$7,496,000) were denominated in US\$, AUD, NZD and RMB respectively, the currencies other than the functional currency of the respective group entities.

23. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	2007 HK\$	2006 HK\$
Trade creditors	47,852,196	58,723,200
Bills payable	3,091,462	16,372,750
Other creditors and accrued charges	14,549,067	21,655,134
	<u>65,492,725</u>	<u>96,751,084</u>

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

	2007 HK\$	2006 HK\$
0–60 days	39,163,251	59,472,604
61–90 days	8,888,987	11,067,447
> 90 days	2,891,420	4,555,899
	<u>50,943,658</u>	<u>75,095,950</u>

Trade creditors and bills payable of approximately HK\$7,822,000 (2006: HK\$28,648,000) and HK\$2,159,000 (2006: nil) were denominated in US\$ and RMB respectively, the currencies other than the functional currency of the respective group entities.

24. BANK BORROWINGS

	2007 HK\$	2006 HK\$
Bank borrowings comprise the following:		
Trust receipt and import loans	26,881,191	47,374,746
Other bank loans	9,441,007	22,654,110
	<u>36,322,198</u>	<u>70,028,856</u>
Secured	–	3,597,966
Unsecured	36,322,198	66,430,890
	<u>36,322,198</u>	<u>70,028,856</u>

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

Bank borrowings of approximately HK\$34,394,000 (2006: HK\$63,966,000) 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 6.82% (2006: 7.05%) per annum.

25. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each 2007 & 2006	Nominal value 2007 & 2006 HK\$
Authorised:		
At beginning of the year and at end of the year	<u>1,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
At beginning of the year and at end of the year	<u>477,926,292</u>	<u>47,792,629</u>

26. SHARE OPTIONS SCHEME

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

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

There is no outstanding share option and no share options were granted or exercised during the year.

27. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$	Tax losses HK\$	Total HK\$
At 1st January, 2006	5,961,399	(294,726)	5,666,673
(Credit) charge to consolidated income statement for the year	<u>(1,107,913)</u>	<u>127,130</u>	<u>(980,783)</u>
At 31st December, 2006	4,853,486	(167,596)	4,685,890
(Credit) charge to consolidated income statement for the year	<u>(2,551,891)</u>	<u>167,596</u>	<u>(2,384,295)</u>
At 31st December, 2007	<u><u>2,301,595</u></u>	<u><u>–</u></u>	<u><u>2,301,595</u></u>

At the balance sheet date, the Group has estimated unused tax losses of approximately HK\$211,788,000 (2006: HK\$187,594,000) available for offset against future profits. At 31st December, 2007, no deferred tax asset has been recognised in respect of such losses due to the uncertainty of future profit stream. At 31st December, 2006, a deferred tax asset had been recognised in respect of approximately HK\$958,000, no deferred tax asset has been recognised in respect of the remaining HK\$186,636,000 due to the uncertainty of future profit streams. The losses may be carried forward indefinitely.

28. DISPOSAL/LIQUIDATION OF SUBSIDIARIES

The net assets of the subsidiaries at the date of disposal/liquidation were as follows:

	<i>HK\$</i>
Property, plant and equipment	12,052,601
Prepaid lease payments	3,331,731
Inventories	463,026
Debtors, bills receivable and prepayments	1,886,451
Bank balances and cash	2,131,255
Creditors, bills payable and accrued charges	(2,905,893)
	<u>16,959,171</u>
Exchange gain realised	(5,106,568)
	<u>11,852,603</u>
Loss on disposal/liquidation of subsidiaries	(3,572,603)
	<u>8,280,000</u>
Cash outflow arising on disposal/liquidation of subsidiaries:	
Bank balances and cash disposed of	(2,131,255)
Cash consideration	8,280,000
	<u>6,148,745</u>

The subsidiaries disposed/liquidated during the year had no significant contribution to the Group's operating results and cash flows for the current year.

29. CAPITAL COMMITMENTS

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>184,340</u>	<u>314,563</u>

30. OPERATING LEASE COMMITMENTS

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

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Within one year	8,245,854	16,690,557
In the second to fifth year inclusive	<u>7,401,308</u>	<u>17,111,874</u>
	<u>15,647,162</u>	<u>33,802,431</u>

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

31. RELATED PARTY TRANSACTIONS

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

	2007 HK\$	2006 HK\$
Rental expense to a related company	<u>1,200,000</u>	<u>960,000</u>

The related company is a company in which certain directors of the Company have beneficial interests. Rental expense was for the provision of quarters to certain directors of the Company and has been included in directors' remuneration.

- (b) During the year ended 31st December, 2006, the Group acquired additional interests of 37.5% in a subsidiary from Mr. Lee at a consideration of HK\$11,250,000.

- (c)
- Compensation of key management personnel**

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

	2007 HK\$	2006 HK\$
Salaries and other short term employee benefits	9,201,583	10,058,048
Retirement benefit costs	<u>179,150</u>	<u>191,000</u>
	<u>9,380,733</u>	<u>10,249,048</u>

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

32. RETIREMENT BENEFITS SCHEME

Defined contribution scheme

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

The relevant PRC subsidiaries are required to make contributions to the state requirement schemes in the PRC based on 3% to 4% of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension 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 pension liability to these retired staff.

The total cost charged to income statement of HK\$3,633,099 (2006: HK\$3,447,479) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

Defined benefit scheme

A subsidiary of the Company operates 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.

At 31st December, 2007, the fair value of the scheme assets is HK\$5,696,748 (2006: HK\$5,144,153) and the scheme obligations is HK\$1,619,994 (2006: HK\$1,923,177). During the year, the Company recognised the excess of scheme assets over defined benefit scheme obligations of HK\$4,076,754 (2006: nil) in the consolidated financial statements.

33. SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 2007 are as follows:

Name of company	Country/ place of incorporation or registration	Principal place of operation	Nominal value of issued/registered capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				2006	2007	
Big Field (B.V.I.) Limited	British Virgin Islands	Hong Kong	Ordinary - US\$600	100%	100%	Investment holding
Bigfield Goldenford Holding Limited	Hong Kong	Hong Kong	Ordinary - HK\$153,000 Deferred - HK\$147,000 (note i)	100% -	100% -	Manufacture of wooden and paper products
Dominion Trading Ltd.	British Virgin Islands	Hong Kong	Ordinary - US\$100	100%	100%	Investment holding, property and share investment
Frankie Dominion (B.V.I.) Company Limited	British Virgin Islands	Hong Kong	Ordinary - US\$35,000	100%	100%	Investment holding
Frankie Dominion (Holdings) Limited	Hong Kong	Hong Kong	Ordinary - HK\$1,000 Deferred - HK\$35,000,000 (note i)	100% -	100% -	Investment holding, property investment and design, manufacture and sale of a diversified range of consumer home products
Frankie Trading Company Limited	Hong Kong	Hong Kong	Ordinary - HK\$5,000,000	100%	100%	Inactive
Home Mart Store Limited	Hong Kong	Hong Kong	Ordinary - HK\$5,000,000	100%	100%	Inactive
Michel Manufactory Limited	Hong Kong	Hong Kong	Ordinary - HK\$10,000	100%	100%	Inactive

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Name of company	Country/ place of incorporation or registration	Principal place of operation	Nominal value of issued/registered capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				2006	2007	
Blandas Concord Inc. (note ii)	Liberia	Canada	Ordinary - CAD\$1,400,000	100%	-	Investment holding
Diamond Link Enterprises (Canada) Ltd. (note ii)	Canada	Canada	Ordinary - CAD\$2	100%	-	Property investment
Home Connection Incorporated (note ii)	United States	United States	Nil	100%	-	Sale agent
Islandcan Limited (note ii)	Hong Kong	PRC	Ordinary - HK\$4,400,000 Deferred - HK\$3,600,000 (note i)	100% -	- -	Investment holding
Newall International Inc. (note ii)	British Virgin Islands	PRC	Ordinary - US\$100	100%	-	Manufacture of consumer home products in the PRC
東莞五洲制罐廠有限公司 (note ii)	PRC	PRC	HK\$33,835,800	100%	-	Tin-plate printing
東莞嘉利美商家庭用品 有限公司 (note ii)	PRC	PRC	HK\$26,850,000	100%	-	Inactive
嘉利興(廣州)貿易有限公司	PRC	PRC	HK\$3,000,000	100%	100%	Not yet commence business

Notes:

- (i) The deferred shares, which are not held by the Group except for Bigfield Goldenford Holdings Limited, carrying 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.
- (ii) The Companies were disposal of/liquidated during the year ended 31st December, 2007.

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

34. POST BALANCE SHEET EVENTS

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

- (a) The Group entered into an agreement with an independent third party for the acquisition of the entire issued share capital of Pride Eagle Investments Limited and Joy Wisdom International Limited for an aggregate consideration of HK\$2,400 million (subject to adjustment). The consideration shall be satisfied by the Company on completion of the acquisitions in the following manner:
 - (i) as to HK\$2,200 million by the issue of convertible bonds to the vendor; and
 - (ii) as to HK\$200 million by the issue of promissory notes or, in cash to the vendor or in such other manner as agreed between the Group and the vendor.

The acquisition was approved by the Company's shareholders in 7th April, 2008. Up to the date of this report, the acquisition has not yet been completed.

- (b) On 7th April, 2008, the increase in the Company's authorised share capital from HK\$100,000,000 to HK\$1,000,000,000 by the creation of an additional 9,000,000,000 ordinary shares of HK\$0.1 each was approved by the Company's shareholders.

3. INDEBTEDNESS STATEMENT**Borrowings**

As at the close of business on 30 April 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following outstanding borrowings:

HK\$'000

Bank borrowings

34,483

Contingencies

The Enlarged Group did not have any material contingent liabilities or guarantees as at 30 April 2008.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 30 April 2008, the Enlarged Group had no debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured, and guaranteed, unguaranteed, secured and unsecured bank borrowings including, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credit, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 30 April 2008 and up to the Latest Practicable Date.

4. SUFFICIENCY OF WORKING CAPITAL

As at the Latest Practicable Date, after due and careful enquiry, the Directors are of the opinion that, in the absence of unforeseen circumstances and after taking into account the present internal financial resources of the Enlarged Group (including principally cash at bank and listed securities investment), the Enlarged Group will, immediately following the completion of the Acquisition, have sufficient working capital for at least 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that there is no material adverse changes in the financial or trading position of the Group since 31 December 2007, the date to which the latest audited consolidated financial statements of the Group were made.

6. MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2007

Business review

The Group's turnover in the year ended 31st December, 2007 decreased by 10.37% to approximately HK\$640,635,000 compared to the corresponding period in 2006 of approximately HK\$714,731,000. The dominant markets in Europe constituted 56.68% of the turnover amounting to approximately HK\$363,141,000 (2006: 56.53% amounting to HK\$404,057,000). North American sales, as a percentage of turnover increased by 1.77% to 34.38% amounting to approximately HK\$220,249,000 (2006: 32.61% amounting to HK\$233,107,000). South American sales slightly increased to 0.64% amounting to approximately HK\$4,143,000 (2006: 0.53% amounting to HK\$3,811,000). Sales in other markets decreased to the amount of approximately HK\$31,389,000 (2006: HK\$36,819,000). Product sales in the Hong Kong market constituted 3.39% of the turnover amounting to approximately HK\$21,713,000 (2006: 5.17% amounting to HK\$36,937,000).

Gross Profit

The Group's gross profit margin was 3.86% (2006: 9.69%), a decrease of 583 basis points from 2006. Management continues to work on margin improvement, mainly by offering meaningfully differentiated and high value-added products and reducing cost of goods through better sources and cost control.

Product Categories

Sales of the major products out of the Group's turnover in 2007 were 25.60% for paper products (2006: 25.65%), 32.66% for wooden products (2006: 31.93%) and 41.74% for household items, home textiles products and tablemats (2006: 42.42%).

Finance Costs

Interest expenses decreased by 24.58% to approximately HK\$4,369,000 in 2007 (2006: HK\$5,793,000) as a result of decreasing bank borrowings during the year.

Charges over assets

Save for a bank deposit of approximately HK\$2.9 million (2006: HK\$2.8 million), no other property, plant and equipment with any carrying value is pledged to banks to secure banking facilities granted to subsidiaries.

Exposure to fluctuations in exchange rates and related hedges

All transactions of the Group are denominated in Hong Kong dollars, United States dollars and Renminbi. Transactions in foreign currency are translated at the rates prevailing on the dates of the transactions or at the contracted settlement rate. The exchange rates between these currencies were stable during the year under review, save in respect of the gradual appreciation of Renminbi against US dollars and Hong Kong dollars. No hedging for foreign exchange was used given the Group's exposure to currency fluctuation was still relatively limited.

Liquidity and financial resources

Net current assets and current ratio were approximately HK\$88,770,000 and 1.53: 1 as at 31st December, 2006 and approximately HK\$101,220,000 and 1.99:1 as at 31st December, 2007. The increase in net current assets is largely due to a decrease in bank borrowings and proceeds from disposal of properties. Raw material, work-in-progress and finished goods decreased by 34.16% to approximately HK\$44,482,000 (2006: HK\$67,563,000).

As at 31st December, 2007, the Group's bank balances and cash amounted to approximately HK\$85,090,000 (2006: HK\$81,424,000) and bank borrowings amounted to approximately HK\$36,322,000 (2006: HK\$70,029,000). Therefore, the calculation of net debt to equity ratio was not applicable because the Group had surplus cash of approximately HK\$48,768,000 over bank borrowings (2006: HK\$11,395,000).

The gearing ratio (defined as total liabilities over the total assets) of the Group as at 31st December, 2007 was approximately 37.09% (2006: 43.59%)

The Group generally finances its business with internally generated cash flows and revolving credit facilities provided by the Group's principal bankers. With net current assets of approximately HK\$101,220,000, the management believes that the Group has sufficient financial resources to discharge its debts and to finance its daily operations and capital expenditure.

Employees and remuneration

The approximate number of employees of the Group as at 31st December, 2007 and 31st December, 2006 were 2,700 and 4,500 respectively with a seasonal high figure of more than 3,600 during the third quarter of 2007. Fewer than 100 staff are stationed in Hong Kong and the rest are PRC workers.

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 and motivate individual performance. There was no share option granted to any employee during the year.

For the year ended 31 December 2006*Geographical Market*

The Group's turnover in the year ended 31 December 2006 decreased by 4.38% to approximately HK\$714,731,000 compared to the corresponding period in 2005 of approximately HK\$747,483,000. The dominant markets in Europe constituted 56.53% of the turnover amounting to approximately HK\$404,056,000 (2005: 64.05% amounting to HK\$478,751,000). North American sales, as a percentage of turnover increased by 7.42% to 32.61% amounting to approximately HK\$233,107,000 (2005: 25.19% amounting to HK\$188,270,000). South American sales slightly increased to 0.53% amounting to approximately HK\$3,810,000 (2005: 0.47% amounting to HK\$3,492,000). Sales in other markets increased to the amount of approximately HK\$36,819,000 (2005: HK\$33,814,000). Product sales in the Hong Kong market constituted 5.17% of the turnover amounting to approximately HK\$36,937,000 (2005: 5.77% amounting to HK\$43,153,000).

Gross Profit

The Group's gross profit margin was 9.69% (2005: 9.68%), an increase of one basis point from 2005. Management continues to work on margin improvement, mainly by offering meaningfully differentiated and high value-added products and reducing cost of goods through better sources and cost control.

Product Categories

Sales of the major products out of the Group's turnover in 2006 were 25.65% for paper products (2005: 33.92%), 31.93% for wooden products (2005: 26.74%) and 42.42% for household items, home textiles products and tablemats (2005: 39.34%).

Finance Costs

Interest expenses increased by 9.8% to approximately HK\$5,793,000 in 2006 (2005: HK\$5,276,000) as a result of increasing interest rates on bank borrowings during the year.

Charges over assets

Save for a bank deposit of approximately HK\$2.8 million (2005: HK\$2.7 million), no other property, plant and equipment with any carrying value is pledged to banks to secure banking facilities granted to subsidiaries.

Exposure to fluctuations in exchange rates and related hedges

All transactions of the Group are denominated in Hong Kong dollars, United States dollars and Renminbi. Transactions in foreign currency are translated at the rates prevailing on the dates of the transactions or at the contracted settlement rate.

The exchange rates between these currencies were stable during the year under review, save in respect of the gradual appreciation of Renminbi against US dollars and Hong Kong dollars. No hedging for foreign exchange was used given the Group's exposure to currency fluctuation was still relatively limited.

Liquidity and financial resources

Net current assets and current ratio were approximately HK\$80,311,000 and 1.46:1 as at 31 December 2005 and approximately HK\$88,770,000 and 1.53:1 as at 31 December 2006. The increase in net current assets is largely due to a decrease in bank borrowings. Raw material, work-in-progress and finished goods increased by 0.88% to approximately HK\$67,563,000 (2005: HK\$66,976,000).

As at 31 December 2006, the Group's bank balance and cash amounted to approximately HK\$81,424,000 (2005: HK\$105,061,000) and bank borrowings amounted to approximately HK\$70,028,000 (2005: HK\$82,316,000). Therefore, the calculation of net debt to equity ratio was not applicable because the Group had surplus cash of approximately HK\$11,396,000 over bank borrowings (2005: HK\$22,745,000).

The gearing ratio (defined as total liabilities over the total assets) of the Group as at 31 December 2006 was approximately 43.59% (2005: 42.44%).

The Group generally finances its business with internally generated cash flows and revolving credit facilities provided by the Group's principal bankers. With net current assets of approximately HK\$88,770,000, the management believes that the Group has sufficient financial resources to discharge its debts and to finance its daily operations and capital expenditure.

Employees and remuneration

The approximate number of employees of the Group as at 31 December 2006 and 31 December 2005 were 4,500 and 4,800 respectively with a seasonal high figure of more than 4,800 during the third quarter of 2006. Fewer than 100 staff are stationed in Hong Kong and the rest are PRC workers.

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 and motivate individual performance. There was no share option granted to any employee during the year.

For the year ended 31 December 2005

Geographical Market

The Group's turnover in the year ended 31 December 2005 decreased by 15.73% to approximately HK\$747,483,000 compared to the corresponding period in 2004 of approximately HK\$887,025,000. The dominant markets in Europe constituted

64.05% of the turnover amounting to approximately HK\$478,751,000 (2004: 61.98% amounting to HK\$549,802,000). North American sales, as a percentage of turnover decreased by 2.84% to 25.19% amounting to approximately HK\$188,270,000 (2004: 28.03% amounting to HK\$248,592,000). South American sales slightly increased to 0.47% amounting to approximately HK\$3,492,000 (2004: 0.30% amounting to HK\$2,690,000). Sales in other markets decreased to the amount of approximately HK\$33,814,000 (2004: HK\$38,801,000). Product sales in the Hong Kong market constituted 5.77% of the turnover amounting to approximately HK\$43,153,000 (2004: 5.31% amounting to HK\$47,139,000).

Gross Profit

The Group's gross profit margin was 9.68% (2004: 13.10%), a decrease of 342 basis points from 2004. Management will continue to work on margin improvement, mainly by offering meaningfully differentiated and high value-added products and reducing cost of goods through better sources and cost controlling.

Product Categories

Sales of the major products out of the Group's turnover in 2005 were 33.92% for paper products (2004: 35.26%), 26.74% for wooden products (2004: 26.63%) and 39.34% for household items, home textiles products and tablemats (2004: 38.11%).

Finance Costs

Interest expenses increased by 17.61% to approximately HK\$5,276,000 in 2005 (2004: HK\$4,486,000) as a result of an increase in bank borrowings during the year.

Charges over assets

Save for a bank deposit of approximately HK\$2.7 million (2004: HK\$2.7 million), no other property, plant and equipment with any carrying value is pledged to bank to secure banking facilities granted to subsidiaries.

Exposure to fluctuations in exchange rates and related hedges

All transactions of the Group are denominated in Hong Kong dollars, United States dollars and Renminbi. Transactions in foreign currency are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. As the exchange rates of these currencies were stable during the year under review, no hedging or other alternatives had been implemented. The Group does not engage in foreign currency speculation.

Liquidity and financial resources

Net current assets and current ratio were approximately HK\$92,133,000 and 1.57: 1 as at 31 December 2004 and approximately HK\$80,311,000 and 1.46:1 as at

31st December, 2005. The decrease in net current assets is largely due to an increase of bank borrowings, creditors, bills payable and accrued charges. Raw material, work-in-progress and finished goods decreased by 12.87% to approximately HK\$66,976,000 (2004: HK\$76,867,000).

As at 31 December 2005, the Group's bank balance and cash amounted to approximately HK\$105,061,000 (2004: HK\$114,158,000) and bank borrowings amounted to approximately HK\$82,316,000 (2004: HK\$80,867,000). Therefore, the calculation of net debt to equity ratio was not applicable because the Group had surplus cash of approximately HK\$22,745,000 over bank borrowings (2004: HK\$33,291,000).

The gearing ratio (defined as total liabilities over the total assets) of the Group as at 31 December 2005 was approximately 42.44% (2004: 38.06%).

The Group generally finances its business with internally generated cash flows and revolving credit facilities provided by the Group's principal bankers. With net current assets of approximately HK\$80,311,000, the management believes that the Group has sufficient financial resources to discharge its debts and to finance its daily operations and capital expenditure.

Employees and remuneration

The approximate number of employees of the Group as at 31 December 2005 and 31 December 2004 were 4,800 and 5,000 respectively with a seasonal high figure of more than 5,200 during the third quarter of 2005. Less than 100 staff are stationed in Hong Kong and the rest are PRC workers.

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 and motivate individual performance. There was no share option granted to any employee during the year.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.



國 衛 會 計 師 事 務 所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 June 2008

The Board of Directors
Frankie Dominion International Limited
Room 4205
Far East Finance Center
16 Harcourt Road
Admiralty
HONG KONG

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding the Acquired Plants and Machineries (as defined herein) for each of the three years ended 31 December 2005, 2006 and 2007 (the “Relevant Period”) prepared on the basis set out in Section 1 below, for inclusion in the circular of Frankie Dominion International Limited (the “Company”) dated 30 June 2008 (the “Circular”) in relation to the acquisition of certain plants and machineries for production of coke and the coal-processing chemical by-products (the “Acquired Plants and Machineries”), pursuant to a conditional sale and purchase agreement (the “Acquisition Agreement”) entered into between Rich Key Enterprises Limited (the “Purchaser”), a wholly-owned subsidiary of the Company and Mr. Wu Jixian (the “Vendor”) on 21 April 2008 (the “Acquisition”). Particulars of the Acquired Plants and Machineries are set out in Section 3 below.

The Financial Information of the Acquired Plants and Machineries has been prepared based on the management accounts of 孝義市金岩電力煤化工有限公司 (Xiaoyi City Golden Rock Electricity Coal Chemical Company Limited) (“Golden Rock”), which have adopted 31 December as their financial year end date. Golden Rock maintained their books and records in accordance with the relevant accounting principles and financial regulations applicable to the PRC enterprises (“PRC GAAP”).

For the purpose of the Acquisition, the directors of Golden Rock have prepared the Financial Information of the Acquired Plants and Machineries in accordance with accounting policies which are in compliance with HK GAAP (as defined in Section 2 below) for the Relevant Period. The accounting policies adopted in the preparation of the Financial Information of the Acquired Plants and Machineries are the same as those used in the consolidated financial statements of the Company and its subsidiaries, where applicable.

For the purpose of this report, we have reviewed the Financial Information in accordance with the relevant requirements of Hong Kong Standard on Review Engagements 2400 “Engagements to Review Financial Statements” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Financial Information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have agreed the Financial Information to the underlying books and records. In the opinion of the Directors, the Financial Information has been properly compiled and derived from the underlying books and records of the Acquired Plants and Machineries. We have not performed an audit and, accordingly, we do not express an audit opinion.

The Directors of the Company are responsible for the preparation of the Financial Information. It is our responsibility to review the Financial Information and to report our review conclusion to you.

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information is not properly prepared, in all material respects, in accordance with the basis of presentation as set out in Section 1.

1. BASIS OF PRESENTATION

Pursuant to the Acquisition Agreement, the Acquired Plants and Machineries comprised of plants and machineries for the production of coke and the coal-processing chemical by-products. The Acquired Plants and Machineries are currently owned by Golden Rock.

The Financial Information of the Acquired Plants and Machineries is prepared based on the management accounts of Golden Rock on a continuing basis as if the Acquired Plants and Machineries have been under the same ownership with effect from 1 January 2005.

For the purpose of inclusion in the Financial Information, the financial information on the operating results of the Acquired Plants and Machineries has been extracted from the management accounts of Golden Rock. The Financial Information only includes income and expenses which are directly attributable to the operation of the Acquired Plants and Machineries, such as sales of products and operating costs for the Acquired Plants and Machineries. Indirect income and expenses such as general and administrative expenses, finance costs for working capital and non-operating income and expenses, have not been included. Income tax has not been included as it is calculated and levied on an entity level. The Financial Information of the Acquired Plants and Machineries has been adjusted to comply with the accounting policies as disclosed in Section 2 which are in compliance with HK GAAP.

The Financial Information does not necessarily reflect the results of operations of the Acquired Plants and Machineries that would have been recorded had they been operated under a stand-alone entity during the Relevant Period because they have historically been operated by Golden Rock and indirect income and expenses and income tax have not been considered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

The Financial Information of the Acquired Plants and Machineries has been prepared in accordance with accounting policies which are in compliance with accounting principles generally accepted in Hong Kong ("HKGAAP"). The Financial Information has been prepared under the historical cost convention.

Plants and Machineries

Plants and Machineries are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of items of plants and machineries over their estimated useful lives and after taking into account of their estimated residual value, using the reducing balance method.

An item of plants and machineries 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 income statement in the year/period in which the item is derecognised.

Impairment losses

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts. Sales of goods are recognised when goods are delivered and title has passed.

Foreign currencies

The Financial Information of the Acquired Plants and Machineries is stated in Renminbi (“RMB”).

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates.

On combination, the income statements of those Acquired Plants and Machineries which are denominated in foreign currencies are translated into Renminbi, at the weighted average rates for the year, for inclusion in the Financial Information.

Provisions

Provisions are recognised when a present legal or constructive obligation has arisen as a result of past events, and it is probable that an outflow of resources will be required to settle the obligations, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

Estimation uncertainty

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

(a) *Impairment of assets*

Impairment tests are carried out annually to determine whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(b) *Useful lives of plants and machineries*

In accordance with HKAS 16, the useful lives of the plants and machineries are estimated in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. Annual reviews on whether the assumptions made on useful lives continue to be valid are performed.

3. PARTICULARS OF THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Plants and Machineries are as follows:

Particulars of Acquired Plants	Structure	Area(m^2)
Coal preparation room	Frame	30
Transformer substation	Frame	602
Crusher room	Frame	535.7
Compression plant, transformer substation	Frame	323.8
Fan room	Frame	105
Pump room	Frame	102.27
Trench pump room	Frame	249.51
Power supply room	Frame	257.46
Aerator room	Frame	541.91
Circulating pump room (power supply room)	Frame	440.78
Ammonia sulphate depot	Frame	1,301.36
High-voltage power supply room, transformer substation	Frame	928
Boiler room	Frame	1,071.75
Small emission room	Frame	52.17
Chiller plant	Frame	404.6
Complex building	Frame	967.22
Pump room	Frame	401.5
GAS station office building	Frame	521
GAS station power supply room	Frame	261
GAS station fire pump room	Frame	142
GAS station compressor plant	Frame	333
GAS station control room	Frame	84
GAS station oil pump room No. 1	Frame	28
GAS station oil pump room No. 2	Frame	28
GAS station valve	Frame	25
Single apartment	–	3,910.95
Office building	–	6,412.94
Large restaurant	–	752.95
Small restaurant	–	400.81
Bathroom	–	366.25
VIP building No. 1-3	–	556.05
VIP building No. 4-6	–	556.05
Pump room	–	45.76
User station	–	133.3
Front door	–	88.17
Power supply room	–	122.23
Laboratory building	–	1,190.2
Storeroom No. 1	–	348.3
Storeroom No. 2	–	632.2

Particulars of Acquired Plants	Structure	Area(m^2)
Machine repair workshop	–	760.9
Guest building	–	1,298
Coal receiving pit	Building structure	926.1
Coal belt conveyor corridor No. 1, 2, 3, 4	Building structure	302
Coal transfer station No. 2	Building structure	–
Coal transfer station No. 3	Building structure	–
Coal corridor No. 4	Building structure	–
Wall fence of plant	Building structure	400
Pipe support of coal preparation system	Building structure	–
Retaining wall of coal preparation system	Building structure	–
Coke transfer station No. 3	Building structure	–
Coke conveyor corridor No. 3	Building structure	72
Coke conveyor corridor No. 4	Building structure	110
Coke transfer station No. 1	Building structure	–
Coke transfer station No. 2	Building structure	–
Coke conveyor corridor No. 2	Building structure	34
Coke cooling wharf	Building structure	–
Sub flue No. 1	Building structure	–
Sub flue No. 2	Building structure	–
Chimney	Building structure	75
Quenching tower	Building structure	–
Settling tank	Building structure	1,050
Coal tower	Building structure	–
Tracks for coke barrier vehicles	Building structure	–
Tracks for coal loaders	Building structure	–
Unloading trestle for washed coal storage plant	Building structure	–
Support of trestle from main plant to washed coal storage plant	Building structure	–
South wall fence of coke carbonization plant	Building structure	256
Tamping coke furnace dust removal ground station	Whole structure	–
Storage cave	Building structure	7
Concrete underground pipe screen (valve well)	Building structure	–
Feeding pipe, trench	Pipe installation	–
Coke furnace No. 1	Building structure	TNDK-99
Coke furnace No. 2	Building structure	TNDK-100
Settling tank	Building structure	2,000
Plant formation and road hardening	Building structure	110,000
Plant forestation	–	40,000
Well-oxygenated tank, poor-oxygenated tank	Building structure	3,548
Coagulated settling tank	Building structure	251.2
Sludge tank No. 1, No. 2	Building structure	40
Sludge tank No. 3	Building structure	40

APPENDIX II**FINANCIAL INFORMATION ON THE
ACQUIRED PLANTS AND MACHINERIES**

Particulars of Acquired Plants	Structure	Area(m²)
Deposit tank No. 1, No. 2	Building structure	931.28
Regulating tank	Building structure	480
Oil-removing tank	Building structure	325.36
Front gate of coke carbonization plant	Building structure	—
Mix response tank	Building structure	48
Sludge tank No. 4	Building structure	40
Sludge concentration tank	Building structure	98.91
Water tank No. 1	Building structure	40
Water tank No. 2	Building structure	90
Water tank No. 3	Building structure	81
Unloader platform	Building structure	—
GAS station fire pool	Building structure	1,596
GAS station forestation	—	—
Outdoor heating works	—	—
Outdoor water feeder	—	—
Wall fence	—	—
Outdoor water pipe system	—	—
Office zone fountain and rockery	—	—
Office zone ground hardening works	—	—
Street lamps for 金岩路(Jun Yan Road)	—	—
Gardening works for west garden of 金岩公司 (Golden Rock Company)	—	—
Vegetable greenhouse	—	—
Basketball court in the accommodation area of 金岩公司(Golden Rock Company)	—	—
Automatic doors in the accommodation area	—	—
金岩(Golden Rock) cable television system	—	—
12M street lamps	—	—
Forestation in the accommodation area	—	—

Particulars of the Motor Vehicles	Model Number	Manufacturer	Quantity
晉(Jin) JBV501	奇瑞(Qi Rui) SQR7160T11	安徽(Anhui)	1
晉(Jin) JBV502	奇瑞(Qi Rui) SQR7160T12	安徽(Anhui)	1
晉(Jin) JBV503	奇瑞(Qi Rui) SQR7160T13	安徽(Anhui)	1
晉(Jin) JBV509	奇瑞(Qi Rui) SQR7160T14	安徽(Anhui)	1
晉(Jin) JBV601	奇瑞(Qi Rui) SQR7160T15	安徽(Anhui)	1
晉(Jin) JBV602	奇瑞(Qi Rui) SQR7160T16	安徽(Anhui)	1
晉(Jin) JBV609	奇瑞(Qi Rui) SQR7160T17	安徽(Anhui)	1
晉(Jin) JBQ501	奇瑞(Qi Rui) SQR7160T18	安徽(Anhui)	1
晉(Jin) JBQ502	奇瑞(Qi Rui) SQR7160T19	安徽(Anhui)	1
晉(Jin) JBQ503	奇瑞(Qi Rui) SQR7160T20	安徽(Anhui)	1
晉(Jin) JBQ602	奇瑞(Qi Rui) SQR7160T21	安徽(Anhui)	1
晉(Jin) JBQ603	奇瑞(Qi Rui) SQR7160T22	安徽(Anhui)	1
Self unloading truck	CA3257K2T1	—	5

APPENDIX II

FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
鷹眼(Ying Yan) network security audit system	NSAS10000-4A	成都三零盛安信息 系統有限公司 (Cheng Du San Ling Shengan Information System Co. Ltd)	1
大宗物料－系統 (Staple Material System)	–	山西山大新網科技有限公司 (Shanxi Shanda Xinwan Technology Co. Ltd)	1
RFIC curfew truck management system	–	山西山大新網科技有限公司 (Shanxi Shanda Xinwan Technology Co. Ltd)	1
Refueler management system	–	山西山大新網科技有限公司 (Shanxi Shanda Xinwan Technology Co. Ltd)	1
Rising Antivirus anti-virus software corporate edition with extended capacity	–	山西金創明孝義分公司 (Shangxi Jinchuangming Xiaoyi Branch)	1
UFIDA Software	–	山西山大新網科技有限公司 (Shanxi Shanda Xinwan Technology Co. Ltd)	1
No. 5 coal belt conveyor	Width 800mm x 6 ply standard	–	60
Feeder chute	Welding pieces	–	1
Permanent magnet (永磁) super iron remover	RCY-L120	撫順凱宇機電設備有限公司 (Fushun Kaiyu Electronics & Machinery Equipment Co., Ltd)	1
No. 3 washed coal crusher	PFCK1212	揚州明泰機械有限公司 (Yangzhou Mingtai Machinery Co. Ltd)	1
Hydraulic coupler	–	揚州明泰機械有限公司 (Yangzhou Mingtai Machinery Co. Ltd)	1
High voltage electric motor	280kw	揚州明泰機械有限公司 (Yangzhou Mingtai Machinery Co. Ltd)	1
No. 6 coal belt conveyor	Width 800mm x 6 ply standard	–	72

APPENDIX II
**FINANCIAL INFORMATION ON THE
ACQUIRED PLANTS AND MACHINERIES**

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Electric belt weigher (with feeder system)	ICS-XF	山西萬立科技有限公司 (Shanxi Wan Li Technology Co. Ltd)	5
Belt mount for belt weigher	DY-II	—	5
Feeder chute	Welding pieces	—	5
Disk-type dry electro-magnetic iron-remover	RCSB-10	濰坊泉鑫電磁設備有限公司 (Wei Fang Quanxin Electric-Magnetic Equipment Co., Ltd)	1
No. 1 coal belt conveyor	Width 1000mm x 6 ply standard	台州市恒力橡膠有限公司 (Taizhou Henghi Plastic & Rubber Co., Ltd)	252.5
No. 2 coal belt conveyor	Width 1000mm x 6 ply standard	山西萬立科技有限公司 (Shanxi Wan Li Technology Co. Ltd)	165
No. 1/No. 2 washed coal crusher	PFCH-1216	洛陽天信礦山機械製造有限公司 (Luoyang Tian Xin Mining Machinery Manufacturing Co., Ltd.)	2
PF216 crusher hydraulic coupler	—	洛陽天信礦山機械製造有限公司 (Luoyang Tian Xin Mining Machinery Manufacturing Co., Ltd.)	—
High voltage electric motor	Y4506-6 450kw	—	2
Crusher	PFCK1616	揚州明泰機械有限公司 (Yangzhou Mingtai Machinery Co. Ltd)	2
No. 3 coal belt conveyor	Width 1000mm x 6 ply standard	山西萬立科技有限公司 (Shanxi Wan Li Technology Co. Ltd)	258
No. 4 coal belt conveyor	Width 1000mm x 6 ply standard	—	130
Motor block	ZQ151-4 13kw	—	2
Swing feeder	Y132M2 5.5kw	—	18
Shake coal system	—	—	1
Eight-hammer tamper	JC/D43-1	大連精誠機電開發有限公司 (Dalian Jingcheng Electrics Machinery Development Co., Ltd)	4

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FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Six-hammer tamper	–	咸陽四環工業裝備有限公司 (Xianyang Sihuan Industrial Equipment Co. Ltd.)	4
Coal loading and pushing truck (with tracks)	QU120軌(Gui)	大連精誠機電開發有限公司 (Dalian Jingcheng Electrics Machinery Development Co., Ltd)	1
Coal loading and pushing truck	–	大連精誠機電開發有限公司 (Dalian Jingcheng Electrics Machinery Development Co., Ltd)	1
Coal loading and pushing truck	–	大連精誠機電開發有限公司 (Dalian Jingcheng Electrics Machinery Development Co., Ltd)	1
Ammonia water pipe for coke furnace	–	–	100
Compressed air pipe for coke furnace	–	–	100
Steam pipe for coke furnace	–	–	100
Returning gas pipe for coke furnace	–	–	95
Production water pipeline for coke furnace	–	–	70
Fire water pipeline for coke furnace	–	–	60
DCS system	–	–	1
Hydraulic exchanger	DLZ-000	榆次方盛液壓機電設備有限公司 (Yuci Fangsheng Hydraulic Equipment Co. Ltd	2
Coke barrier vehicle	–	大連精誠機電開發有限公司 (Dalian Jingcheng Electrics Machinery Development Co., Ltd)	1
Smoke guiding truck	–	大連精誠機電開發有限公司 (Dalian Jingcheng Electrics Machinery Development Co., Ltd)	1
Smoke and dust removal truck	–	大連精誠機電開發有限公司 (Dalian Jingcheng Electrics Machinery Development Co., Ltd)	1

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**FINANCIAL INFORMATION ON THE
ACQUIRED PLANTS AND MACHINERIES**

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Coke quenching vehicle	JC401	大連精誠機電開發有限公司 (Dalian Jingcheng Electrics Machinery Development Co., Ltd)	1
Coke quenching vehicle	JC401	大連精誠機電開發有限公司 (Dalian Jingcheng Electrics Machinery Development Co., Ltd)	1
Motor vehicle	–	大連精誠機電開發有限公司 (Dalian Jingcheng Electrics Machinery Development Co., Ltd)	1
ZSZS-type centrifugal water pump	ZS100-65-250	–	1
Coke quenching vehicle	14SH-19	–	2
Submersible pump	WQ15-25	–	1
Coal powder tub elevation and operation	ZD141-4 0.5kw	–	2
Crane grab	D212 0.5 Cube	河南省鄉市礦山起重有限公司 (Henan Xiang City Mining Lifting Equipment Co., Ltd)	1
Production water pipeline for preparation screen	–	–	170
Steam pipeline for preparation screen	–	–	640
No. 1 coke belt conveyor	Width 1000mm x 6 ply heat-resistant	–	144
Submersible pump	WQ15-25	–	2
No. 2 coke belt conveyor	Width 1000mm* x 6 ply heat-resistant	–	85
No. 3 coke belt conveyor	Width 1000mm* x 6 ply heat-resistant	–	156
No. 4 coke belt conveyor	Width 1000mm* x 6 ply heat-resistant	–	236
No. 4 coke powder receiving tub	Welding pieces	–	1
Mechanical block bridge-type crane	LH lifting capacity: 40 tons	河南省長城起重設備有限公司 (Henan Changcheng Lifting Equipment Co., Ltd.)	4
Loader	廈裝(Sha Zhuang) ZL-50 656	–	5

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FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Loader	常林(Chang Lin) ZL-50	–	3
Loader	龍泰(Long Tai) ZL-50	–	1
Loader	厦工(Sha Gong) ZL-50	–	2
Agricultural vehicle	南駿(Nan Jun) 2100	–	1
Agricultural vehicle	SF160T	–	1
Transformer	S9-630110	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Electric contact voltage controller		中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Incoming unit	GCS-02-1A	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Conductor unit	GCS-34-2A	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Outgoing unit	GCS-11-3A	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Outgoing unit	GCS-11-4A	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Outgoing unit	GCS-11-5A	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Connection unit	GCS-11-6A	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage unit	1AD	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage unit	2AD	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage unit	3AD	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Transducer	SV150IS5-4N	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Transducer unit	GGD Control box	北京希望森蘭電氣有限公司 (Beijing Xiwan Sen Lin Electrics Co., Ltd)	1
Self-coupling decompressor starter unit	JJB-30kw	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	6
Low voltage switch unit	GGD2/AA5	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	6
High lamp	–	–	1
Transformer	SQ-1000KVA	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	2
Low voltage switch unit	GGD2/AA1	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA2	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA3	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA4	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA5	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA6	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA7	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA8	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1

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FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Low voltage switch unit	GGD2/AA10	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA11	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage conductor unit	GGD2/AA12	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage conductor unit	GGD2/AAB	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage power supply unit	GGD2-1ALP	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage power supply unit	GGD2-2ALP	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage power supply unit	GGD2-3ALP	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage power supply unit	GGD2-4ALP	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage power supply unit	GGD2-5ALP	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage power supply unit	GGD2-6ALP	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage power supply unit	GGD2-7ALP	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage power supply unit	JT9006	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Motor switch box	XL21-C	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	3
Socket box	P230	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	2

APPENDIX II

FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Low voltage unit	GGD2-8ALP	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Transformer	S+D9-25KVA10/0.4	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	2
Low voltage conductor unit	GGD2/AA1	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage conductor unit	GGD2/AA2	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA3	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA4	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA5	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA6	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA7	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA8	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA9	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA10	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA11	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA12	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1

APPENDIX II

FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Low voltage switch unit	GGD2/AA13	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage switch unit	GGD2/AA14	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Soft starter rack	1.32KW	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	3
Low voltage power supply unit	GGD2-21ALP	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage power supply unit	GGD2-22ALP	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage power supply unit	GGD2-23ALP	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage power supply unit	GGD2-24ALP	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage power supply unit	GGD2-25ALP	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low voltage power supply unit	GGD2-26ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Soft starter	QCK-160KW	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	2
Control box	JXF3001	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage switch unit	GGD2-1AP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1

APPENDIX II**FINANCIAL INFORMATION ON THE
ACQUIRED PLANTS AND MACHINERIES**

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Low voltage switch unit	GGD2-2AP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage switch unit	GGD2-3AP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage switch unit	GGD2-4AP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage switch unit	GGD2-5AP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage switch unit	GGD2-6AP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage switch unit	GGD2-7AP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage switch unit	GGD2-8AP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage switch unit	GGD2-9AP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1

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FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Low voltage switch unit	GGD2-10AP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage switch unit	GGD2-11AP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Control box	JXF3004	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	11
Control box	X-1	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	3
Control box	JXF3004	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	3
Control box	JT9016	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Socket box	PZM30-61C8	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Soft starter	QCK-160KW	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	3

APPENDIX II**FINANCIAL INFORMATION ON THE
ACQUIRED PLANTS AND MACHINERIES**

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Electrical valve control panel	DFK2P-6-10	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage switch unit	GGD2-1ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage switch unit	GGD2-2ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage switch unit	GGD2-3ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage switch unit	GGD2-4ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Control platform	JT5008	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Control box	JXF3007	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Control box	JXF3007	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1

APPENDIX II**FINANCIAL INFORMATION ON THE
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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Soft starter unit	132KW	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	2
Control unit	XL21-D-S1	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Control unit	XL21-D-S2	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Control unit	XL21-D-S3	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Control box	5XF3-3001	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	4
1ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
2ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
3ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1

APPENDIX II**FINANCIAL INFORMATION ON THE
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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
4ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
5ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
1ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
2ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
3ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
1ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
2ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
3ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1

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ACQUIRED PLANTS AND MACHINERIES**

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
4ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
5ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
6ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
7ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
IIAS control box	JXF3002	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
IAS signal box	JXF3003	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Soft starter unit	75KW	—	2
1ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
2ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1

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FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
3ALP low voltage unit	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
1ACC control box	JXF3002	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	2
Soft starter	55KW	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	2
Motor unit 1APC	XL-31-08	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Motor unit 2APC	XL-31-08	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Control box	JXF3030	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Soft starter	55KW	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	3
Control box 1ALP	GGD	—	1
Control box 2ALP	GGD	—	1
Motor box	800-800-500	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	3

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FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Control box	–	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	2
Self-coupling decompressor starter unit	JJB-132KW	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Self-coupling decompressor starter unit	JJB-30KW	–	4
Low voltage power supply unit	WS1-11 GGD.HLS	–	1
Low voltage power supply unit	WS2-11 GGD.HLS	–	6
Low voltage power supply unit	WS8-11 GGD.HLS	–	1
Low voltage motor unit	XL-21-C/AP1	–	1
Low voltage motor unit	XL-21-C/AP2	–	1
Low voltage motor unit	XL-21-C/AP3	–	1
Anti-oxygen motor unit	–	–	1
Motor box	XL-30-08	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
High voltage switch unit	KYN28A-12-25 20AA	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Soft starter	QCK-90KW	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	3
High voltage switch unit	KYN28A-12-25	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	2
High voltage switch unit	KYN28A-12-25	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	29
High voltage switch unit	KYN28A-12-25	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	3

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
High voltage switch unit	KYN28A-12-25	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Parent bridge for high voltage unit	10KV	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	12.6
High voltage conductor unit	GR-1-01	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	2
Micro surveillance protection system	–	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Low current earth socket select panel	PK-10	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Semi-station panel	–	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
Direct current panel	–	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	1
High voltage control box	–	中國華通機電集團有限公司 (China Huatong Electrics & Machinery Group Co. Ltd.)	10
Frequency reducer	–	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	2
High voltage individual switch	–	–	6
Transformer	SQ-1250KVA	–	2
Low voltage switch unit	GGD2/AA1	–	1
Low voltage switch unit	GGD2/AA2	–	1
Low voltage switch unit	GGD2/AA3	–	1
Low voltage switch unit	GGD2/AA4	–	1
Low voltage switch unit	GGD2/AA5	–	1
Low voltage switch unit	GGD2/AA6	–	1
Low voltage switch unit	GGD2/AA7	–	1
Low voltage switch unit	GGD2/AA8	–	1
Low voltage switch unit	GGD2/AA10	–	1
Low voltage switch unit	GGD2/AA11	–	1

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Low voltage switch unit	GGD2/AA12	–	1
Low voltage conductor unit	GGD2/AA13	–	1
Low voltage conductor unit	GGD2/AA14	–	1
Individual switch	GN19-10/400	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	6
Non-gate current controller	LQG-0.5600/5	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	6
Low voltage unit	GGS2-1ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage unit	GGS2-2ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage unit	GGS2-3ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage unit	GGS2-4ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage unit	GGS2-5ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage unit	GGS2-6ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Low voltage unit	GG2-7ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage unit	GG2-8ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage unit	GG2-9ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Low voltage unit	GG2-11ALP	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Motor power supply box	XL-2-07/11APC	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Motor power supply box	XL-21-07-12APC	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Motor power supply box	XL-21-08	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Control box	JXF3003	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	4

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Control box	JXF3001	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	2
4 large motor switch box	–	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	14
Control unit	GGD1-M1	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	2
Control unit	GGD1-D-M2	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Control box	JXF2-3001	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	7
Control box	JXF3-3001	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	6
Control platform	D-M2	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Coke Oven Auto-control System	800*600*2100 MN2000- V15712HB1AC7	浙江中控技術股份有限公司 (Zhejiang Zhongkong Technology (Holdings) Co. Ltd)	1
Coke-oven Gas Main Pipe Measurement System	D/5C2/5C4/5A3/B 3/395/376/205/22 C 0-6KPa	太原市威爾泰自動化儀錶 有限公司 (Taiyuan Weiertai Auto Measuring Instrument Co. Ltd.)	2

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FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Chemical Products Control System	DELLP1130/21#	浙江中控技術股份有限公司 (Zhejiang Zhongkong Technology (Holdings) Co. Ltd)	1
Operating Table	SP071/FW071/0S071	–	9
Printer Station	SP071P	–	1
Chassis	–	–	9
Cabinet	–	–	9
Microcomputer Electronic Belt Weigher	ICS-XFC	太原萬立科技有限公司 (Shanxi Wan Li Technology Co. Ltd)	5
Transformer Tank	FRENIC5000G11S	日本富士有限公司 (Fuji Co. Ltd.)	5
Ammonia-sulfur Measurement Control System	–	–	–
Master Box	–	–	1
Weighing Sensor	–	山西萬立科技有限公司 (Shanxi Wan Li Technology Co. Ltd)	5
Velocity Sensor	–	山西萬立科技有限公司 (Shanxi Wan Li Technology Co. Ltd)	5
Automatic Electric Meter	–	重慶正興偉業儀錶有限公司 (Chongqing Zhenying Weiye Measuring Instrument Co. Ltd.)	1
Autocontrol Outdoor Wiring	–	–	–
Dynamic System	–	–	–
Electricity-laying	–	–	–
10KV Switching Station	–	–	–
Electricity	–	–	–
Gas Station 1ALP Low-voltage Switch Box	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Gas Station 1ALP Low-voltage Switch Box	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1

APPENDIX II**FINANCIAL INFORMATION ON THE
ACQUIRED PLANTS AND MACHINERIES**

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Gas Station 1ALP Low-voltage Switch Box	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Gas Station 1ALP Low-voltage Switch Box	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Gas Station 1ALP Low-voltage Switch Box	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Gas Station 1ALP Low-voltage Switch Box	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Gas Station 1ALP Low-voltage Switch Box	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Gas Station 1ALP Low-voltage Switch Box	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Gas Station 1ALP Low-voltage Switch Box	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Gas Station 1ALP Low-voltage Switch Box	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Gas Station 1ALP Low-voltage Switch Box	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Gas Station 1ALP Low-voltage Switch Box	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Gas Station 1ALP Low-voltage Switch Box	GGD	中國華通機電集團 有限公司山西分公司 (China Huatong Electrics & Machinery Group Co. Ltd Shanxi Branch)	1
Gas Station Transformer	630KVA	—	2
Gas Station Power Network	—	—	—
Gas Station DCS System	—	—	—
Tar Separator	VN=95M3	鞍山市化工設備製造有限公司 (Anshan Chemical Equipment Manufacturing Co., Ltd.)	1
Cross-pipe Primary Cooler	F=3000M2	無錫市焦化煤氣設備廠 (Wuxi Coking & Gas Equipment Factory)	3
Mist Collector	φ1300*8	中化二建集團	1
Electro Tar Precipitator	—	鞍山市化工設備製造有限公司 (Anshan Chemical Equipment Manufacturing Co., Ltd.)	2
Tar Pump	ZSR80-50-200A	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Manual Monorail	Q=5T	—	1
Chemical Dosing Measurement Pump	S25*25-12.5	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	8
Accident Groove	DN5300 H=4151MM VN90M3	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Ammonia Vent	φ1400*4500*8	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Ammonia Tank	φ400*2000*6	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	2
Water-seal Tank	φ400*2000*6	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Liquid-seal Tank	φ400*400*6	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Emptying Groove	DN1200 L=3000	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Vehicle	—	—	1
Refrigeration Pump	12SH-9B	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	3
Circulating Water Pump	12SH-9	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	3
Upper Groove	DN2000 L=120001MM VN35M3	—	1
Lower Groove	DN2000 L=60001MM VN20M3	—	1
Frp Cooling Tower	112M2	河南沁陽市菲隆玻璃鋼建材廠 (Henan Qinyang Feilong Glass Construction Material Co., Ltd)	3

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Water Recycling Pump	80-50-200	—	1
Residual Ammonia Pump	ISR65-40-200	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Condensed fluid circulating pump	MCZ100-250	—	3
Production pump	IS100-65-200	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	3
Fire pump	IS150-125-400	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Tar oil loading pump	50-150B	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Auto filter	SQ60	—	3
Quantitative dosage system	DT2-Z Q=1400	宜興市鼎鑫環保有限公司 (Yixing Dingxin Environment Protection Co.)	2
Self-priming cooling pump	Q=15-30M2/N	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Low temperature water pump	IS200-150-400	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	3
Intermediate tar oil pump	50AY60B	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Low temperature water pump	φ1400*4500*8	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	3
Lower condensed fluid pump	65AY60A	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Upper condensed fluid pump	80AY60	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Tar oil pump	80AY60	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2

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ACQUIRED PLANTS AND MACHINERIES**

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Slurry pump	KH100655KW	唐山市科江流體機械開發 有限公司 (Tanshan Kejiang Floating Liquid Machinery Development Co. Ltd.)	2
Ammonia water cycle tank	12SH-9A	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Tar oil storage tank	Dn5300 h=6965 120t vn130 square metre D815	—	2
Gas blower	D815	西安陝鼓動力股份有限公司 (Shan'xi Shangu Powering Co. Ltd.)	2
Crane	SDXQ-2. G=2.0Z	天津起重機廠 (Tianjin Crane Factory)	1
Seal water blower tank	Length: 2600mm Width: 1000mm Height: 4000mm	—	2
Seal water tank	DN800 H-3000MM	—	10
Mechanical separating tank	VN300M3	鞍山市化工設備製造有限公司 (Anshan Chemical Equipment Manufacturing Co., Ltd.)	2
Tar oil clarifying tank	VN95M3	—	1
Ammonia water cycle tank	DN5300 H=4151MM VN90M3	—	1
Sampling cooler	DN6500	宜興市鼎鑫環保有限公司 (Yixing Dingxin Environment Protection Co.)	2
Ammonia water residual tank	H=8254MM VN250M3	—	2
Accident tank	DN7700 H=9725MM	—	1
Axis protection blower	T35-4.5	上虞市專用機械廠 (Shangyu Special Machinery Factory)	12
Submerged pump	CAY40-160C	丹東克隆集團有限責任公司 (Dandong Kelong Group Co. Ltd)	1

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Submerged pump	IHY65-50-160A	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	4
Underground emptying groove	DNW1800 L=5500 VW1300M3	—	2
Cooling tower	DN3200 H=18000	楊貴保 (Yang Gui Bao)	1
Desulphurizing tower	DN5500 H=30000MM	山西新東方機械有限公司 (Shanxi Xindongfang Machinery Co. Ltd)	1
Regeneration tower	DN3800 H=43550MM	山西新東方機械有限公司 (Shanxi Xindongfang Machinery Co. Ltd)	1
Reaction tank	DN3600 L=13000MM	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Desulfurizing liquid seal tank	DN3600 H=5300MM	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Precooling liquid cycle pump	100-250B-C	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Precooling liquid heat exchanger	FN=50M2	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	3
Desulfurizing liquid heat cooler	FN-50M2	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	1
Sulphur melter	DN1200 H=4157.5MM	三門峽市信德化工裝備 有限責任公司 (SanMenxia Xinde Chemical Equipment Co., Ltd)	3
Desulfurizing liquid cycle pump	250-50B	—	2
Bubble tank	DN2800H=5338M	—	2
Water recycling tank	10T	—	1

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Desulfurizing liquid emptying groove	8T	–	1
Blender	Y132S-4	–	2
Submerged pump	50-32-200	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	1
Bubble pump	40-200A	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	4
Ammonia water self-priming pump	G50WFB-B1	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Sulphur bubble pump	Q14M3/N =26M	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Sealed self-priming pump	2G50-B	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	1
Manual cleaning separator hoist	–	山西新東方機械有限公司 (Shanxi Xindongfang Machinery Co. Ltd)	1
Fluid-level adjustment device	–	山西新東方機械有限公司 (Shanxi Xindongfang Machinery Co. Ltd)	1
Desulfuried residue tank	ø3000*3000*10	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Ammonia water heat exchanger	FN=25M2	–	1
Gas preheater	DN/300 H=3740	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	2
Spraying saturator	DN3400/2400	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	2
Sulphuric acid pump	MCZ40-160B	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Axial flow blower	T35-4.5	上虞市專用機械廠 (Shangyu Special Machinery Factory)	5

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Ammonia water heat exchanger	FN=25 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	2
Nozzle of saturator	DN3400	鞍山市化工設備製造有限公司 (Anshan Chemical Equipment Manufacturing Co., Ltd.)	2
Roof blower	DWT-I-4	上虞市專用風機廠 (Shangyu Special Machinery Factory)	1
Mother liquor-emptying submerged pump	IHY50-52-160-1445	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	1
Acid uploading tank	DN/400 H=7000 VN10M3	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Alkaline uploading tank	DN1400 L=7000	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	2
Crystal tank	φ1600*2680*6	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	2
Dehydrator	φ310*500*5	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	3
Alkaline storage lees	DN4400 H=5585	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Preheated pressure flow lees	DN1600 H=4000MM	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	2

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Sulphuric acid storage lees	H=5585 VN70M3	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	2
Air cooler	40-72	—	1
Sulphuric acid pump	MCZ40-160B	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Explosion-proof axial flow blower	BT35-11.5	上虞市專用風機廠 (Shangyu Special Machinery Factory)	7
Air feeder	4-72-5A	—	1
Cyclonic separator	DN800	—	2
Compressed air dryer	CAD-10/0.8	太原實益氣體工程設備有限公司 (Taiyuan Shiyi Air Project Equipment Co. Ltd)	2
Self-priming pump	2.3BXG50WFB-G	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Small mother liquor pump	MCZ32-160A	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Cyclonic pusher device	JZQ250	新鄉市薄東機械有限公司 (Xinxiang Bodong Machinery Co. Ltd.)	1
Crystal pump	MCZ040-200C-D	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Centrifugation machine	NH-800	—	2
Heat device	F=200.13 square meter	—	1
Dryer machine	TG229*602	—	1
Ammonia stripper	F-25m ²	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	1
Ammonia still	DN1600 IF10419-	三門峽市信德化工裝備 有限責任公司 (SanMenxia Xinde Chemical Equipment Co., Ltd)	1
Waste water condenser	FN=55 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	1

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Waste water pump	MCZ32-160A	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Manual mono rail hoist	Q=5T	—	1
Manual mono rail hoist	Q=5T	—	1
Waste water channel	DN2200 H=2125 VN7M3	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Acid unloading pump	50-32-160	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	1
Underground emptying channel	φ1200 *3000*6	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Lye circulation Pump	MCZ200/315	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Lye emptying channel	DN/400 H=4500 VN6M3	—	1
Lye reserve channel	DN400 H=2019	—	2
Manual mono rail hoist/ with chain hoist	Q=1T Q=1T H=40M	—	1
Vitriol upper tank	φ2000*5000*10	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Waste water emptying pump	IHY50-32-20013	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Final cooler	—	—	1
Crude benzene refluxing pump	CMH40-32-200	—	2
Naphthalene oil pump	ZHY80-50-160	—	2

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Crude benzene product pump	CMA40-200A	–	2
Submerged pump	ZHYB80-50-200	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	3
Automatic control system	–	–	1
Fat oil tank	DN4400 H=5585	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Regenerator	DN1600 H=9000	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Crude benzene oil water separation device	DN1400 H=4500	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Control separation device	DN1400 H=4500	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Water empty channel	φ1400*4500*8	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Oil washing channel	DN4400 H=5585	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	1
Ammonia condenser	FN=25 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	1

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Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Residue oil solution channel	DN200 L=5500 VN20 square meter	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	2
Crude benzene channel	DN2600 L=6500 VN30 square meter	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	2
Crude benzene separate water channel	φ1800*6500*8	中化二建集團有限公司 孝義項目部 (Sinochem No. 2 Construction Group Co., Ltd Xiaoyi Project Department)	2
Oil washing unloading car submerged pump	50-32-200B	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	1
Fixed cleaner oil pump	MCZ65-200D	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Crude benzene condenser cooler	FN=285*2 square meter	—	2
First stage lean condenser	FN=100 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	2
First stage lean condenser	23FHD1080 F=100 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	2
Lean and fat oil second stage heat exchanger	23FHD1074 F=100 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	3
Second stage lean oil condenser	23FHD1081 F=120 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	3
Self-priming pump	2BXG65WFB-B	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	4
First stage oil heat exchanger	FN=100 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	3

APPENDIX II

FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Hot lean oil pump	SLZA50-315	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	3
Second stage lean oil condenser	FN=120 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	3
Lean and fat oil first stage heat exchanger changed to spiral plate	23FHD1070 F=150 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	4
Final cooler circulating pump	CZ100-250C	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	3
Washing naphthalene oil pump	CC32-250B	丹東克隆集團有限責任公司 (Dandong Kelong Group Co. Ltd)	4
Oil-steam heat exchanger/ crude benzene condenser cooler	IFH01070 FN=285*2 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	1
Benzole stripping column oil-water separator	DN600 L=3000	—	1
Upper stage condensate cooler	FN=130 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	2
Lower stage condensate cooler	FN=130 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	3
Oil-steam heat exchanger	FN=285*2 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	1
Slurry pump	KH1006 45KW	唐山市科江流體機械 開發有限公司 (Tanshan Kejiang Floating Liquid Machinery Development Co. Ltd.)	5
Second stage oil heat exchanger	FN=100 square meter	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	4
Benzol scrubber	DN3600 H=32100	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	1

APPENDIX II

FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Benzole stripping column	DN1600 IF6243-2	三門峽市信德化工裝備 有限責任公司 (SanMenxia Xinde Chemical Equipment Co., Ltd)	1
Tubular furnace	IF9395255-25-φ 127φ89	無錫雪浪換熱器廠 (Wuxi Xuelang Heat-exchanger Factory)	1
Refluxing channel	DN600 H=400	—	1
Tar oil storage Tank	DN7700 H=11105 500T VN450 square meter	—	2
Crude benzene high tank	DN2800 H=4205 VN22 stere	—	2
Tar oil high Tank	DN2800 H=4205 VN22 stere	—	2
Crude benzene emptying channel	DN2000 H=5500 VN16 stere	—	1
Oil washing unloading car channel	DN2200 H=5500 VN16 stere	—	1
Oil depot water emptying channel	DN2000 H=5500 VN16 stere	—	1
Submerged pump	CAY40-160C	丹東克隆集團有限責任公司 (Dandong Kelong Group Co. Ltd)	1
Oil depot crude benzene emptying pump	50-32-200	—	1
Oil water emptying pump	HY85-50-160	—	3
Crude Benzene Loading Pump	CM050-160	—	2
Oil depot water emptying submerged pump	IHY6550-160	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	3
Raw water filter	φ1800	宜興市鼎鑫環保有限公司 (Yixing Dingxin Environment Protection Co.)	3
Fully-automated water control software	Fulaike	江蘇鼎鑫環境工程有限公司 (Jiangsu Dingxin Environment Project Co., Ltd)	2

APPENDIX II
**FINANCIAL INFORMATION ON THE
ACQUIRED PLANTS AND MACHINERIES**

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Soft water pump	ISG (B) 65-160-4KW	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	3
Soft water tank	35 tonnes	–	2
Soft water implement	3900	宜興市鼎鑫環保有限公司 (Yixing Dingxin Environment Protection Co.)	1
Air feeder	9-19-D	–	2
Deoxygenating pump	Y902-4	–	6
Dual band water supply equipment	QBWS-1-15*4	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	1
Axial flow blower	T35-11-4.5	上虞市專用風機廠 (Shanyu Special Blower Factory)	15
Gas-distributing cylinder	Vi.35 cubic meters P=1.0mpa	江蘇雙良鍋爐有限公司 (Jiangsu Shuangliang Boiler Co. Ltd.)	1
Self suction pump for emptying lees	Q15-30M3/N	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Water emptying pump	IHY50-52MNR	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	1
Boiler	WNS-1.25-QJYC	江蘇雙良鍋爐有限公司 (Jiangsu Shuangliang Boiler Co. Ltd.)	2
Deoxygenator	RDGN25-10	宜興市鼎鑫環保有限公司 (Yixing Dingxin Environment Protection Co.)	2
Gas holder	C-0.6	太原實益氣體工程設備有限公司 (Taiyuan Shiyi Air Project Equipment Co. Ltd)	2
Gas holder	C-1	太原實益氣體工程設備有限公司 (Taiyuan Shiyi Air Project Equipment Co. Ltd)	2
Air saturator	–	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	1

APPENDIX II

FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Air compressor	SA-10W-8.5	太原實益氣體工程設備有限公司 (Taiyuan Shiyi Air Project Equipment Co. Ltd)	2
Air compressor	SA120W	太原實益氣體工程設備有限公司 (Taiyuan Shiyi Air Project Equipment Co. Ltd)	3
Preheater	—	—	1
Gas holder	C-2	太原實益氣體工程設備有限公司 (Taiyuan Shiyi Air Project Equipment Co. Ltd)	3
1#lift pump for collecting well	50FMG-22X	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	2
Submersible sewage pump	Q210M3/N H=10M	山東雙輪集團陝西銷售有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	1
Drug addition and storage tank	—	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	4
Drug addition and storage tank	—	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	4
Explosion-proof motor	T35-11-4.5	大連市沙河口區上虞風機 冷卻塔銷售中心 (Dalian Shahekou Shangyu Cooling Tower Sales Centre)	1
Drug addition and dispensing tank	—	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	4
3#lift pump for collecting well	100FMG-32	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	3

APPENDIX II

FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Thermal water pump	Q250M3/N H=50M	山東雙輪集團陝西銷售 有限公司 (Shandong Doublewheel Group Shan'xi Sales Co.)	2
Filter	JG-18F	—	3
Blower	D40-1.7	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	3
Sewage treatment control system	—	—	1
Sludge thickening scraper	XLSP742-1655	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	1
Sludge scraper for coagulation and sedimentation pool	XLSPB842-34075	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	1
2#lift pump for collecting well	200FMG-18	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	2
Lift pump for regulating pool	80FMG-22	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	2
Corrosion and explosion-proof centrifugal fan	4-68-5	上虞市專用風機廠 (Shanyu Special Blower Factory)	2
Lift pump for residual sludge	50FMG-22	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	2

APPENDIX II**FINANCIAL INFORMATION ON THE
ACQUIRED PLANTS AND MACHINERIES**

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Single spiral screw pump	–	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	1
Regulating pool mixer	QJB22/8	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	2
Air-floating oil scraper	XLFD421	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	1
Air-floating water supply pump	MSG80-250	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	2
Drugging mixer	LG.2	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	4
Anaerobic inner-circulating pump	ISG80-100	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	4
Sludge reflux pump for secondary sedimentation tank	100FMG-24	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	4
Filter	–	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	2

APPENDIX II

FINANCIAL INFORMATION ON THE ACQUIRED PLANTS AND MACHINERIES

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Sludge scraper for secondary sedimentation tank	XLADB42-34075	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	2
Pipe system for sewage treatment	—	—	1
Heavy oil tank	φ1600,H=2800	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	1
Air floatation tank	—	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	1
Heavy oil pump for oil separating tank	2FFX-41	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	6
Mixer for mixed reaction tank	XLFD42	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	4
Anaerobium generator	—	山西泓源達環境技術設備 有限公司 (Shanxi Hongyuanda Environment Technology Equipment Co. Ltd.)	2
Air pipe	—	—	1
Corrosion-proof sulfur and ammonium pipe	—	—	1
Low-temperature water pipe	—	—	1
Pipe system	—	—	
Ammonia water pipe	—	—	1
Production water pipe	—	—	1
Gas pipe	—	—	1
Steam pipe	—	—	1

Particulars of the Acquired Machineries	Model Number	Manufacturer	Quantity
Electricity network	–	–	1
Fire protection pipe	–	–	1
Water circulation pipe	–	–	1
Tar pipe system	–	–	1
Four-baskets desulfurization tower	φ5000 H=7180	–	1
New diesel storage lees	φ53400 L=4500	–	1
Used diesel storage lees	φ3400 H=2825	–	1
Light diesel storage lees	φ1400 L=4500	–	1
Underground emptying lees	φ1200 L=3000	–	1
Water sealing lees	φ500 H=3000	–	1
Oil sealing lees	φ500 H=3300	–	1
Naphthlene washing tower for gas station	–	–	1
Gas station pipe	–	–	1
Desulfurization pipe for gas station	–	–	1
Gas compressor	–	–	3
Cooler for gas station	–	–	3
Driving vehicles for gas station	–	–	1
Naphthlene removing pump for gas station	–	–	4
Fire pump for gas station	–	–	4
Fire pump for gas station	–	–	2
Circulating oil pump for gas station	–	–	2
Gas tank for gas station	–	–	1

4. COMBINED RESULTS

The following is a summary of the combined results of the Acquired Plants and Machineries for the Relevant Period, which have been prepared on the basis set out in Section 2.

	Year ended 31 December		
	2007	2006	2005
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	804,767	–	–
Costs of goods sold	(456,459)	–	–
Gross profit	348,308	–	–
Other expenses	(217,507)	(11,775)	(4,483)
Profit/(Loss) before tax	<u>130,801</u>	<u>(11,775)</u>	<u>(4,483)</u>

a. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The businesses of the Acquired Plants and Machineries are structured and managed separately, according to the nature of their operations and the products they produce. Each of the business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The business segments of the Acquired Plants and Machineries is categorised as production of coal related products.

In determining the geographical segments of the Acquired Plants and Machineries, revenues and results are attributed to the segments based on the location of the customers, i.e. sales in the PRC.

Business segments

For the year ended 31 December 2005, 2006 and 2007, the entire turnover of the Acquired Plants and Machineries were derived from production of coal related products, no business segments were presented accordingly.

Geographical segments

As at 31 December 2005, 2006 and 2007, the whole amounts of the Acquired Plants and Machineries are located at the PRC and no geographical segments were presented accordingly.

b. Revenue and other revenue

Revenue represents gross revenue arising from sales of coal related products. It is stated net of value added tax of approximately RMB Nil, RMB Nil and RMB804,767,000 respectively for the years ended 31 December 2005, 2006, 2007. Value added tax is accrued at 9.5% of the gross sales revenue from sales of products to customers.

c. Profit/(Loss) before tax

The Acquired Plant and Machineries' profit/(loss) before tax is arrived at after charging:

	Year ended 31 December		
	2007	2006	2005
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
Cost of goods sold			
– Raw materials	391,159	–	–
– Electricity	4,931	–	–
– Direct labour	9,635	–	–
– Factory overhead	50,734	–	–
	<u>456,459</u>	<u>–</u>	<u>–</u>
Other expenses			
– Staff costs	246	7,611	1,656
– Transportation costs	137,490	–	–
– Office expenses	1,250	1,743	751
– Others tax	56,051	–	–
– Storage expenses	18,136	–	–
– Other	4,334	2,421	2,076
	<u>217,507</u>	<u>11,775</u>	<u>4,483</u>

5. The valuation of the Acquired Plants and Machineries as at 31 December 2007 is RMB742,500,000, which is based on the valuation report issued by B.I. Appraisals Limited, an independent property valuers.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
 Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.



國 衛 會 計 師 事 務 所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 June 2008

The Directors
Frankie Dominion International Limited
Room 4205
Far East Finance Center
16 Harcourt Road
Admiralty
HONG KONG

Dear Sirs,

We report on the unaudited pro forma financial information of Frankie Dominion International Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) together with The Acquired Plants and Machineries as defined in Appendix II (together with the Group hereinafter referred to as the “Enlarged Group”) (the “Unaudited Pro Forma Financial Information”) which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed acquisition of Oden Group Limited and its subsidiaries (the “Acquisition”), might have affected the financial information presented for inclusion in Appendix I of the circular of the Company dated 30 June 2008 (the “Circular”). The basis of preparation for the Unaudited Pro Forma Financial Information on the Enlarged Group is set out on page III-4 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information on the Enlarged Group in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information on the Enlarged Group and to report our opinion to you. We do not accept any responsibility for any reports previously

given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information on the Enlarged Group beyond that owned to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information on the Enlarged Group with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information on the Enlarged Group has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not provide any such audit or review assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information on the Enlarged Group is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 December 2007 or any future date; or
- the financial results of the Enlarged Group for the year ended 31 December 2007 or for any future period.

OPINION

In our opinion:

- the Unaudited Pro Forma Financial Information on the Enlarged Group has been properly compiled by the directors of the Company on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP**1. Introduction**

The Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared to illustrate the effect of the Acquisition.

The Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared in accordance with the Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition took place on 31 December 2007 for the consolidated balance sheet and on 1 January 2007 for the consolidated income statement.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2007 as set out in Appendix I to the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated income statement is prepared based on the audited consolidated income statement of the Group for the year ended 31 December 2007 as set out in Appendix I to the Circular and the Financial Information of the Acquired Plants and Machineries for the year ended 31 December 2007 as set out in Appendix II to the Circular after translation into Hong Kong dollars at exchange rate of RMB1 = HK\$1.0273, after making pro forma adjustments relating to the Acquisition as if the Acquisition had been completed on 1 January 2007.

The financial information of Oden Group Limited ("Oden") and Huscoke Coal Chemical Group Limited ("Huscoke Coal"), a wholly-owned subsidiary of Oden (collectively referred to as the "Oden Group") are not presented in the Unaudited Pro Forma Financial information because the directors of the Company consider that the financial information of Oden and Huscoke Coal are not material to the Unaudited Pro Forma Financial Information of Enlarged Group.

The accompanying Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information on the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained has the Acquisition been completed on 31 December 2007 and to describe the actual financial results of the Enlarged Group that would have been attained has the Acquisition been completed on 1 January 2007, nor purport to predict the Enlarged Group's future financial position or results of operations.

The Unaudited Pro Forma Financial Information on the Enlarged Group should be read in conjunction with the historical financial information on the Group as set out in Appendix I and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group following completion of the Acquisition.

(I) *Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group*

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group, assuming that the Acquisition has been completed on 31 December 2007. The information is based on the audited consolidated financial statements of the Group as at 31 December 2007 as set out in Appendix I to the Circular, after making pro forma adjustments relating to the Acquisition. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	Audited Consolidated Balance Sheet of the Group as at 31 December 2007 HK\$'000	Pro Forma adjustments HK\$'000	<i>Notes</i>	Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group as at 31 December 2007 HK\$'000
Non-current assets				
Property, plant and equipment	64,968	794,475	2	859,443
Prepaid lease payments	7,918			7,918
Goodwill	–	1,677,028	3	1,677,028
Available-for-sale investment	880			880
Retirement benefit scheme's assets	4,077			4,077
	<u>77,843</u>			<u>2,549,346</u>
Current assets				
Inventories	44,482			44,482
Debtors, bills receivable and prepayments	70,449			70,449
Prepaid lease payments	222			222
Short term bank deposits	63,688			63,688
Short term pledged bank deposits	2,910			2,910
Bank balances and cash	21,402			21,402
	<u>203,153</u>			<u>203,153</u>

APPENDIX III
**PRO FORMA FINANCIAL INFORMATION
ON THE ENLARGED GROUP**

	Audited Consolidated Balance Sheet of the Group as at 31 December 2007 <i>HK\$'000</i>	Pro Forma adjustments <i>HK\$'000</i>	<i>Notes</i>	Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group as at 31 December 2007 <i>HK\$'000</i>
Current liabilities				
Creditor, bill payable and accrued charges	65,493			65,493
Tax payable	118			118
Bank borrowings	36,322			36,322
	<u>101,933</u>			<u>101,933</u>
Net current assets	<u>101,220</u>			<u>101,220</u>
Total assets less current liabilities	<u>179,063</u>			<u>2,650,566</u>
Non-current liabilities				
Convertible bonds	–	1,731,298	4	1,731,298
Deferred taxation	2,301	110,336	5	112,637
	<u>2,301</u>			<u>1,843,935</u>
Net assets	<u><u>176,762</u></u>			<u><u>806,631</u></u>
Capital and reserves				
Share capital	47,793			47,793
Reserves	128,969	558,366	6	687,335
	<u>176,762</u>			<u>735,128</u>
Minority interest	–	71,503	7	71,503
Total equity	<u><u>176,762</u></u>			<u><u>806,631</u></u>

(II) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

The following is the unaudited pro forma consolidated income statement of the Enlarged Group, assuming that the Acquisition has been completed on 1 January 2007. The information is based on the audited consolidated financial statements of the Group for the year ended 31 December 2007 as set out in Appendix I to the Circular and the Financial Information of the Acquired Plants and Machineries for the year ended 31 December 2007 as set out in Appendix II to the Circular after translation into Hong Kong dollars at an average exchange rate of RMB1 = HK\$1.0273. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated income statement of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the year ended to which it is made up to or for any future period.

	Audited Consolidated Income Statement of the Group for the year ended 31 December 2007 HK\$'000	The Acquired Plants and Machineries for the year ended 31 December 2007 HK\$'000	Sub-total HK\$'000	Pro Forma adjustments HK\$'000	Notes	Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group for the year ended 31 December 2007 HK\$'000
Revenue	640,635	826,737	1,467,372			1,467,372
Cost of sales	(615,909)	(468,920)	(1,084,829)	(23,403)	8	(1,108,232)
Gross profit	24,726	357,817	382,543			359,140
Other income	31,020	-	31,020			31,020
Distribution costs	(18,270)	(223,445)	(241,715)			(241,715)
Administrative expenses	(52,476)	-	(52,476)			(52,476)
Change in fair value of investments held for trading	2,454	-	2,454			2,454
Impairment loss on property, plant and equipment	(22,000)	-	(22,000)			(22,000)
Loss on disposal/liquidation of subsidiaries	(3,572)	-	(3,572)			(3,572)
Finance costs	(4,369)	-	(4,369)	(128,064)	9	(132,433)
(Loss)/profit before taxation	(42,487)	134,372	91,885			(59,582)
Taxation	318	-	318	(15,737)	10	(15,419)
(Loss)/profit for the year	<u>(42,169)</u>	<u>134,372</u>	<u>92,203</u>			<u>(75,001)</u>
Attributable to:						
Equity holders of the Company	(42,169)	134,372	92,203			(80,997)
Minority interests	-	-	-	5,996	11	5,996
	<u>(42,169)</u>	<u>134,372</u>	<u>92,203</u>			<u>(75,001)</u>
Loss per share contributable to the equity holders of the Company						
- Basic and diluted	<u>(8.82) cents</u>				12	<u>(16.95) cents</u>

(III) Notes to the Unaudited Pro Forma Financial Information

Under HKFRS 3 Business Combinations (“HKFRS 3”), the Group will apply the purchase method to account for the Acquisition. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Oden Group will be recorded on the consolidated balance sheet of the Group at their fair values at the date of completion. In preparing the Unaudited Pro Forma Financial Information, the carrying amounts of the Acquired Plants and Machineries were assumed to be significantly, the same as net asset value of Oden Group. Any goodwill or discount arising on the Acquisition will be determined as the excess or deficit of the purchase price to be incurred by the Group over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Oden Group at the date of completion. Negative goodwill resulting from the business combinations should be recognised immediately in the consolidated income statement.

The adjustments reflected the following:

1. The total consideration to be settled by Rich Key Enterprises Limited (the “Purchaser”), a wholly-owned subsidiary of the Company for the Acquisition is approximately HK\$2,400,000,000 which shall be satisfied by issuing the new convertible bonds of HK\$2,400,000,000 (the “New Convertible Bonds”) at a conversion price of HK\$0.63 per conversion share. The New Convertible Bonds will not accrue any interest with a repayment term of 5 years. The face value of the Convertible Bonds is taken to be the fair value of the Convertible Bonds for the Acquisition.
2. The pro forma adjustment of approximately HK\$794,475,000 represented the fair value of the Acquired Plants and Machineries obtained upon completion of the Acquisition. Details are set out as follows:

Market value as per valuation report, in RMB	RMB742,500,000
Exchange rate used in conversion as at 31 December 2007	1.07
Market value as per valuation report, in HKD	<u><u>HK\$794,475,000</u></u>

3. Goodwill of approximately HK\$1,677,028,000 arising from the Acquisition was derived from the assumed fair value of total consideration of HK\$2,400,000,000 less net assets of Oden Group as at 31 December 2007.

Pursuant to HKFRS 3, HKAS 36 Impairment of Assets, goodwill should be tested annually for impairment, as well as when there is indication of impairment.

Goodwill of approximately HK\$1,677,028,000 arising from the Acquisition are derived from calculation as follows:

	<i>HK\$'000</i>
Total consideration for the Acquisition	2,400,000
<i>Less: Net assets of 91% equity interest in Oden Group as at 31 December 2007 (Note)</i>	<u>722,972</u>
Goodwill arising from the Acquisition	<u><u>1,677,028</u></u>

Note: Net assets value at 91% equity interest in Oden Group was assumed to be materially equivalent to the fair value of the Acquired Plants and Machineries as mentioned in note 2.

4. In accordance with HKAS 32 "Financial Instrument: Disclosure and Presentation", convertible bonds should be separated as liability component and equity component. In preparing the unaudited pro forma financial information, the face value of HK\$2,400,000,000 has been taken to be its fair value as if it was issued on 31 December 2007. The adjustment of the New Convertible Bonds of approximately HK\$1,731,298,000 in the pro forma consolidated balance sheet represented the liability component of New Convertible Bonds based on the discounted cash flows method. The Company has taken the prime rate of 6.75% p.a. as at 31 December 2007 as the discount rate for the calculation of the liability component of New Convertible Bonds.
5. The pro forma adjustment of approximately HK\$110,336,000 represented the deferred tax liabilities arising from New Convertible Bonds as at 31 December 2007.
6. The pro forma adjustment of reserves of approximately HK\$558,366,000 represented the equity component of New Convertible Bonds of approximately HK\$558,366,000. For further details of the liability component of New Convertible Bonds and deferred tax liabilities arising from the New Convertible Bonds, please refer to note 4 and 5 respectively.
7. The pro forma adjustment of approximately HK\$71,503,000 represented 9% minority interest of a PRC subsidiary which will be held by 孝義市金岩電力煤化工有限公司 (Xiaoyi City Golden Rock Electricity Coal Chemical Company Limited) ("Golden Rock").
8. The pro forma adjustment of approximately HK\$23,403,000 represented the adjustment on depreciation charges included in cost of sales for the year ended 31 December 2007 on the Acquired Plants and Machineries

in response to note 2. The Acquired Plants and Machineries are depreciated at the following rates per annum, which set out as below:

Buildings:	Over the term of the lease
Property, plant and equipment:	Reducing balance method at 10%

9. The pro forma adjustment of approximately HK\$128,064,000 represented the imputed interest expenses for New Convertible Bonds for the year ended 31 December 2007. The Company has taken the prime rate of 7.75% p.a. as at 1 January 2007 for the calculation of the imputed interest expenses based on the discount cash flow method on the liability component of New Convertible Bonds.
10. The pro forma adjustment of approximately HK\$15,737,000 represented the net effect of the following adjustments for the year ended 31 December 2007.

HK\$'000

(i)	Deferred tax credit arising from issuance of New Convertible Bonds	28,606
(ii)	Profit tax expenses in relation to the Acquired Plants and Machineries for the year ended 31 December 2007 (<i>Note</i>)	(44,343)
		<u>(15,737)</u>

Note: The profit tax expenses were calculated at the tax rate of 33% applicable in the PRC for the year ended 31 December 2007 in relation to the profit before taxation of approximately HK\$134,372,000.

11. The pro forma adjustment of approximately HK\$5,996,000 represented the share of profit by the 9% minority interest held by Golden Rock as calculated as follows:

HK\$'000

Profit before taxation in relation to the Acquired Plants and Machinery	134,372
<i>Less:</i>	
Adjustment on depreciation charges (<i>note 8</i>)	(23,403)
Adjustment on tax expenses (<i>note 10(ii)</i>)	(44,343)
	<u>66,626</u>
Adjusted profit for the year in relation to the Acquired Plants and Machinery	66,626
Profit attributable to minority interest	<u>5,996</u>

12. The calculation of pro forma basic loss per share is based on the Enlarged Group's pro forma net loss attributable to the equity holders of the Company of HK\$80,997,000 and the number of ordinary shares of 477,926,000 of the Enlarged Group upon the completion of the Acquisition.

The pro forma basic loss per share is also calculated based on the weighted average number of shares outstanding during the period, as there were no changes on the share capital during the period. Therefore, the weighted average number of shares is equal to the number of ordinary shares.

Pro forma basic and diluted loss per share were presented in a single line because the conversion of the New Convertible Bonds was anti-dilutive while its conversion would increase the pro forma loss per share.

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of Huscoke Group for the period from 26 January 2005 (date of incorporation) to 31 December 2005 and for each of the two years ended 31 December 2006 and 2007, as extracted from the circular of the Company dated 20 March 2008, is set out below.

Results

	Year ended 31 December		For the period from 26 January 2005 (date of incorporation) to 31 December
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Turnover	116,003	–	14,440
Loss before taxation	(9,197)	(2,918)	(727)
Taxation	(2,802)	–	–
Loss attributable to equity holders of Huscoke	(11,999)	(2,918)	(727)
Loss per share			
– Basic and diluted, in HK dollar	(1,200)	(292)	(73)

Assets and Liabilities

	At 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Total assets	220,872	21,504	20,794
Total liabilities	(236,506)	(25,139)	(21,511)
Net liabilities attributable to equity holders of Huscoke	(15,634)	(3,635)	(717)

There was no qualification in the accountants' report of Huscoke Group issued by HLB Hodgson Impey Cheng for the period from 26 January 2005 (date of incorporation) to 31 December 2005 and for each of the two years ended 31 December 2006 and 2007 as set out in the circular of the Company dated 20 March 2008.

APPENDIX IV	FINANCIAL INFORMATION ON HUSCOKE GROUP
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2. AUDITED FINANCIAL INFORMATION FOR THE PERIOD FROM 26 JANUARY 2005 (DATE OF INCORPORATION) TO 31 DECEMBER 2005 AND FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2006 AND 2007

Set out below is a summary of the audited accounts of Huscoke Group for the period from 26 January 2005 (date of incorporation) to 31 December 2005 and for each of the two years ended 31 December 2006 and 2007 as extracted from the accountants' report of Huscoke Group contained in the circular of the Company dated 20 March 2008. References to page number in this section are to the page numbers of such circular of the Company.

Consolidated Income Statements

		Year ended 31 December	For the period from 26 January 2005 (date of incorporation) to 31 December	
	Notes	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	7	116,003	–	14,440
Cost of sales		(98,996)	–	(13,609)
Gross profit		17,007	–	831
Other revenue	7	1,749	105	144
Change in fair value of investment properties	16	10,031	–	–
Impairment loss in respect of amount due from the immediate holding company		(28,590)	–	–
Administrative expenses		(4,948)	(1,329)	(801)
Operating expenses		(3,464)	(889)	(493)
Loss from operating activities	8	(8,215)	(2,113)	(319)
Finance costs	11	(982)	(805)	(408)
Loss before taxation		(9,197)	(2,918)	(727)
Taxation	12	(2,802)	–	–
Loss for the year/period		<u>(11,999)</u>	<u>(2,918)</u>	<u>(727)</u>
Attributable to:				
Equity holders of Huscoke		<u>(11,999)</u>	<u>(2,918)</u>	<u>(727)</u>
Loss per share				
– Basic and diluted, in HK dollar	13	<u>(1,200)</u>	<u>(292)</u>	<u>(73)</u>

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

Consolidated Balance Sheets

		At 31 December		
		2007	2006	2005
	Notes	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	14	11,602	3,890	3,998
Prepaid lease payments	15	50,845	12,199	12,296
Investment properties	16	57,300	–	–
		<u>119,747</u>	<u>16,089</u>	<u>16,294</u>
Current assets				
Deposit, prepayments and other receivables	17	18,826	41	34
Payment in advance		78,000	–	–
Prepaid lease payments	15	417	97	97
Amount due from a related company	18	–	65	14
Amount due from a director	19	–	1,771	1,006
Bank balances and cash	20	3,882	3,441	3,349
		<u>101,125</u>	<u>5,415</u>	<u>4,500</u>
Current liabilities				
Creditors and other payables	21	3,909	350	70
Receipt in advance		156,000	–	–
Amount due to the immediate holding company	22	–	1,213	7,769
Amount due to a related company	22	271	–	–
Amount due to a director	23	11,107	11,167	283
Tax payable		1,075	–	–
Bank borrowings	24	6,383	901	842
Bank overdrafts	20	–	3,090	3,228
		<u>178,745</u>	<u>16,721</u>	<u>12,192</u>
Net current liabilities		<u>(77,620)</u>	<u>(11,306)</u>	<u>(7,692)</u>
		<u>42,127</u>	<u>4,783</u>	<u>8,602</u>

APPENDIX IV	FINANCIAL INFORMATION ON HUSCOKE GROUP
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		At 31 December		
		2007	2006	2005
	Notes	HK\$'000	HK\$'000	HK\$'000
Capital and reserves attributable to equity holders of Huscoke				
Share capital	25	10	10	10
Accumulated loss		(15,644)	(3,645)	(727)
Total equity		<u>(15,634)</u>	<u>(3,635)</u>	<u>(717)</u>
Non-current liabilities				
Deferred tax liabilities		1,727	–	–
Bank borrowings	24	<u>56,034</u>	<u>8,418</u>	<u>9,319</u>
		<u>57,761</u>	<u>8,418</u>	<u>9,319</u>
		<u><u>42,127</u></u>	<u><u>4,783</u></u>	<u><u>8,602</u></u>

Consolidated Statements of Changes in Equity

	Share capital <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 26 January 2005	10	–	10
Loss for the period	<u>–</u>	<u>(727)</u>	<u>(727)</u>
At 31 December 2005 and 1 January 2006	10	(727)	(717)
Loss for the year	<u>–</u>	<u>(2,918)</u>	<u>(2,918)</u>
At 31 December 2006 and 1 January 2007	10	(3,645)	(3,635)
Loss for the year	<u>–</u>	<u>(11,999)</u>	<u>(11,999)</u>
At 31 December 2007	<u><u>10</u></u>	<u><u>(15,644)</u></u>	<u><u>(15,634)</u></u>

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

Consolidated Cash Flow Statements

	Year ended 31 December		For the period from 26 January 2005 (date of incorporation) to 31 December
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Operating activities			
Loss before taxation	(9,197)	(2,918)	(727)
Adjustments for:			
Release of prepaid lease payments	417	97	97
Depreciation of property, plant and equipment	381	113	133
Impairment loss in respect of amount due from the immediate holding company	28,590	–	–
Change in fair value of investment properties	(10,031)	–	–
Interest expense	982	805	408
Interest income	(97)	(97)	(40)
Operating cash flows before movements in working capital	11,045	(2,000)	(129)
Increase in deposit, prepayments and other receivables	(18,785)	(7)	(34)
Increase in payment in advance	(78,000)	–	–
Increase in amount due from the immediate holding company	(28,590)	–	–
Decrease/(Increase) in amount due from a related company	65	(51)	(14)
Decrease/(Increase) in amount due from a director	1,771	(765)	(1,006)
Increase in creditors and other payables	3,559	280	70
Increase in receipt in advance	156,000	–	–
(Decrease)/Increase in amount due to the immediate holding company	(1,213)	(6,556)	7,769
Increase in amount due to a related company	271	–	–
(Decrease)/Increase in amount due to a director	(60)	10,884	283
Cash generated from operations	46,063	1,785	6,939
Interest paid	(294)	(230)	(87)
Net cash generated from operating activities	45,769	1,555	6,852

APPENDIX IV	FINANCIAL INFORMATION ON HUSCOKE GROUP
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	Year ended 31 December		For the period from 26 January 2005 (date of incorporation) to 31 December
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Investing activities			
Purchase of investment properties	(47,269)	–	–
Purchase of property, plant and equipment	(8,093)	(5)	(4,131)
Increase in prepaid lease payments	(39,383)	–	(12,490)
Interest received	97	97	40
Net cash (used in)/generated from investing activities	(94,648)	92	(16,581)
Financing activities			
New bank borrowings raised	54,000	–	10,740
Repayment of bank borrowings	(902)	(842)	(579)
Interest paid	(688)	(575)	(321)
Proceeds from issue of shares	–	–	10
Net cash generated from/(used in) financing activities	52,410	(1,417)	9,850
Net increase in cash and cash equivalents	3,531	230	121
Cash and cash equivalents at beginning of the year/period	351	121	–
Cash and cash equivalents at end of the year/period	<u>3,882</u>	<u>351</u>	<u>121</u>
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	3,882	3,441	3,349
Bank overdrafts	–	(3,090)	(3,228)
	<u>3,882</u>	<u>351</u>	<u>121</u>

Notes to the Financial Information

1. GENERAL INFORMATION

Huscoke was incorporated in Hong Kong on 26 January 2005 with limited liability. The address of registered office of Huscoke is at Unit 1615, 16/F., Tower 2, Lippo Centre, 89 Queensway, Hong Kong. The principal activity of Huscoke is trading of coke business.

The Financial Information is presented in Hong Kong dollars, which is the functional currency of Huscoke Group.

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

The following new standards, amendment to standards and interpretations that have been issued but are effective for the accounting periods commencing on 1 January 2007 have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC)-Int 12	Service Concession Arrangements ³
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

¹ Effective for annual period beginning on or after 1 January 2009.

² Effective for annual period beginning on or after 1 March 2007.

³ Effective for annual period beginning on or after 1 January 2008.

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

The directors of Huscoke anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Huscoke Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. The Financial Information is presented in Hong Kong dollars, which is the functional currency of Huscoke Group and all values are rounded to the nearest thousand (HK\$’000) except otherwise stated.

At 31 December 2005, 2006 and 2007, Huscoke had net liabilities of approximately HK\$717,000, HK\$3,635,000 and HK\$15,634,000 respectively. The shareholder of Huscoke, has confirmed that, it is their intention to provide continuing financial support to Huscoke, subject to the condition that the relationship between the directors and Huscoke does not change, so as to enable it to meet its liabilities as and when they fall due and to continue its business for the foreseeable future. The directors believe that Huscoke will continue as going concern. Consequently, the Financial Information has been prepared on a going concern basis.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing

basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 5 to the Financial Information.

A summary of the significant accounting policies followed by the Huscoke Group in the preparation of the Financial Information is set out below:

Basis of preparation

The measurement basis used in the preparation of the Financial Information is historical cost except for certain financial assets and financial liabilities which have been carried at fair value as explained below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Huscoke Group. Control is achieved where Huscoke has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Huscoke Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

On acquisition of additional interest in subsidiaries, goodwill was calculated as the difference between the consideration paid for the additional interest and the carrying amount of the net assets of the subsidiaries attributable to the additional interest acquired. If the Huscoke Group's additional interest in the net assets of the subsidiaries exceeds the consideration paid for the additional interest, the excess is recognised in the consolidated income statement.

Business combinations

The acquisition of subsidiaries 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 Huscoke 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 Huscoke Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Huscoke 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Investment properties

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

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

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.

Rentals income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expenses on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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 trade discounts.

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

Service income are recognised when services are provided.

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

Borrowing costs

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise, except for exchange differences arising on a monetary item that forms part of the Huscoke's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements.

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

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, 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. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent financial assets held for trading. The Huscoke Group classified certain financial assets as investments held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the year in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, bill receivables, bank balances and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities including creditors, bills payable, amount due to an associate 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 Huscoke 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 the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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 is recognised in profit or loss.

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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Huscoke Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative 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 Huscoke Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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.

Related party transactions

Parties are considered to be related to Huscoke Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, Huscoke Group; (ii) has an interest in Huscoke Group that gives it significant influence over Huscoke Group; (iii) has joint control over Huscoke Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of Huscoke Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, joint-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of Huscoke Group, of any entity that is related party of Huscoke Group.

A transaction is considered to be a related party transaction where there is a transfer of resources or obligations between related parties.

Provisions

Provisions are recognised when Huscoke Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligations, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Huscoke Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Huscoke Group. A contingent asset is not recognised but is disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Impairment losses

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

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

4. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

Huscoke Group's activities exposes it a variety of financial risks: credit risk, foreign exchange risk, liquidity risk and cash flow and fair value interest-rate risk. Huscoke Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Huscoke Group's financial performances.

(i) Credit risk

Huscoke Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the consolidated balance date in relation to each class of recognised financial assets is the carrying amount of those assets in the consolidated balance sheet.

In order to minimise the credit risk, Huscoke Group reviews the recoverable amount of each individual counterparty at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

(ii) Foreign exchange risk

Huscoke Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar and United States dollar. Foreign exchange risk mainly arises from normal commercial transactions. Huscoke Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency should the need arise.

Sensitivity analysis

Huscoke Group is mainly exposed to the effects of fluctuation in United States dollar. Since there is linked currency relationship between Hong Kong dollar and United States dollar, the effects of fluctuation in United States dollar is minimal to Huscoke Group.

(iii) Liquidity risk

Huscoke Group had net current liabilities of approximately HK\$7,692,000, HK\$11,306,000 and HK\$77,620,000 as at 31 December 2005, 2006 and 2007 respectively. These indicate the existence of a material uncertainty which may cast significant doubt about Huscoke Group's ability to continue as a going concern.

Huscoke Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and intended lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

(iv) Cash flow and fair value interest-rate risk

Husoke Group is exposed to cash flow and fair value interest-rate risk through the impact of rate changes on interest bearing financial assets and liabilities. Interest bearing financial assets are mainly deposits with banks whereas interest bearing financial liabilities are mainly the bank overdrafts and borrowings. Husoke Group does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rate for interest bearing borrowing at the balance sheet date. For variable rate borrowings, the analysis is prepared assuming the amount of borrowings held at the balance sheet date was held for the whole Relevant Period I. A 50 basis point increase or decrease in prime lending rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Husoke Group's:

- loss for the year ended 31 December 2007 would increase/decrease by approximately HK\$312,000 (2006: HK\$62,000; 2005: HK\$67,000). This is mainly attributable to Husoke Group's exposure to interest rates on its variable rate borrowings; and
- other equity reserves would not decrease/increase (2006: Nil).

Husoke Group's sensitivity to interest rates has increased during the current period mainly due to the increase in carrying amount of borrowings as at the balance sheet date.

Capital risk management

Husoke Group's objectives when managing capital are to safeguard Husoke Group's ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Husoke Group may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Husoke Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and bank overdrafts, as shown in the balance sheet) less cash and bank balances. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

Huscoke Group's strategy is to maintain a reasonable gearing ratio. During the Relevant Period I, the gearing ratios are as follows:

	At 31 December		
	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total borrowings	62,417	12,409	13,389
Less: Cash and bank balances	(3,882)	(3,441)	(3,349)
	<u>58,535</u>	<u>8,968</u>	<u>10,040</u>
Net debt	58,535	8,968	10,040
Total equity	(15,634)	(3,635)	(717)
	<u>42,901</u>	<u>5,333</u>	<u>9,323</u>
Total capital	42,901	5,333	9,323
	<u>136%</u>	<u>168%</u>	<u>108%</u>
Gearing ratio	136%	168%	108%

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Huscoke Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(a) Impairment of assets

Huscoke Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(b) Useful lives of property, plant and equipment

In accordance with HKAS 16, Huscoke Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. Huscoke Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(c) Fair value estimation

The carrying amounts of Huscoke Group's financial assets and financial liabilities, including amounts due from related companies and director, prepayment and other receivables, borrowings, trade and other payables and amounts due to holding company and director, approximate their fair values due to their short maturities. The face values less any credit adjustments for financial liabilities with a maturity of less than one year are assumed to approximate their fair values.

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

6. SEGMENT INFORMATION

During the Relevant Period I, Huscoke Group's entire turnover was derived from the sales of coke in Hong Kong, no business and geographical segmental information on turnover are presented.

At as 31 December 2005, 2006 and 2007, Huscoke Group's assets and liabilities were located in Hong Kong, no geographical segmental information on assets and liabilities are presented.

7. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of income from the sales of coke in Hong Kong during the Relevant Period I.

	Year ended 31 December		For the period from 26 January 2005 (date of incorporation) to 31 December
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Turnover:			
Sales of coke	116,003	–	14,440
Other revenue:			
Gain on disposal of financial assets at fair value through profit or loss	407	–	–
Freight commission	1,245	–	–
Bank interest income	97	97	40
Sundry income	–	8	104
	1,749	105	144
	<u>117,752</u>	<u>105</u>	<u>14,584</u>

8. LOSS FROM OPERATING ACTIVITIES

	Year ended 31 December		For the period from 26 January 2005 (date of incorporation) to 31 December
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Loss from operating activities is stated after charging:			
Auditors' remuneration	–	14	26
Release of prepaid lease payments	417	97	97
Depreciation of property, plant and equipment	381	113	133
Exchange loss	301	–	–
Directors' remuneration	580	600	–
Total staff costs	<u>221</u>	<u>117</u>	<u>66</u>

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

9. DIRECTORS' REMUNERATION

The remuneration of every director of Huscoke for the Relevant Period I is as follows:

	Year ended 31 December		For the period from 26 January 2005 (date of incorporation) to 31 December 2005
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Fees, salaries and other benefits:			
Mr. Wen Kezhong (<i>Note 1</i>)	–	–	–
Mr. Wu Jixian (<i>Note 2</i>)	580	600	–
	<u>580</u>	<u>600</u>	<u>–</u>

Notes:

1. Mr. Wen Kezhong was appointed as director on 26 January 2005 and resigned on 28 December 2007.
2. Mr. Wu Jixian was appointed as director on 26 April 2005.

10. EMPLOYEE BENEFIT EXPENSE

Of the five individuals with the highest emoluments in Huscoke Group, one was the director of Huscoke whose emoluments is included in the disclosure in Note 9 above. The emoluments of the remaining are as follows:

	Year ended 31 December		For the period from 26 January 2005 (date of incorporation) to 31 December 2005
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Salaries, allowance and other benefits	215	112	63
Pension scheme contributions	6	5	3
	<u>221</u>	<u>117</u>	<u>66</u>

11. FINANCE COSTS

	Year ended 31 December		For the period from 26 January 2005 (date of incorporation) to 31 December 2005
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Interest expenses			
– bank overdrafts – wholly repayable within five years	294	230	87
– borrowings – not wholly repayable within five years	688	575	321
	<u>982</u>	<u>805</u>	<u>408</u>

12. TAXATION

No provision for Hong Kong Profits Tax has been made for the period ended 31 December 2005 and year ended 31 December 2006 as Huscoke Group had no assessable profits for the period ended 31 December 2005 and year ended 31 December 2006.

Hong Kong Profits has been calculated at the rate of 17.5% on the estimate assessable profits for the year ended 31 December 2007.

	Year ended 31 December		For the period from 26 January 2005 (date of incorporation) to 31 December 2005
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Current taxation:			
Provision for the year/period	1,075	–	–
Deferred taxation:			
Provision for the year/period	1,727	–	–
	<u>2,802</u>	<u>–</u>	<u>–</u>

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

	Year ended 31 December				For the period from 26 January 2005 (date of incorporation) to 31 December 2005	
	2007		2006			
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Loss before taxation	<u>(9,197)</u>		<u>(2,918)</u>		<u>(727)</u>	
Tax at Hong Kong profits tax rate of 17.5%	(1,609)	(17.5)	(511)	(17.5)	(127)	(17.5)
Estimated tax effect of expenses not deductible for tax purpose	5,109	55.6	40	1.4	26	3.6
Estimated tax effect of income not taxable for tax purpose	(1,772)	(19.3)	–	–	–	–
Estimated tax effect of unrecognised tax losses	–	–	489	16.7	154	21.2
Estimated tax effect of utilization of tax loss previously not recognised	(280)	(3.0)	–	–	–	–
Estimated tax effect of unrecognised temporary differences	(373)	(4.1)	(18)	(0.6)	(53)	(7.3)
Estimated tax effect of recognised temporary differences	<u>1,727</u>	<u>18.8</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Tax charge at the Huscoke Group's effective rate for the year/period	<u>2,802</u>	<u>30.5</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of Huscoke is based on the following data:

	At 31 December		
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Loss attributable to the equity holders of Huscoke	(11,999)	(2,918)	(727)
	At 31 December		
	2007 '000	2006 '000	2005 '000
Number of issued ordinary shares	10	10	10

Basic and diluted loss per share for the period ended 31 December 2005, and year ended 31 December 2006 and 2007 have been presented in a single line as there were no any dilutive events during the Relevant Period I.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvement HK\$'000	Motor Vehicle HK\$'000	Fixtures and equipment HK\$'000	Total HK\$'000
Cost					
At 26 January 2005	–	–	–	–	–
Additions	3,605	230	–	296	4,131
At 31 December 2005 and 1 January 2006	3,605	230	–	296	4,131
Additions	–	–	–	5	5
At 31 December 2006 and 1 January 2007	3,605	230	–	301	4,136
Additions	6,950	–	1,100	43	8,093
At 31 December 2007	10,555	230	1,100	344	12,229
Depreciation and impairment					
At 26 January 2005	–	–	–	–	–
Provided for the period	28	46	–	59	133
At 31 December 2005 and 1 January 2006	28	46	–	59	133
Provided for the year	28	37	–	48	113
At 31 December 2006 and 1 January 2007	56	83	–	107	246
Provided for the year	85	29	220	47	381
At 31 December 2007	141	112	220	154	627
Net book value					
At 31 December 2007	10,414	118	880	190	11,602
At 31 December 2006	3,549	147	–	194	3,890
At 31 December 2005	3,577	184	–	237	3,998

At 31 December 2005, 2006 and 2007, the Huscoke Group has pledged buildings having carrying amounts of approximately HK\$3,577,000, HK\$3,549,000 and HK\$10,414,000 respectively.

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

15. PREPAID LEASE PAYMENTS

	At 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
In Hong Kong held under:			
Long-term lease	51,262	12,296	12,393

At 31 December 2005, 2006 and 2007, the Huscoke Group's prepaid lease payments having carrying amounts of approximately HK\$12,393,000, HK\$12,296,000 and HK\$51,262,000 respectively have been pledged to secure general banking facilities granted to Huscoke Group.

	At 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
At 1 January/26 January	12,296	12,393	–
Additions	39,383	–	12,490
Release of prepaid lease payments	(417)	(97)	(97)
At 31 December	51,262	12,296	12,393

	At 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Analysed for reporting purposes as:			
Non-current assets	50,845	12,199	12,296
Current assets	417	97	97
	51,262	12,296	12,393

16. INVESTMENT PROPERTIES

	HK\$'000
At 26 January 2005, 31 December 2005, 1 January 2006, 31 December 2006 and 1 January 2007	–
Additions	47,269
Changes in fair value	10,031
At 31 December 2007	57,300

The fair values of the Huscoke Group's investment properties as at 31 December 2007 have been arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited, an independent qualified professional valuers not connected with the Huscoke Group. B.I. Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to The Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors, was based on open market value basis.

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

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

At 31 December 2005 and 2006, no investment properties have been pledged to secure general banking facilities granted to the Group. At 31 December 2007, all Huscoke Group's investment properties have been pledged to secure general banking facilities granted to the Group.

The carrying amounts of investment properties shown above comprise of:

	At 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
In Hong Kong held under:			
Long-term lease	57,300	–	–

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Deposits paid	802	34	34
Prepayment	2	2	–
Interest receivables	–	5	–
Other receivables (<i>Note 1</i>)	18,022	–	–
	<u>18,826</u>	<u>41</u>	<u>34</u>

Note 1: The other receivables are unsecured, interest-free and repayable on demand.

The directors of Huscoke Group considered that the carrying amounts of deposits, prepayment and other receivables approximate to their fair values.

18. AMOUNT DUE FROM A RELATED COMPANY

	Maximum amount outstanding during the year	2007
Name of company	HK\$'000	HK\$'000

Company in which the director has beneficial interest

Huscoke Shipping Company Limited	65	–
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	Maximum amount outstanding during the year	2006
Name of company	HK\$'000	HK\$'000

Company in which the director has beneficial interest

Huscoke Shipping Company Limited	65	65
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APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

Name of company	Maximum amount outstanding during the period HK\$'000	2005 HK\$'000
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Company in which the director has beneficial interest

Huscoke Shipping Company Limited	<u>14</u>	<u>14</u>
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As at 31 December 2007, the amount due from a related company has been reversed to the amount due to a related company. The maximum amount outstanding during the year is approximately HK\$65,000.

The amount due from a related company is unsecured, interest free and recoverable on demand.

The directors of Huscoke Group considered that the carrying amount of amount due from a related company approximates to its fair value.

19. AMOUNT DUE FROM A DIRECTOR

Director	Maximum amount outstanding during the year HK\$'000	2007 HK\$'000
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Mr. Wen Kezhong (<i>Note</i>)	<u>2,365</u>	<u>–</u>
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Director	Maximum amount outstanding during the year HK\$'000	2006 HK\$'000
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Mr. Wen Kezhong (<i>Note</i>)	<u>1,771</u>	<u>1,771</u>
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Director	Maximum amount outstanding during the period HK\$'000	2005 HK\$'000
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Mr. Wen Kezhong (<i>Note</i>)	<u>1,006</u>	<u>1,006</u>
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Note: Mr. Wen Kezhong was resigned as the director of Huscoke on 28 December 2007.

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

20. BANK BALANCES AND CASH/BANK OVERDRAFTS

	At 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	3,882	13	12
Time deposits	—	3,428	3,337
	<u>3,882</u>	<u>3,441</u>	<u>3,349</u>
Maximum exposure to credit risk	<u>3,879</u>	<u>3,440</u>	<u>3,346</u>

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	At 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents	3,882	3,441	3,349
Bank overdrafts	—	(3,090)	(3,228)
	<u>3,882</u>	<u>351</u>	<u>121</u>

21. CREDITORS AND OTHER PAYABLES

	At 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Trade payables	3,173	—	—
Accruals	736	350	70
	<u>3,909</u>	<u>350</u>	<u>70</u>

The following is an aged analysis of trade payables at the balance sheet date:

	At 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
0-90 days	3,173	—	—
91-180 days	—	—	—
181-365 days	—	—	—
Over 365 days	—	—	—
	<u>3,173</u>	<u>—</u>	<u>—</u>

Husoke Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

22. AMOUNTS DUE TO THE IMMEDIATE HOLDING/RELATED COMPANIES

The amounts due to the immediate holding or related companies are unsecured, interest free and repayable on demand.

The directors of Huscoke Group considered that the carrying amounts of amounts due to the immediate holding and related companies approximate to their fair values.

23. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest free and repayable on demand.

The directors of Huscoke Group considered that the carrying amount of amount due to a director approximates to its fair value.

24. BANK BORROWINGS

	At 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Mortgage loan, secured	62,417	9,319	10,161
Carrying amount repayable:			
On demand or within one year	6,383	901	842
More than one year, but not exceeding two years	6,431	983	901
More than two years, but not more than five years	19,602	3,245	3,094
More than five years	30,001	4,190	5,324
	62,417	9,319	10,161
Less: Amounts due within one year shown under current liabilities	(6,383)	(901)	(842)
	<u>56,034</u>	<u>8,418</u>	<u>9,319</u>

The mortgage are secured by Huscoke Group's leasehold land and buildings.

The mortgage loans are variable-rate borrowings which carry interest of HIBOR+1.25% and prime rate-2% each (2006: prime rate-2%, 2005: prime rate-2%).

Huscoke Group's borrowings are all denominated in Hong Kong dollars.

25. SHARE CAPITAL

	At 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Authorised			
10,000 ordinary shares of HK\$1 each	<u>10</u>	<u>10</u>	<u>10</u>
Issued and fully paid			
10,000 ordinary shares of HK\$1 each	<u>10</u>	<u>10</u>	<u>10</u>

On 4 January 2008, the entire issued share capital of Huscoke Group has been transferred from Huscoke Group Holding Limited to Pride Eagle Investments Limited.

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

26. OPERATING LEASE COMMITMENTS

All of the Huscoke Group's investment properties are held for rental purposes.

At 31 December 2005, 2006 and 2007, the Huscoke Group had contracted with tenants for the following future minimum lease payments:

	At 31 December		
	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,538	–	–
In the second to fifth year inclusive	522	–	–
	<u>2,060</u>	<u>–</u>	<u>–</u>

All of the properties held have committed tenants not exceeding approximately three years.

27. CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

Huscoke Group did not have any significant capital commitment and contingent liabilities as at 31 December 2005, 2006 and 2007 respectively.

28. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in this Financial Information, during the period/year, Huscoke Group entered into the following transactions with related parties:

Name of related parties	Relationship	Nature of transactions	At 31 December		
			2007	2006	2005
			HK\$'000	HK\$'000	HK\$'000
金岩電力煤化工有限公司	Company in which Mr. Wen Kezhong has beneficial interest	Purchases	98,996	–	13,609
Huscoke Shipping Company Limited	Company in which Mr. Wen Kezhong has beneficial interest	Freight Commission	1,245	–	–
			<u> </u>	<u> </u>	<u> </u>

29. POST BALANCE SHEET EVENTS

No significant events took place subsequent to 31 December 2007.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Huscoke Group in respect of any period subsequent to 31 December 2007.

3. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP I

Set out below is the unaudited pro forma financial information on the Enlarged Group I as extracted from the circular of the Company dated 20 March 2008. References to page number in this section are to the page numbers of such circular of the Company. The term “Acquisition” used in this section refers to the acquisition of Pride Eagle Group by the Group and the term “Enlarged Group I” used in this section excludes Joy Wisdom Group and Oden Group.

Introduction

The Unaudited Pro Forma Financial Information on the Enlarged Group I has been prepared to illustrate the effect of the First Acquisition.

The Unaudited Pro Forma Financial Information on the Enlarged Group I has been prepared in accordance with the Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the First Acquisition as if the First Acquisition took place on 31 December 2006 for the consolidated balance sheet and on 1 January 2006 for the consolidated income statement and consolidated cash flow statement.

The unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma cash flow statement of the Enlarged Group I is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2006, the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 31 December 2006 as set out in Appendix I to the Circular, the audited balance sheet of Huscoke International Group Limited, the sole subsidiary of Pride Eagle, (“Huscoke”) and its subsidiary (collectively referred to as the “Huscoke Group”) as at 31 December 2007, the audited consolidated income statement and audited consolidated cash flow statement of Huscoke Group for the year ended 31 December 2007 as set out in Appendix II to the Circular, after making pro forma adjustments relating to the First Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The financial information of Pride Eagle is not presented in the Unaudited Pro Forma Financial information because the directors of the Company consider that the financial information of Pride Eagle is not material to the Unaudited Pro Forma Financial Information of the Enlarged Group I.

The accompanying Unaudited Pro Forma Financial Information on the Enlarged Group I has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information on the Enlarged Group I does not purport to describe the actual financial position of the Enlarged Group I that would have been attained has the First Acquisition been completed on 31 December 2006 and to describe the actual financial results and cash flows of the Enlarged Group I that would have been attained has the First Acquisition been completed on 1 January 2006, nor purport to predict the Enlarged Group I’s future financial position or results of operations.

The Unaudited Pro Forma Financial Information on the Enlarged Group I should be read in conjunction with the Accountants' Report on the Huscoke Group as set out in Appendix II, the historical financial information on the Group as set out in Appendix I and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group I has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group I following completion of the First Acquisition.

(I) *Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group I*

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group I, assuming that First Acquisition has been completed on 31 December 2006. The information is based on the audited consolidated financial statements of the Group as at 31 December 2006 and the audited financial information of Huscoke Group as at 31 December 2007 as set out in Appendices I and II to the Circular respectively. Such information is adjusted to reflect the effect of First Acquisition.

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

As the unaudited pro forma consolidated balance sheet of the Enlarged Group I has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group I as at the date to which it is made up to or at any future date.

	Audited Consolidated Balance Sheet of the Group as at 31 December 2006 HK\$'000	Audited Consolidated Balance Sheet of Husoke Group as at 31 December 2007 HK\$'000	Sub-total HK\$'000	Pro Forma adjustments HK\$'000	Notes	Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group I as at 31 December 2006 HK\$'000
ASSETS						
Non-current assets						
Investment properties	-	57,300	57,300			57,300
Property, plant and equipment	114,945	11,602	126,547	4,519	2	131,066
Prepaid lease payments	22,019	50,845	72,864	18,755	2	91,619
Interests in associate	315	-	315			315
Goodwill	-	-	-	1,192,210	3	1,192,210
Available-for-sale investment	880	-	880			880
	<u>138,159</u>	<u>119,747</u>	<u>257,906</u>			<u>1,473,390</u>
Current assets						
Inventories	67,563	-	67,563			67,563
Debtors, bills receivable and prepayments	92,810	18,826	111,636			111,636
Payment in advance	-	78,000	78,000			78,000
Prepaid lease payments	627	417	1,044	150	2	1,194
Investments held for trading	8,630	-	8,630			8,630
Tax recoverable	1,949	-	1,949			1,949
Short term bank deposits	39,505	-	39,505			39,505
Short term pledged bank deposits	2,840	-	2,840			2,840
Bank balances and cash	41,919	3,882	45,801	(100,000)	1(a)	(54,199)
	<u>255,843</u>	<u>101,125</u>	<u>356,968</u>			<u>257,118</u>
Total assets	<u><u>394,002</u></u>	<u><u>220,872</u></u>	<u><u>614,874</u></u>			<u><u>1,730,508</u></u>

APPENDIX IV

FINANCIAL INFORMATION ON HUSCOKE GROUP

	Audited Consolidated Balance Sheet of the Group as at 31 December 2006 HK\$'000	Audited Consolidated Balance Sheet of Husoke Group as at 31 December 2007 HK\$'000	Sub-total HK\$'000	Pro Forma adjustments HK\$'000	Notes	Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group I as at 31 December 2006 HK\$'000
EQUITY						
Capital and reserves						
Share capital	47,793	10	47,803	(10)	5	47,793
Reserves/(Accumulated loss)	174,449	(15,644)	158,805	236,954	6	395,759
	<u>222,242</u>	<u>(15,634)</u>	<u>206,608</u>			<u>443,552</u>
LIABILITIES						
Current liabilities						
Creditor, bills payable and accrued charges	96,751	3,909	100,660	11,378	4	112,038
Receipt in advance	-	156,000	156,000			156,000
Amount due to a director	-	11,107	11,107	(11,107)	4	-
Amount due to a related company	-	271	271	(271)	4	-
Amount due to an associate	294	-	294			294
Bank borrowings	70,029	6,383	76,412			76,412
Tax payable	-	1,075	1,075			1,075
	<u>167,074</u>	<u>178,745</u>	<u>345,819</u>			<u>345,819</u>
Non-current liabilities						
Convertible bonds	-	-	-	831,746	7	831,746
Bank borrowings	-	56,034	56,034			56,034
Deferred taxation	4,686	1,727	6,413	46,944	8	53,357
	<u>4,686</u>	<u>57,761</u>	<u>62,447</u>			<u>941,137</u>
Total liabilities	<u>171,760</u>	<u>236,506</u>	<u>408,266</u>			<u>1,286,956</u>
Total equity and liabilities	<u>394,002</u>	<u>220,872</u>	<u>614,874</u>			<u>1,730,508</u>
Net current assets/(liabilities)	<u>88,769</u>	<u>(77,620)</u>	<u>11,149</u>			<u>(88,701)</u>
Total assets less current liabilities	<u>226,928</u>	<u>42,127</u>	<u>269,055</u>			<u>1,384,689</u>

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

(II) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group I

The following is the unaudited pro forma consolidated income statement of the Enlarged Group I, assuming that the First Acquisition has been completed on 1 January 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 31 December 2006 and the audited financial information of Huscoke Group for the year ended 31 December 2007 as set out in Appendices I and II to the Circular respectively. Such information is adjusted to reflect the effect of the First Acquisition.

As the unaudited pro forma consolidated income statement of the Enlarged Group I has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group I for the year ended to which it is made up to or for any future period.

	Audited Consolidated Income Statement of the Group for the year ended 31 December 2006 HK\$'000	Audited Consolidated Income Statement of Huscoke Group for the year ended 31 December 2007 HK\$'000	Sub-total HK\$'000	Pro Forma adjustments HK\$'000	Notes	Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group I for the year ended 31 December 2006 HK\$'000
Revenue	714,731	116,003	830,734			830,734
Cost of sales	(645,465)	(98,996)	(744,461)			(744,461)
Gross profit	69,266	17,007	86,273			86,273
Other revenue	-	1,749	1,749			1,749
Other income	9,432	-	9,432			9,432
Distribution costs	(24,637)	(3,464)	(28,101)			(28,101)
Administrative expenses	(60,641)	(4,948)	(65,589)	(1,054)	9	(66,643)
Gain on disposal of an associate	66	-	66			66
Change in fair value of investment properties	-	10,031	10,031			10,031
Change in fair value of investment held for trading	(117)	-	(117)			(117)
Discount on acquisition of additional interests in a subsidiary	28,222	-	28,222			28,222
Impairment loss in respect of amount due from the immediate holding company	-	(28,590)	(28,590)			(28,590)
Finance costs	(5,793)	(982)	(6,775)	(47,825)	10	(54,600)
Share of profits of associates	261	-	261			261
Guarantee net profit	-	-	-	100,000	11	100,000
Profit/(loss) before taxation	16,059	(9,197)	6,862			57,983
Taxation	914	(2,802)	(1,888)	8,369	12	6,481
Profit/(loss) for the year	16,973	(11,999)	4,974			64,464

	Audited Consolidated Income Statement of the Group for the year ended 31 December 2006 HK\$'000	Audited Consolidated Income Statement of Husoke Group for the year ended 31 December 2007 HK\$'000	Sub-total HK\$'000	Pro Forma adjustments HK\$'000	Notes	Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group I for the year ended 31 December 2006 HK\$'000
Attributable to:						
Equity holders of the Company	18,912	(11,999)	6,913			66,403
Minority interests	(1,939)	-	(1,939)			(1,939)
	<u>16,973</u>	<u>(11,999)</u>	<u>4,974</u>			<u>64,464</u>
Earnings/(loss) per share contributable to the equity holders of the Company						
- Basic and diluted	<u>3.96 cents</u>	<u>(119,990) cents</u>			13	<u>13.89 cents</u>

APPENDIX IV FINANCIAL INFORMATION ON HUSCOKE GROUP

(III) *Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group I*

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group I, assuming that the First Acquisition has been completed on 1 January 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 31 December 2006, the audited financial statements of Huscoke Group for the year ended 31 December 2007 as set out in Appendices I and II to the Circular respectively. Such information is adjusted to reflect the effect of the First Acquisition.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group I has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group I for the year ended to which it is made up to or for any future period.

	Audited Consolidated Cash Flow Statement of the Group for the year ended 31 December 2006 HK\$'000	Audited Consolidated Cash Flow Statement of Huscoke Group for the year ended 31 December 2007 HK\$'000	Sub-total HK\$'000	Pro Forma adjustments HK\$'000	Notes	Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group I for the year ended 31 December 2006 HK\$'000
Cash flow from operating activities						
Profit/(loss) before taxation	16,059	(9,197)	6,862	51,121	14	57,983
Adjustments for:						
Share of profits of associates	(261)	-	(261)			(261)
Release of prepaid lease payments	622	417	1,039			1,039
Depreciation of property, plant and equipment	17,897	381	18,278	1,054	9	19,332
Impairment loss in respect of amount due from the immediate holding company	-	28,590	28,590			28,590
Change in fair value of investment properties	-	(10,031)	(10,031)			(10,031)
Gain on disposal of an associate	(66)	-	(66)			(66)
Gain on disposal of property, plant and equipment	(318)	-	(318)			(318)
Discount on acquisition of additional interest in a subsidiary	(28,222)	-	(28,222)			(28,222)
Allowances for bad and doubtful debts	2,304	-	2,304			2,304
Interest expenses	5,793	982	6,775	47,825	10	54,600
Change in fair value of investments held for trading	117	-	117			117
Interest income	(2,387)	(97)	(2,484)			(2,484)

APPENDIX IV

FINANCIAL INFORMATION ON HUSCOKE GROUP

	Audited Consolidated Cash Flow Statement of the Group for the year ended 31 December 2006 HK\$'000	Audited Consolidated Cash Flow Statement of Husoke Group for the year ended 31 December 2007 HK\$'000	Sub-total HK\$'000	Pro Forma adjustments HK\$'000	Notes	Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group I for the year ended 31 December 2006 HK\$'000
Operating cash flows before movement in working capital	11,538	11,045	22,583			122,583
Increase in inventories	(586)	-	(586)			(586)
Increase in debtors, bill receivables and prepayments	(5,905)	(18,785)	(24,690)	(26,754)	4	(51,444)
Increase in payment in advance	-	(78,000)	(78,000)			(78,000)
Increase in amount due from immediate holding company	-	(28,590)	(28,590)	28,590	4	-
Increase in amount due from a director	-	1,771	1,771	(1,711)	4	-
Decrease in amount due from related company	-	65	65	(65)	4	-
Increase in creditors, bills payable and accrued charges	4,695	3,559	8,254	(1,002)	4	7,252
Increase in receipts in advance	-	156,000	156,000			156,000
Decrease in amount due to a director	-	(60)	(60)	60	4	-
Decrease in amount due to immediate holding company	-	(1,213)	(1,213)	1,213	4	-
Increase in amount due to a related company	-	271	271	(271)	4	-
Cash generated from operations	9,742	46,063	55,805			155,805
Bank overdraft interest	-	(294)	(294)			(294)
Hong Kong profits tax refund	1	-	1			1
Net cash generated from operating activities	9,743	45,769	55,512			155,512
Cash flow from investing activities						
Decrease in bank deposits	15,600	-	15,600			15,600
Purchase of investments held for trading	(5,733)	-	(5,733)			(5,733)
Purchase of investment properties	-	(47,269)	(47,269)			(47,269)
Purchase of property, plant and equipment	(9,346)	(8,093)	(17,439)			(17,439)
Acquisition of additional interest in a subsidiary	(11,250)	-	(11,250)			(11,250)
Acquisition of a subsidiary	-	-	-	(100,000)	1(a)	(100,000)
Increase in prepaid lease payments	-	(39,383)	(39,383)			(39,383)
Increase in pledged bank deposits	(99)	-	(99)			(99)
Proceeds from disposal of an associate	533	-	533			533
Proceeds from disposal of investments held for trading	124	-	124			124
Proceeds from disposals of property, plant and equipment	6,160	-	6,160			6,160
Disposal of a subsidiary	1,923	-	1,923			1,923
Interest received	2,387	97	2,484			2,484

	Audited Consolidated Cash Flow Statement of the Group for the year ended 31 December 2006 HK\$'000	Audited Consolidated Cash Flow Statement of Husoke Group for the year ended 31 December 2007 HK\$'000	Sub-total HK\$'000	Pro Forma adjustments HK\$'000	Notes	Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group I for the year ended 31 December 2006 HK\$'000
Net cash generated from/ (used in) investing activities	299	(94,648)	(94,349)			(194,349)
Cash flow from financing activities						
New bank borrowings raised	432,926	54,000	486,926			486,926
Repayment of bank borrowings	(445,213)	(902)	(446,115)			(446,115)
Interest paid	(5,793)	(688)	(6,481)			(6,481)
Net cash (used in)/generated from financing activities	(18,080)	52,410	34,330			34,330
Net (decrease)/increase in cash and cash equivalents	(8,038)	3,531	(4,507)			(4,507)
Cash and cash equivalents at the beginning of the year	89,462	351	89,813			89,813
Cash and cash equivalents at the end of the year	<u>81,424</u>	<u>3,882</u>	<u>85,306</u>			<u>85,306</u>
Analysis of the balances of cash and cash equivalents						
Short term bank deposits	39,505	–	39,505			39,505
Bank balance and cash	<u>41,919</u>	<u>3,882</u>	<u>45,801</u>			<u>45,801</u>
	<u>81,424</u>	<u>3,882</u>	<u>85,306</u>			<u>85,306</u>

(IV) Notes to The Unaudited Pro Forma Financial Information

Under HKFRS 3 Business Combinations (“HKFRS 3”), the Group will apply the purchase method to account for First Acquisition. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Pride Eagle Group will be recorded on the consolidated balance sheet of the Group at their fair values at the date of completion. Any goodwill or discount arising on the acquisition will be determined as the excess or deficit of the purchase price to be incurred by the Group over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Pride Eagle Group at the date of completion. Negative goodwill resulting from the business combinations should be recognised immediately in the consolidated income statement.

The adjustment reflects the following:

1. The total consideration to be settled by Rich Key Enterprises Limited (the “Purchaser”), a wholly-owned subsidiary of the Company for the First Acquisition is approximately HK\$1,200 million which shall be satisfied by:
 - (a) Issuing a promissory note (the “Promissory Note I”) or in cash payment (solely at the option of the Purchaser) of HK\$100 million to Mr. Wu Jixian (the “Vendor”). In preparing the unaudited Pro Forma Financial Information, it is assumed that the Purchaser would choose to settle the consideration by cash.
 - (b) Issuing of convertible bonds of HK\$1,100 million (the “Tranche 1 Bonds) at a conversion price of HK\$0.40 per conversion share. Tranche 1 Bonds will not accrue any interest with a repayment term of 5 years.
2. The pro forma adjustments of approximately HK\$4,519,000, HK\$18,755,000 and HK\$150,000 represented the increase on fair values on property, plant and equipment, prepaid lease payments of non-current portion and current portion, respectively held by Huscoke Group. The fair values of these assets as at 31 December 2007 were determined with reference to valuation as at 31 December 2007 carried out by B.I. Appraisals Limited, an independent qualified valuer not connected to the Group.
3. Goodwill of approximately HK\$1,192,210,000 arising from the acquisition of Pride Eagle Group was derived from the fair values of total consideration less net assets of Pride Eagle Group as at 31 December 2007.

Pursuant to HKFRS 3, HKAS 36 Impairment of Assets, goodwill should be tested annually for impairment, as well as when there is indication of impairment.

Goodwill of approximately HK\$1,192,210,000 arising from the First Acquisition is derived from calculation as follows:

	<i>HK\$000</i>
Consideration for the First Acquisition	1,200,000
<i>Less:</i> Net liabilities of Huscoke Group as at	
31 December 2007	15,634
Fair value adjustment on property, plant and equipment	(4,519)
Fair value adjustment on prepaid lease payments	(18,905)
	1,192,210

The directors of the Company consider that the net assets value of Pride Eagle is not material to the Enlarged Group I, no net assets value of Pride Eagle was used in calculation of goodwill accordingly.

4. The pro forma adjustments represented the re-allocation of balances to other receivables or other payables assuming First Acquisition has been completed on 31 December 2006.

5. The pro forma adjustment of HK\$10,000 represented the elimination of Huscoke Group's share capital upon the consolidation of Enlarged Group I.

6. The pro forma adjustment of reserves of approximately HK\$236,954,000 represented the elimination of the pre-acquisition reserves of Huscoke Group of approximately HK\$15,644,000 and the equity component of Tranche 1 Bonds of approximately HK\$221,310,000. For further details of the equity component of Tranche 1 Bonds, please refer to note 7 and 8.

7. In accordance with HKAS 32 "Financial Instrument: Disclosure and Presentation", convertible bonds should be separated as liability component and equity component. In preparing the unaudited pro forma financial information, the face value of HK\$1,100,000,000 has been taken to be its fair value as if it was issued on 31 December 2006. The adjustment of Tranche 1 Bonds of approximately HK\$831,746,000 in the pro forma consolidated balance sheet represented the liability component of Tranche 1 Bonds based on the discounted cash flows method at the discount rate of approximately 5.75%.

8. The pro forma adjustment of approximately HK\$46,944,000 represented the deferred tax liabilities arising from Tranche 1 Bonds as at 31 December 2007.
9. The pro forma adjustment of approximately HK\$1,054,000 represented the adjustment on depreciation charges for the year ended 31 December 2006 in responses to the fair value adjustment as mentioned in note 2.
10. The pro forma adjustment of HK\$47,825,000 represented the imputed interest expenses for Tranche 1 Bonds with the rate of 5.75% for the year ended 31 December 2006.
11. The pro forma adjustment of HK\$100,000,000 represented guaranteed net profit pursuant to the sales and purchases agreement, in which the Vendor had irrevocably guarantees to the Purchaser that the net profit after minority interests but before tax of Pride Eagle Group for the financial year ended 31 December 2008 as shown in the audited accounts shall not be less than HK\$100 million (the “Guaranteed 2008 Pride Eagle Group Net Profit”).
12. The pro forma adjustment of approximately HK\$8,369,000 represented the adjustment of the deferred tax effect of Tranche 1 Bonds for the year ended 31 December 2006.
13. The calculation of pro forma basic earnings per share is based on the Enlarged Group I’s pro forma net profit attributable to the equity holders of the Company of HK\$66,403,000 and the number of ordinary shares of 477,926,000 of the Enlarged Group I upon the completion of the First Acquisition.

Pro forma basic and diluted earnings per share were presented in a single line because the conversion of the Tranche 1 Bonds was anti-dilutive while its conversion would increase the pro forma earnings per share.

14. The pro forma adjustments to the consolidated cash flow statement of approximately HK\$51,121,000 represented the recognition of Guaranteed 2008 Pride Eagle Group Net Profit of HK\$100,000,000, depreciation charges of approximately HK\$1,054,000 and annual finance costs of HK\$47,825,000 for the purpose of adjusting the profit before taxation.

4. NO VARIATION ON REMUNERATION PAYABLE TO AND BENEFITS IN KIND

There is no variation in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of Huscoke Group after the completion of the acquisition of the Huscoke Group.

**B.I. Appraisals Limited**
保柏國際評估有限公司

Registered Professional Surveyors, Valuers & Property Consultants

Unit 1301, 13th Floor, Tung Wai Commercial Building,

109-111 Gloucester Road, Wan Chai, Hong Kong

Tel: (852) 21277762 Fax: (852) 21379876

Email: info@biappraisals.com.hk

Website: www.bisurveyors.com.hk

30 June 2008

The Directors
Frankie Dominion International Limited
Room 4205
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

Dear Sirs,

Re: The fixed assets held by 孝義市金岩電力煤化工有限公司 (Xiaoyi City Golden Rock Electricity Coal Chemical Company Limited, hereinafter referred to as "Golden Rock") and/or its subsidiaries (hereinafter referred to as "Golden Rock Group") in its coking plant located at Xiaowu Road, Xiaoyi City, Shanxi Province, the People's Republic of China (the "PRC")

In accordance with the instructions from Frankie Dominion International Limited (hereinafter referred to as the "Company") for us to assess the market value of the fixed assets (hereinafter referred to as the "Fixed Assets") in Xiaoyi City, Shanxi Province, which include buildings and structures (hereinafter referred to as the "Buildings") and machines and equipment (hereinafter referred to as the "Machinery"), and which are exhibited to us as those held by Golden Rock for the business of production of coke and the coal-processing chemical by-products, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Fixed Assets as at 30 April 2008 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used for disclosure purpose in relation to the proposed acquisition of the Fixed Assets by the Company and/or its subsidiaries (hereinafter together referred to as the "Group").

This letter, forming part of our valuation report, identifies the fixed assets being valued; explains the basis and methodology of our valuation; lists out the assumptions, the title investigation and the limiting conditions made in the course of our valuation; and states our opinion of value.

BASIS OF VALUATION AND ASSUMPTIONS

The objective of our valuation is to provide an independent opinion of the market value of the invested capital by Golden Rock in the Fixed Assets as at the Date of Valuation at ongoing basis.

The market value is defined as “the estimated amount for which an asset should exchange on the Date of Valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

We further assumed that, subject to the above definition, both the buyer and the seller contemplate the retention of the Fixed Assets at their existing state for the continuation of the current operations as a going concern business, and both seeking their maximum economic self-interest in arriving at an arm’s-length transaction. The market value in continued existing use is further defined as the market value of an asset based on continuation of its existing use as part of an on-going business, assuming the asset could be sold in the open market for its existing use, and otherwise in keeping with the market value definition regardless of whether or not the existing use represents the highest and best use of the asset.

The opinion of the market value in continued existing use is not necessarily intended to represent the amount that might be realized from piecemeal disposal of the Fixed Assets or from some other alternate uses.

We have valued the Buildings and the Machinery on the basis that each of them is considered individually. Our valuation of the Fixed Assets is the aggregate value of the Buildings and the Machinery and we have not applied any bulk discount.

This investigation is concerned solely with the values of the Fixed Assets. Excluded from this investigation are land, supplies, inventories, materials on hand, spare parts and all other tangible assets of current nature and intangible assets that might exist. Our opinions of value are not related to the earning capacity of the business. It is assumed that prospective earnings are adequate to support the concluded value of the Fixed Assets plus the value of other assets not included in this valuation, and sufficient net working capital. This report does not attempt to arrive at the value of Golden Rock as a total business entity.

Our valuation on the market value of the Fixed Assets has been made on the assumption that the Fixed Assets are sold on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect the value of the Fixed Assets. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sales of the Fixed Assets and no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the fixed assets valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Fixed Assets are free from encumbrances, restrictions and outgoings of an onerous nature that could affect their values.

Other specific assumptions, if any, have been stated in the footnotes of the valuation certificate.

VALUATION METHODOLOGY & PROCEDURES

In assessing the market value of the Buildings, we have adopted the Depreciated Replacement Cost (“DRC”) method. The DRC method is based on an estimate of the cost to reproduce or replace in new conditions the buildings and structures being valued in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The DRC method generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

In arriving at our opinion of the market value of the Machinery, we have considered the three generally accepted methods to value: the Depreciated Replacement Cost Method, Market Comparable Method and Income Capitalization Method. The theory of each of these methods is outlined as follows:

(1) The Depreciated Replacement Cost Method

The Depreciated Replacement Cost Method establishes value based on the cost of reproducing or replacing in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or physical deterioration and obsolescence present (functional or economic) taking into account past and present maintenance policy and rebuilding history.

Reproduction Cost New is defined as the estimated current cost of reproducing a new replica of an asset with the same or closely similar materials.

Replacement Cost New is defined as the estimated current cost of the new asset having the nearest equivalent utility as the asset being appraised.

Physical Deterioration is the loss in value of an asset from wear and tear of asset in operation and exposure to various elements.

Functional Obsolescence is the loss in value due to factors inherent in the asset itself and changes in design, materials, or process that result in inadequacy, over capacity, excess construction, lack of functional utility or excess operating costs, etc.

Economic Obsolescence is an incurable loss in value caused by unfavorable external conditions.

When market transactions of comparable assets are not available, when data cannot be extrapolated from larger transactions, or when transactions are non-existent, under premise of continued use and assuming adequate earnings, the Depreciated Replacement Cost Method is the preferred appraisal procedure.

(2) The Market Comparable Method

The Market Comparable Method involves the collection of market data pertaining to the subject assets being appraised. The primary intent of the Market Comparable Method is to determine the desirability of the assets through recent sales or offerings of similar assets currently on the market in order to arrive at an indication of the most probable selling price for the assets being appraised. If the comparable sales are not exactly similar to the asset being appraised, adjustments must be made to bring them as closely in line as possible with the subject asset.

Under the premise of continued use assuming adequate earnings, consideration is given to the cost to acquire similar equipment in the used-equipment market; an allowance then is made to reflect the costs for freight and installation.

(3) The Income Capitalization Method

The Income Capitalization Method considers value in relation to the present worth of future benefits derived from ownership and is usually measured through the capitalization of a specific level of income. This approach is most applicable to investment and general-use properties where there is an established and identifiable rental market.

In any valuation study, all three approaches to value must be considered, as one or more approaches may be applicable to value the subject machinery and equipment. In some situations, elements of two or three approaches may be combined to reach an opinion of value.

In assessing the Machinery, since there is no identified active used-equipment market in the PRC that provides information on recent transactions of comparable items, the Market Comparable Method was not applied. On the other hand, since no identifiable rental income can be attributed to a specific piece of equipment or a group of equipment, the Income Capitalization Method to value was not applied. Therefore, we conclude that the Depreciated Replacement Cost Method is deemed to be the most appropriate method of assessing the Machinery under premise of continued use.

For the assets of standard manufacture, we used current manufacturers' price lists, price quotations and price catalogs to determine the cost of replacement new. Allowances for freight and installation were sometimes required.

For the assets of special design or fabrication, we used current market price for labor, current market price for materials, manufactured components, design fees, engineering fees and contractors' overhead, profit and fee to determine the cost of replacement new. Allowances for freight and installation were sometimes required.

Also, we adopted the assets index factor to estimate the cost of reproduction new of special design or fabrication machinery and equipment. An index factor is applied to the historical cost of valued equipment in order to estimate the current cost of the assets being valued.

The deductions for physical deterioration, functional obsolescence, and economic obsolescence have reflected observed condition; past maintenance and rebuilding history, if any; current use; and planned future utilization.

TITLE INVESTIGATION

We have not been provided by the Company with copies of title documents relating to the Buildings. In the course of our valuation, we have relied on the advice given by the Group regarding the title to the Buildings and the legal opinion dated 27 June 2008 prepared by 山西晉義律師事務所 (Shanxi Jin Yi Law Firm), the Group's legal advisor on PRC law, regarding the title to and the interest of the Group in the Buildings.

We are not able to verify the ownership of the Machinery but we have been provided with copies of receipts regarding some major items of the Machinery. We have assumed no responsibility for the title to the Machinery. Unless otherwise stated, it is assumed that individual items of the Machinery are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values. It is further assumed that there are no hidden or unapparent conditions of the Machinery which would render them more or less valuable.

LIMITING CONDITIONS

Our valuations have been carried out in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) issued by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have carried out inspections of the Fixed Assets in the period from 6 May to 8 May 2008. We have inspected the exterior and, where possible, the interior of the Buildings. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the Buildings. We are, therefore, not able to report that the Buildings is free from rot, infestation or any other structural defects. Yet, in the course of our inspection, we did not note any serious defects.

We have not conducted detailed on-site measurement to verify the correctness of the floor areas of the Buildings but have assumed that the areas shown on the documents made available to us are correct. Dimensions, measurements and areas included in the valuation certificate attached are based on information contained in the documents provided to us by the Group and are therefore approximations only.

We have relied to a considerable extent on the information and advices made available to us by Golden Rock Group on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the Fixed Assets. We have not seen original planning consents and have assumed that the Buildings will be erected, occupied and used in accordance with such consents.

We have personally conducted an ocular physical inspection of the Machinery, investigated market condition, interviewed personnel, and examined documents and specifications provided to us before arriving at our opinion of defined value. At the time of our inspection, the Machinery were observed to be generally in good working condition and properly maintained. Hence, we have assumed that the Machinery can perform efficiently according to the purposes for which it was designed and built.

We have accepted the records of the Machinery furnished to us by Golden Rock Group as properly describing the Machinery, their costs and their acquisition dates. We have relied to a considerable extent on such records, listings, specifications and documents in arriving at our opinion of value.

Any deferred maintenance, physical wear and tear, operating malfunctions, lack of utility, or other observable conditions distinguishing the Machinery from assets of like kind in new condition were noted and made part of our judgment in arriving at the value.

We have not investigated any industrial safety environmental and health-related regulations in association with this particular manufacturing process. It is assumed that all necessary licenses, procedures, and measures were implemented in accordance with the government legislation and guidance.

We have not investigated any financial data pertaining to the present or prospective earning capacity of the operation in which the Machinery is used. It was assumed that prospective earnings would provide a reasonable return on the fair market value of the Machinery, plus the value of any assets not included in this valuation, and adequate net working capital.

This valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are true and accurate. The data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis are gathered from reliable sources, yet, no guarantee is made nor liability assumed for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group and Golden Rock Group. We were also advised that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

REMARKS

Unless otherwise stated, all monetary amounts stated in the valuation certificate are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Group, Golden Rock Group, the Fixed Assets, or the values reported herein.

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED
William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Note: Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 25 years' experience in the valuation of properties in Hong Kong and has over 10 years' experience in asset valuation in the People's Republic of China and the Asia Pacific regions.

VALUATION CERTIFICATE

Fixed Assets	Description	Particulars of occupancy	Market value in existing state as at 30 April 2008
The fixed assets held by Golden Rock Group in its coking plant located at Xiaowu Road, Xiaoyi City, Shanxi Province, the PRC	The fixed assets comprise buildings and structures (the “Buildings”) together with the machines, equipment and vehicles (the “Machinery”) for the production of coke and the coal-processing chemical by-products located within the coking plant of Golden Rock Group at Xiaoyi City, Shanxi Province. The Buildings include 41 blocks of 1 to 7-storey major buildings for office, workshop, warehouse, pump house, electricity distributions uses and various blocks of ancillary structures in the coking plant within the industrial complex of Golden Rock Group. The Buildings were completed in about 2004. The total gross floor area of the major buildings is approximately 27,312.09 sq.m. (293,987 sq.ft.). The Machinery comprises machines, equipment and vehicles for coke and the chemical by-products productions together with the ancillary equipment in the industrial complex. Major items of the Machinery include coking furnaces (with production capacity of 800,000 ton per annual), coke pushers, coke-blocking cars, coke-cooling cars, coal gas recovery car, dust collecting car, coal feeders, crushers, tampers, conveyors, cooling towers, axial fans, de-sulfur towers, steaming ammonia tower, regeneration towers, diesel boilers, oxygen generators, town gas storage tank, conveyor belts, pumps, piping, electrical distribution system, office equipment, transportation equipment and trucks. The various items of the Machinery were acquired in about 2004, the origin of most of which are from the PRC.	The Fixed Assets are currently occupied by Golden Rock Group for the production of coke and the coal-processing chemical by-products.	RMB742,500,000 (See Note 5 below)

APPENDIX V VALUATION REPORT ON THE COAL PROCESSING ASSETS

Notes:

- (1) We have not been provided with any title documents regarding the Building and have been confirmed by Golden Rock Group that the Buildings were built by Golden Rock Group on the subject site, which is leased from Xiaoyi City Hedi Villagers Committee.
- (2) The legal opinion of Shanxi Jin Yi Law Firm dated 27 June 2008 is summarized as follows:
 - a) As the Buildings were built by Golden Rock Group, the ownership of the Buildings is naturally vested in Golden Rock Group and there shall not be any dispute with other third party in such ownership.
 - b) Though Golden Rock Group has not yet registered the ownership of the Buildings; its ownership is protected under the PRC law.
 - c) The Buildings are free from any third party rights and are not distrained upon by any judicial and arbitration authorities nor being subject to administrative penalty from local government on such reason as illegal improvements. There is no limitation in the right to use the Buildings.
 - d) According to Article 68 of 【中華人民共和國物權法】 (Law on Property Rights of the PRC), which states that “the Business Enterprise enjoys, in accordance with the law and administrative regulations, the rights to occupy, use, make profit and dispose of its current and fixed assets”, Golden Rock Group has the right to transfer to other third party the Buildings, which were built by itself, within the scope of the relevant law.
- (3) We have relied on the information provided by the Company, Golden Rock Group and the aforesaid legal opinion and prepared our valuation on the following assumptions:
 - a) Golden Rock is in possession of the proper legal title to the ownership of the buildings and structures being valued.
 - b) The Buildings has been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated.
 - c) All consents, approvals, required licences, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of the Buildings upon which our valuation is based.
- (4) The breakdown of market value for the Buildings and the Machinery are RMB206,000,000 and RMB536,500,000 respectively, details of which are as follows:

Fixed Assets	Market value (RMB)	Sub-total
The Buildings		206,000,000
The Machinery		536,500,000
Coking Furnaces	364,000,000	
Other Machinery and Equipment for Coke Production	32,500,000	
Chemical Plant	115,400,000	
Electrical Equipment	21,500,000	
Transport Equipment	3,100,000	

- (5) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

Certificates of State-owned Land Use	No
Certificate of Building Ownership	No

(1) Profit Forecast

The forecast of the profit attributable to Coal Processing Business for the year ending 31 December 2009 is set out for the purposes of “Guaranteed 2009 Net Profit” as mentioned in the section headed “Letter from the Board”.

A. BASES AND ASSUMPTIONS

The directors of the Company have prepared the profit forecast derived from projected sale of coal related products, after minority interests but before tax and before extraordinary or exceptional items of Oden Group Limited and its subsidiaries (the “Target Group”) for the year ending 31 December 2009 based on the actual results of 孝義市金岩電力煤化工有限公司 (Xiaoyi City Golden Rock Electricity Coal Chemical Company Limited) (“Golden Rock”) for the year ended 31 December 2007.

The profit forecast for the year ending 31 December 2009 has been prepared on a basis consistent in respect with the significant accounting policies as set out in the “Financial information on the Group” as set out in Appendix I to this Circular and on the following assumptions:

1. Principal Assumptions*1.1 Assumption with respect to valuation of the Coal-Processing Assets*

Changes in the fair value of the Coal-Processing Assets are dependent on market conditions and other factors that are beyond our control at the relevant time. While we have considered for the purposes of the profit forecast, it is assumed that there will be no impairment loss on the value of the Coal-Processing Assets for the year ending 31 December 2009.

1.2 Assumption with respect to Acquisitions to be completed

It is assumed that the acquisition of the Coal-Processing Assets was completed on 1 January 2008 and the Coal Processing Business began its operation on 1 January 2008. As a result, the profit forecast of the Coal Processing Business would be prepared for the year ending 31 December 2009.

1.3 Assumption with respect to the business structure of the Coal Processing Business

The major customer of Golden Rock is Huscoke International Group Limited ("Huscoke"). Since the Company has acquired Huscoke during the Previous Acquisition, it is assumed that the major client of the Target Group, which operates the Coal-Processing Assets, will be also Huscoke. Besides, it is also assumed that the Coal Processing Business operated by the Target Group has a similar business operation as Golden Rock. Therefore, it is assumed that the expenses incurred in the profit forecast for the year ending 31 December 2009, including selling and distribution costs and administrative expenses would have a similar pattern comparing to the actual cost incurred by Golden Rock for the year ending 31 December 2007.

2. General assumptions

- 2.1 It is assumed that there will be no material changes in existing government policies, or in political, legal (including changes in legislation, regulations or rules), technological, fiscal, market or economic conditions in the PRC and in the industry in which the Coal Processing Business operates, where the Target Group's customers carry out business, from where the Target Group purchase coal-related products.
- 2.2 It is assumed that there will be no material changes in inflation rates, interest rates, exchange rates, tariffs and duties in the PRC from the current prevailing rates as at the date of the Circular.
- 2.3 It is assumed that the Target Group will have sufficient working capital to operate the Coal Processing Business and no finance cost will be incurred.

3. Commercial assumptions to the Profit Forecast

3.1 Coal Selling Price

The unit sale price being used for the calculation of the turnover for the year ending 31 December 2008 is based on the averaged unit sale price of the coal in Shan Xi from Jan-June 2008, plus tariff and net of VAT.

It is assumed that the unit sale price of coal during the year ending 31 December 2009 would have 9.82% growth based on the averaged GDP growth from 2002-2007 in PRC.

3.2 *Selling and distribution expenses*

The selling and distribution expenses are mainly comprised of transportation costs, tariffs and storage costs which these expenses are incurred proportionally to the increase to the sales quantities for the year ending 31 December 2009.

3.3 *Administrative expenses*

The administrative expenses are mainly comprised of wastage fee, administrative staff costs travelling expenses and office expenses. It is assumed that the administrative expenses would be increased at the same rate as the inflation rate in the PRC for the year ending 31 December 2009.

4. **Summary of significant accounting policies to the Profit Forecast**

4.1 *Basis of preparation*

The measurement basis in preparation of the profit forecast is the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

4.2 *Revenue recognition*

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

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

4.3 *Property, plant and equipment*

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the reducing balance method.

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

4.4 *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, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

4.5 *Borrowing costs*

All borrowing costs are recognised as and included in finance costs in the profit forecast in the period in which they are incurred.

4.6 *Impairment losses*

At each balance sheet date, the carrying amounts of assets to are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

(2) Letter from independent reporting accountants

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.



國 衛 會 計 師 事 務 所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

30 June 2008

The Board of Directors
Frankie Dominion International Limited
Room 4205
Far East Finance Center
16 Harcourt Road
Admiralty
HONG KONG

Dear Sirs,

We report on the calculations of the profit forecast attributable to Coal Processing Business for the year ending 31 December 2009 prepared by the directors of the Company ("Profit Forecast") would be derived from any sale of coal related products, after minority interests but before tax and before extraordinary or exceptional items of Oden Group Limited and its subsidiaries (the "Target Group") for the year ending 31 December 2009.

**RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND
THE REPORTING ACCOUNTANTS**

The directors of the Company are solely responsible for the preparation of the Profit Forecast under Rule 14.62 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to report, as required by Rule 14.62 of the Listing Rules, on the accounting policies and calculations of the Profit Forecast. The Profit Forecast depend on future events and on a number of bases and assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions and express no opinion on the appropriateness and validity of the bases and assumptions on which the Profit Forecast are based.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standards on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to the procedures under Auditing Guideline 3.341 “Accountants’ report on profit forecasts” issued by Hong Kong Institute of Certified Public Accountants. We reviewed the accounting policies and examined the arithmetical accuracy of the Profit Forecast. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the Profit Forecast, so far as the calculations are concerned, has been properly compiled and for no other purpose. We accept no responsibility to any other person in respect of, arising out of in connection with our work. Our work does not constitute any valuation of the Target Group for the year ending 31 December 2009.

OPINION

Based on the foregoing, in our opinion, the Profit Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the basis of the assumptions made by the directors of the Company as set out in Appendix VI of the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the section headed “Financial information on the Group” in Appendix I of the Circular.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

(3) Letter from financial adviser

The following is the text of a letter prepared for the purpose of incorporation in this circular received from Grand Cathay, the financial adviser, in connection with the "Guaranteed 2009 Net Profit" as mentioned in the section headed "Letter from the Board".

**大華證券(香港)****GRAND CATHAY SECURITIES (HONG KONG) LIMITED**

香港中環花園道3號中國工商銀行大廈7樓705至706室

Room 705-706, 7/F., ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong

Tel: 852-2521-2982 Fax: 852-2521-0085 www.gcsc.com.tw

30 June 2008

The Board of Directors
Frankie Dominion International Limited
Room 4205
Far East Finance Center
16 Harcourt Road
Admiralty
HONG KONG

Dear Sirs,

We refer to the forecast of the guaranteed net profit of no less than HK\$300 million, which would be derived from any sale of coal related products, (including any profit derived from any sales of coke by Olden Group Limited and its subsidiaries (the "Target Group") to the Group) after the minority interests but before tax and before extraordinary or exceptional items of the Target Group for the financial year ending 31 December 2009 ("Forecast") as set out in Appendix VI to the circular issued by the Company dated 30 June 2008.

We have discussed with you the bases and assumptions as set out in Appendix VI to the Circular upon which the Forecast has been made. On the basis of the accounting policies, assumptions and calculations adopted by you, we are of the opinion that the Forecast, for which you are solely responsible, has been made after due and careful enquiry.

However, in as much as the Forecast and the assumptions on which they are based relate to the future, we express no opinion on how closely the actual cash flow and profit eventually will correspond with the Forecast.

Our work in connection with the Forecast has been undertaken solely Rule 14.62(3) of the Rules Governing the Listing of Securities on the Stock Exchange and for no other purpose.

Yours faithfully,

For and on behalf of

Grand Cathay Securities (Hong Kong) Limited

Kim Chan

Director

Kevin Chan

Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuations as at 31 March 2008 of the property interests of the Group.



Jones Lang LaSalle Sallmanns Limited
22nd Floor Siu On Centre
188 Lockhart Road
Wanchai Hong Kong
tel +852 2169 6000 fax +852 2169 6001

30 June 2008

The Directors
Frankie Dominion International Limited
Room 4205
Far East Finance Center
16 Harcourt Road
Admiralty
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which Frankie Dominion International Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 March 2008 (the "date of valuation").

Our valuations of the property interests represent the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests in Groups I and II which are held by the Group by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests of the Group in Hong Kong held under the Government Leases expiring before 30 June 1997, we have taken into account the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the then ratable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of title documents relating to the property interests and have caused searches to be made at the Hong Kong Land Registries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have been shown copies of various title documents including Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Guangzhou Foreign Economic Law Office, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollars (HK\$). The exchange rate adopted in our valuations is approximately HK\$1 = RMB0.90 which was approximately the prevailing exchange rate as at the date of valuation.

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 25 years' experience in the valuation of properties in the PRC and 28 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I – PROPERTY INTERESTS OWNED AND OCCUPIED BY THE GROUP IN HONG KONG

No.	Property	Capital value in existing date as at 31 March 2008 HK\$
1.	Factory Units A, B, C and D on 1st Floor Yally Industrial Building No. 6 Yip Fat Street Wong Chuk Hang Hong Kong	17,720,000
2.	Factory Unit D on 3rd Floor Yally Industrial Building No. 6 Yip Fat Street Wong Chuk Hang Hong Kong	3,900,000
3.	Car Parking Space No. 15 Yally Industrial Building No. 6 Yip Fat Street Wong Chuk Hang Hong Kong	250,000
		Sub-total: 21,870,000

GROUP II – PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Capital value in existing date as at 31 March 2008 HK\$
4.	Units 1201-1206 on Level 12 and Unit 1306 on Level 13 Qin Jian Building No. 468 West Huangpu Dadao Tianhe District Guangzhou City Guangdong Province The PRC	25,833,000
5.	Car Parking Space Nos. 50 and 51 on 2nd Basement Level Qin Jian Building No. 468 West Huangpu Dadao Tianhe District Guangzhou City Guangdong Province The PRC	555,000
6.	Flat G on Level 9 of Block 2 Yuefu Building No. 839 Renmin North Road Yuexiu District Guangzhou City Guangdong Province The PRC	770,000
		Sub-total: 27,158,000
		Grand total: 49,028,000

VALUATION CERTIFICATE

GROUP I – PROPERTY INTERESTS OWNED AND OCCUPIED BY THE GROUP IN HONG KONG

Property	Description and tenure	Particulars of occupancy	Capital value
			in existing state as at 31 March 2008 HK\$
1. Factory Units A, B, C and D on 1st Floor Yally Industrial Building No. 6 Yip Fat Street Wong Chuk Hang Hong Kong	The property comprises the whole of the 1st floor of a 23-storey industrial building completed in about 1974. The property has a total gross floor area of approximately 17,477 sq.ft. (1,623.7 sq.m.). The property is held under the Conditions of Sale Nos. 10133 and 10134, both for a term of 75 years commencing from 21 February 1972.	The property is currently occupied by the Group for ancillary office and showroom purposes.	17,720,000
34/506th shares of Aberdeen Inland Lot Nos. 361 and 362			

Notes:

1. The registered owner of the property is Frankie Dominion (Holdings) Limited vide Memorial No. UB5169695 dated 2 October 1990.
2. Frankie Dominion (Holdings) Limited is a wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB1121649 dated 21 October 1974.
4. The property is zoned under Aberdeen and Ap Lei Chau Outline Zoning Plan No. S/H15/24 dated 19 December 2006 for “Other Specified Uses (1) (Business)” zone.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 HK\$
2. Factory Unit D on 3rd Floor Yally Industrial Building No. 6 Yip Fat Street Wong Chuk Hang Hong Kong	The property comprises a unit on the 3rd floor of a 23-storey industrial building completed in about 1974. The property has a gross floor area of approximately 3,878 sq.ft. (360.3 sq.m.).	The property is currently occupied by the Group for warehouse purpose.	3,900,000
6/506th shares of Aberdeen Inland Lot Nos. 361 and 362	The property is held under the Conditions of Sale Nos. 10133 and 10134, both for a term of 75 years commencing from 21 February 1972.		

Notes:

1. The registered owner of the property is Rain and Coat Garment Factory Limited vide Memorial No. UB4316950 dated 23 December 1989.
2. As advised by the Company, Rain and Coat Garment Factory Limited is now renamed as Frankie Dominion (Holdings) Limited, a wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB1121649 dated 21 October 1974.
4. The property is zoned under Aberdeen and Ap Lei Chau Outline Zoning Plan No. S/H15/24 dated 19 December 2006 for "Other Specified Uses (1) (Business)" zone.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 HK\$
3. Car Parking Space No. 15 Yally Industrial Building No. 6 Yip Fat Street Wong Chuk Hang Hong Kong 1/506th shares of Aberdeen Inland Lot Nos. 361 and 362	The property comprises a car parking space on ground floor of a 23-storey industrial building completed in about 1974. The property is held under the Conditions of Sale Nos. 10133 and 10134, both for a term of 75 years commencing from 21 February 1972.	The property is currently occupied by the Group for car parking purpose.	250,000

Notes:

1. The registered owner of the property is Bigfield Goldenford Holdings Limited vide Memorial No. UB6342518 dated 15 June 1995.
2. Bigfield Goldenford Holdings Limited is a wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB1121649 dated 21 October 1974.
4. The property is zoned under Aberdeen and Ap Lei Chau Outline Zoning Plan No. S/H15/24 dated 19 December 2006 for "Other Specified Uses (1) (Business)" zone.

VALUATION CERTIFICATE

GROUP II – PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

Property	Description and tenure	Particulars of occupancy	Capital value
			in existing state as at 31 March 2008 HK\$
4. Units 1201–1206 on Level 12 and Unit 1306 on Level 13 Qin Jian Building No. 468 West Huangpu Dadao Tianhe District Guangzhou City Guangdong Province The PRC	The property comprises the whole of level 12 and a unit on level 13 of a 24-storey (plus 3 levels basement) office building completed in about 2005. The property has a total gross floor area of approximately 1,437.3939 sq.m. The land use rights of the property have been granted for a term of 50 years commencing from 18 May 2004 and expiring on 17 May 2054 for composite use.	The property is currently occupied by the Group for office and showroom purposes.	25,833,000

Notes:

- Pursuant to 7 Commodity House Sale and Purchase Agreements dated 10 December 2004, Frankie Dominion (Holdings) Limited purchased the property at a total purchase price of RMB11,952,121.
- Pursuant to 7 Real Estate Title Certificates – Yue Fang Di Zheng Zi Di Nos. C4657353, C4657354, C4657355, C4657357, C4657358, C4657359 and C4657360 dated 7 June 2006, issued by the People's Government of Guangzhou, the property with a total gross floor area of approximately 1,437.3939 sq.m. is owned by Frankie Dominion (Holdings) Limited, a wholly-owned subsidiary of the Company.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers – Guangzhou Foreign Economic Law Office, which contains, *inter alia*, the following:
 - Frankie Dominion (Holdings) Limited has legally obtained the building ownership rights of the property and shared the relevant land use rights with all owners of the whole building;
 - the property is not subject to mortgage, seizure, litigation, sale, transfer and any other encumbrances; and
 - the existing use of the property is in compliance with the permitted use and is not contravening any PRC law and regulation of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2008 HK\$
5. Car Parking Space Nos. 50 and 51 on 2nd Basement Level Qin Jian Building No. 468 West Huangpu Dadao Tianhe District Guangzhou City Guangdong Province The PRC	The property comprises 2 car parking spaces on the 2nd basement level of a 24-storey (plus 3 levels basement) office building completed in about 2005. The property has a total gross floor area of approximately 23.5 sq.m. The land use rights of the property have been granted for a term of 50 years commencing from 18 May 2004 and expiring on 17 May 2054 for composite use.	The property is currently occupied by the Group for car parking purpose.	555,000

Notes:

- Pursuant to 2 Commodity House Sale and Purchase Agreements dated 5 July 2005, Frankie Dominion (Holdings) Limited purchased the property at a total purchase price of RMB440,000.
- Pursuant to 2 Real Estate Title Certificates – Yue Fang Di Zheng Zi Di Nos. C4657367 and C4657368 dated 7 June 2006, issued by the People's Government of Guangzhou, the property with a total gross floor area of approximately 23.5 sq.m. is owned by Frankie Dominion (Holdings) Limited, a wholly-owned subsidiary of the Company.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers – Guangzhou Foreign Economic Law Office, which contains, *inter alia*, the following:
 - Frankie Dominion (Holdings) Limited has legally obtained the building ownership rights of the property and shared the relevant land use rights with all owners of the whole building;
 - the property is not subject to mortgage, seizure, litigation, sale, transfer and any other encumbrances; and
 - the existing use of the property is in compliance with the permitted use and is not contravening any PRC law and regulation of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state
			as at 31 March 2008 HK\$
6. Flat G on Level 9 of Block 2 Yuefu Building No. 839 Renmin North Road Yuexiu District Guangzhou City Guangdong Province The PRC	The property comprises a unit on level 9 of a 19-storey (plus 2 levels basement carpark) composite building completed in about 1996. The property has a gross floor area of approximately 80.77 sq.m. The land use rights of the property have been granted for a term of 70 years commencing from 29 November 1995 and expiring on 28 November 2065 for residential use.	The property is currently occupied by the Group for staff quarters purpose.	770,000

Notes:

- Pursuant to a Real Estate Title Certificate – Sui Fang Di Zheng Zi Di No. 0291808 issued by the People's Government of Guangzhou, the property with a gross floor area of approximately 80.77 sq.m. is held by Frankie Dominion (Holdings) Limited, a wholly-owned subsidiary of the Company.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers – Guangzhou Foreign Economic Law Office, which contains, *inter alia*, the following:
 - Frankie Dominion (Holdings) Limited has legally obtained the building ownership rights of the property and shared the relevant land use rights with all owners of the whole building;
 - the property is not subject to mortgage, seizure, litigation, sale, transfer and any other encumbrances; and
 - the existing use of the property is in compliance with the permitted use and is not contravening any PRC law and regulation of the property.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at (a) the Latest Practicable Date were; and (b) immediately following the allotment and issue of new Shares upon full conversion of the Existing Convertible Bonds and the New Convertible Bonds (as assuming no other Shares being allotted and issued at all) will be, as follows respectively:

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares (as at the Latest Practicable Date)	<u>1,000,000,000</u>
<u>20,000,000,000</u>	Shares (upon passing of the relevant resolution for the increase of the authorized share capital at the SGM)	<u>2,000,000,000</u>
<i>Issued and fully paid, or credited as fully paid, share capital:</i>		<i>HK\$</i>
<u>690,426,292</u>	Shares (as at the Latest Practicable Date)	<u>69,042,629.2</u>
<u>3,227,926,292</u>	Shares (assuming the allotment and issue of new Shares upon exercise of the conversion rights attaching to the outstanding Tranche 1 Bonds)	<u>322,792,629.2</u>
<u>5,977,926,292</u>	Shares (assuming the allotment and issue of new Shares upon exercise of the conversion rights attaching to the Tranche 2 Bonds)	<u>597,792,629.2</u>
<u>9,787,450,101</u>	Shares (assuming the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the New Convertible Bonds)	<u>978,745,010.1</u>

All the issued Shares shall rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Conversion Shares which may be allotted and issued, will, when allotted and issued, rank in all respect *pari passu* with all Shares then in issue as at the date of the allotment and issue of the respective Conversion Shares.

Save for the Existing Convertible Bonds and the New Convertible Bonds (the issue of which is subject to the approval by the Shareholders at the SGM) and share options which may be granted pursuant to the share option scheme adopted by the Company on 31 May 2002, the Company did not have any debt securities in issue and any other options, warrants, and other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS OF DIRECTORS

Interests in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(i) Directors' interests in the Shares

Name of Director	Number of Shares held, capacity and nature of interest			Percentage of the Company's issued share capital as at the Latest Practicable Date
	Personal interests	Family interests	Total	
Mr. Lam Po Kwai (a)	43,545,785	867,059 (Note (a))	44,412,844	6.43%
Ms. Lee Yuen Bing (b)	867,059	43,545,785 (Note (b))	44,412,844	6.43%
Mr. Sun Tak Keung	1,164,000	–	1,164,000	0.17%

Notes:

- (a) These Shares were held by Ms. Lee Yuen Bing, who was the spouse of Mr. Lam Po Kwai Frankie. By virtue of the SFO, Mr. Lam was deemed to be interested in the Shares held by Ms. Lee.
- (b) These Shares were held by Mr. Lam Po Kwai, who was the spouse of Ms. Lee Yuen Bing. By virtue of the SFO, Ms. Lee was deemed to be interested in the Shares held by Mr. Lam.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(ii) *Director's interest in the underlying Shares*

Name	Number of underlying Shares interested	Capacity	Approximate percentage of interest held
Wu Jixian	9,097,023,809	beneficial owner	1,317.60%

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the following persons other than a Director or chief executive of the Company had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the members of the Enlarged Group:

Name of Shareholder	Number of the issued share interested	Percentage of Company's Shares capital
Zhao Jie	55,000,000	7.97%
Zhang Chao Liang	52,500,000	7.60%
Golden Mount Limited (<i>note 1</i>)	100,097,209	14.50%
Chim Pui Chung (<i>note 1</i>)	100,097,209	14.50%
Solidpole Limited (<i>note 2</i>)	34,855,428	5.05% (<i>note 3</i>)
China Everbright Holdings Company Limited (<i>note 2</i>)	34,855,428	5.05% (<i>note 3</i>)

Notes:

- Golden Mount Limited is a company incorporated in the BVI and is beneficially owned by Mr. Chim Pui Chung, who is the father of Mr. Chim Kim Lun, Ricky (Executive Director). Golden Mount Limited has become a substantial shareholder of the Company since 17 August 2007. Under the SFO, Mr Chim Pui Chung is deemed to be interested in the Shares held by Golden Mount Limited.

2. Solidpole Limited is a wholly-owned subsidiary of China Everbright Limited which is in turn a 55.47% owned subsidiary of Honorich Holdings Ltd.. Honorich Holdings Ltd. is a wholly-owned subsidiary of Datten Investments Ltd which in turn a wholly-owned subsidiary of China Everbright Holdings Company Limited Under the SFO, China Everbright Holdings Company Limited is deemed to be interested in the Shares held by Solidpole Limited.
3. The % of shareholding is calculated by the Shares held by Solidpole Limited divided by the issued share capital of 690,426,292 Shares as at the Latest Practicable Date. The % of shareholding shown in the last Notice Form dated 1 April 2003 filed by each of Solidpole Limited and China Everbright Holdings Limited was 7.29, which was based on the then issued share capital of 477,926,292 Shares.

Save as disclosed in this circular, the Directors are not aware of any person as at the Latest Practicable Date who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any members of the Enlarged Group.

5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND IN COMPETING BUSINESS

The Vendor, as at the Latest Practicable Date, being a Director and a director of certain subsidiaries of the Company subsequent to the completion of the First Previous Acquisition on 16 May 2008, was interested in the following agreements:

- (a) an agreement ("**Previous Acquisitions Agreement**") dated 11 January 2008 and made among the Vendor as vendor, the Purchaser as purchaser and the Company as warrantor of the Purchaser in relation to the First Previous Acquisition and the Second Previous Acquisition, particulars of which were included in a circular dated 20 March 2008 and issued by the Company;
- (b) an agreement ("**Coal-related Ancillary Businesses Agreement**") dated 11 January 2008 and made between the Vendor and Huscoke Investment in relation to the acquisition of the assets for the operation of the Coal-related Ancillary Businesses, particulars of which were included in a circular dated 20 March 2008 and issued by the Company;
- (c) the Sale and Purchase Agreement, particulars of which were set out in the paragraph headed "The Sale and Purchase Agreement" under the section headed "Letter from the Board" of this circular;
- (d) the Preliminary Reorganisation Agreement, particulars of which were set out in the paragraph headed "Information on the Target Group" under the section headed "Letter from the Board" of this circular; and
- (e) the Coal Master Supply Agreement and the Coke Master Supply Agreement, particulars of which were set out in the paragraph headed "The Master Supply Agreements" under the section headed "Letter from the Board" of this circular.

So far as the Directors are aware and save as disclosed in this circular:

- (i) None of the Directors had any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2007, being the date to which the latest published audited financial statements of the Company were made up;
- (ii) None of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which is subsisting at the date of this circular and which was significant in relation to the business of the Enlarged Group; and
- (iii) As at the Latest Practicable Date, none of the Directors or the controlling shareholders of the Company or their respective Associates had any interest in a business which competes or is likely to compete either directly or indirectly with the business of the Group, or have or may have any other conflicts of interest with the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Enlarged Group within two years immediately preceding the date of this circular which are or may be material:

- (a) a provisional agreement dated 23 January 2007 and entered into between Bigfield Goldenford Holdings Limited, a wholly-owned subsidiary of the Company as vendor and Hang Tai Stationery Company Limited as purchaser, for the sale and purchase of the premises of the Factory Units A, B, C and D on the 7th Floor of Yally Industrial Building, 6 Yip Fat Street, Wong Chuk Hang, Hong Kong at a total consideration of HK\$7,700,000. Details of the transaction were published in the announcement issued by the Company dated 21 March 2007;
- (b) a provisional agreement dated 10 March 2007 and entered into between Bigfield Goldenford Holdings Limited, a wholly-owned subsidiary of the Company as vendor and Formable Industrial Limited as purchaser, for the sale and purchase of the premises of the Factory Unit B on the 8th Floor of Yally Industrial Building, 6 Yip Fat Street, Wong Chuk Hang, Hong Kong at a total consideration of HK\$2,320,000. Details of the transaction were published in the announcement issued by the Company dated 21 March 2007;
- (c) a provisional agreement dated 12 March 2007 and entered into between Bigfield Goldenford Holdings Limited, a wholly-owned subsidiary of the Company as vendor and Mrs. Cheung Nguy Khim (the ultimate beneficial owner of Formable Industrial Limited) as purchaser, for the sale and purchase of the premises of the Factory Unit D on the 20th Floor of Yally Industrial Building,

6 Yip Fat Street, Wong Chuk Hang, Hong Kong at a total consideration of HK\$1,980,000. Details of the transaction were published in the announcement issued by the Company dated 21 March 2007;

- (d) an agreement dated 10 August 2007 and entered into between Bigfield Goldenford Holdings Limited, a wholly-owned subsidiary of the Company as vendor and Khim Nguy's Design Limited as purchaser, for the sale and purchase of the premises of the Factory Units B and C the 6th Floor of Yally Industrial Building, 6 Yip Fat Street, Wong Chuk Hang, Hong Kong at a total consideration of HK\$5,200,000. Details of the transaction were published in the announcement issued by the Company dated 5 October 2007;
- (e) an agreement dated 5 October 2007 and entered into between Frankie Dominion (Holdings) Limited, a wholly-owned subsidiary of the Company as vendor and Mr. Cheung Kin Ming Larry and Mrs. Cheung Nguy Khim as purchasers, for the sale and purchase of the premises of the Factory Units A, B, C and D on the 2nd Floor of Yally Industrial Building, 6 Yip Fat Street, Wong Chuk Hang, Hong Kong at a total consideration of HK\$15,380,000. Details of the transaction were published in the announcement issued by the Company dated 5 October 2007;
- (f) an agreement dated 5 October 2007 and entered into between Bigfield Goldenford Holdings Limited, a wholly-owned subsidiary of the Company as vendor and Mr. Cheung Kin Ming Larry and Mrs. Cheung Nguy Khim as purchasers for the sale and purchase of the car parking space no. 16 on the ground floor of Yally Industrial Building, 6 Yip Fat Street, Wong Chuk Hang, Hong Kong at a total consideration of HK\$230,000. Details of the transaction were published in the announcement issued by the Company dated 5 October 2007;
- (g) the Previous Acquisition Agreement;
- (h) the Coal-related Ancillary Business Agreement;
- (i) the Sale and Purchase Agreement; and
- (j) the Preliminary Reorganisation Agreement.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Enlarged Group which is not determinable by the Enlarged Group within one year without payment of compensation other than statutory compensation.

8. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claim of material importance and there was no litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

9. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinions and/or advice which are included in the circular:

Name	Qualification
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
Hantec	A licensed corporation permitted to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
B.I. Appraisals Limited	Registered professional Surveyor and valuers & property consultants
Jones Lang LaSalle Sallmanns Limited	Registered professional Surveyor
Shanxi Jin Yi Law Firm	PRC Legal Adviser
Guangzhou Foreign Economic Law Office	PRC Legal Adviser
Grand Cathay	A licensed corporation permitted to engage in type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports and letters and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of the above experts has any shareholding, directly or indirectly in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group; nor does it have any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2007, being the date to which the latest published audited financial statements of the Company were made up.

10. GENERAL

- (a) The qualified accountant and company secretary of the Company is Mr. Cheung Ka Fai who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.
- (b) The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (c) The head office and principal place of business of the Company in Hong Kong is at Room 4205, Far East Finance Center, 16 Harcourt Road, Admiralty, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room 4205, Far East Finance Center, 16 Harcourt Road, Admiralty, Hong Kong during normal business hours of any business day up to and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the letter of recommendation from the Independent Board Committee containing its recommendation to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (c) the letter from Hantec containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Hantec" in this circular;
- (d) the legal opinion of 山西晉義律師事務所 (Shanxi Jin Yi Law Firm, the text of which are referred to in the section headed "Letter from the Board" in this circular;
- (e) the legal opinion of Guangzhou Foreign Economic Law Office concerning the validity of the Group's property interests in the PRC as mentioned in the valuation report from Jones Lang LaSalle Sallmanns Limited;

- (f) the published audited consolidated financial statements of the Company for each of the two financial years ended 31 December 2006 and 2007;
- (g) the Financial Information on the Acquired Plants and Machineries, the text of which is set out in Appendix II to this circular;
- (h) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (i) the Accountants' Report on Huscoke Group, the text of which is set out in Appendix IV to this circular;
- (j) all the relevant reports and letter as disclosed in Appendix V and Appendix VII to this circular;
- (k) the letters from each of HLB Hodgson Impey Cheng and Grand Cathay relating to the profit forecast, the text of which is set out in Appendix VI to this circular;
- (l) the written consent from Hantec, HLB Hodgson Impey Cheng, B.I. Appraisals Limited, Jones Lang LaSalle Sallmanns Limited, Shanxi Jin Yi Law Firm, Guangzhou Foreign Economic Law Office and Grand Cathay as referred to in the paragraph headed "Expert and Consent" in this appendix;
- (m) each of the material contracts, as referred to in the paragraph headed "Material Contracts" in this appendix; and
- (n) each of the circulars of the Company issued pursuant to the requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules since 31 December 2007, being the date of the latest published audited accounts of the Company were made up.

NOTICE OF SGM



FRANKIE DOMINION INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 704)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting of Frankie Dominion International Limited ("**Company**") will be held at 10:30 a.m. on Wednesday, 23 July 2008 at the Board Room, 1st Floor, The Aberdeen Marine Club, 8 Shum Wan Road, Aberdeen, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **"THAT** the authorized share capital of Frankie Dominion International Limited ("**Company**") be and is hereby increased from HK\$1,000,000,000 divided into 10,000,000,000 shares of par value HK\$0.10 each ("**Shares**") to HK\$2,000,000,000 divided into 20,000,000,000 Shares by the creation of 10,000,000,000 new Shares in the capital of the Company"
2. **"THAT:**
 - (A) the form and substance of the agreement ("**Acquisition Agreement**") dated 21 April 2008 and made between Wu Jixian as vendor ("**Vendor**") and Rich Key Enterprises Limited as purchaser ("**Purchaser**") and Frankie Dominion International Limited ("**Company**") as warrantor of the Purchaser, in relation to (i) the sale and purchase of the entire issued shares in Oden Group Limited and the face value of the loans outstanding as at the completion of such transaction made by or on behalf of the Vendor to Oden Group Limited at an aggregate consideration (subject to adjustments pursuant to the terms of the Acquisition Agreement) of HK\$2,400 million (a copy of the Acquisition Agreement was produced to the meeting and marked "**A**" and initialed by the chairman of the meeting for identification purpose), as mentioned in the circular ("**Circular**") of the Company dated 30 June 2008 (a copy of which was produced to the meeting marked "**B**" and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereby be and they are hereby approved;
 - (B) the creation and issue of the New Convertible Bonds (as defined in the Circular), on and subject to the terms of the Acquisition Agreement, be and it is hereby approved;

NOTICE OF SGM

- (C) the directors ("**Directors**") of the Company be and they are hereby generally and specifically authorized to allot and issue such number of new shares in the capital of the Company as may be allotted and issued upon the exercise of the conversion rights in full attaching to the New Convertible Bonds (as defined in the Circular); and
 - (D) the Directors be and they are hereby authorized to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Acquisition Agreement, the allotment and issue of the new shares upon exercise of the conversion rights attaching to the New Convertible Bonds (as defined in the Circular), the issue of the New Convertible Bonds (as defined in the Circular) or any of the transactions contemplated under the Acquisition Agreement (including but not limited to the execution of the instrument which will constitute the New Convertible Bonds (as defined in the Circular)) and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Acquisition Agreement) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole."
3. **"THAT:**
- (A) the form and substance of the agreement ("**Coal Master Supply Agreement**") dated 21 April 2008 and made between Joy Wisdom International Limited (for itself and on behalf of its subsidiaries from time to time) as supplier and Oden Group Limited (for itself and on behalf of its subsidiaries from time to time) as purchaser for the supply of watered/processed coal (a copy of which was produced to the meeting marked "**C**" and initialed by the chairman of the meeting for identification purpose), as mentioned in the circular ("**Circular**") of the Company dated 30 June 2008 (a copy of which has been produced to the meeting marked "**B**" and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereby be and they are hereby approved;
 - (B) the relevant expected capped amount of the transactions contemplated under the Coal Master Supply Agreement for the period of two months commencing from the date the conditions precedent of the Coal Master Supply Agreement are fulfilled as set out in the Circular be and it is hereby approved; and

NOTICE OF SGM

- (C) the directors ("**Directors**") of the Company be and they are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may in their discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Coal Master Supply Agreement or any of the transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Coal Master Supply Agreement) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole."

4. "THAT:

- (A) the form and substance of the agreement ("**Coke Master Supply Agreement**") dated 21 April 2008 and made between Pride Eagle Investments Limited (for itself and on behalf of its subsidiaries from time to time) as purchaser and Oden Group Limited (for itself and on behalf of its subsidiaries from time to time) as supplier for the supply of coke (a copy of which was produced to the meeting marked "**D**" and initialed by the chairman of the meeting for identification purpose), as mentioned in the circular ("**Circular**") of the Company dated 30 June 2008 (a copy of which has been produced to the meeting marked "**B**" and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereby be and they are hereby approved;
- (B) the relevant expected capped amount of the transactions contemplated under the Coke Master Supply Agreement for the period of two months commencing from the date the conditions precedent of the Coke Mater Supply Agreement are fulfilled as set out in the Circular be and it is hereby approved; and
- (C) the directors ("**Directors**") of the Company be and they are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may in their discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Coke Master Supply Agreement or any of the transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Coke Master Supply Agreement) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole."

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SPECIAL RESOLUTION

5. “**THAT** subject to the approval of the Registrar of Companies in Bermuda being obtained, the name of Frankie Dominion International Limited (“**Company**”) be changed to “Huscoke Resources Holdings Limited” and “和嘉資源控股有限公司” be adopted as secondary name of the Company and the directors of the Company be and they are hereby authorised generally to do such acts and things and execute all documents or make such arrangements as they may consider necessary or expedient to effect such change of name and the adoption of the secondary name.”

For and on behalf of the board of directors of
Frankie Dominion International Limited
Lam Po Kwai, Frankie
Chairman

Hong Kong, 30 June 2008

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

*Head office and principal place
of business in Hong Kong:*
Room 4205
Far East Finance Center
16 Harcourt Road
Admiralty
Hong Kong

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Notes:

- (1) A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. A member who is the holder of two or more shares and entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to represent him and vote on his behalf. A form of proxy for use at the meeting is enclosed.
- (2) In order to be valid, the form of proxy, together with any power of attorney or authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (3) Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (5) As at the date of this notice, the executive Directors are Mr. Lam Po Kwai, Frankie, Mr. Chim Kim Lunm, Ricky, Mr. Cheng Kwok Hing, Andy, Mr. Wu Jixian and Mr. Li Baoqi; the non-executive director of the Company is Ms. Lee Yuen Bing, Nina and the independent non-executive directors of the Company are Mr. Wan Hon Keung, Mr. Lee Johnson and Mr. Sun Tak Keung.