THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Best Group Holding Limited (the "Company"), you should at once hand this prospectus and the accompanying Application Form (as defined below) to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

A copy of this prospectus and a copy of the Application Form, having attached thereto the documents specified in paragraph headed "Documents Delivered to the Registrars of Companies" in Appendix III to this prospectus, have been registered with the Registrar of Companies in Hong Kong as required under Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of this prospectus and a copy of the Application Form have been or will as soon as reasonably practicable be filed with the Registrar of Companies in Bermuda in accordance with the requirements of the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility for the contents of any of these documents.

Dealings in the Shares (as defined below) may be settled through CCASS (as defined below) established and operated by HKSCC (as defined below) and you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of these arrangements and how such arrangements may affect your rights and interests.

Subject to the grant of the listing of, and permission to deal in the Offer Shares (as defined below) on the Stock Exchange (as defined below) as well as compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

CHINA BEST
國華集團

CHINA BEST GROUP HOLDING LIMITED
國華集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 370)

OPEN OFFER OF 3,102,993,076 OFFER SHARES TO QUALIFYING SHAREHOLDERS ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON THE RECORD DATE AT HK$0.075 PER OFFER SHARE

Financial adviser to the Company

WALLBANCK BROTHERS
Securities (Hong Kong) Limited

Underwriter to the Open Offer

KCG

KCG Securities Asia Limited

The latest time for acceptance of and payment for the Offer Shares is at 4:00 p.m. on Friday, 13th June, 2008. The procedure for acceptance and payment of the Offer Shares is set out on page 17 of this prospectus.

The Underwriting Agreement (as defined below) contains provisions which entitle the Underwriter (as defined below), by notice in writing, to terminate the Underwriting Agreement prior to the Latest Time for Termination (as defined below) on the occurrence of certain events. These events are set out under the section headed "Termination of the Underwriting Agreement" from pages 12 to 13 of this prospectus. If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Friday, 9th May, 2008 and that dealings in the Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Tuesday, 17th June, 2008), will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

30th May, 2008

* *For identification purpose only*

CONTENTS

In the Prospectus, the following expressions have the following meanings, unless the context otherwise requires:

"Announcement"	the announcement of Company dated 24th April, 2008 in relation to the Open Offer
"Application Form(s)"	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
"Best Chance"	Best Chance Holdings Limited, the registered holder of 2,113,872,000 Shares and a company in which Mr. Wang is entitled to exercise one-third or more of the voting power as at the Latest Practicable Date
"Board"	the board of Directors
"Business Day"	a day which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
"CCASS"	The Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Company"	China Best Group Holding Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
"Companies Act"	the Companies Act 1981 of Bermuda
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or associates
"Latest Practicable Date"	26th May, 2008, being the latest practicable date for ascertaining certain information contained in the Prospectus
"Latest Time for Acceptance"	4:00 p.m. on Friday, 13th June, 2008, or such other date and/or time as the Underwriter and the Company may agree being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus
"Latest Lodging Time"	being 4:00 p.m. on Tuesday, 13th May 2008 or such other date and/or time as the Underwriter and the Company may agree as the latest time for lodging transfer of the existing Shares and/or exercising the Share Options in order to qualify for the Open Offer
"Latest Time for Termination"	4:00 p.m. on Tuesday, 17th June, 2008, or the second Business Day after the Latest Time for Acceptance (whichever is the later), being the latest time to terminate the Underwriting Agreement, and in any case, the latest time would not be later than the time when dealings of the Offer Shares commence (or such other time or date as the Underwriter and the Company may agree in writing)
"Last Trading Day"	22nd April, 2008, being the last trading day which was immediately prior to the suspension of trading in the Shares on 23rd April, 2008 on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Wang"	Mr. Wang Jian Hua, the registered holder of 87,988,000 Shares as at the Latest Practicable Date
"Offer Share(s)"	3,102,993,076 new Shares to be issued pursuant to the Open Offer

"Open Offer"	the proposed offer for subscription at the Subscription Price to be made by the Company to the Qualifying Shareholders in the proportion of one Offer Share for every two Shares held on the Record Date by way of an open offer upon the terms and conditions mentioned herein and more particularly described in the Prospectus Documents
"Overseas Letter"	a letter from the Company to the Prohibited Shareholder(s) explaining the circumstances in which the Prohibited Shareholder(s) is/are not permitted to participate in the Open Offer
"Overseas Shareholder(s)"	Shareholder(s) with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
"PRC"	The People's Republic of China which for the purpose of the Prospectus excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Prohibited Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is/are in (a) place(s) outside Hong Kong, where the Directors consider it necessary or expedient not to offer the Open Offer to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Prospectus"	this prospectus
"Prospectus Documents"	the Prospectus and the Application Form
"Prospectus Posting Date"	Friday, 30th May, 2008, the date of despatch of the Prospectus Documents, or such another date as the Underwriter may agree in writing with the Company for the despatch of the Prospectus Documents
"Qualifying Shareholders"	the Shareholder(s) other than the Prohibited Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
"Record Date"	Friday, 16th May, 2008, or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Open Offer
"Registrar"	Tricor Tengis Limited, the share registrar of the Company

"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanxi Changxing"	Shanxi Changxing Yuci Coking Company Limited, a 51% owned subsidiary of the Group
"Share(s)"	the existing Share(s) of HK$0.05 each in the share capital of the Company
"Share Options"	options to subscribe for Shares granted under the Share Option Scheme
"Share Option Scheme"	the share option scheme adopted on 18th March, 2002 under which option holder(s) can subscribe for existing Shares upon the exercise of options granted under the Share Option Scheme
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	subscription price of HK$0.075 per Offer Share pursuant to the Open Offer
"Underwriter"	KCG Securities Asia Limited, being a licensed corporation authorised to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activity under the Securities and Futures Ordinances (Chapter 571 of the Laws of Hong Kong), whose ordinary course of business includes underwriting and who, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, together with its ultimate beneficial owners are third parties independent of and not connected with the Company and the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or associates
"Underwriting Agreement"	the underwriting agreement dated 22nd April, 2008 and entered into between the Company and the Underwriter in relation to the underwriting of the Open Offer
"Underwritten Shares"	not less than 20,000,000 but not more than 2,002,063,076 Offer Shares, being all Offer Shares (including the Offer Shares to which the Prohibited Shareholder(s) would otherwise have been entitled) less 1,100,930,000 Offer Shares which Mr. Wang and Best Chance have undertaken to subscribe
"US"	the United States of America
"%"	per cent

The revised expected timetable of the Open Offer is set out below:

	2008
Despatch of the Prospectus Documents	Friday, 30th May
Latest Time for Acceptance	4:00 p.m. on Friday, 13th June
Latest Time for Termination (being the second Business Day following the Latest Time for Acceptance)	4:00 p.m. on Tuesday, 17th June
Announcement of the results of the Open Offer appears on the newspaper or the Company's website	Thursday, 19th June
Certificates for fully-paid Offer Shares to be despatched	Thursday, 19th June
Dealing in Offer Shares commences on the Stock Exchange	Monday, 23rd June

All times stated above are Hong Kong times. Dates stated in the timetable are for indicative purpose only and may be extended or varies. Any changes to the expected timetable for the Open Offer will be announced as and when appropriate

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The latest time for acceptance of and payment for the Offer Shares will not take place if there is:

- A tropical cyclone warning signal number 8 or above, or
- A "black" rainstorm warning

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon as on date of the Latest Time for Acceptance. Instead the latest time for acceptance or any payment for Open Offer Shares will be extended to 5:00 p.m. on the same Business Day;

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the latest time for acceptance of and payment for the Open Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for Open Offer does not take place on the Latest Time for Acceptance, the dates mentioned in the section headed "Expected Timetable" in the Prospectus may be affected. An announcement will be published by the Company in such event.

CHINA BEST GROUP HOLDING LIMITED
國華集團控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 370)

Executive Directors:
Ms. Ma Jun Li *(Chairman)*
Mr. Ng Tang
Mr. Zhang Da Qing
Mr. Ren Zheng
Ms. Cheung Hoi Ping
Mr. Zhang Jun

Independent non-executive Directors:
Ms. Chung Kwo Ling
Mr. Sun Yeung Yeung
Mr. Lee Yuen Kwong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and principal place of business in Hong Kong:
Room 3405
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

30th May, 2008

To the Shareholders

Dear Sir or Madam,

OPEN OFFER OF 3,102,993,076 OFFER SHARES TO QUALIFYING SHAREHOLDERS ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON THE RECORD DATE AT HK$0.075 PER OFFER SHARE

INTRODUCTION

The Company announced on 24th April, 2008 that the Board proposed to raise not less than approximately HK$232.72 million but not more than approximately HK$256.13 million, before expenses, by issuing not less than 3,102,993,076 Offer Shares (when all the Share Options are not exercised on or before the Record Date) but not more than 3,415,093,076 Offer Shares (when all the Share Options are being exercised on or before the Record Date) at a price of HK$0.075 per Offer Share by way of Open Offer on the basis of one Offer Share for every two existing Shares held on the Record Date and payable in full upon acceptance.

* *For identification purpose only*

The Company announced on 14th May, 2008 that since additional time and effort were required to compile the information to be contained in the Prospectus, the despatch of the Prospectus Documents would be postponed.

The Company then announced the revised timetable on 19th May, 2008 and the same is set out under the section headed "Expected Timetable" in the Prospectus. The time for despatch of the Prospectus Documents has been postponed to 30th May, 2008.

As none of the optionholders have exercised the Share Options from the date of the Announcement up to and including the Record Date, the Company will issue 3,102,993,076 Offer Shares in the Open Offer on the basis of one Offer Share for every two existing Shares held on the Record Date.

The purpose of the Prospectus is to provide you with further information regarding the Open Offer, including information on dealings in and applications for the Offer Shares, and certain financial and other information of the Group.

PROPOSED OPEN OFFER

Issue Statistics

Basis of the Open Offer	:	One Offer Share for every two existing Shares held on the Record Date payable in full upon acceptance
Subscription Price	:	HK$0.075 per Offer Share
Number of Shares in issue	:	6,205,986,153 Shares as at the Latest Practicable Date
Number of Offer Shares	:	3,102,993,076 Offer Shares, representing approximately 50% of the existing issued share capital of the Company and approximately 33.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares
Number of Offer Shares to be taken up by Mr. Wang and Best Chance	:	Each of Mr. Wang and Best Chance has undertaken to subscribe for 43,994,000 Offer Shares and 1,056,936,000 Offer Shares respectively to which they are entitled under the Open Offer
Number of Offer Shares underwritten by the Underwriter	:	Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Offer Shares (other than the Offer Shares agreed to be taken up by Mr. Wang and Best Chance) which have not been taken up, being not less than 20,000,000 but not more than 2,002,063,076 Offer Shares. Accordingly, the Open Offer is fully underwritten.

As at the Latest Practicable Date, the Company had 623,200,000 outstanding Share Options which entitled 28 holders thereof to subscribe for 623,200,000 Shares.

The number of Offer Shares of 3,102,993,076 Offer Shares to be issued represents approximately 50% of the existing issued share capital of the Company and approximately 33.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. Save for the Share Options, the Company has no other outstanding convertible note, share option, warrant, derivative or other securities convertible into or exchangeable for the Shares.

Pursuant to the Underwriting Agreement, the Company has undertaken that it shall not issue any Shares or issue or grant any share options or other securities which carry rights to acquire Shares (other than the Offer Shares and the Shares to be issued pursuant to the exercise of the Share Options) from the date of the Underwriting Agreement until the Latest Time for Acceptance.

As at the Latest Practicable Date, Mr. Wang was the registered holder of 87,988,000 Shares (representing approximately 1.42% of the entire share capital of the Company) and Best Chance, a company in which Mr. Wang was entitled to exercise one-third or more of the voting power, was the registered holder of 2,113,872,000 Shares (representing approximately 34.06% of the entire share capital of the Company).

Irrevocable Undertaking

Each of Mr. Wang and Best Chance has irrevocably undertaken (subject to the Open Offer becoming unconditional) to subscribe for 43,994,000 Offer Shares and 1,056,936,000 Offer Shares respectively to which they are entitled under the Open Offer.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will despatch the Prospectus Documents to the Qualifying Shareholders only. The Company will deliver the Overseas Letter and the Prospectus to the Prohibited Shareholder(s), if any, for information purpose only.

To qualify for the Open Offer, a Shareholder must have at the close of business on the Record Date:

(i) been registered as a member of the Company; and

(ii) not been a Prohibited Shareholder.

In order to be registered as members of the Company on the Record Date, the Shareholders must have lodged the relevant transfer of Shares (with the relevant share certificates) for registration with the Registrar by 4:00 p.m. on Tuesday, 13th May, 2008.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation. There will not be any trading in nil-paid entitlements of the Offer Shares on the Stock Exchange and the Qualifying Shareholders will not be entitled to subscribe for any Offer Shares in excess of their respective assured entitlements.

Subscription Price

The Subscription Price for the Offer Shares is HK$0.075 per Offer Share, payable in full upon application for the Offer Shares. The Subscription Price represents:

(i) a discount of approximately 36.97% to the closing price of HK$0.119 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 42.31% to the closing price of HK$0.13 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iii) a discount of approximately 37.50% to the average closing price of HK$0.120 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

(iv) a discount of approximately 37.50% to the average closing price of approximately HK$0.120 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;

(v) a discount of approximately 27.88% to the theoretical ex-entitlement price of approximately HK$0.104 per Share based on the closing price of HK$0.119 per Share as quoted on the Stock Exchange on the Last Trading Day;

(vi) a premium of approximately 368.75% over the unaudited consolidated net asset value of the Group of approximately HK$0.016 per Share as at 30th June, 2007, based on the unaudited consolidated net asset value of the Group of approximately HK$100.40 million as at 30th June, 2007 and 6,205,986,153 Shares in issue as at the Latest Practicable Date; and

(vii) a premium of approximately 1,461.23% over the audited consolidated net asset value of the Group of approximately HK$0.005 per Share as at 31st December, 2007, based on the audited consolidated net asset value of the Group of approximately HK$29.813 million as at 31st December, 2007 and 6,205,986,153 Shares in issue as at the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter and after taking into account (i) the average closing price of approximately HK$0.120 per Share as quoted on the Stock Exchange for the period from 16th April, 2008 up to (and including) the Last Trading Day; and (ii) the unaudited consolidated net asset value per Share as at 30th June, 2007.

The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole since the discounts of the Subscription Price to the closing prices of the Shares in the recent trading days may encourage the Shareholders to participate in the Open Offer without exerting excessive financial burden on the part of the Shareholders.

Status of the Offer Shares

The Offer Shares (when fully paid and issued) will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

Fractions of the Offer Shares

Fractional entitlements to the Offer Shares will not be issued but will be aggregated and taken up by the Underwriter.

Certificates of the Offer Shares

Subject to the fulfilment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted by Thursday, 19th June, 2008 to those Shareholders entitled thereto by ordinary post at their own risks.

Rights of the Overseas Shareholders

The Prospectus Documents are not expected to be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. Having reviewed the register of members, the Board noted that there was one Shareholder with registered address in the US as at the Record Date. The Board has made enquiries regarding the feasibility of extending the Open Offer to the US Overseas Shareholder pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company was advised that under the laws of the US, the Company has to comply with certain securities laws or regulations in relation to the Prospectus Documents in order for the US Overseas Shareholder to participate in the Open offer. In the light of the costs, time and only one Overseas Shareholder is involved, the Board considers it necessary and expedient not to offer the Offer Shares to the US Overseas Shareholder and accordingly the US Overseas Shareholder will be considered as a Prohibited Shareholder.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders. The Company will deliver the Overseas Letter and the Prospectus to the US Overseas Shareholder for information purpose only.

No application for excess Offer Shares

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group. The Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

After arm's length negotiation with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Company has decided that the Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements.

Any Offer Shares not taken up by the Qualifying Shareholders (other than Mr. Wang and Best Chance) and the Offer Shares to which the Prohibited Shareholder(s) would otherwise have been entitled under the Open Offer will be taken up by the Underwriter.

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. The Offer Shares are expected to continue to be traded in existing board lot of 2,000 Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date	:	22nd April, 2008
Underwriter	:	KCG Securities Asia Limited
Number of Offer Shares underwritten	:	Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Offer Shares (other than the Offer Shares agreed to be taken up by Mr. Wang and Best Chance) which have not been taken up, being not less than 20,000,000 but not more than 2,002,063,076 Offer Shares. Accordingly, the Open Offer is fully underwritten.
Commission	:	4.25% of the aggregate Subscription Price in respect of the maximum number of Offer Shares agreed to be underwritten by the Underwriter pursuant to the Underwriting Agreement.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Underwriter and its respective ultimate beneficial owners are third parties independent of and not connected with the Company and the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them and are not acting in concert with any Shareholders.

The 4.25% commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter with reference to the prevailing market rate. The Directors consider that the commission is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Termination of the Underwriting Agreement

If prior to the Latest Time for Termination, in the reasonable opinion of the Underwriter:

(a) there has been the occurrence of any of the following events:

(i) the introduction of any new law or regulation or any changes in existing law or regulation (or the judicial interpretation thereof) or other competent authority in Hong Kong, the PRC, Bermuda, the British Virgin Islands or any relevant jurisdiction or other occurrence of any nature whatsoever;

(ii) the occurrence of any local, national or international events or changes (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national and international outbreak or escalation of hostilities or armed conflict;

(iii) any events of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout which shall have occurred, happened or come into effect; or

(iv) the occurrence of any changes in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities),

which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or otherwise makes it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Open Offer;

(b) the Company commits any breach of or omits to observe any of the material obligations or undertakings expressed to be assumed by it under the Underwriting Agreement; or

(c) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter be material to the Group as a whole and is likely to affect the success of the Open Offer or might cause a prudent investor not to accept the Open Offer provisionally allotted to it;

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

Conditions of the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional upon:

(a) each of Mr. Wang and Best Chance having irrevocably undertaken (subject to the Open Offer becoming unconditional) to subscribe for 43,994,000 Offer Shares and 1,056,936,000 Offer Shares respectively to which they are entitled under the Open Offer by executing the irrevocable undertaking;

(b) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their respective agents duly authorised in writing as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date or otherwise in compliance with the Listing Rules and the Companies Ordinance;

(c) the filing with the Registrar of Companies in Bermuda one copy of the Prospectus Documents (and all other documents to be attached thereto) duly signed by either all Directors or one of the Directors (for and on behalf of all the Directors) as soon as reasonably practicable after publication;

(d) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date;

(e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Offer Shares no later than the Latest Time for Termination; and

(f) compliance with and performance of all the undertakings and obligations by the Company under the Underwriting Agreement.

If the conditions referred to above are not satisfied and/or waived in whole or in part by the Underwriter on or before the date specified in the Underwriting Agreement (or such later date or dates as the Underwriter may agree with the Company in writing), the Underwriting Agreement will cease and terminate and the Open Offer will not proceed. If the Underwriting Agreement is terminated or not become unconditional or for any reason the Open Offer is not completed, the Company shall not be liable to pay any underwriting commission but shall pay or reimburse to the Underwriter all costs, charges and expenses being documentation fees which have been reasonably and properly incurred by the Underwriter in connection with the Open Offer to the extent of HK$100,000 only.

WARNING OF THE RISK OF DEALING IN THE SHARES

The Shareholders and potential investors of the Company should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in paragraph headed "Termination of the Underwriting Agreement" above). Accordingly, the Open Offer may or may not proceed.

The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their professional advisers.

CHANGE OF SHAREHOLDINGS IN THE COMPANY ARISING FROM THE OPEN OFFER

The Company was advised by a lawyer qualified to give US legal opinion that under the laws of the US, the Company has to comply with certain securities laws or regulations in relation to the Prospectus Documents in order for the US Overseas Shareholder to participate in the Open offer. In the light of the costs, time and only one Overseas Shareholder is involved, the Board considers it necessary and expedient not to offer the Offer Shares to the US Overseas Shareholder and accordingly the US Overseas Shareholder will be considered as a Prohibited Shareholder.

The Prohibited Shareholder held 40,000,000 Shares as at the Record Date. The 20,000,000 Offer Shares to which the Prohibited Shareholder would otherwise have been entitled under the Open Offer will be taken up by the Underwriter.

The changes in the shareholding structure of the Company arising from the Open Offer are as follows:–

	As at the Latest Practicable Date#		Immediately following completion of the Open Offer on the assumption as set out in Note 3		Immediately following completion of the Open Offer on the assumption as set out in Note 4	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Mr. Wang *(Note 1)*	87,988,000	1.42	131,982,000	1.42	131,982,000	1.42
Best Chance *(Note 1)*	2,113,872,000	34.06	3,170,808,000	34.06	3,170,808,000	34.06
Asset Managers (China) Fund Company Limited	794,310,376 *(Note 2)*	12.80	1,191,465,564	12.80	794,310,376	8.53
Underwriter	–	–	20,000,000	0.21	2,002,063,076	21.51 *(Note 5)*
Public Shareholders						
– the Prohibited Shareholder	40,000,000	0.64	40,000,000	0.43	40,000,000	0.43
– other public Shareholders	3,169,815,777	51.08	4,754,723,665	51.08	3,169,815,777	34.05
Total	6,205,986,153	100.00	9,308,979,229	100.00	9,308,979,229	100.00

Notes:

1. Mr. Wang is entitled to exercise one-third or more of the voting power in Best Chance.

2. These 794,310,376 Shares were held by Asset Managers (China) Fund Company Limited. Asset Managers (China) Fund Company Limited was owned as to 50% by Asset Managers (Asia) Company Limited (which was owned as to 70% by Asset Managers International Company Limited) and 50% by Asset Investors Company Limited (which was owned as to 50.1% by FR Holding Company Limited). Asset Managers Holding Company Limited held the entire share capital in Asset Managers International Company Limited and the entire share capital in FR Holding Company Limited through its wholly-owned subsidiary Asset Managers Company Limited. Accordingly, Asset Managers Holdings Company Limited, Asset Managers Company Limited, FR Holding Company Limited, Asset Managers International Company Limited, Asset Investors Company Limited and Asset Managers (Asia) Company Limited were all deemed to be interested in these 794,310,376 Shares held by Asset Managers (China) Fund Company Limited.

3. Assuming all Qualifying Shareholders take up their respective entitlements to the Offer Shares under the Open Offer. The Offer Shares to which the Prohibited Shareholder would otherwise have been entitled under the Open Offer will be taken up by the Underwriter.

4. Assuming except for Mr. Wang and Best Chance, none of the Qualifying Shareholders take up their respective entitlements to the Offer Shares under the Open Offer and, accordingly, the Underwriter will take up the Underwritten Shares in full pursuant to the terms of the Underwriting Agreement.

5. The Underwriter has entered into sub-underwriting arrangements so that the Underwriter and any of the sub-underwriters will not hold more than 20% of the issued share capital of the Company immediately following completion of the Open Offer.

\# Source: the records from the Registrar and the Company reflecting the shareholding structure of the Company on 26th May, 2008. In the event that the figures in the shareholding structure are different from those as disclosed in the above table, the Company would issue an announcement regarding the difference(s).

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in international air and sea freight forwarding, securities investment and manufacture and sale of coke. In order to strengthen the core business – coke processing, the Group continue to dig out investment opportunities and select strategic partners for business development especially in this recovery of economic environment.

Furthermore, the Group will also develop its business to be the leader of the newly growing coal mining and coke processing business. The Group had decided to re-locate more resources to occupy its unique market position in China especially in Shanxi Province and Inner Mongolia Autonomous Region. Given the group's international exposure in management and financing, the Directors are confident to develop a successful business model to obtain high contribution and stable revenue from coal mining and coke processing in the future.

On 3rd March, 2008, the Group entered into a non-legally binding memorandum of understanding with Asset Rich International Limited for the possible acquisition of a controlling interest in a coal mining and a coke processing venture. The Board confirms that such project is still in the negotiation stage and no formal agreement has been entered into by the Company in respect thereof.

The Group has decided to acquire coal mines and more coke processing factories in PRC. Due to the typical nature of the business, the financial structure will be capital intensive. At the development stage of merger and acquisition, the Group's major assets will be non-current in nature.

The Group has planned to be the leader of the newly growing coal mining and coke processing business in the PRC. With comparative advantages such as contemporary international management exposure and financing experience, together with the deep understanding of the trend of coking business under the PRC National policy, the Group is confident to develop a successful business model to obtain high growth rate and stable revenue from coke processing in the future. Since PRC is a major coke producer and exporter in the international market, future development prospect of coke industry is considered to be optimistic. In the overseas market, the boosting global steel industry, Japanese economy recovery and the fact that coke production in Europe and the US being restrained by stringent environmental legislations and obsolescence of production facilities together created buoyant demand for coke.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Company is an investment holding company and its principal subsidiaries are engaged in the business of international air and sea freight forwarding, securities investment and manufacture and sale of coke.

The purpose of the Open Offer is to strengthen its financial position for future potential investments. The Board has considered various fund raising activities apart from Open Offer including banking finance and rights issue and concludes that the Open Offer is in the best interests of the Company and its Shareholders as a whole as the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Company. As discussed above in the paragraph headed "Subscription Price", in view of the financial position of the Group, the price performance on or prior to the Last Trading Day, the relatively thin liquidity of the Shares and the prevailing market condition, a relatively substantial discount to the prevailing market price is acceptable. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

The estimated net proceeds from the Open Offer will be approximately HK$223.22 million (net of expenses of approximately HK$9.5 million). The Directors presently intend to apply generally the net proceeds for the general working capital of the Group but not excluding for feasible acquisition(s) the Group may encounter or contemplate in future.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE LAST TWELVE MONTHS

The Directors confirm that the Company has not undertaken any fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

ADJUSTMENT IN RELATION TO THE SHARE OPTION SCHEME

Pursuant to the terms of the Share Option Scheme, the exercise price of the Share Options will be adjusted in accordance with the Share Option Scheme upon the Open Offer becoming unconditional. Such adjustment will be verified by the auditor or an independent financial adviser of the Company and the Company will notify the holders of the Share Options the adjustment upon the Open Offer becoming unconditional. Further announcement will be made by the Company in respect of such adjustment as and when appropriate.

PROCEDURES FOR ACCEPTANCE AND PAYMENT OF THE OFFER SHARES

An Application Form is enclosed with the Prospectus which entitles you to accept any number of Offer Shares allocated to you based on your shareholding as at the Record Date. If you are a Qualifying Shareholder and you wish to apply for any number of Offer Shares in your assured entitlement of Offer Shares to which you are entitled, you must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the aggregate subscription price in respect of such number of Offer Shares you have accepted with the Registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 13th June, 2008. All remittance must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "China Best Group Holding Limited – Open Offer Account" and crossed "Account Payee Only" for the application.

It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance(s), has been lodged with the Registrar by not later than 4:00 p.m. on Friday, 13th June, 2008, all rights and entitlements under the Application Form will be deemed to have been declined and will be cancelled.

If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated in accordance with its terms and conditions, the (relevant part of) subscription monies will be refunded, without interest, by sending a cheque made out to the relevant Shareholders named on the Application Form (or in the case of joint Shareholders, to the first named Shareholder) and crossed "Account Payee Only", through ordinary post at the risk of the relevant Shareholder(s) to the address specified in the register of members of the Company on or before Thursday, 19th June, 2008.

The Application Form contains full information regarding the procedures to be followed if you wish to apply for Offer Shares less than your assured entitlement.

All cheque(s) or cashier's order(s) will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Any application in respect of which the cheque(s) or cashier's order(s) is dishonoured on first presentation is liable to be rejected, and in that event all rights and entitlements under the Application Form will be deemed to have been declined and will be cancelled.

The Application Form is for use only by the person(s) named therein and is not transferable. No receipt will be issued in respect of any subscription monies for the Offer Shares received.

ADDITIONAL INFORMATION

Your attention is drawn to the Appendices to the Prospectus for additional information.

By order of the Board
China Best Group Holding Limited
Ma Jun Li
Chairman

1. SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

Set out below is a summary of the audited consolidated income statement and balance sheet of the Group for each of the three years ended 31st December, 2005, 2006 and 2007 as extracted from the annual reports of the Company for each of the two years ended 31st December, 2006 and 31st December, 2007.

Consolidated Income Statement

	Year ended 31st December,		
	2007	**2006**	**2005**
	(audited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
Revenue	288,863	97,130	67,115
Gross profit (loss)	8,617	(9,613)	(8,640)
Loss before taxation	(76,509)	(59,788)	(161,010)
Taxation	(4,888)	(795)	–
Loss for the year	(81,397)	(60,583)	(161,010)
Attributable to:			
Equity holders of the Company	(81,547)	(45,768)	(136,992)
Minority interests	150	(14,815)	(24,018)
	(81,397)	(60,583)	(161,010)
Dividends	–	–	–

Consolidated Balance Sheet

	Year ended 31st December,		
	2007	**2006**	**2005**
	(audited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
Total assets	433,150	322,900	219,930
Total liabilities	(447,473)	(291,485)	(187,243)
Net assets/(liabilities)	(14,323)	31,415	32,687
Total equity attributable to equity holders of the Company	29,813	72,885	58,955
Minority interests	(44,136)	(41,470)	(26,268)
Total equity	(14,323)	31,415	32,687

2. AUDITED FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31ST DECEMBER, 2007

The following is the audited financial statements of the Group for the two years ended 31st December, 2007 as extracted from the audited annual report of the Group for the year ended 31st December, 2007.

Consolidated Income Statement
For the year ended 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	6	288,863	97,130
Cost of sales		(280,246)	(106,743)
Gross profit (loss)		8,617	(9,613)
Other income	8(a)	6,209	5,188
Administrative expenses		(41,112)	(40,643)
Selling and distribution expenses		(20,156)	(9,352)
Fair value gain on investments held for trading		71,522	9,891
Impairment loss on property, plant and equipment	14	(58,000)	(6,533)
Finance costs	8(b)	(20,143)	(8,314)
Share-based payment expense		(24,087)	–
Share of results of associate		641	(412)
Loss before taxation	9	(76,509)	(59,788)
Taxation	11	(4,888)	(795)
Loss for the year		(81,397)	(60,583)
Attributable to:			
Equity holders of the Company		(81,547)	(45,768)
Minority interests		150	(14,815)
		(81,397)	(60,583)
Loss per share	12		
– Basic		1.3 HK cents	0.8 HK cent
– Diluted		N/A	N/A

Consolidated Balance Sheet

As at 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-Current Assets			
Investment property	13	1,700	1,500
Property, plant and equipment	14	118,326	151,068
Prepaid lease payments	15	3,876	3,725
Interests in associate	16	4,363	3,722
Available-for-sale investments	17	8,850	8,850
Club debentures	18	1,168	514
		138,283	169,379
Current Assets			
Inventories	19	20,878	4,785
Trade and other receivables	20	33,172	19,263
Prepaid lease payments	15	172	19
Short-term loan receivables	21	18,212	5,976
Investments held for trading	22	180,756	70,820
Deposits placed with security brokers	23	579	1,657
Pledged bank deposits	24	20,519	24,349
Bank balances and cash	25	20,579	26,652
		294,867	153,521
Current Liabilities			
Trade and other payables	26	234,782	223,043
Taxation payable		5,599	795
Margin loan payables	23	75,726	–
Other borrowings	27	98,647	41,114
		414,754	264,952
Net Current Liabilities		(119,887)	(111,431)
Total Assets less Current Liabilities		18,396	57,948
Non-Current Liability			
Other borrowings	27	32,719	26,533
		(14,323)	31,415
Capital and Reserves			
Share capital	28	310,299	302,449
Reserves		(280,486)	(229,564)
Equity attributable to equity holders of the Company		29,813	72,885
Minority interests		(44,136)	(41,470)
		(14,323)	31,415

Consolidated Statement of Changes in Equity
For the year ended 31st December, 2007

	Attributable to equity holders of the Company								
	Share capital	Share premium	Contributed surplus	Translation reserve	Share options reserve	Accumulated loss	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	273,299	115,500	1,996	(595)	38,604	(369,849)	58,955	(26,268)	32,687
Exchange differences arising from translation of foreign operations and recognised directly in equity	–	–	–	(454)	–	–	(454)	(387)	(841)
Loss for the year	–	–	–	–	–	(45,768)	(45,768)	(14,815)	(60,583)
Total recognised expenses for the year	–	–	–	(454)	–	(45,768)	(46,222)	(15,202)	(61,424)
Exercise of share options	5,000	8,700	–	–	(5,400)	–	8,300	–	8,300
Forfeiture of share options	–	–	–	–	(513)	513	–	–	–
Shares issued at premium	24,150	28,497	–	–	–	–	52,647	–	52,647
Share issue expenses	–	(795)	–	–	–	–	(795)	–	(795)
At 31st December, 2006	302,449	151,902	1,996	(1,049)	32,691	(415,104)	72,885	(41,470)	31,415
Exchange differences arising from translation of foreign operations and recognised directly in equity	–	–	–	2,006	–	–	2,006	(2,816)	(810)
Loss for the year	–	–	–	–	–	(81,547)	(81,547)	150	(81,397)
Total recognised income and expenses for the year	–	–	–	2,006	–	(81,547)	(79,541)	(2,666)	(82,207)
Recognition of equity settled share-based payments	–	–	–	–	24,087	–	24,087	–	24,087
Exercise of share options	7,850	11,717	–	–	(7,185)	–	12,382	–	12,382
Forfeiture of share options	–	–	–	–	(7,844)	7,844	–	–	–
At 31st December, 2007	310,299	163,619	1,996	957	41,749	(488,807)	29,813	(44,136)	(14,323)

Note: The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation prior to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited in 1996 and the nominal value of the Company's shares issued in exchange.

Consolidated Cash Flow Statement
For the year ended 31st December, 2007

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	(76,509)	(59,788)
Adjustments for:		
Allowance on inventories	995	948
Depreciation of property, plant and equipment	9,193	5,678
Dividend income from listed securities	(195)	(615)
Fair value gain on investments held for trading	(71,522)	(9,891)
Finance costs	20,143	8,314
Gain on disposal of property, plant and equipment	(142)	(73)
Impairment loss on property, plant and equipment	58,000	6,533
Impairment loss on trade receivables	1,962	370
Recovery of bad debts	(474)	–
Increase in fair value of investment property	(200)	(40)
Interest income	(1,845)	(2,144)
Release of prepaid lease payments	171	82
Share-based payments expense	24,087	–
Share of results of associates	(641)	412
Operating cash flows before movements in working capital	(36,977)	(50,214)
(Decrease) increase in inventories	(16,744)	1,410
(Decrease) increase in trade and other receivables	(13,780)	250
Increase in investments held for trading	(38,414)	(38,889)
Decrease (increase) in deposits placed with security brokers	1,078	(1,657)
Decrease in trade and other payables	8,695	80,344
Cash used in operation	(96,142)	(8,756)
Tax paid	(84)	–
NET CASH USED IN OPERATING ACTIVITIES	(96,226)	(8,756)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(42,178)	(57,707)
Advance of short-term loan receivables	(40,508)	(43,776)
Purchase of club debentures	(654)	–
Repayment of short-term loan receivables	28,272	37,800
Decrease (increase) in pledged bank deposits	5,569	(13,220)
Proceeds on disposal of property, plant and equipment	1,363	1,597
Interest received	1,845	2,144
Dividend income from listed securities	195	615
Deferred consideration received from the disposal of a subsidiary	–	9,000
NET CASH USED IN INVESTING ACTIVITIES	(46,096)	(63,547)

	2007 HK$'000	2006 HK$'000
FINANCING ACTIVITIES		
Other borrowings raised	63,967	41,114
Increase in margin loan payables	75,726	–
Proceeds from issue of shares, net of expenses	12,382	60,152
Interest paid	(13,057)	(6,303)
Repayment of other borrowings	(5,132)	(22,833)
Advance from a minority shareholder	–	1,155
NET CASH FROM FINANCING ACTIVITIES	133,886	73,285
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,436)	982
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	26,652	28,676
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,363	(3,006)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	20,579	26,652

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The Company is an investment holding company. The activities of its principal associate and subsidiaries are set out in notes 16 and 39 respectively.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors have given careful consideration to the future liquidity of the Group in light of the consolidated net current liabilities of approximately HK$119.9 million and consolidated net liabilities of approximately HK$14.3 million at 31st December, 2007.

Against this background, the directors have given careful consideration to the liquidity position and financial performance of Shanxi Changxing which sustained net current liabilities of approximately HK$246.0 million at 31st December, 2007 and loss for the year of approximately HK$104.4 million. Shanxi Changxing is currently focusing on strengthening its operations of manufacturing and sale of coke, and the management of Shanxi Changxing is implementing active cost-saving and value-adding measures to improve its operating cash flows and financial position.

At the same time, the directors are considering various options to raise new equity funds for the Group. Subsequent to the balance sheet date, as set out in note 36, the Company proposed to raise an amount of approximately HK$232.72 million but not more than approximately HK$256.13 million, before expenses, by way of an Open Offer to the qualifying shareholders (the "Open Offer") to provide new fundings to the Group.

On the basis that the Group can improve its operating results and cash flows through the implementation of the measures described above and the Open Offer can be successfully completed, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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 the new HKFRSs had no material effect on how the results and financial position 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 or 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 adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the 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 (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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 consolidation. 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.

Investments in 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 associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of 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, 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.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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 and sales related taxes.

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

Income from provision of freight forwarding agency services is recognised when the services are rendered.

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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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 value 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 year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or 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.

Property, plant and equipment

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

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

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account 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 consolidated income statement in the year in which the item is derecognised.

Inventories

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

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 exchange 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 period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rates 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 period, 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 period in which the foreign operation is disposed of.

Retirement benefit schemes

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

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income or a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are deducted in reporting the related expense.

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 net 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 income statement 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 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 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 and associates, 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 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.

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 financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 debts instruments.

Financial assets at FVTPL

The Group's financial assets at FVTPL comprise financial asset classified as 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 FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables.

For available-for-sale debt investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, 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 other financial assets, 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 trade receivables, 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 trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, 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 trade receivable 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.

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, of which the interest expense is included in net gain or losses.

Financial liabilities

The Group's financial liabilities, including trade and other payables, margin loan payables and other borrowings, are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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 or payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees after 7th November, 2002 and vested on or after 1st January, 2005

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

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

Share options granted to employees on or before 7th November, 2002, or granted after 7th November, 2002 and vested before 1st January, 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve).

Impairment loses (other than goodwill)

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.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 4, management has made the following estimates that have the most significant effect on the amounts recognised in the financial statements in the next financial year are discussed below.

Estimated impairment of property, plant and equipment

During the year, impairment loss on property, plant and equipment of approximately HK$58.0 million with respect to Shanxi Changxing was recognised in the consolidated income statement. Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Details of the recoverable amount calculation are set out in note 14.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, impairment loss may arise. As at 31st December, 2007, the carrying amount of trade receivables is approximately HK$20.2 million (2006: HK$13.1 million) (net of allowance for doubtful debts of approximately HK$4.6 million (2006: HK$3.1 million)).

Allowances for inventories

The management of the Group reviews the inventories listing on a product-by-product basis at each balance sheet date and makes allowance for obsolete and slow moving inventory items that are no longer suitable for use in production amounting to approximately HK$1.0 million (2006: HK$0.9 million). The management estimates the net value for such items based primarily on the latest invoice prices and current market conditions.

6. REVENUE

	2007	**2006**
	HK$'000	*HK$'000*
International air and sea freight forwarding	16,765	12,488
Manufacture and sales of coke	272,098	84,642
	288,863	97,130

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purpose, the Group is currently organised into three operating divisions – (i) international air and sea freight forwarding; (ii) securities trading and (iii) manufacture and sales of coke. These divisions are the basis on which the Group reports its primary segment information.

	International air and sea freight forwarding	Securities trading	Manufacture and sales of coke	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December, 2007					
Revenue	16,765	–	272,098	–	288,863
Segment result	1,740	71,522	(100,249)	–	(26,987)
Unallocated corporate expenses					(12,142)
Other income					6,209
Finance costs					(20,143)
Share-based payments expense	–	–	(10,297)	(13,790)	(24,087)
Share of results of associate	641	–	–	–	641
Loss before taxation					(76,509)
Taxation					(4,888)
Loss for the year					(81,397)
At 31st December, 2007					
ASSETS					
Segment assets	11,404	196,051	159,778	–	367,233
Interests in associate					4,363
Unallocated corporate assets					61,554
Total assets					433,150
LIABILITIES					
Segment liabilities	5,902	5,601	223,279	–	234,782
Unallocated corporate liabilities					212,691
Total liabilities					447,473

	International air and sea freight forwarding	Securities trading	Manufacture and sales of coke	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December, 2007					
OTHER INFORMATION					
Additions to property, plant and equipment	31	–	22,042	2,756	24,829
Depreciation of property, plant and equipment	26	–	8,882	285	9,193
Release of prepaid lease payments	–	–	171	–	171
Gain on disposal of property, plant and equipment	–	–	(142)	–	(142)
Net impairment loss on trade receivables	–	–	1,962	–	1,962
Allowance on inventories	–	–	995	–	995
Impairment loss on property, plant and equipment	–	–	58,000	–	58,000
Fair value gain on investments held for trading	–	(71,522)	–	–	(71,522)

	International air and sea freight forwarding	Securities trading	Manufacture and sales of coke	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December, 2006					
Revenue	12,488	–	84,642	–	97,130
Segment result	740	9,891	(37,853)	–	(27,222)
Unallocated corporate expenses					(29,028)
Other income					5,188
Finance costs					(8,314)
Share of results of associate	(412)	–	–	–	(412)
Loss before taxation					(59,788)
Taxation					(795)
Loss for the year					(60,583)
At 31st December, 2006					
ASSETS					
Segment assets	9,608	84,356	165,462	–	259,426
Interests in associate					3,722
Unallocated corporate assets					59,752
Total assets					322,900
LIABILITIES					
Segment liabilities	5,033	7	210,155	–	215,195
Unallocated corporate liabilities					76,290
Total liabilities					291,485

	International air and sea freight forwarding	Securities trading	Manufacture and sales of coke	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December, 2006					
OTHER INFORMATION					
Additions to property, plant and equipment	9	–	56,175	1,523	57,707
Depreciation of property, plant and equipment	23	–	4,977	678	5,678
Release of prepaid lease payments	–	–	82	–	82
(Gain) loss on disposal of property, plant and equipment	–	–	(119)	46	(73)
Impairment loss on trade receivables	–	–	370	–	370
Allowance on inventories	–	–	948	–	948
Impairment loss on property, plant and equipment	–	–	6,533	–	6,533
Fair value gain on investments held for trading	–	(9,891)	–	–	(9,891)

(b) Geographical segments

The Group's international air and sea freight forwarding are carried out in North and South America, while the manufacture and sales of coke is carried out in the People's Republic of China ("PRC").

The following provides an analysis of the Group's revenue by geographic markets based on location of customers, irrespective of the origin of the goods and services:

	Revenue	
	2007	**2006**
	HK$'000	*HK$'000*
North and South America	7,796	6,421
PRC	272,098	84,642
Others	8,969	6,067
	288,863	97,130

The following is an analysis of the carrying amount of assets and capital additions analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Capital additions**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
North and South America	3,323	2,479	–	–
Hong Kong	119,041	80,746	6	1,484
PRC	241,322	174,056	24,792	56,214
Others	3,547	2,145	31	9
	367,233	259,426	24,829	57,707

8. (a) OTHER INCOME

	2007	**2006**
	HK$'000	*HK$'000*
Interest income	1,845	2,144
Dividend income from listed securities classified as held for trading	195	615
Increase in fair value of investment property	200	40
Gain on disposal of property, plant and equipment	142	73
Recovery of bad debts	474	–
Sundry income	3,353	2,316
	6,209	5,188

(b) FINANCE COSTS

	2007	**2006**
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Other borrowings	18,420	8,314
Margin loan payables	1,723	–
	20,143	8,314

9. LOSS BEFORE TAXATION

	2007	2006
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging (crediting):		
Staff costs		
– directors' emoluments *(note 10(a))*	2,055	2,005
– share-based payments expense *(note 29)*	10,297	–
– other staff costs	6,678	9,080
– retirement benefits scheme contributions, excluding directors	135	160
Total staff costs	19,165	11,245
Depreciation of property, plant and equipment	9,193	5,678
Release of prepaid lease payments	171	82
Auditors' remuneration	1,400	1,087
Gain on disposal of property, plant and equipment	(142)	(73)
Impairment loss on trade receivables	1,962	370
Allowance on inventories	995	948
Equity-settled consultancy services *(note 29)*	13,790	–
Cost of inventories recognised as an expense	259,671	97,657
Exchange loss (gain)	1,870	(215)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 11 (2006: 10) directors were as follows:

		Other emoluments		
	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total emoluments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December, 2007				
Executive directors				
Ms. Ma Jun Li	–	247	–	247
Mr. Ng Tang, David	–	585	27	612
Mr. Ren Zheng	–	385	12	397
Ms. Cheung Hoi Ping	–	–	–	–
Mr. Zhang Jun	–	120	–	120
Mr. Zhang Da Qing	–	352	7	359
Mr. Wang Da Yong	–	–	–	–
	–	1,689	46	1,735
Non-executive directors				
Ms. Chung Kwo Ling	90	–	–	90
Mr. Sun Yeung Yeung	90	–	–	90
Mr. Lee Yuen Kwong	90	–	–	90
Mr. Leung Chung Tak, Barry	50	–	–	50
	320	–	–	320
Total	320	1,689	46	2,055

For the year ended 31st December, 2006

	Fees	Other emoluments: Salaries and other benefits	Other emoluments: Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Ms. Ma Jun Li	–	235	–	235
Mr. Ng Tang, David	–	585	27	612
Mr. Ren Zheng	–	390	12	402
Ms. Cheung Hoi Pint	–	–	–	–
Mr. Wang Da Yong	–	250	6	256
Mr. Zhang Jun	–	120	–	120
	–	1,580	45	1,625
Non-executive directors				
Ms. Chung Kwo Ling	90	–	–	90
Mr. Sun Yeung Yeung	90	–	–	90
Mr. Lee Yuen Kwong	90	–	–	90
Mr. Leung Chung Tak, Barry	110	–	–	110
	380	–	–	380
Total	380	1,580	45	2,005

During the year ended 31st December, 2007 and 2006, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group.

No directors waived any emoluments for the year ended 31st December, 2007 and 2006.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2006: three) were directors of the Company whose emoluments are set out in (a) above. The aggregate emoluments of the remaining two (2006: three) individuals were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other benefits	11,271	1,638
Retirement benefits scheme contributions	62	76
	11,333	1,714

The emoluments of each of the employees are less than HK$1,000,000 for both years.

11. TAXATION

	2007	2006
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	4,888	795

Pursuant to the relevant laws and regulations in the PRC, the income tax for Shanxi Changxing is calculated at the statutory income tax rate of 33% (2006: 33%) on the assessable profit and it is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years ("Tax Holiday"). No provision for PRC income tax has been made in the consolidated financial statements as Shanxi Changxing has no assessable profit since its date of incorporation.

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

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

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for subsidiaries established in the PRC from 1st January, 2008.

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

	2007	2006
	HK$'000	*HK$'000*
Loss before taxation	(76,509)	(59,788)
Tax credit at the income tax rate of 33%	(25,248)	(19,730)
Tax effect of share of results of associates	(211)	136
Tax effect of expenses that are not deductible in determining taxable profit	28,133	3,256
Tax effect of income that is not taxable in determining taxable profit	(739)	(823)
Tax effect of utilisation of tax loss not previously recognised	(6,149)	(892)
Tax effect of tax losses not recognised	14,616	17,347
Effect of different tax rates of subsidiaries operating in other jurisdictions	(5,514)	1,501
Taxation charge for the year	4,888	795

The major deferred tax liabilities (assets) recognised and movements thereon during the current year and prior year are summarised below:

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1st January, 2006	75	(75)	–
Charge (credit) to consolidated income statement for the year	108	(108)	–
Balance at 31st December, 2006	183	(183)	–
Charge (credit) to consolidated income statement for the year	(13)	13	–
Balance at 31st December, 2007	170	(170)	–

At 31st December, 2007, the Group has unutilised tax losses of HK$236,675,000 (2006: HK$209,537,000) available for offset against future profits. A deferred tax asset has been recognised in respect of tax losses of HK$971,000 (2006: HK$1,045,000). No deferred tax asset has been recognised of the remaining tax losses due to the unpredictability of future profit streams. The tax losses attributable to subsidiaries in Hong Kong of HK$142,260,000 (2006: HK$160,108,000) will not expire under the current tax legislation in Hong Kong and all other tax losses will expire from 2008 to 2010.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company of HK$81,547,000 (2006: loss of HK$45,768,000) and on the weighted average number of 6,137,846,427 (2006: 5,905,076,564) ordinary shares in issue during the year.

No diluted loss per share is presented for the years ended 31st December, 2007 and 2006 as the share options were anti-dilutive.

13. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1st January, 2006	1,460
Increase in fair value	40
At 31st December, 2006	1,500
Increase in fair value	200
At 31st December, 2007	1,700

The fair value of the Group's investment property at 31st December, 2007 has been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited, a form of independent qualified professional valuers. Knight Frank Petty Limited is a member of the Hong Kong Institute of Surveyors ("HKIS"). The valuation was arrived at using the direct comparison method, by reference to market evidence of transaction prices for similar properties.

The investment property was under medium-term lease and situated in Hong Kong. The Group's property interest held for capital appreciation purposes is measured using the fair value model and is classified and accounted for as investment property.

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Plant and machinery	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1st January, 2006	11,091	53,626	56,651	235	787	1,300	7,371	131,061
Exchange realignment	410	1,982	1,984	3	38	36	244	4,697
Additions	53,476	–	185	110	36	94	3,806	57,707
Disposals/written off	–	–	(300)	(70)	(19)	(161)	(1,381)	(1,931)
Reclassification	(5,608)	1,566	4,042	–	–	–	–	–
At 31st December, 2006	59,369	57,174	62,562	278	842	1,269	10,040	191,534
Exchange realignment	4,283	4,125	4,093	7	11	64	143	12,726
Additions	20,500	–	745	–	–	272	3,312	24,829
Disposals/written off	–	(626)	–	–	(268)	(47)	(1,423)	(2,364)
Reclassification	(42,768)	13,801	28,967	–	–	–	–	–
At 31st December, 2007	41,384	74,474	96,367	285	585	1,558	12,072	226,725
DEPRECIATION AND IMPAIRMENT LOSS								
At 1st January, 2006	–	663	24,068	154	675	786	1,305	27,651
Exchange realignment	–	57	851	1	35	25	42	1,011
Provided for the year	–	1,782	2,452	74	37	146	1,187	5,678
Impairment loss recognised for the year	6,533	–	–	–	–	–	–	6,533
Eliminated on disposals/written off	–	–	(73)	(70)	(15)	(119)	(130)	(407)
At 31st December, 2006	6,533	2,502	27,298	159	732	838	2,404	40,466
Exchange realignment	471	279	933	3	12	8	177	1,883
Provided for the year	–	2,313	5,185	75	11	203	1,406	9,193
Impairment loss recognised for the year	–	–	58,000	–	–	–	–	58,000
Eliminated on disposals/written off	–	(22)	–	–	(234)	(38)	(849)	(1,143)
At 31st December, 2007	7,004	5,072	91,416	237	521	1,011	3,138	108,399
CARRYING VALUES								
At 31st December, 2007	34,380	69,402	4,951	48	64	547	8,934	118,326
At 31st December, 2006	52,836	54,672	35,264	119	110	431	7,636	151,068

The above items of property, plant and equipment are depreciated at the following rates per annum on a straight line basis:

Buildings	Over the shorter of the term of the lease or 20 – 30 years
Plant and machinery	5% – 10%
Leasehold improvements	15% or over the term of the lease, whichever is shorter
Furniture and fixtures	10% – 33.33%
Office equipment	10% – 20%
Motor vehicles	16.67% – 33.33%

At 31st December, 2006, the directors, after considering the economic conditions, market situations and the liquidity position of Shanxi Changxing, reviewed the carrying value of Shanxi Changxing's production facilities, including construction in progress, buildings, and plant and equipment, in the PRC, with reference to their fair values less costs to sell based on independent professional valuation and determined that the recoverable amounts of the assets have declined below their carrying values. Accordingly, the carrying value of construction in progress related to the facilities on the new line of by-product of coke was reduced by HK$6,533,000 to reflect this impairment for the year ended 31st December, 2006.

During the year, the Group also carried out a review of the recoverable amount of Shanxi Changxing's production facilities, having regard to the implementation of active cost-saving and value-adding measures to improve its operating cash flows and financial position. The review led to the recognition of an impairment loss of HK$58,000,000, that has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 19.3% per annum.

As at 31st December, 2007, legal title to buildings with carrying values of HK$69,402,000 (2006: HK$54,672,000) has not been granted by relevant government authorities. In the opinion of the directors, the formal title to these buildings will be granted to Shanxi Changxing in due course.

15. PREPAID LEASE PAYMENTS

	2007	**2006**
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise land in the PRC under medium-term land use rights	4,048	3,744
Analysed for reporting purposes as:		
Non-current asset	3,876	3,725
Current asset	172	19
	4,048	3,744

16. INTERESTS IN ASSOCIATE

	2007	2006
	HK$'000	*HK$'000*
Cost of investment	3,678	3,678
Share of post-acquisition profits	685	44
	4,363	3,722

Particulars of the associate at 31st December, 2007 are as follows:

Name of associate	**Form of business structure**	**Place of registration and operation**	**Proportion of nominal value of registered capital held indirectly by the Group**	**Principal activities**
			%	
Shanghai International Airlines Services Co. Ltd. ("Shanghai Airlines")	Sino-foreign equity joint ventures	PRC	40	Provision of air freight forwarding business

The summarised financial information in respect of the Group' associate is set out below:

	2007	2006
	HK$'000	*HK$'000*
Total assets	21,095	20,109
Total liabilities	(10,187)	(10,804)
Net assets	10,908	9,305
Group's share of net assets of associate	4,363	3,722

	2007	2006
	HK$'000	*HK$'000*
Revenue	20,649	21,186
Profit (loss) for the year	1,603	(1,030)
Group's share of profit (loss) of associate for the year	641	(412)

17. AVAILABLE-FOR-SALE INVESTMENTS

	2007 & 2006
	HK$'000
Unlisted equity securities	38,250
Less: impairment losses recognised	(29,400)
	8,850

In 2002, the Group, through an acquisition of a wholly-owned subsidiary, acquired 30,000,000 promoters' shares in Beijing Beida Jade Bird Universal Sci-Technology Company ("BBJB") (the "Promoters' Shares") of RMB0.01 each at a consideration of HK$38,250,000, which is equivalent to 2.53% of total issued share capital (including H shares and Promoters' Shares) of BBJB.

BBJB is a joint stock company with limited liability incorporated in the PRC with its H shares listed on the Growth Enterprise Market of the Stock Exchange (the "GEM Board"). The promoters' Shares were unlisted share capital issued by BBJB when it was initially listed on the GEM Board in 2000. According to the Company Law in the PRC, the Promoters' Shares were not transferable within three years from the date of incorporation of BBJB on 29th March, 2000. Upon expiry of the three years lock up period on 28th March, 2003, those Promoters' Shares could be applied for listing on the GEM Board. The Group has been informed by BBJB that BBJB is in the process of applying for listing of the Promoters' Shares on the GEM Board and the application is still under progress. In the opinion of the directors, this investment will be able to enhance the strategic relationship between the Group and BBJB.

An impairment loss of approximately $29,400,000 was recognised in the consolidated income statement in prior years as a result of its decrease in the recoverable amounts.

18. CLUB DEBENTURES

	2007	2006
	HK$'000	*HK$'000*
Club debentures, at cost	1,168	514

The above club debentures represent club memberships in PRC golf clubs. The club debentures are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates are significant. The directors are of the opinion that its fair values cannot be measured reliably.

19. INVENTORIES

	2007	2006
	HK$'000	*HK$'000*
Raw materials	15,706	4,575
Finished goods	5,172	210
	20,878	4,785

20. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with credit periods normally ranging from 30 days to 90 days. Included in trade and other receivables are trade receivables with the following aged analysis:

	2007	**2006**
	HK$'000	*HK$'000*
0-30 days	16,896	7,138
31-60 days	1,275	831
61-90 days	2,014	4,285
Over 90 days	–	806
Trade receivables	20,185	13,060
Advance to suppliers	8,174	1,732
Deposits and prepayments	3,108	3,087
Pledged deposits	1,705	1,384
	33,172	19,263

Included in trade receivables are bills receivables with aggregate carrying amount of HK$534,000 (2006: HK$3,984,000).

Before accepting any new customer, the Group uses a system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed on a regular basis. Minimal amount of the trade receivables that are neither past due nor impaired have the best credit under the credit system used by the Group.

At 31st December, 2006 included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$806,000 (2007: nil) which are past due at the reporting date and aged over 90 days for which the Group has not provided for impairment loss. The Group did not hold any collateral over these balances.

The Group has provided fully for all receivables over 90 days because historical experience is such that receivables that are past due beyond years are generally not recoverable.

Movement in allowance for doubtful debts

	2007	**2006**
	HK$'000	*HK$'000*
Balance at beginning of the year	3,117	2,747
Impairment loss recognised on receivables	1,962	370
Recovery of bad debts	(474)	–
Balance at end of the year	4,605	3,117

21. SHORT-TERM LOAN RECEIVABLES

The amounts are unsecured, repayable within one year and carried variable-rate interest at Hong Kong Prime Rate plus spread ranging from 4% to 5% (2006: nil) per annum for amounts of HK$7,000,000 (2006: nil) and carried fixed interest at 8% per annum for amount of HK$11,212,000 (2006: HK$5,976,000). The terms of the receivables ranged from three to twelve months.

Before making any advances, the Group will understand the potential debtor's credit quality and defines its credit limits. Loan receivables are advanced to debtors with an appropriate credit history. Credit limits attributed to debtors are reviewed regularly.

Included in the loan receivables balances is an aggregate amount of HK$18,212,000 (2006: nil) which are past due at the reporting date which the Group has not provided for impairment loss. In addition, the Group does not hold any collateral over these balances.

Age of loan receivables which are past due but not impaired

	2007	**2006**
	HK$'000	*HK$'000*
Within 90 days	5,000	–
90 to 180 days	11,212	–
Over 180 days	2,000	–
	18,212	–

The Group has not provided for those receivables as there has not been significant change in credit quality and the amounts are fully settled subsequent to the balance sheet date.

22. INVESTMENTS HELD FOR TRADING

	2007	**2006**
	HK$'000	*HK$'000*
Held for trading investments:		
Listed equity securities in Hong Kong	180,756	70,820
Market value of listed equity securities	180,756	70,820

23. DEPOSITS PLACED WITH SECURITY BROKERS/MARGIN LOAN PAYABLES

The deposits placed with security brokers carry interest at approximately 3% (2006: 3%) per annum and are repayable on demand.

The margin loan payables carry interest at prevailing market rates with an effective interest rate of 6-8% (2006: nil) per annum and are repayable on demand.

24. PLEDGED BANK DEPOSITS

The pledged bank deposits were pledged to lenders to secure facilities granted to the Group and carried prevailing fixed interest rates of 2.55% (2006: 2.7%) per annum. The pledge will be released upon the settlement of the relevant short term bank borrowings.

25. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and bank balances that are interest-bearing at prevailing market interest rates ranging from 0.25% to 1.5%(2006: 2.25% to 2.75%) per annum and have original maturity of three months or less.

26. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables with the following aged analysis:

	2007	**2006**
	HK$'000	*HK$'000*
0-30 days	13,486	4,731
31-60 days	4,243	3,324
61-90 days	21,664	23,959
Over 90 days	28,873	29,337
Trade and bills payables	68,266	61,351
Receipt in advance from customers	114,595	101,301
Accrued charges and other payables	32,410	28,024
Construction payables	15,018	32,367
Government grants	4,493	–
	234,782	223,043

Included in construction payables are bills payables with aggregate carrying amount of HK$2,720,000 (2006: HK$6,203,000).

During the year, the Group received government grants of HK$3,423,000 (2006: nil) and HK$1,070,000 (2006: nil) in relation to the construction of environmental facilities and as subsidy to the finance costs to be incurred on borrowings raised during the year. These amounts are presented separately in the balance sheet.

The amount of HK$3,423,000 related to the construction of environmental facilities is to be released to income over the useful lives of the assets and the amount HK$1,070,000 relating to subsidy to the finance costs is recognised in the same period as those expenses are charged in the consolidated income statement and is deducted in reporting the related expenses.

As at 31st December, 2007, the environmental facilities are still in construction phase and no amount of the above government grant is recognised in the consolidated income statement and an amount of HK$133,000 is credited to the consolidated income statement as subsidy to the finance costs.

27. OTHER BORROWINGS

	2007	2006
	HK$'000	*HK$'000*
Fixed rate other borrowings	131,366	67,647
Analysed as:		
Secured	32,719	26,533
Unsecured	98,647	41,114
	131,366	67,647
Carrying amount repayable:		
On demand or within one year	98,647	41,114
More than one year, but not exceeding two years	32,719	26,533
	131,366	67,647
Less: Amounts due within one year shown under current liabilities	(98,647)	(41,114)
Amounts due after one year	32,719	26,533

The ranges of effective interest rates (which also equal to contracted interest rates) on the Group's fixed rates borrowings are as follows:

	2007	2006
Effective interest rate:		
Other borrowings	6% to 36% per annum	9.34% to 36% per annum

There are no borrowings that are denominated in currencies other than the functional currencies of the relevant group entities.

28. SHARE CAPITAL

	Notes	Number of shares '000	Value HK$'000
Authorised:			
Ordinary shares of HK$0.05 each at 1st January, 2006, 31st December, 2006 and 31st December, 2007		12,000,000	600,000
Issued and fully paid:			
Ordinary shares of HK$0.05 each			
At 1st January, 2006		5,465,986	273,299
Exercise of share options	*(a)*	100,000	5,000
Issue of shares by way of private placement	*(b)*	483,000	24,150
At 31st December, 2006		6,048,986	302,449
Exercise of share options	*(c)*	157,000	7,850
At 31st December, 2007		6,205,986	310,299

(a) During the year ended 31st December, 2006, the Company issued 100,000,000 ordinary shares of HK$0.05 each at a cash consideration of HK$0.083 per share pursuant to the exercise of the share options granted.

(b) On 23rd March, 2006, a placing and subscription agreement was entered into among Best Chance Holdings Limited ("Best Chance"), the Company and a placing agent ("Placing Agent") under which (i) Best Chance has appointed the Placing Agent to place 483,000,000 ordinary shares of HK$0.05 each ("Placing Shares") in the Company at a price of HK$0.109 per Placing Share; and (ii) Best Chance to subscribe for 483,000,000 new ordinary shares of HK$0.05 each ("Subscription Shares") in the Company at a price of HK$0.109 per Subscription Share. The issued price of HK$0.109 represented a discount of 15.5% to the closing price of HK$0.129 per share on 22nd March, 2006. The Subscription Shares were issued under the general mandate granted to the directors of the Company on 27th May, 2005. The net proceeds of HK$51,850,000 shall be used for general working capital purpose. The transaction was completed on 31st March, 2006.

Best Chance is a company wholly-owned by Mr. Wang Jian Hua, the spouse of Ms. Ma Jun Li, the Chairlady and an executive director of the Company.

Details of the above are set out in the announcements to the shareholders of the Company dated 24th March, 2006 and 3rd April, 2006.

(c) During the year, the Company issued 157,000,000 shares at a cash consideration of HK$0.083 or HK$0.0712 per share pursuant to the exercise of the share options granted.

The shares issued during the year rank pari passu with the then existing shares in issue in all respects.

29. SHARE OPTION SCHEME

The 2002 Scheme

On 18th March, 2002, the Company adopted the 2002 Scheme (the "2002 Scheme") under which the board of directors may at its discretion offer to any director (including non-executive director), employee, suppliers, customers, any person or entity that provides research, development or other technological support to the Group, shareholders of any member of the Group or any entity in which the Group holds an equity interests and any other group or classes of persons or entities who have contributed to the development and growth of the Group ("Participant") to subscribe for shares in the Company in accordance with the terms of the 2002 Scheme. The principal purpose of the 2002 Scheme is to provide incentive or rewards for the participant's contributions to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company in issue as at the date of adoption of the 2002 Scheme, unless a refresh approval from the shareholders of the Company has been obtained. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The subscription price of the option shares granted under the 2002 Scheme shall be a price to be determined by the directors of the Company being not less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; (iii) the nominal value of a share.

The total number of shares issued and may be issued upon exercise of the options granted to any individual under the 2002 Scheme and any other share option schemes of the Company must not exceed 1% of the shares in issue.

The 2002 Scheme does not contain any requirement of a minimum period and the board of directors may in its absolute discretion impose a minimum period requirement for each option granted will be made by the board of directors on a case by case basis and will not be made to the advantage of the Participants.

The 2002 Scheme will remain in force for a period of ten years commencing from the date of adoption of the 2002 Scheme, after which no further options will be granted but the options which are granted during the life of the 2002 Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the 2002 Scheme shall in all other respects remain in full force and effect in respect thereof.

Options granted under the 2002 Scheme must be taken up within 21 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant.

For the year ended 31st December, 2007

The following table discloses movements in the Company's share options granted under the 2002 Scheme during the year ended 31st December, 2007:

				Number of share options				
	Date of grant	**Exercisable period**	**Exercise price**	**Outstanding at 1st January, 2007**	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Outstanding at 31st December, 2007**
			HK$					
Employees	5th October, 2004	5th October, 2004 to 5th October, 2014	0.0712	15,000,000	–	(13,000,000)	(1,000,000)	1,000,000
	26th September, 2005	26th September, 2005 to 25th September, 2015	0.083	27,200,000	–	(22,000,000)	–	5,200,000
	20th August, 2007	20th August, 2007 to 20th August, 2017	0.141	–	90,000,000	–	–	90,000,000
Sub-total				42,200,000	90,000,000	(35,000,000)	(1,000,000)	96,200,000
Other eligible persons	23rd September, 2004	23rd September, 2004 to 23rd September, 2014	0.070	190,000,000	–	–	(190,000,000)	–
	5th October, 2004	5th October, 2004 to 5th October, 2014	0.0712	67,000,000	–	(42,000,000)	–	25,000,000
	26th September, 2005	26th September, 2005 to 25th September, 2015	0.083	381,000,000	–	(80,000,000)	–	301,000,000
	20th August, 2007	20th August, 2007 to 20th August, 2017	0.141	–	121,000,000	–	–	121,000,000
	7th September, 2007	7th September, 2007 to 7th September, 2017	0.154	–	60,000,000	–	–	60,000,000
	28th September, 2007	28th September, 2007 to 28th September, 2017	0.166	–	20,000,000	–	–	20,000,000
Sub-total				638,000,000	201,000,000	(122,000,000)	(190,000,000)	527,000,000
				680,200,000	291,000,000	(157,000,000)	(191,000,000)	623,200,000
Exercisable at the end of the year								623,200,000
Weighted average exercise price (HK$)				0.078	0.145	0.079	0.070	0.112

For the year ended 31st December, 2006

The following table discloses movements in the Company's share options granted under the 2002 Scheme during the year ended 31st December, 2006:

	Date of grant	Exercisable period	Exercise price *HK$*	Number of share options: Outstanding at 1st January, 2006	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31st December, 2006
Employees	19th September, 2002	19th September, 2002 to 19th September, 2006	0.119	–	–	–	–	–
	5th October, 2004	5th October, 2004 to 5th October, 2014	0.0712	24,000,000	–	–	(9,000,000)	15,000,000
	26th September, 2005	26th September, 2005 to 25th September, 2015	0.083	36,700,000	–	–	(9,500,000)	27,200,000
Sub-total				60,700,000	–	–	(18,500,000)	42,200,000
Other eligible persons	23rd September, 2004	23rd September, 2004 to 23rd September, 2014	0.070	190,000,000	–	–	–	190,000,000
	5th October, 2004	5th October, 2004 to 5th October, 2014	0.0712	67,000,000	–	–	–	67,000,000
	26th September, 2005	26th September, 2005 to 25th September, 2015	0.083	481,000,000	–	(100,000,000)	–	381,000,000
Sub-total				738,000,000	–	(100,000,000)	–	638,000,000
				798,700,000	–	(100,000,000)	(18,500,000)	680,200,000
Exercisable at the end of the year								680,200,000
Weighted average exercise price (HK$)				0.079	–	0.083	0.077	0.078

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$0.217 (2006: HK$0.155).

The fair values on the options granted during the year ended 31st December, 2007 were calculated using the Black-Scholes Model. The inputs into the model were as follows:

Grant date	Type I 20th August, 2007	Type II 7th September, 2007	Type III 28th September, 2007
Share price on grant date (HK$)	0.13	0.15	0.17
Exercise price (HK$)	0.141	0.154	0.166
Expected volatility	84.88%	84.91%	85.48%
Risk-free rate	4.113%	4.119%	4.006%
Expected dividend yield	–	–	–
Fair value per option granted (HK$)	0.0786	0.0919	0.0994
Expected life of option (years)	3.824	3.824	3.824

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 48 months. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

As the services to be performed by the consultants are similar to services performed by the employees of the Group, the fair value of such services is also measured with reference to the fair value of share options granted using the Black-Scholes pricing model.

The estimated fair values of HK$10,297,000 and HK$13,790,000 with respect to share options granted to employees and consultants, respectively, were charged to the consolidated income statement during the year ended 31st December, 2007.

The closing price of the Company's shares immediately before 20th August, 2007, 7th September, 2007, and 28th September, 2007 the dates of grant of the 2002 Scheme's option, was HK$0.13, HK$0.15 and HK$0.17, respectively.

30. CAPITAL COMMITMENTS

	2007	**2006**
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	14,856	38,212

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group has made approximately HK$2,259,000 (2006: HK$2,548,000) minimum lease payments under operating leases during the year in respect of office premises.

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

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	1,054	1,704
In the second to fifth years inclusive	–	174
	1,054	1,878

Leases are negotiated for a range of one to two years and rentals are fixed for a range of one to two years.

32. PLEDGE OF ASSETS

At the balance sheet date, the Group had pledged the following assets to secure the Group's other borrowings of HK$32,719,000 (2006: HK$26,533,000), margin loan payables of HK$75,726,000 (2006: nil) and bills payables of HK$44,576,000 (2006: HK$49,365,000):

	2007	**2006**
	HK$'000	*HK$'000*
Investments held for trading	180,756	–
Bank deposits	20,519	24,349
Buildings	68,335	54,672
Prepaid lease payments	4,048	3,744
Other deposits	1,705	1,384
	275,363	84,149

33. RETIREMENT BENEFIT SCHEMES

Hong Kong

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and the MPF Scheme established under the Mandatory Provident Fund Ordinance in December, 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employees.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, there were no significant forfeited contributions, which arose upon employees leaving the MPF Scheme and ORSO Scheme and which are available to reduce the contributions payable in future years.

PRC

The employees of Shanxi Changxing are members of a state-managed retirement benefit scheme in the PRC. The subsidiary is required to contribute a specified percentage of its payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

34. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the other borrowings disclosed in note 27, 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 regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the repayment of existing debt.

35. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2007	**2006**
	HK$'000	*HK$'000*
Financial assets		
FVTPL	180,756	70,820
Loans and receivables (including cash and cash equivalents)	81,779	73,078
Available-for-sale financial assets	8,850	8,850
Financial liabilities		
Amortised cost	290,376	161,365

b. Financial risk management objectives and polices

The Group's major financial instruments include equity investments, borrowings, trade receivable, short-term loan receivables, deposits placed with security brokers, pledged bank deposits, bank balances, trade and other payables and margin loan payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. 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.

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowings (see notes 23, 24 and 27 for details), fixed-rate short-term loan receivables, deposits with security brokers and pledged deposits. The Group currently does not have any interest rate hedging policy. The interest rate and terms of repayment of the other borrowings of the Group are disclosed in note 27.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits, short-term loan receivables, margin loan payables (see notes 24 and 25 for details) and variable rate margin loan payables (see note 23 for details). 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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date. For short term loan, bank deposits and margin loan payables, the analysis is prepared assuming the amounts outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease 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 Group's results for the year ended 31st December, 2007 would decrease/increase by HK$240,000 (2006: decrease/increase by HK$133,000). This is mainly attributable to the Group's exposure to interest rates on its margin loan payables.

(ii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange. In addition, the Group has a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, the results for the year ended 31st December, 2007 increase/decrease by HK$9,038,000 (2006: increase/decrease by HK$3,541,000) as a result of the changes in fair value of investments held for trading.

In management's opinion, the sensitivity analysis is not representative of the other price risk for the investments in listed equity securities as the year and exposure does not reflects the exposure during the year.

Credit risk

As at 31st December, 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial 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. In addition, the Group reviews the recoverable amount of each individual trade debt 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 credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The Group has monitor and understand the potential credit quality of the short-term loan receivables, ensuring that the credit risk of the Group is monitored.

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 other borrowings and ensures compliance with loan covenants.

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 and interest risk tables

	Weighted average effective interest rate	Less than 3 months	3-6 months	6 months to 1 year	1-5 years	Interest adjustment	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007							
Non-derivative financial liabilities							
Trade payables	–	68,266	–	–	–	–	68,266
Other payables	–	15,018	–	–	–	–	15,018
Margin accounts with security broker	7	75,726	–	–	–	–	75,726
Other borrowings							
– fixed rate	12.6	65,725	19,076	58,827	4,446	(16,708)	131,366
		224,735	19,076	58,827	4,446	(16,708)	290,376

	Weighted average effective interest rate	Less than 3 months	3-6 months	6 months to 1 year	1-5 years	Interest adjustment	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006							
Non-derivative financial liabilities							
Trade payables	–	61,351	–	–	–	–	61,351
Other payables	–	32,367	–	–	–	–	32,367
Other borrowings							
– fixed rate	12.6	1,852	14,870	27,387	27,239	(3,701)	67,647
		95,570	14,870	27,387	27,239	(3,701)	161,365

The directors have given careful consideration on the measures currently undertaken by the Group in respect of the Group's liquidity position. As detailed in note 2, the Directors believe that the Group will have sufficient working capital for its future operational requirements.

c. Fair value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

36. POST BALANCE SHEET EVENT

An announcement by the Company on 24th April, 2008, the Company proposed to raise an amount of not less than approximately HK$232.72 million but not more than approximately HK$256.13 million, before expenses, subject to the satisfaction of the conditions of the Open Offer to the qualifying shareholders, by way of an Open Offer.

Further details of which are set out in the announcement of the Company dated 24th April, 2008. The Open Offer has not been completed at the date of this report.

37. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remunerations of directors and other members of key management were disclosed in note 10.

38. BALANCE SHEET OF THE COMPANY

	2007	2006
	HK$'000	*HK$'000*
Total Assets		
Property, plant and equipment	838	1,047
Interests in subsidiaries	2,000	2,000
Other receivables	7,355	637
Amounts due from subsidiaries	121,630	108,151
Bank balances and cash	3,927	1,966
	135,750	113,301
Total Liability		
Trade and other payables	9,172	7,301
	126,578	106,000
Capital and Reserves		
Share capital	310,299	302,449
Reserves (note)	(183,721)	(196,449)
	126,578	106,000

Note: Reserves

	Share premium	Contributed surplus	Share options reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	115,500	48,311	38,604	(448,264)	(245,849)
Profit for the year and total recognised income expenses for the year	–	–	–	18,398	18,398
Exercise of share options	8,700	–	(5,400)	–	3,300
Forfeiture of share options	–	–	(513)	513	–
Shares issued at premium	28,497	–	–	–	28,497
At 31st December, 2006	151,902	48,311	32,691	(429,353)	(196,449)
Loss for the year and total recognised expenses for the year	–	–	–	(15,891)	(15,891)
Recognition of equity settled share-based payments	–	–	24,087	–	24,087
Exercise of share options	11,717	–	(7,185)	–	4,532
Forfeiture of share options	–	–	(7,844)	7,844	–
At 31st December, 2007	163,619	48,311	41,749	(437,400)	(183,721)

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation prior to the listing of the Company's shares on the Main Board of the Stock Exchange in 1996 over the nominal value of the Company's shares issued in exchange thereof.

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

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

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

39. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2007 and 2006 are as follows:

Name of subsidiary	Place of incorporation and operation	Nominal value of issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Dragon Air Investments Limited	Samoa/ Hong Kong	US$50,000	–	100	Investment holding
Fortune Zone International Limited	British Virgin Islands ("BVI")/	US$1	100	–	Investment holding
Funeway Investments Limited	BVI/ Hong Kong	US$1	100	–	Investment holding
Heatwave Industries Limited	BVI/ Hong Kong	US$1	–	100	Security investment
Jet Air (Singapore) Private Limited	Singapore	S$500,000	–	93	Air freight forwarding and brokers for airline and shipping companies
Jet Dispatch Limited	United States of America	US$3,000	–	100	Freight forwarding agent
Shanxi Changxing	PRC	RMB84,260,000	–	51	Manufacture and sale of coke
Square Profits Group Inc.	BVI	US$1	100	–	Investment holding

Except for Shanxi Changxing as a sino foreign joint venture in the PRC, all other subsidiaries are limited companies incorporated in the respective jurisdictions.

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

3. MATERIAL CHANGES

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31st December, 2007, the date to which the latest audited financial statements of the Company were made up.

4. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31st March, 2008, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this prospectus, the Group had the following outstanding borrowings:

	HK$'000
Other borrowings	
– secured	33,997
– unsecured	145,339
	179,336
Margin loan payables	4,429

Pledge of assets

As at the close of business on 31st March, 2008, the Group had pledged the following assets:

	HK$'000
Investments held for trading	12,188
Bank deposits	25,618
Buildings	72,113
Prepaid lease payments	4,155
Other deposits	1,772
	115,846

Contingent liabilities

At the close of business on 31st March, 2008 the Group had no material contingent liabilities.

Disclaimer

Foreign currency amounts have been translated at the approximate exchange rates prevailing at the close of business on 31st March, 2008.

Save as aforesaid above and apart from intra-group liabilities, the Group did not have, as at the close of business on 31st March, 2008 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgage, charges, hire purchases commitments, guarantees or other material contingent liabilities.

5. WORKING CAPITAL

The Directors are of the opinion that, taking into account the estimated net proceeds from the Open Offer and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of the Prospectus.

The said Directors' opinion on the working capital does not take into account any feasible acquisition(s) the Group may encounter or contemplate in future as mentioned in the "Letter from the Board" which was set out on page 17 of the Prospectus and also the possible acquisition of a controlling interest in a coal mining and a coke processing venture as mentioned in Appendix I "Financial Information of the Group" as set out on page 70 of the Prospectus.

6. GOING CONCERN

The Directors have given careful consideration to the future liquidity of the Group in light of the consolidated net current liabilities of approximately HK$119.9 million at 31st December, 2007.

Against this background, the directors have given careful consideration to the liquidity position and financial performance of Shanxi Changxing which sustained net current liabilities of approximately HK$246.0 million at 31st December, 2007 and loss for the year of approximately HK$104.4 million. Shanxi Changxing is currently focusing on strengthening its operations of manufacturing and sale of coke, and the management of Shanxi Changxing is implementing active cost-saving and value-adding measures to improve its operating cash flows and financial position.

At the same time, the Directors are considering various options to raise new equity funds for the Group. The Company proposed to raise an amount of approximately HK$232.72 million, before expenses, by the Open Offer to the Qualifying Shareholders to provide new fundings to the Group.

On the basis that the Group can improve its operating results and cash flows through the implementation of the measures described above and the Open Offer can be successfully completed, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

7. FINANCIAL REVIEW, BUSINESS REVIEW AND BUSINESS PROSPECT OF THE GROUP

Financial Review

For the year ended 31st December, 2007, the consolidated turnover of the Group amounted to HK$288,863,000 (year ended 31st December, 2006: HK$97,130,000). Total gross profit/loss was approximately HK$8,617,000 (Year ended 31st December, 2006: loss HK$9,613,000). For the year ended 31st December, 2007, the Group recorded net loss attributable to equity holders of the Company HK$81,547,000 (year ended 31st December, 2006: HK$45,768,000).

The financial results for current year have greatly improved comparing with the year of 2006.

Liquidity and Cashflow Resources

The gearing ratio maintained is at 4.41 (31st December, 2006: 0.93) and the current ratio increased from 0.58 to 0.71. The calculation of gearing ratio is based on interest bearing borrowings of HK$131,366,000 (31st December, 2006: HK$67,647,000) and the equity attributable to equity holders of the Company of HK$29,813,000 (31st December, 2006: HK$72,885,000) as at 31st December, 2007. The calculation of current ratio is based on the current assets of HK$294,867,000 (31st December, 2006: HK$153,521,000) and the current liabilities of HK$414,754,000 (31st December, 2006: HK$264,952,000) as at 31st December, 2007.

On 22nd April, 2008, the Group entered into an open offer underwriting agreement with the Underwriter to raise not less than HK$223,000,000. The Directors believe that the Open Offer can strengthen the Company's financial position and enable the Company to have sufficient and readily available financial resources for general working capital of the Group and but not excluding for feasible acquisition(s) for the Group may encounter or contemplate in the future.

Capital Expenditure

For the year ended 31st December, 2007, the Group incurred a total capital expenditure of HK$24,829,000 (2006: HK$57,707,000), which was funded by its own financial resources and bank borrowings. The amount of HK$22 million was spent on development of the production facilities in Shanxi Province and the balance of HK$3 million was spent mainly on furniture and fixtures/office equipment/motor vehicles in other areas.

Pledge of Assets

As at 31st December, 2007, the Group's assets of HK$275,363,000 (31st December, 2006: HK$84,149,000) were pledged to secure credit facilities granted to the Group, other borrowings and the post dated bills payable.

Business Review

Coke Business

From 1st July, 2005, Shanxi Changxing coke enterprise was consolidated into the accounts of China Best Group. The turnover of the Group's coke business was HK$272,098,000 for the year ended 31st December, 2007 (2006: HK$84,642,000). Total gross profit/loss was HK$4,453,000 for the year ended 31st December, 2007 (2006: loss HK$13,015,000).

Currently, the annual coke production capacity of Shaxi Changxing is 600,000 tons. The second phase of the plant's 300,000 ton capacity expansion plan was completed and commenced production in February, 2007. Despite the rapid rise in the market prices of coke and the benefits contributed from the economies of scale for the expanded production during the period under, the Group yet reported a loss in its results for 2007 as compared to the year of 2006 due to the increase in raw materials and depreciation costs. However, its results was greatly improved.

Regarding the Shanxi Changxing's production facilities, the Group adopted a prudent approach for recognition of an impairment loss HK$58 million. The recoverable amount of these assets has been determined by the basis of value in use.

Freight Forwarding Business

The turnover of the Group's international forwarding agency business was HK$16,765,000 for the year ended 31st December, 2007 (year ended 31st December, 2006: HK$12,488,000), representing a increase of 34% as compared to the year of 2006. Total gross profit was HK$4,160,000 profit, (year ended 31st December, 2006: HK$3,402,000), an increase of HK$0.8 million comparing with the year of 2006.

The Group's freight forwarding business has been stabilised since 2006. Though international freight forwarding business turnover had been improved, the operating profit margin is thinner than the year of 2006. Meanwhile, the Group is actively seeking business opportunity with strategy partner in freight forwarding business in China.

Securities Investment

The total transaction volume of the Group's securities investment business was HK$959,565,000 for the year ended 31st December, 2007 (year ended 31st December, 2006: HK$559,065,000), representing an increase of 71% as compared to the year of 2006. The realised and unrealised gain on investment held for trading amounted to HK$71,522,000 (2006: HK$9,891,000) for investments held for trading during 2007.

Business Prospect

The Group is principally engaged in international air and sea freight forwarding, securities investment and manufacture and sale of coke. In order to strengthen the core business – coke processing, the Group continues to dig out investment opportunities and select strategic partners for business development especially in this recovery of economic environment.

Furthermore, the Group will also develop its business to be the leader of the newly growing coal mining and coke processing business. The Group had decided to re-locate more resources to occupy its unique market position in China especially in Shanxi Province and Inner Mongolia Autonomous Region. Given the Group's international exposure in management and financing, the Directors are confident to develop a successful business model to obtain high contribution and stable revenue from coal mining and coke processing in the future.

On 3rd March, 2008, the Group entered into a non-legally binding memorandum of understanding with Asset Rich International Limited for the possible acquisition of a controlling interest in a coal mining and a coke processing venture. The Board confirms that such project is still in the negotiation stage and no formal agreement has been entered into by the Company in respect thereof.

Recent development

The Board considered that there was a favourable indication for the recent upward trend of coking market, this would be favourable for the Group's acquisition.

Short-term strategy

The Group has decided to acquire coal mines and more coke processing factories in PRC. Due to the typical nature of the business, the financial structure will be capital intensive. At the development stage of merger and acquisition, the Group's major assets will be non-current in nature.

Long-term strategy

The Group has planned to be the leader of the newly growing coal mining and coke processing business in the PRC. With comparative advantages such as contemporary international management exposure and financing experience, together with the deep understanding of the trend of coking business under the PRC National policy, the Group is confident to develop a successful business model to obtain high growth rate and stable revenue from coke processing in the future.

Since PRC is a major coke producer and exporter in the international market, future development prospect of coke industry is considered to be optimistic. In the overseas market, the boosting global steel industry, Japanese economy recovery and the fact that coke production in Europe and the US being restrained by stringent environmental legislations and obsolescence of production facilities together created buoyant demand for coke.

UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had been completed on 31st December, 2007.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Open Offer.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the audited consolidated net assets of the Group as at 31st December, 2007, extracted from the published annual report of the Group as set out in Appendix I to the Prospectus and the adjustments described below.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31st December, 2007 (before the Open Offer)	**Estimated net proceeds from the Open Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company immediately after the Open Offer**
	HK$	*HK$*	*HK$*
Net tangible assets	29,813,000	223,224,000 *(Note 1)*	253,037,000
Number of shares issued	6,205,986,153	3,102,993,076	9,308,979,229
Unaudited pro forma adjusted consolidated net tangible assets per Share before/after the Open Offer	HK$0.005		HK$0.027 *(Note 2)*

Notes:

1. The estimated net proceeds from the Open Offer are based on the subscription price of HK$0.075 per Open Offer and 3,102,993,076 Offer Shares (based on 6,205,986,153 Shares in issue on the Record Date) expected to be issued under the Open Offer, after deducting the estimated expenses directly attributable to the Open Offer.

2. Based on the 9,308,979,229 Shares (calculated as 6,205,986,153 Shares in issue on the Record Date plus 3,102,993,076 Offer Shares expected to be issued under the Open Offer as referred to Note 1 above) in issue after the Open Offer.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.
德勤

TO THE DIRECTORS OF CHINA BEST GROUP HOLDING LIMITED

We report on the unaudited pro forma financial information of China Best Group Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the open offer of 3,102,993,076 offer shares on the basis of one offer share for every two shares of the Company held on 16th May, 2008 at HK$0.075 per offer share might have affected the financial information presented, for inclusion in Appendix II of the prospectus dated 30th May, 2008 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out on pages 71 and 72 to the Prospectus.

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 in accordance with paragraph 29 of Chapter 4 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 the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information 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 beyond that owed 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 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This 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 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 purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31st December, 2007 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30th May, 2008

1. RESPONSIBILITY STATEMENT

The Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Prospectus 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 in the Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date were, and (ii) immediately following completion of the Open Offer will be, as follows:

Authorised share capital:		*HK$*
12,000,000,000	Shares as at the Latest Practicable Date and upon completion of the Open Offer	600,000,000.00
Issued and fully paid share capital or credited as fully paid:		
6,205,986,153	Shares in issue as at the Latest Practicable Date	310,299,307.65
3,102,993,076	Offer Shares to be issued pursuant to the Open Offer	155,149,653.80
9,308,979,229	Shares in issue immediately after the completion of the Open Offer	465,448,961.45

All the Shares in issue and the Offer Shares to be issued will rank pari passu in all respects including all rights as to dividends, voting and return of capital.

As at the Latest Practicable Date, the Company had 623,200,000 Share Options which confer rights on 28 holders to subscribe for 623,200,000 new Shares. Details of the exercise price and exercise period of the Share Options are as follows:

Grantees	Exercise price per Share *(HK$)*	Exercise period	Number of Share Options
Employees			
	0.0712	5th October, 2004 to 5th October, 2014	1,000,000
	0.0830	26th September, 2005 to 25th September, 2015	5,200,000
	0.1410	20th August, 2007 to 20th August, 2017	90,000,000
Other eligible persons			
	0.0712	5th October, 2004 to 5th October, 2014	25,000,000
	0.0830	26th September, 2005 to 25th September, 2015	301,000,000
	0.1410	20th August, 2007 to 20th August, 2017	121,000,000
	0.1540	7th September, 2007 to 7th September, 2017	60,000,000
	0.1660	28th September, 2007 to 28th September, 2017	20,000,000
		Total	623,200,000

Save as disclosed above, as at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares.

3. DISCLOSURE OF INTERESTS

Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Name of director	Capacity	Interests in Shares	Percentage of the Company's issued share capital *(%)* *(Note 1)*
Ms. Ma Jun Li	Interest of spouse	2,201,860,000 *(Note 2)*	35.48
Mr. Ng Tang	Interest of controlled corporation	30,864,000 *(Note 3)*	0.50
Mr. Ren Zheng	Beneficial owner	2,000,000	0.03

Notes:

1. All interests stated herein represent long positions.

2. Of these 2,201,860,000 Shares, 87,988,000 Shares were held by Mr. Wang and the remaining 2,113,872,000 Shares were held by Best Chance, being a company in which Mr. Wang was entitled to exercise over one-third of the voting power. By virtue of her marital relationship with Mr. Wang, Ms. Ma Jun Li was deemed to be interested in these 2,201,860,000 Shares under the SFO.

3. These 30,864,000 Shares were held by Power Win Group Limited, being a company in which Mr. Ng Tang was entitled to exercise over one-third of the voting power. Accordingly, Mr. Ng Tang was deemed to be interested in these 30,864,000 Shares under the SFO.

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

Substantial shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, 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 any other member of the Group:

Name of Shareholder	Capacity	Interests in Shares	Percentage of the Company's issued share capital (%) *(Note 1)*
Mr. Wang	Beneficial owner	87,988,000	1.42
	Interest of controlled corporation	2,113,872,000 *(Note 2)*	34.06
Best Chance	Beneficial owner	2,113,872,000 *(Note 2)*	34.06
Chu Yuet Wah	Interest of controlled corporation	1,963,872,000 *(Note 3)*	31.64
Ma Siu Fong	Interest of controlled corporation	1,963,872,000 *(Note 3)*	31.64
Kingston Finance Limited	Security interest	1,963,872,000 *(Note 3)*	31.64
Asset Managers Holdings Company Limited	Interest of controlled corporation	794,310,376 *(Note 4)*	12.80
Asset Managers Company Limited	Interest of controlled corporation	794,310,376 *(Note 4)*	12.80
FR Holding Company Limited	Interest of controlled corporation	794,310,376 *(Note 4)*	12.80
Asset Managers International Company Limited	Interest of controlled corporation	794,310,376 *(Note 4)*	12.80
Asset Investors Company Limited	Interest of controlled corporation	794,310,376 *(Note 4)*	12.80
Asset Managers (Asia) Company Limited	Interest of controlled corporation	794,310,376 *(Note 4)*	12.80
Asset Managers (China) Fund Company Limited	Beneficial owner	794,310,376 *(Note 4)*	12.80

Notes:

1. All interests stated herein represent long positions.

2. These 2,113,872,000 Shares were held by Best Chance, being a company in which Mr. Wang was entitled to exercise over one-third of the voting power. Accordingly, Mr. Wang was deemed to be interested in these 2,113,872,000 Shares under the SFO.

3. Best Chance had partially pledged 1,963,872,000 Shares to Kingston Finance Limited. As each of Ms. Chu Yuet Wah and Ms. Ma Siu Fong was entitled to exercise over one-third of the voting power in Kingston Finance Limited, both of them were deemed to be interested in these 1,963,872,000 Shares pledged by Best Chance to Kingston Finance Limited.

4. These 794,310,376 Shares were held by Asset Managers (China) Fund Company Limited. Asset Managers (China) Fund Company Limited was owned as to 50% by Asset Managers (Asia) Company Limited (which was owned as to 70% by Asset Managers International Company Limited) and 50% by Asset Investors Company Limited (which was owned as to 50.1% by FR Holding Company Limited). Asset Managers Holding Company Limited held the entire share capital in Asset Managers International Company Limited and the entire share capital in FR Holding Company Limited through its wholly-owned subsidiary Asset Managers Company Limited. Accordingly, Asset Managers Holdings Company Limited, Asset Managers Company Limited, FR Holding Company Limited, Asset Managers International Company Limited, Asset Investors Company Limited and Asset Managers (Asia) Company Limited were all deemed to be interested in these 794,310,376 Shares held by Asset Managers (China) Fund Company Limited.

Save as disclosed above, as at the Latest Practicable Date and so far as is known to the Directors or chief executive of the Company, there was no other person (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares in the Company (including interests in options, if any) 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 any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

4. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company and its subsidiaries within two years preceding the Latest Practicable Date and are or may be material:

(a) the Underwriting Agreement;

(b) the seventh supplemental agreement dated 15th May, 2007 entered into between Funeway Investments Limited ("Funeway"), Shanxi Changxing, Mr. Yu-wen Jian Ming ("Mr. Yu-wen") and Ms. Yu-wen Man Rui ("Ms. Yu-wen") to further extend the long-stop date in relation to the subscription of the registered capital in Shanxi Changxing to 31st July, 2007 and to alter the payment terms under the subscription agreement (the "Subscription Agreement") dated 3rd February, 2005 entered into between Funeway, Shanxi Changxing, Mr. Yu-wen and Ms. Yu-wen; and

(c) the sixth supplemental agreement dated 28th August, 2006 entered into between Funeway, Shangxi Changxing, Mr. Yu-wen and Ms. Yu-wen to further extend the long-stop date in relation to the subscription of the registered capital in Shanxi Changxing to 31st January, 2007 and to alter the payment terms under the Subscription Agreement.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTEREST IN ASSETS, CONTRACT OR ARRANGEMENT

None of the Directors had any direct or indirect interest in any assets which have been, since 31st December, 2007 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the Prospectus Posting Date which was significant in relation to the business of the Group.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in the Prospectus or has given opinion, letter or advice which is contained in the Prospectus:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, Deloitte Touche Tohmatsu had not had any beneficial interest in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and have any interest, either directly or indirectly, in any assets which have been, since 31st December, 2007, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of the Prospectus with the inclusion herein of its letter and/or references to its names, in the form and context in which it respectively appears.

8. CORPORATE INFORMATION

Registered office	Clarendon House, 2 Church Street, Hamilton HM11, Bermuda
Head office and principal place of business	Room 3405, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
Company secretary and qualified accountant	Mr. Ho Wing Kuen
Authorised representatives	Mr. Ng Tang and Mr. Ho Wing Kuen
Hong Kong branch share registrar and transfer office in Hong Kong	Tricor Tengis Limited 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Principal share registrar	Butterfield Corporate Services Limited Rosebank Centre, 14 Bermudian Road, Pembroke, Bermuda
Principal banker	Standard Chartered Bank (Hong Kong) Ltd. Shop 16, G/F & Lower G/F, New World Tower, 16-18 Queen's Road, Central, Hong Kong

9. PARTIES INVOLVED IN THE OPEN OFFER

Financial adviser to the Company in relation to the Open Offer	Wallbanck Brothers Securities (Hong Kong) Limited 1005B, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
Underwriter	KCG Securities Asia Limited Rooms 1914-1917, 19/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong
Legal adviser to the Company in relation to Hong Kong laws	Angela Ho & Associates 1106, Tower 1, Lippo Centre, 89 Queensway, Central, Hong Kong
Legal adviser to the Company in relation to Bermuda laws	Conyers Dill & Pearman 2901 One Exchange Square, 8 Connaught Place, Central, Hong Kong
Reporting accountants	Deloitte Touche Tohmatsu 35/F, One Pacific Place, 88 Queensway, Hong Kong
Share registrar and transfer office	Tricor Tengis Limited 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

10. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

12. EXPENSES

The expenses in connection with the Open Offer, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges are estimated to be of approximately HK$9.5 million and will be payable by the Company.

13. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

Copies of each of the Prospectus Documents and the consent letter referred to in the paragraph "Expert and Consent" in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance. Copies of each of the Prospectus Documents have been or will as soon as reasonably practicable be filed with the Registrar of Companies in Bermuda as required under the Companies Act.

14. MISCELLANEOUS

(a) There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group;

(b) As at the Latest Practicable Date, neither Deloitte Touche Tohmatsu nor any Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31st December, 2007, the date to which the latest published audited consolidated financial statements of the Group were made up;

(c) The company secretary and the qualified accountant of the Company is Mr. Ho Wing Kuen, who is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

(d) In the event of inconsistency, the English texts of the Prospectus shall prevail over their respective Chinese texts.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from Monday to Friday during normal business hours at the Hong Kong principal place of business of the Company at Room 3405, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, up to and including 13th June, 2008:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the three years ended 31st December, 2005, 2006 and 2007;

(c) the report on the unaudited pro forma financial information of the Group prepared by Deloitte Touche Tohmatsu, the text of which is set out on pages 73 to 74 of the Prospectus;

(d) the consent letter from Deloitte Touche Tohmatsu referred to under the paragraph headed "Expert and Consent" in this appendix;

(e) the material contracts referred to under the paragraph headed "Material Contracts" in this appendix; and

(f) the Prospectus.