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## **ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009**

### **AUDITED RESULTS OF THE GROUP**

The Board of Directors (the “**Directors**”) of APAC Resources Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2009 together with last year’s comparative figures as follows:

### **CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009**

|                                                                                                                                                                  | <i>Notes</i> | <b>2009</b><br><b>HK\$’000</b> | <b>2008</b><br><b>HK\$’000</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------------------------|--------------------------------|
| Revenue                                                                                                                                                          | 2            | <b>301,420</b>                 | 298,613                        |
| <b>Continuing operations</b>                                                                                                                                     |              |                                |                                |
| Revenue from sales of goods                                                                                                                                      |              | <b>301,420</b>                 | 298,613                        |
| Net gain from sale of trading securities                                                                                                                         |              | <b>112,133</b>                 | 35,079                         |
| Gain on disposal of available-for-sale investments                                                                                                               |              | –                              | 23,011                         |
| Change in fair value of trading securities                                                                                                                       |              | <b>6,389</b>                   | (468,862)                      |
| Interest income                                                                                                                                                  |              | <b>7,839</b>                   | 6,956                          |
| Dividend income                                                                                                                                                  |              | <b>796</b>                     | –                              |
| Underwriting fee recovered                                                                                                                                       |              | <b>8,641</b>                   | –                              |
| Excess of the Group’s interest in the net fair value<br>of an associate’s identifiable assets, liabilities<br>and contingent liabilities over cost of investment |              | <b>21,244</b>                  | –                              |
| Reversal of impairment loss on interest in<br>an associate                                                                                                       | 9            | <b>466,553</b>                 | –                              |

|                                                                 | <i>Notes</i> | <b>2009</b><br><b>HK\$'000</b> | 2008<br><i>HK\$'000</i> |
|-----------------------------------------------------------------|--------------|--------------------------------|-------------------------|
| Other operating income                                          |              | <b>6,940</b>                   | 4,382                   |
| Purchases                                                       |              | <b>(197,377)</b>               | (283,145)               |
| Other cost of sales                                             |              | <b>(65,445)</b>                | –                       |
| Equity-settled share option expenses                            |              | <b>(14,783)</b>                | (53,700)                |
| Salaries and allowances                                         |              | <b>(15,622)</b>                | (17,836)                |
| Operating lease rental on buildings                             |              | <b>(2,765)</b>                 | (2,917)                 |
| Provision for doubtful debt                                     |              | –                              | (50,000)                |
| Impairment losses on available-for-sale investments             |              | <b>(28,174)</b>                | (241,495)               |
| Share of profits less losses of associates                      | 9            | <b>168,033</b>                 | 2,435                   |
| Loss on deemed disposal of partial interests in<br>an associate |              | –                              | (7,544)                 |
| Impairment loss on interest in an associate                     | 9            | <b>(304,024)</b>               | (466,553)               |
| Other operating expenses                                        |              | <b>(13,946)</b>                | (30,137)                |
| Finance costs                                                   |              | <b>(13,468)</b>                | (675)                   |
| Profit/(Loss) before taxation                                   | 5            | <b>444,384</b>                 | (1,252,388)             |
| Income tax expense                                              | 6            | <b>(71,781)</b>                | (616)                   |
| Profit/(Loss) for the year from<br>continuing operations        |              | <b>372,603</b>                 | (1,253,004)             |
| <b>Discontinued operation</b>                                   |              |                                |                         |
| Profit for the year from discontinued operation                 | 4            | –                              | 675                     |
| <b>Profit/(Loss) for the year</b>                               |              | <b>372,603</b>                 | (1,252,329)             |
| Attributable to:                                                |              |                                |                         |
| Owners of the Company                                           |              | <b>372,603</b>                 | (1,252,329)             |
| Earnings/(Loss) per share                                       | 8            |                                |                         |
| From continuing and discontinued operations                     |              |                                |                         |
| – basic ( <i>HK cents per share</i> )                           |              | <b>7.15</b>                    | (26.49)                 |
| – diluted ( <i>HK cents per share</i> )                         |              | <b>7.07</b>                    | (25.87)                 |
| From continuing operations                                      |              |                                |                         |
| – basic ( <i>HK cents per share</i> )                           |              | <b>7.15</b>                    | (26.50)                 |
| – diluted ( <i>HK cents per share</i> )                         |              | <b>7.07</b>                    | (25.88)                 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

|                                                                                          | <b>2009</b>                    | 2008                      |
|------------------------------------------------------------------------------------------|--------------------------------|---------------------------|
|                                                                                          | <b><i>HK\$'000</i></b>         | <i>HK\$'000</i>           |
| <b>Profit/(Loss) for the year</b>                                                        | <b><u>372,603</u></b>          | <u>(1,252,329)</u>        |
| <b>Other comprehensive income, net of tax</b>                                            |                                |                           |
| Exchange difference arising from translation of<br>foreign operations                    | <b>2,319</b>                   | 14,918                    |
| Share of other comprehensive income of associates                                        | <b>144,692</b>                 | (15,331)                  |
| Exchange difference from sharing of interest in associates                               | <b>306,501</b>                 | 4,936                     |
| Change in equity of associates on previously held interest                               | <b>(83,108)</b>                | 5,688                     |
| Reversed previously recognised changes in fair value of<br>– investment held for trading | <b>442,409</b>                 | (461,565)                 |
| – available-for-sale investments                                                         | –                              | (1,601,908)               |
| Fair value change of available-for-sale investments                                      | <b>31,120</b>                  | (179,793)                 |
| Reclassification adjustment on disposal of available-for-sale<br>investments             | <u>–</u>                       | <u>(36,061)</u>           |
|                                                                                          | <b><u>843,933</u></b>          | <u>(2,269,116)</u>        |
| <b>Total comprehensive income for the year</b>                                           | <b><u><u>1,216,536</u></u></b> | <u><u>(3,521,445)</u></u> |
| Total comprehensive income attributable to:                                              |                                |                           |
| Owners of the Company                                                                    | <b><u><u>1,216,536</u></u></b> | <u><u>(3,521,445)</u></u> |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2009*

|                                                               | <i>Notes</i> | <b>2009</b><br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|---------------------------------------------------------------|--------------|--------------------------------|-------------------------|
| <b>Assets</b>                                                 |              |                                |                         |
| <b>Non-current assets</b>                                     |              |                                |                         |
| Property, plant and equipment                                 |              | <b>992</b>                     | 1,643                   |
| Interests in associates                                       | <i>9</i>     | <b>2,357,583</b>               | 591,817                 |
| Available-for-sale investments                                |              | <b>96,376</b>                  | 84,585                  |
| Total non-current assets                                      |              | <b>2,454,951</b>               | 678,045                 |
| <b>Current assets</b>                                         |              |                                |                         |
| Trade and other receivables                                   | <i>10</i>    | <b>59,415</b>                  | 470,732                 |
| Trading securities                                            |              | <b>71,899</b>                  | 113,898                 |
| Pledged bank deposits                                         |              | <b>89,324</b>                  | 90,004                  |
| Cash and cash equivalents                                     |              | <b>318,203</b>                 | 131,019                 |
| Total current assets                                          |              | <b>538,841</b>                 | 805,653                 |
| <b>Total assets</b>                                           |              | <b>2,993,792</b>               | 1,483,698               |
| <b>Equity and Liabilities</b>                                 |              |                                |                         |
| <b>Capital and reserves</b>                                   |              |                                |                         |
| Share capital                                                 |              | <b>569,034</b>                 | 472,866                 |
| Reserves                                                      |              | <b>2,885,162</b>               | 2,114,356               |
| Accumulated losses                                            |              | <b>(492,182)</b>               | (1,315,961)             |
| Equity attributable to owners of the Company and total equity |              | <b>2,962,014</b>               | 1,271,261               |
| <b>Current liabilities</b>                                    |              |                                |                         |
| Other payables                                                |              | <b>10,020</b>                  | 15,123                  |
| Bills payable                                                 |              | <b>–</b>                       | 35,934                  |
| Margin financing                                              |              | <b>–</b>                       | 161,043                 |
| Tax payable                                                   |              | <b>21,758</b>                  | 337                     |
| Total liabilities                                             |              | <b>31,778</b>                  | 212,437                 |
| <b>Total equity and liabilities</b>                           |              | <b>2,993,792</b>               | 1,483,698               |

*Notes:*

**(1) Basis of preparation of the financial statements**

These financial statements have been prepared in accordance with all the applicable Hong Kong Financial Reporting Standards (“HKFRSs”), (which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of these financial statements is the historical cost basis except that financial instruments classified as trading securities and available-for-sale investments, which are measured at their fair value.

The HKICPA has issued the following new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

|                                           |                                                                                                                                            |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| HKFRSs (Amendments)                       | Improvements to HKFRSs issued in 2008, except for amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009 |
| HKAS 1 (Revised)                          | Presentation of financial statements                                                                                                       |
| HKAS 23 (Revised)                         | Borrowing costs                                                                                                                            |
| HKAS 32 and 1 (Amendments)                | Puttable financial instruments and obligation arising on liquidation                                                                       |
| HKFRS 2 (Amendment)                       | Share-based payment – vesting conditions and cancellations                                                                                 |
| HKFRS 7 (Amendment)                       | Improving disclosures about financial instruments                                                                                          |
| HKFRS 8                                   | Operating segments                                                                                                                         |
| HK(IFRIC) – INT 9 and HKAS 39 (Amendment) | Embedded derivatives                                                                                                                       |
| HK(IFRIC) – INT 13                        | Customer loyalty programmes                                                                                                                |
| HK(IFRIC) – INT 15                        | Agreements for the construction of real estate                                                                                             |
| HK(IFRIC) – INT 16                        | Hedges of a net investment in a foreign operation                                                                                          |
| HK(IFRIC) – INT 18                        | Transfer of assets from customers                                                                                                          |

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

The Group has applied the disclosures requirements under HKAS 1 (Revised) “Presentation of Financial Statements”. Under HKAS 1 (Revised), the “Balance Sheet” is renamed as the “Statement of Financial Position” and the “Cash Flow Statement” is renamed as the “Statement of Cash Flows”. All income and expenses arising from transactions with non-owner (i.e., the non-owner change in equity) are presented under the “Statement of Comprehensive Income”, while the owner changes in equity are presented in the “Statement of Changes in Equity”.

The amendments to HKFRS 7 expand disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKFRS 8 supersedes HKAS 14 “Segment Reporting”, and requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to the segment and to assess its performance. There is no effect on the reportable segments presented from prior years.

The Group has not early applied the following new and revised HKRSs that have been issued but are not yet effective, in these financial statements. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Group.

|                                 |                                                                                                         |
|---------------------------------|---------------------------------------------------------------------------------------------------------|
| HKFRSs (Amendments)             | Improvements to HKFRSs 2009 <sup>4</sup>                                                                |
| HKFRSs (Amendments)             | Amendments to HKFRS 5 as part of improvements to HKFRSs 2008 <sup>2</sup>                               |
| HKAS 1 (Amendment)              | Presentation of financial statements <sup>2</sup>                                                       |
| HKAS 24 (Revised)               | Related party disclosures <sup>6</sup>                                                                  |
| HKAS 27 (Revised)               | Consolidated and separate financial statements <sup>1</sup>                                             |
| HKAS 32 (Amendment)             | Classification of rights issues <sup>3</sup>                                                            |
| HKAS 38 (Amendment)             | Intangible assets <sup>1</sup>                                                                          |
| HKAS 39 (Amendment)             | Eligible hedged items <sup>1</sup>                                                                      |
| HKFRS 1 (Revised)               | First-time adoption of Hong Kong Financial Reporting Standards <sup>1</sup>                             |
| HKFRS 1 (Amendments)            | Additional exemptions for first-time adopters <sup>2</sup>                                              |
| HKFRS 2 (Amendments)            | Group cash-settled share-based payment transactions <sup>2</sup>                                        |
| HKFRS 3 (Revised)               | Business combinations <sup>1</sup>                                                                      |
| HKFRS 9                         | Financial instruments (relating to the classification and measurement of financial assets) <sup>7</sup> |
| HK(IFRIC) – INT 14 (Amendments) | Prepayments of a minimum funding requirement <sup>6</sup>                                               |
| HK(IFRIC) – INT 17              | Distribution of non-cash assets to owners <sup>1</sup>                                                  |
| HK(IFRIC) – INT 19              | Extinguishing financial liabilities with equity instruments <sup>5</sup>                                |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2010, unless otherwise specified

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013

## (2) REVENUE

|                                   | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|-----------------------------------|------------------|------------------|
| Revenue from sales of base metals | <u>301,420</u>   | <u>298,613</u>   |

### (3) SEGMENTAL INFORMATION

In prior years, segment information reported was analysed on the basis of the types of goods supplied which is the same that reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The Group's reportable segments under HKFRS 8 are therefore as follow:

- (i) trading of base metals; and
- (ii) trading of and investment in listed securities

The Group also involved in the business of trading in fabric products and other merchandises which was discontinued during the year ended 31 December 2008. Information regarding the Group's reporting segments is presented below.

#### *Segment revenue and result*

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

#### **For year ended 31 December 2009**

|                                                                                                                                                                  | Trading of<br>base metals<br><i>HK\$'000</i> | Trading<br>of and<br>investment<br>in listed<br>securities<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------------------------------------------|--------------------------|
| Revenue                                                                                                                                                          | <u>301,420</u>                               | <u>–</u>                                                                      | <u>301,420</u>           |
| Gross sales proceeds from trading of<br>and investment in listed securities                                                                                      | <u>–</u>                                     | <u>268,671</u>                                                                | <u>268,671</u>           |
| Segment result                                                                                                                                                   | 46,092                                       | 124,702                                                                       | 170,794                  |
| Share of profits less losses of associates                                                                                                                       |                                              |                                                                               | 168,033                  |
| Excess of the Group's interest in the net fair value<br>of an associate's identifiable assets, liabilities and<br>contingent liabilities over cost of investment |                                              |                                                                               | 21,244                   |
| Impairment loss on available-for-sale investments                                                                                                                |                                              | (28,174)                                                                      | (28,174)                 |
| Reversal of impairment loss on interest in an associate                                                                                                          |                                              |                                                                               | 466,553                  |
| Impairment loss on interest in an associate                                                                                                                      |                                              |                                                                               | (304,024)                |
| Unallocated corporate incomes                                                                                                                                    |                                              |                                                                               | 2,079                    |
| Unallocated corporate expenses                                                                                                                                   |                                              |                                                                               | (38,653)                 |
| Finance costs                                                                                                                                                    |                                              |                                                                               | <u>(13,468)</u>          |
| Profit before taxation                                                                                                                                           |                                              |                                                                               | 444,384                  |
| Income tax expense                                                                                                                                               |                                              |                                                                               | <u>(71,781)</u>          |
| Profit for the year                                                                                                                                              |                                              |                                                                               | <u><u>372,603</u></u>    |

For the year ended 31 December 2008

|                                                                             | Trading of<br>base metals<br><i>HK\$'000</i> | Trading<br>of and<br>investment<br>in listed<br>securities<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-----------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------------------------------------------|--------------------------|
| Revenue                                                                     | <u>298,613</u>                               | <u>–</u>                                                                      | <u>298,613</u>           |
| Gross sales proceeds from trading of<br>and investment in listed securities | <u>–</u>                                     | <u>231,444</u>                                                                | <u>231,444</u>           |
| Segment result                                                              | 9,671                                        | (408,582)                                                                     | (398,911)                |
| Share of profit of an associate                                             |                                              |                                                                               | 2,435                    |
| Provision for doubtful debts                                                | (50,000)                                     | –                                                                             | (50,000)                 |
| Impairment loss on available-for-sale investments                           |                                              | (241,495)                                                                     | (241,495)                |
| Loss on deemed disposal of partial interests in<br>an associate             |                                              |                                                                               | (7,544)                  |
| Impairment loss on interest in an associate                                 |                                              |                                                                               | (466,553)                |
| Unallocated corporate incomes                                               |                                              |                                                                               | 2,080                    |
| Unallocated corporate expenses                                              |                                              |                                                                               | (91,725)                 |
| Finance costs                                                               |                                              |                                                                               | <u>(675)</u>             |
| Loss before taxation                                                        |                                              |                                                                               | (1,252,388)              |
| Income tax expense                                                          |                                              |                                                                               | <u>(616)</u>             |
| Loss for the year                                                           |                                              |                                                                               | <u>(1,253,004)</u>       |

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2008: nil).

Other segment items included in the consolidated income statement for the year ended 2009 are as follows:

|                                               | Trading of<br>base metals<br><i>HK\$'000</i> | Trading<br>of and<br>investment<br>in listed<br>securities<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-----------------------------------------------|----------------------------------------------|-------------------------------------------------------------------------------|--------------------------------|--------------------------|
| Depreciation                                  | (3)                                          | –                                                                             | (655)                          | (658)                    |
| Interest income                               | 6,962                                        | 762                                                                           | 115                            | 7,839                    |
| Change in fair value of<br>trading securities | <u>–</u>                                     | <u>6,389</u>                                                                  | <u>–</u>                       | <u>6,389</u>             |

Other segment items included in the consolidated income statement for the year ended 2008 are as follows:

|                                               | Trading of<br>base metals<br><i>HK\$'000</i> | Trading<br>of and<br>investment<br>in listed<br>securities<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-----------------------------------------------|----------------------------------------------|-------------------------------------------------------------------------------|--------------------------------|--------------------------|
| Depreciation                                  | (2)                                          | –                                                                             | (730)                          | (732)                    |
| Interest income                               | 1,725                                        | 1,708                                                                         | 3,523                          | 6,956                    |
| Change in fair value of<br>trading securities | <u>–</u>                                     | <u>(468,862)</u>                                                              | <u>–</u>                       | <u>(468,862)</u>         |

***Segment assets and liabilities***

An analysis of the Group's assets and liabilities by operating segment is set out below:

|                                                | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|------------------------------------------------|-------------------------|-------------------------|
| Trading of base metals                         | 424,729                 | 375,919                 |
| Trading of and investment in listed securities | <u>168,631</u>          | <u>198,649</u>          |
| Total segment assets                           | <u>593,360</u>          | <u>574,568</u>          |
| Interest in associates                         | 2,357,583               | 591,817                 |
| Unallocated                                    | <u>42,849</u>           | <u>317,313</u>          |
| <b>Consolidated assets</b>                     | <b><u>2,993,792</u></b> | <b><u>1,483,698</u></b> |
| Trading of base metals                         | 12,970                  | 42,135                  |
| Trading of and investment in listed securities | <u>15,329</u>           | <u>161,490</u>          |
| Total segment liabilities                      | <u>28,299</u>           | <u>203,625</u>          |
| Unallocated                                    | <u>3,479</u>            | <u>8,812</u>            |
| <b>Consolidated liabilities</b>                | <b><u>31,778</u></b>    | <b><u>212,437</u></b>   |

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investments in associates and assets used jointly by reportable segments; and
- all liabilities are allocated to reportable segments including current tax liabilities other than liabilities for which reportable segments are jointly liable.

***Other information***

The Group's revenue from continuing operations from external customers by geographical location are detailed below, irrespective of the origin of the goods.

|                       | <b>2009</b><br><b>HK\$'000</b> | 2008<br>HK\$'000      |
|-----------------------|--------------------------------|-----------------------|
| Hong Kong and the PRC | <b>301,420</b>                 | 231,354               |
| South East Asia       | <u>–</u>                       | <u>67,259</u>         |
|                       | <b><u>301,420</u></b>          | <b><u>298,613</u></b> |

The information about the Group's segment assets by geographical location is detailed below.

|                       | <b>2009</b><br><b>HK\$'000</b> | 2008<br>HK\$'000      |
|-----------------------|--------------------------------|-----------------------|
| Hong Kong and the PRC | <b>456,741</b>                 | 432,456               |
| Australia             | <u>136,619</u>                 | <u>142,112</u>        |
|                       | <b><u>593,360</u></b>          | <b><u>574,568</u></b> |

Additions of property, plant and equipment to the amount of HK\$15,273 for the year ended 31 December 2009 (2008: HK\$135,134) are all located in Hong Kong and PRC.

Included in revenues arising from trading of base metals of HK\$301,420,000 (2008: HK\$298,613,000) are revenues of approximately HK\$163,967,000 (2008: HK\$124,877,000) which arose from sales to the Group's largest customer. In 2009, the remaining revenues arose evenly in proportion from sales to the Group's remaining three customers.

**(4) DISCONTINUED OPERATION**

The Group ceased the business operation of trading in fabric products and other merchandises in year 2008.

The results and cash flows of the discontinued operation being included in the consolidated income statement and consolidated statement of cash flows are as follows.

|                                                        | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|--------------------------------------------------------|-------------------------|-------------------------|
| <b>Profit for the year from discontinued operation</b> |                         |                         |
| Turnover                                               | –                       | –                       |
| Cost of sales                                          | –                       | –                       |
|                                                        | –                       | –                       |
| Gross profit                                           | –                       | –                       |
| Other income                                           | –                       | 677                     |
| Administrative expenses                                | –                       | (2)                     |
|                                                        | –                       | –                       |
| Profit before taxation                                 | –                       | 675                     |
| Income tax expense                                     | –                       | –                       |
|                                                        | –                       | –                       |
| Profit for the year from discontinued operation        | –                       | 675                     |
|                                                        | <u>–</u>                | <u>675</u>              |
| <b>Cash flows from discontinued operation</b>          |                         |                         |
| Net cash flows used in operating activities            | –                       | (8)                     |
| Net cash flows from investing activities               | –                       | 683                     |
|                                                        | –                       | –                       |
| Net cash flows                                         | –                       | 675                     |
|                                                        | <u>–</u>                | <u>675</u>              |

**(5) PROFIT/(LOSS) BEFORE TAXATION**

Profit/(loss) before taxation has been arrived at after charging/(crediting):

|                                                                                | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|--------------------------------------------------------------------------------|-------------------------|-------------------------|
| Auditor's remuneration                                                         | 340                     | 340                     |
| Depreciation for property, plant and equipment                                 | 658                     | 732                     |
| Exchange gain, (net)                                                           | (1,431)                 | (3,413)                 |
| Legal and professional fees                                                    | 45                      | 12,771                  |
| Loss on disposal of property, plant and equipment                              | 1                       | 1                       |
| Consultancy fee                                                                | 2,005                   | 1,597                   |
|                                                                                | <u>2,005</u>            | <u>1,597</u>            |
| Staff costs, including directors' emoluments                                   |                         |                         |
| – salaries and allowances                                                      | 15,221                  | 17,048                  |
| – equity-settled share option expenses                                         | 14,783                  | 53,700                  |
| – staff quarter                                                                | 220                     | 308                     |
| – retirement benefits scheme contributions, net of nil forfeited contributions | 181                     | 480                     |
|                                                                                | <u>181</u>              | <u>480</u>              |
| Total staff costs                                                              | 30,405                  | 71,536                  |
|                                                                                | <u>30,405</u>           | <u>71,536</u>           |

**(6) INCOME TAX EXPENSE**

|                                                            | <b>2009</b><br><b>HK\$'000</b> | 2008<br><i>HK\$'000</i> |
|------------------------------------------------------------|--------------------------------|-------------------------|
| Income tax expense for the year                            |                                |                         |
| Hong Kong profits tax                                      | <b>20,543</b>                  | –                       |
| The PRC enterprise income tax                              | <b>1,233</b>                   | 616                     |
|                                                            | <b>21,776</b>                  | 616                     |
| Other overseas tax provided                                | <b>50,005</b>                  | –                       |
| Total income tax expense relating to continuing operations | <b>71,781</b>                  | 616                     |

Hong Kong profits tax has been provided for at the rate of 16.5% on the Group estimated assessable profit for the year ended 31 December 2009. No provision for Hong Kong profits tax has been made as the Group had no assessable profit for the year ended 31 December 2008.

The PRC subsidiaries are subject to the PRC enterprise income tax at 25%.

The Group's share of associates' tax charge for the year ended 31 December 2009 is included in the other overseas tax provided for the year above.

**(7) DIVIDENDS**

No dividends had been paid or declared by the Company during the year (2008: nil).

**(8) EARNINGS/(LOSS) PER SHARE**

|                                          | <b>2009</b><br><b>HK Cent</b><br><b>per share</b> | 2008<br><i>HK Cent</i><br><i>per share</i> |
|------------------------------------------|---------------------------------------------------|--------------------------------------------|
| <b>Basic earnings/(loss) per share</b>   |                                                   |                                            |
| From continuing operations               | <b>7.15</b>                                       | (26.50)                                    |
| From discontinued operation              | –                                                 | 0.01                                       |
| Total basic earnings/(loss) per share    | <b>7.15</b>                                       | (26.49)                                    |
| <b>Diluted earnings/(loss) per share</b> |                                                   |                                            |
| From continuing operations               | <b>7.07</b>                                       | (25.88)                                    |
| From discontinued operation              | –                                                 | 0.01                                       |
| Total diluted earnings/(loss) per share  | <b>7.07</b>                                       | (25.87)                                    |

**(a) Basic earnings/(loss) per share**

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK\$372,603,000 (2008: loss of HK\$1,252,329,000) and weighted average number of 5,212,630,859 (2008: 4,727,569,372) ordinary shares in issue during the year .

**(b) Diluted earnings/(loss) per share**

The earnings/(loss) used in the calculation of diluted earnings/(loss) per share are the same as those for the basic earnings/(loss) per share, as set out above.

The weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share as follows:

|                                                                                                       | 2009                 | 2008                 |
|-------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share | 5,212,630,859        | 4,727,569,372        |
| Effect of dilutive potential ordinary share in respect of:                                            |                      |                      |
| – warrants                                                                                            | 55,272,054           | 113,373,772          |
| – share options                                                                                       | –                    | –                    |
| Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share       | <u>5,267,902,913</u> | <u>4,840,943,144</u> |

The calculation of the diluted earnings/(loss) per share did not assume the exercise of the Company's outstanding share options as their exercise prices were higher than the average market price of the Company's shares for the year.

**(9) INTEREST IN ASSOCIATES**

|                                       | Group            |                  | Company       |               |
|---------------------------------------|------------------|------------------|---------------|---------------|
|                                       | 2009             | 2008             | 2009          | 2008          |
|                                       | HK\$'000         | HK\$'000         | HK\$'000      | HK\$'000      |
| Share of net assets of associates     | 1,966,770        | 591,817          | 25,598        | 22,848        |
| Goodwill on acquisition of associates | 228,284          | 466,553          | –             | –             |
| Reversal of impairment loss           | 466,553          | –                | –             | –             |
|                                       | <u>2,661,607</u> | <u>1,058,370</u> | <u>25,598</u> | <u>22,848</u> |
| Less: impairment loss                 | <u>(304,024)</u> | <u>(466,553)</u> | <u>–</u>      | <u>–</u>      |
|                                       | <u>2,357,583</u> | <u>591,817</u>   | <u>25,598</u> | <u>22,848</u> |
| Fair value of listed investments      | <u>3,573,413</u> | <u>392,330</u>   | <u>N/A</u>    | <u>N/A</u>    |

Details of the Group's associates at 31 December 2009 are as follow:

| Name of entity                       | Place of incorporation and operation | Class of shares held | Proportion of ownership interest and voting power held |                           | Principal activities                                                                                                                                                                                                                                                                                 |
|--------------------------------------|--------------------------------------|----------------------|--------------------------------------------------------|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                      |                                      |                      | 2009                                                   | 2008                      |                                                                                                                                                                                                                                                                                                      |
| 平港 (上海) 貿易有限公司<br>("平港貿易")           | The People's Republic of China       | N/A                  | <b>40%</b>                                             | 40%                       | Wholesale, import and export, agency service and relevant service for coal, coke, material for metallurgy, mineral products, chemical engineering products, mechanical and electrical equipment and spare parts, steel and steel products, construction material and related products and technology |
| Mount Gibson Iron Limited<br>("MGX") | Australia                            | Ordinary             | <b>26.75%</b><br><i>(note a)</i>                       | 17.95%<br><i>(note a)</i> | Mining of hematite deposits at Talling Peak and Koolan Island; development of hematite mining operations at Extension Hill; and exploration of hematite deposits in Western Australia                                                                                                                |
| Metals X Limited ("MLX")             | Australia                            | Ordinary             | <b>29.08%</b><br><i>(note b)</i>                       | 18.45%<br><i>(note b)</i> | Exploration for and the mining, treatment and marketing of tin concentrate and nickel in Australia; exploration for phosphate in Australia; the development and construction of tin mine projects and exploration for precious and base metals through significant shareholding in other companies   |

*Notes:*

- (a) Prior to 1 December 2008, the Group acquired equity interest in MGX through various subsidiaries for trading and long-term investment purposes. The Group considered that given the conditions as stipulated in Hong Kong Accounting Standard 28 – Investments in Associates ("HKAS 28"), MGX was not an associate as defined in HKAS 28, the interest of its shareholdings can only be accounted for other than as an associate. A certain portion of the equity interest in MGX was accounted for as trading securities and the remaining portion was accounted for as available-for-sale investments. On 1 December 2008, following the appointment of the Group's chairman to the board of MGX and MGX was then deemed as an associate as defined in HKAS 28. Accordingly, MGX was then treated as an associate of the Group. On 1 December 2008, the cumulative fair value changes of the Group's 20.41% equity interest in MGX was accounted for in the financial statements.

On 31 December 2008, a placing transaction of 110,000,000 shares was completed by MGX. Although the Group's interest was diluted to approximately 17.95%, the Group still considered MGX as an associate as defined in HKAS 28. MGX continued to be accounted for as an associate of the Group. The Group's interest before the placement was 20.41%. A deemed disposal of the interest in associate was recognised and a loss of HK\$7,544,000 was recorded in profit or loss.

In January 2009, the Group subscribed a further 115,729,630 new shares of MGX at an aggregate consideration of A\$69,437,777 (equivalent to approximately HK\$366,496,000). The Group's interest in MGX was increased to 26.03%. During September to December 2009, the Group further acquired 8,214,504 shares of MGX which increased the Group's interest in MGX to 26.75%.

- (b) Prior to 3 December 2009, the Group acquired an equity interest in MLX through various subsidiaries for trading purposes. The equity interest in MLX was accounted for as trading securities. On 3 December 2009, the Group, for trading purposes, accepted a placement of 178,000,000 shares to a subsidiary of the Group. The Group's interest in MLX was increased from 18.45% to 29.08%. Accordingly, MLX was then treated as an associate of the Group in compliance with HKAS 28. On 3 December 2009, the Group worked back to each original purchase to determine the amount of any goodwill associated with each acquisition of shares and adjusted therefrom for the post-acquisition share of MLX's loss and reserves, the cumulative fair value changes of the Group's 29.08% equity interest in MLX was accounted for as explained in the financial statements with a previously recognised loss of HK\$442,409,000 from changes in fair value of trading securities reversed from the accumulated losses in current year.

Summarised financial information of associates is set out below:

|                                                           | Group            |                  | Company          |               |
|-----------------------------------------------------------|------------------|------------------|------------------|---------------|
|                                                           | 2009             | 2008             | 2009             | 2008          |
|                                                           | HK\$'000         | HK\$'000         | HK\$'000         | HK\$'000      |
| Total assets                                              | 9,810,170        | 5,609,242        | 143,370          | 57,100        |
| Total liabilities                                         | 2,601,791        | 2,382,403        | 79,374           | –             |
| Net assets                                                | <u>7,208,379</u> | <u>3,226,839</u> | <u>63,996</u>    | <u>57,100</u> |
| Group's share of net assets of associates                 | <u>1,966,770</u> | <u>591,817</u>   | <u>25,598</u>    | <u>22,840</u> |
| Total revenue                                             | <u>5,096,187</u> | <u>1,236,635</u> | <u>1,385,866</u> | <u>–</u>      |
| Profit of the year of relevant associates                 | <u>477,200</u>   | <u>111,932</u>   | <u>7,206</u>     | <u>–</u>      |
| Group's share of profits less losses of associates        | <u>168,033</u>   | <u>2,435</u>     | <u>2,882</u>     | <u>–</u>      |
| Group's share of other comprehensive income of associates | <u>451,193</u>   | <u>(10,395)</u>  | <u>–</u>         | <u>–</u>      |

During the year ended 31 December 2009, the Group performed impairment assessment with reference to the recoverable amount of all the investment in associates.

The recoverable amount of MLX which represented the fair value less cost to sell was less than its carrying amount. An impairment loss of HK\$304,024,000 was recognised. The fair value of MLX referred to its market closing price at 31 December 2009.

The recoverable amount MGX which represented the fair value less cost to sell was significantly higher than its carrying amount. Accordingly, HK\$466,553,000 impairment loss on interest in the associate recognised in previous year was reversed. The fair value of MGX referred to its market closing price at 31 December 2009.

#### (10) TRADE AND OTHER RECEIVABLES

|                                                          | <b>Group</b>         |                       | <b>Company</b>    |                       |
|----------------------------------------------------------|----------------------|-----------------------|-------------------|-----------------------|
|                                                          | <b>2009</b>          | <b>2008</b>           | <b>2009</b>       | <b>2008</b>           |
|                                                          | <b>HK\$'000</b>      | <b>HK\$'000</b>       | <b>HK\$'000</b>   | <b>HK\$'000</b>       |
| Trade receivables                                        | <b>48,660</b>        | 35,933                | –                 | –                     |
| Interest receivables                                     | <b>5,685</b>         | –                     | –                 | –                     |
| Other receivables                                        | <b>1</b>             | 110                   | –                 | –                     |
| Purchase deposits                                        | –                    | 168,896               | –                 | –                     |
| Deposit for underwritten rights issue of<br>an associate | –                    | 260,985               | –                 | 260,984               |
| Other deposits and prepayment                            | <b>5,069</b>         | 4,808                 | <b>246</b>        | 155                   |
|                                                          | <b><u>59,415</u></b> | <b><u>470,732</u></b> | <b><u>246</u></b> | <b><u>261,139</u></b> |

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The Group allows an average credit period of 0 – 90 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

|                   | <b>Group</b>         |                      |
|-------------------|----------------------|----------------------|
|                   | <b>2009</b>          | <b>2008</b>          |
|                   | <b>HK\$'000</b>      | <b>HK\$'000</b>      |
| Trade receivables |                      |                      |
| 0 to 90 days      | <b><u>48,660</u></b> | <b><u>35,933</u></b> |

The trade receivables disclosed above are neither past due nor impaired.

## **FINANCIAL RESULTS**

Revenue for the year increased slightly by 0.94% to HK\$301,420,000 (2008: HK\$298,613,000). However, I am pleased to report that the Group recorded a profit attributable to shareholders of HK\$372,603,000 for the year of compared to a net loss of HK\$1,252,329,000 incurred last year.

Total comprehensive income attributable to shareholders for the year increased to HK\$1,216,536,000 (2008: HK\$3,521,445,000 loss).

The Group's significantly improved result for the year was based upon both realised and unrealised gains in the Group's investment portfolio, the improved base metal trading conditions experienced during the year and a reversal of a previous impairment loss of interest in an associate HK\$466,553,000 (2008: nil).

## **DIVIDEND**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Review of Operations**

#### ***Trading and investment of listed securities***

As previously the Group maintains a long term investment portfolio of available-for-sale investments of HK\$96,376,000 (2008: HK\$84,585,000) and a short term portfolio of trading securities of HK\$71,899,000 (2008: HK\$113,898,000).

The gross sales proceeds for the year from trading of and investment in listed securities was HK\$268,671,000 (2008: HK\$231,444,000). The segment result after taking into account an impairment loss of available-for-sale investments of HK\$28,174,000 (2008: HK\$241,495,000) was HK\$96,528,000 (2008: HK\$650,077,000 loss).

#### ***Trading in base metals***

During the 2008 year the Group entered into long term off-take agreements with its associated company, Mount Gibson Iron Limited ("MGX"), whereby the Group has undertaken to acquire 20% of MGX's available iron ore production. Pursuant to these agreements the Group commenced to take delivery of iron ore during the second half of the year on-selling the product to various third parties.

Revenue from trading base metals during the period was HK\$301,420,000 (2008: HK\$298,613,000). Profit for the year from the Group's base metals trading activities was HK\$46,092,000 (2008: HK\$9,671,000).

The Group proposes to expand its base metal trading operations in future years. The profitability of such activities will be heavily dependent upon market conditions from time to time.

## **ASSOCIATED COMPANIES**

The Group's share of profits less losses from its associates for the year was HK\$168,033,000 (2008: HK\$2,435,000). Its share in the net assets of these associates at year end was HK\$1,966,770,000 (2008: HK\$591,817,000).

As at the end of the year the Group had three associates. The two principal associates were MGX and Metals X Limited ("MLX"). Both MGX and MLX are listed on the Australian stock exchange.

MGX is an iron ore mining company that operated two mines, Talling Peak and Koolan Island during the year and recommenced construction and development of a third mine at Extension Hill. All of MGX's operations are in Western Australia. In addition, MGX holds various exploration tenements.

The Group acquired a further 123,944,134 shares in MGX during the year increasing its holding in the company to 26.75%.

Trading conditions in the markets in which MGX operates improved significantly during the year and as a result MGX's results for the year improved markedly during the latter half of 2009.

A previous impairment loss of HK\$466,553,000 in relation to MGX was reversed as at 31 December 2009.

The Group's other associate at year end was MLX.

MLX is Australia's largest tin producer with its operations centered in western Tasmania. MLX also holds one of the world's largest undeveloped nickel projects at Wingellina in Western Australia. In addition MLX holds significant interests in two other Australian listed resource companies, Westgold Resources Limited (gold) and Aragon Resources Limited (base and precious metals).

Prior to December 2009 the Group's investment in MLX had been treated as trading securities. However, on 3 December 2009 the Group, for trading purposes, took up a further 178,000,000 shares from a placement at A\$0.09 per share bringing its shareholding in MLX to 29.08 %. As a result of the increase in the Group's holding to this level, MLX was then treated as an associate of the Group in compliance with HKAS 28 – Investments in Associates.

As a result of the change in accounting treatment, the Group incurred an impairment loss of HK\$304,024,000. This loss was calculated on the basis of a share price of MLX of A\$0.096 as at 31 December 2009. As at the date of this announcement, the share price of MLX was A\$0.145.

The third associate is an unlisted PRC company which is currently in the business of coal and coke, iron ore and steel product trading. The Group holds 40% of this company.

## **FINANCIAL RESOURCES, BORROWINGS AND CAPITAL STRUCTURE**

As at 31 December 2009, the Group's non-current assets amounted to HK\$2,454,951,000 (2008: HK\$678,045,000) and its net current assets amounted to HK\$507,063,000 (2008: HK\$593,216,000) with a current ratio of 16.96 times (2008: 3.79 times) calculated on the basis of the Group's current assets over current liabilities.

It should be noted that as at 31 December 2009 the Group had no external borrowings and had margin loan and trade finance facilities available to it amounting to HK\$480 million and HK\$478 million respectively.

During the year the Group placed 900,000,000 new ordinary shares at HK\$0.5 per share raising HK\$450,000,000 before the costs of the issue. In addition, 61,684,400 shares were issued at HK\$0.3 pursuant to the exercise of warrants raising HK\$18,505,320.

Subsequent to year end, a total of 131,784,535 warrants were exercised and there were 309,515 warrants outstanding. The rights attaching to the outstanding warrants expired on 4 February 2010.

On 14 April 2010 shareholders approved the Group placing a further 1,100,000,000 shares at HK\$0.5 per share raising an additional HK\$550,000,000 before costs of the issue.

## **FOREIGN EXCHANGE EXPOSURE**

For the year under review, the Group's assets were mainly denominated in Australian dollars, Renminbi and Hong Kong dollars whilst liabilities were mainly denominated in Hong Kong dollars. As a substantial portion of the assets was held as long-term investments, there would be no material immediate effect on the cash flow of the Group. In view of this, the Group did not actively hedge for risk arising from its Australian denominated assets. The Group monitors its foreign exchange exposure and will consider hedging significant exposure should the need arise.

## **PLEDGE OF ASSETS**

As at 31 December 2009, the Group's investment in listed associates, available for sale investments and trading securities of HK\$1,929,666,000 (2008: HK\$473,223,000) were pledged to secure short term credit facilities. In addition bank deposits of HK\$89,324,000 (2008: HK\$90,004,000) were pledged to banks to secure trade finance facilities granted to the Group.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2009, the Group, including its subsidiaries but excluding associates, had 19 (2008: 24) employees.

The Group continued to ensure that its employees were remunerated according to the prevailing market conditions and individual performance with its remuneration policies reviewed on a regular basis.

## **NEW EXECUTIVE DIRECTORS**

As previously announced to the market the Group has engaged two new executive directors post balance sheet date, Mr. Andrew Ferguson as Chief Executive Officer and Mr. Peter Curry as Chief Financial Officer. On behalf of the Board I welcome both Mr. Ferguson and Mr. Curry to our management team.

## **PROSPECTS**

The Group intends to establish itself as the premier natural resources investment company in Hong Kong and will continue to identify, evaluate and acquire both trading and strategic resources assets.

The Board and senior management of the Group has a strategically placed and supportive shareholder base and has a proven successful investment strategy evidenced by its investments in MGX and MLX.

The Group now has a profitable commodities trading division and has a global reach in its ability to identify and establish early positions with future winning companies. The Group's future investment strategy will be to focus upon cash flow producing assets with the lowest cost structure and highest achievable resource grades wherever possible.

The Group will continue to build a vertically integrated natural resources investment house leveraging its strong industry expertise on its two symbiotic businesses; investment and trading.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## **CORPORATE GOVERNANCE**

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the year ended 31 December 2009 except that all the independent non-executive directors of the Company were not appointed for a specific term since they are subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws.

The Company has also adopted the Model Code for Securities Transactions by Directors (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2009 (or since the date of their respective appointments).

## **REVIEW OF RESULTS BY AUDIT COMMITTEE AND EXTERNAL AUDITORS**

The Group's annual results for the year ended 31 December 2009 have been reviewed by the Audit Committee of the Company. The figures in respect of this announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Group's external auditors, Messrs. Graham H.Y. Chan & Co., to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Graham H.Y. Chan & Co. in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Graham H.Y. Chan & Co. on this announcement.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our shareholders for their continued support and to my fellow directors, the management and staff for their continuing contributions and effort. In particular I would like to express my appreciation to Messrs Cao Zhong, Zhou Luyong, Chen Zhaoqiang and Alan Jones who resigned as directors during the year.

By Order of the Board  
**Chong Sok Un**  
*Chairman*

Hong Kong, 23 April 2010

As at the date of this announcement, the Directors of the Company are:

*Executive Directors:* Ms. Chong Sok Un (*Chairman*), Mr. Andrew Charles Ferguson (*Chief Executive Officer*), Mr. Peter Anthony Curry (*Chief Financial Officer*), Mr. Yue Jialin and Mr. Kong Muk Yin

*Non-Executive Directors:* Mr. Lee Seng Hui, Mr. So Kwok Hoo and Mr. Liu Yongshun

*Independent Non-Executive Directors:* Mr. Wong Wing Kuen, Albert, Mr. Chang Chu Fai, Johnson Francis and Mr. Robert Moyse Willcocks

\* *For identification purpose only*