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XIAN YUEN TITANIUM RESOURCES HOLDINGS LIMITED
森 源 鈦 礦 控 股 有 限 公 司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 353)

ANNOUNCEMENT OF 2009 FINAL RESULTS AND RESUMPTION OF TRADING

The Board of Directors (the "**Board**") of Xian Yuen Titanium Resources Holdings Limited (the "**Company**") presents the audited consolidated annual results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 *HK$'000*
Continuing operations:			
Revenue	*3*	**10,332**	12,846
Cost of sales		**(10,020)**	(10,883)
Gross profit		**312**	1,963
Other income	*3*	**2,515**	10,752
Selling and distribution expenses		**–**	(734)
Administrative expenses		**(25,327)**	(40,397)
Other operating expenses		**(41,707)**	(14,850)
Impairment loss recognised in respect of goodwill		**(368,401)**	(253,030)
Operating loss		**(432,608)**	(296,296)
Finance costs	*5*	**(7,920)**	(22,521)
Loss before income tax	*6*	**(440,528)**	(318,817)
Income tax expense	*7*	**–**	–
Loss after income tax from continuing operations		**(440,528)**	(318,817)

* *For identification purpose only*

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Discontinued operations:			
Profit/(Loss) for the year from discontinued operations	*6 and 9*	**8,341**	(29,665)
Loss for the year		**(432,187)**	(348,482)
Loss for the year attributable to:			
Owners of the Company	*10*	**(432,187)**	(341,321)
Non-controlling interests		**–**	(7,161)
Loss for the year		**(432,187)**	(348,482)
Loss per share for loss attributable to the owners of the Company during the year	*11*		
– Basic			
From continuing and discontinued operations		**(HK8.2 cents)**	(HK13.4 cents)
From continuing operations		**(HK8.3 cents)**	(HK12.4 cents)
– Diluted			
From continuing and discontinued operations		**N/A**	N/A
From continuing operations		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Loss for the year		**(432,187)**	(348,482)
Other comprehensive income			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(146)**	8,941
Release of exchange reserve upon disposals of subsidiaries	*17(a) and (c)*	**(9,272)**	–
Release of exchange reserve on deemed disposal of subsidiaries	*18*	**–**	(6,848)
Other comprehensive income for the year		**(9,418)**	2,093
Total comprehensive loss for the year		**(441,605)**	(346,389)
Total comprehensive loss attributable to:			
Owners of the Company		**(441,605)**	(340,955)
Non-controlling interests		**–**	(5,434)
		(441,605)	(346,389)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,605**	4,709
Goodwill		**327,632**	696,033
Available-for-sale financial assets	*12*	**–**	12,091
Deposits for acquisitions of subsidiaries	*13*	**185,000**	–
Exploration and evaluation assets		**38,562**	34,253
		554,799	747,086
Current assets			
Trade receivables		**–**	43
Prepayments, deposits and other receivables		**1,393**	30,998
Cash at banks and in hand		**113,382**	881
		114,775	31,922
Assets in disposal group classified as held for sale		**–**	61,589
		114,775	93,511
Current liabilities			
Deposits received, other payables and accruals		**22,559**	13,755
Finance lease payables		**–**	97
		22,559	13,852
Liabilities in disposal group classified as held for sale		**–**	50,271
		22,559	64,123
Net current assets		**92,216**	29,388
Total assets less current liabilities		**647,015**	776,474
Non-current liabilities			
Finance lease payables		**–**	33
Convertible bonds	*14*	**19,279**	192,662
		19,279	192,695
Net assets		**627,736**	583,779
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*15*	**73,610**	30,247
Reserves		**554,126**	552,244
		627,736	582,491
Non-controlling interests		**–**	1,288
Total equity		**627,736**	583,779

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL INFORMATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations ("**Int**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2009:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange difference on translation of financial statements of foreign operations. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or parent company statement of financial position at 1 January 2008 and accordingly this statement is not presented.

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or an associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries, jointly controlled entities or associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. As the Group's operating segments reported to chief operating decision maker as required by HKFRS 8 are the same as the business segments reported in accordance with the predecessor standard (HKAS 14 "**Segment Reporting**"), the adoption of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed as the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interests) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

Annual improvements 2009

The HKICPA has issued *Improvements to Hong Kong Financial Reporting Standards 2009*. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 *Leases* to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

3. REVENUE AND OTHER INCOME

Turnover of the Group is the revenue from its principal activities. Revenue from the Group's principal activities and other income recognised is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue						
Sale of goods	**10,332**	12,846	**–**	6,418	**10,332**	19,264
Other income						
Bank interest income	**51**	182	**–**	1	**51**	183
Interest income from loan receivables	**1,736**	3,738	**–**	–	**1,736**	3,738
Gain on disposals of subsidiaries *(note)*	**703**	6,280	**8,341**	–	**9,044**	6,280
Sub-leasing rental income	**–**	20	**–**	–	**–**	20
Sundry income	**25**	532	**–**	20	**25**	552
	2,515	10,752	**8,341**	21	**10,856**	10,773

Note:

Gain on disposals of subsidiaries

On 16 January 2009, the Group completed the disposal of the entire equity interests in a subsidiary, namely Beijing Forest Source Mining Industry Development Company Limited ("**BJFSMI**") for a consideration of HK$10,000,000. As at the date of disposal, BJFSMI had net assets of HK$9,332,000. Accordingly, a gain of HK$668,000 was recognised in profit or loss during the year. Details of this disposal transaction are fully described in note 17(a).

On 20 March 2009, the Group completed the disposal of the entire equity interests in its subsidiaries, namely Orient Carpet Manufacturing (HK) Limited ("**Orient Carpet**") and its subsidiary, namely Hui Zhou Orient Carpet Manufacturing Co., Ltd. ("**HZOCM**"), for a consideration of HK$19.3 million of which (a) HK$12.2 million was used to set off against the net current liabilities of HZOCM and (b) HK$7.1 million was paid in cash on completion date. Accordingly, a gain of HK$8,341,000 was recognised in profit or loss during the year. Details of this disposal transaction are fully described in note 17(c).

On 30 April 2009, the Group completed the disposal of the entire equity interests in its subsidiaries, namely Jackley China Limited ("**Jackley China**") and its subsidiaries, for a consideration of HK$1. As at the date of disposal, Jackley China and its subsidiaries had net liabilities of HK$2,000. Accordingly, a gain of HK$2,000 was recognised in profit or loss during the year. Details of this disposal transaction are fully described in note 17(d).

On 4 May 2009, the Group completed the disposal of the entire equity interests in its subsidiaries, namely 626 Limited and its subsidiary, Hong Kong Forest Source Mining Industry Development Company Limited ("**HKFSMID**"), for a consideration of HK$1. As at the date of disposal, 626 Limited and its subsidiary had net liabilities of HK$33,000. Accordingly, a gain of HK$33,000 was recognised in profit or loss during the year. Details of this disposal transaction are fully described in note 17(e).

On 6 March 2008, the Group disposed of all 75.5% equity interests in a subsidiary, namely Kaicheng (Hong Kong) Company Limited ("**Kaicheng**"), for a consideration of HK$1. As at the date of disposal, Kaicheng had net liabilities of HK$842,000. Accordingly, a gain of HK$842,000 was recognised in profit or loss during 2008. Details of this disposal transaction are fully described in note 17(g).

On 30 May 2008, the Group disposed of all 51% equity interests in a subsidiary, namely International Carpet Company Limited ("**ICC**"), for a consideration of HK$200,000. As at the date of disposal, ICC had net liabilities of HK$5,238,000. Accordingly, a gain of HK$5,438,000 was recognised in profit or loss during 2008. Details of this disposal transaction are fully described in note 17(h).

4. SEGMENT INFORMATION

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to management of the Group for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to management of the Group are determined following the Group's major product and service lines. The Group has identified the following reportable segments.

(a) the exploration of mine in the PRC (Commercial operations has not yet been commenced during the year); and

(b) the trading of carpets segment represents the trading of carpets of renowned brand names.

There was no intersegment sale and transfer during the year (2008: Nil).

	Exploration of mine		Trading of carpets		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue:						
From external customers	**–**	–	**10,332**	12,846	**10,332**	12,846
Reportable segment loss	**(406,344)**	(266,235)	**(1,571)**	(9,896)	**(407,915)**	(276,131)
Bank interest income	**1**	48	**–**	93	**1**	141
Depreciation	**811**	937	**–**	50	**811**	987
Assets in disposal group classified as held for sale – loss on re-measurement to fair value less costs to sell	**–**	1,730	**–**	–	**–**	1,730
Impairment loss on goodwill	**368,401**	253,030	**–**	–	**368,401**	253,030
Provision for impairment loss of other receivables	**30,965**	–	**–**	–	**30,965**	–
Gain on disposals of subsidiaries	**668**	–	**33**	5,438	**701**	5,438
Reportable segment assets	**369,990**	774,902	**958**	1,275	**370,948**	776,177
Additions to non-current segment assets during the year	**4,497**	1,030	**–**	61	**4,497**	1,091
Reportable segment liabilities	**39,220**	199,442	**51**	52	**39,271**	199,494

The Group's revenues from external customers are divided into the following geographical areas:

	Hong Kong (Domicile)		Macau		PRC		United States of America		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue:										
From external customers	**10,332**	7,810	**–**	135	**–**	3,117	**–**	1,784	**10,332**	12,846
Non-current assets	**185,027**	332	**–**	–	**369,772**	734,663	**–**	–	**554,799**	734,995

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of non-current assets is based on the physical location of the asset.

For the year ended 31 December 2009, HK$10,332,000 or 100% of the Group's revenues were derived from a single customer in its trading of carpets segment (2008: HK$2,024,000 or 16%). As at 31 December 2009, no trade receivables were due from this customer (2008: HK$43,000).

5. FINANCE COSTS

	Continuing operations	
	2009	2008
	HK$'000	*HK$'000*
Interest on bank and other borrowings due within one year	**1,518**	624
Finance leases	**5**	13
Imputed interest on convertible bonds *(note 14)*	**6,397**	21,884
	7,920	22,521

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting) the following:

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories recognised as expense	**10,020**	10,506	**–**	6,513	**10,020**	17,019
Depreciation (note a below)						
– owned assets	**958**	2,170	**–**	1,185	**958**	3,355
– leased assets	**63**	94	**–**	–	**63**	94
	1,021	2,264	**–**	1,185	**1,021**	3,449
Amortisation of prepaid lease payments	**–**	–	**–**	244	**–**	244
Auditors' remuneration	**510**	494	**–**	–	**510**	494
Assets in disposal group classified as held for sale – loss on re-measurement to fair value less costs to sell	**–**	1,730	**–**	13,680	**–**	15,410
Bad debts written off	**–**	–	**–**	11,720	**–**	11,720
Exchange loss, net	**–**	400	**–**	–	**–**	400
Gain on disposals of subsidiaries	**(703)**	(6,280)	**(8,341)**	–	**(9,044)**	(6,280)
Impairment loss of goodwill	**368,401**	253,030	**–**	–	**368,401**	253,030
Loss on deemed disposal of subsidiaries *(note 18)* **	**–**	11,027	**–**	–	**–**	11,027
Loss on disposal of subsidiaries *(note b below)* **	**10,534**	–	**–**	–	**10,534**	–
Loss on disposals of property, plant and equipment **	**10**	2,090	**–**	–	**10**	2,090
Operating lease charges on land and buildings	**1,449**	6,936	**–**	154	**1,449**	7,090
Outgoings in respect of leasing properties	**220**	1,545	**–**	–	**220**	1,545
Provision for impairment loss of other receivables**	**30,965**	–	**–**	–	**30,965**	–
Staff costs, including directors' emoluments	**4,426**	20,807	**–**	1,500	**4,426**	22,307

** *Included in "**Other operating expenses**" on the face of the consolidated income statement.*

Notes:

(a) No depreciation expenses (2008: HK$810,000) were included in cost of sales and depreciation expenses of HK$1,021,000 (2008: HK$2,639,000) were included in administrative expenses.

(b) On 21 August 2009, the Group completed the disposal of the entire equity interests in its subsidiaries, namely Aurora International Enterprises Limited ("**AIEL**") and its subsidiaries, for a consideration of HK$2,000,000. As at the date of disposal, AIEL and its subsidiaries had net assets of HK$12,534,000. Accordingly, a loss of HK$10,534,000 was recognised in profit or loss during the year. Details of this disposal transaction are fully described in note 17(f).

7. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for both years. PRC foreign enterprise income tax has not been provided as the PRC subsidiaries incurred assessable losses for both years.

8. DIVIDEND

The board of directors did not recommend any payment of dividend during the year (2008: Nil).

9. DISCONTINUED OPERATIONS

During the year ended 31 December 2008, the business of carpet manufacturing was carried out by its disposed subsidiaries, namely HZOCM and Tang Shan Win Alliance Wealthy Unit Carpet Limited ("**Tang Shan Win Alliance**") (collectively referred to as the "**Carpet Manufacturing Group**") whilst the business of goods trading was carried out by the Group's other disposed subsidiaries, namely Wise Mount Management Limited ("**Wise Mount**") and Win Alliance Development Limited ("**Win Alliance**") (collectively referred to as the "**Goods Trading Business Group**"). As these two businesses had been suffering persistent losses, on 4 December 2008, the Group entered into two separate sale and purchase agreements to dispose of the Carpet Manufacturing Group and the Goods Trading Business Group. The Carpet Manufacturing Group and the Goods Trading Business Group are collectively referred to as Discontinued Operations. The disposals of the Carpet Manufacturing Group and the Goods Trading Business Group were completed in March and February 2009 respectively. The comparative figures for the year ended 31 December 2008 present these two businesses as discontinued operations in accordance with HKFRS 5.

An analysis of the results and cash flows of Discontinued Operations included in the consolidated income statement and the consolidated statement of cash flows was as follows:

	2009 The Carpet Manufacturing Business HK$'000	2009 The Goods Trading Business HK$'000	2009 Total HK$'000	2008 The Carpet Manufacturing Business HK$'000	2008 The Goods Trading Business HK$'000	2008 Total HK$'000
Revenue	–	–	–	6,418	–	6,418
Other income	–	–	–	21	–	21
Expenses	–	–	–	(10,364)	(12,060)	(22,424)
	–	–	–	(3,925)	(12,060)	(15,985)
Income tax expense	–	–	–	–	–	–
	–	–	–	(3,925)	(12,060)	(15,985)
Loss on re-measurement to fair value less costs to sell	–	–	–	(11,540)	(2,140)	(13,680)
Gain on disposals of subsidiaries *(note 17(c))*	**8,341**	–	**8,341**	–	–	–
Gain/(Loss) for the year from discontinued operations	**8,341**	–	**8,341**	(15,465)	(14,200)	(29,665)
Operating cash flows	–	–	–	2	(1)	1
Investing cash flows	–	–	–	(153)	–	(153)
Total cash flows	–	–	–	(151)	(1)	(152)

10. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated loss attributable to the owners of the Company of HK$432,187,000 (2008: HK$341,321,000), a loss of HK$669,839,000 (2008: HK$54,670,000) has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculations of basic and diluted losses per share attributable to the owners of the Company are based on the following data:

	2009 ***HK$'000***	2008 *HK$'000*
Loss		
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share	**(432,187)**	(341,321)

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share, after adjusting for the open offer in 2009	**5,281,679,494**	2,543,011,265

No diluted loss per share attributable to the owners of the Company is presented for the years ended 31 December 2009 and 2008 as there were no dilutive potential shares.

From continuing operations:

The calculations of basic and diluted losses per share from continuing operations attributable to the owners of the Company are based on the following data:

	2009 *HK$'000*	2008 *HK$'000*
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share	**(432,187)**	(341,321)
Profit/(Loss) for the year from Discontinued Operations	**8,341**	(29,665)
Less: Loss for the year attributable to non-controlling interests from Discontinued Operations	**–**	(3,617)
Profit/(Loss) for the year attributable to the owners of the Company from Discontinued Operations	**8,341**	(26,048)
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share from continuing operations	**(440,528)**	(315,273)

No diluted loss per share from continuing operations attributable to the owners of the Company is presented for the years ended 31 December 2009 and 2008 as there were no dilutive potential shares.

From discontinued operations:

Basic earnings per share attributable to the owners of the Company from Discontinued Operations was HK0.1 cent (2008: basic loss of HK1.0 cent per share), based on the earnings for the year attributable to the owners of the Company from Discontinued Operations of approximately HK$8,341,000 (2008: loss of approximately HK$26,048,000) and the weighted average number of ordinary shares in issue as set out above.

The loss per share for the year ended 31 December 2008 is restated due to the issuance of new shares upon the open offer in 2009.

12. AVAILABLE–FOR–SALE FINANCIAL ASSETS

	2009 *HK$'000*	2008 *HK$'000*
Unlisted equity securities, at cost	**–**	12,091

In March 2008, the Company and certain of its subsidiaries, Capital Gain Assets Management Limited ("**Capital Gain**"), a company in which Mr. Pang Man Kin Nixon ("**Mr. Pang**") had beneficial interests, and Mr. Pang entered into an agreement such that, to assume the Group's obligations to contribute approximately US$4,070,000 (HK$31,725,000 equivalent) to the registered capital of Hebei Da Sheng Warranty Company Limited ("**Hebei Da Sheng**"), 51% previously owned by the Group, the Group agreed to allot and issue 804 ordinary shares of Aurora Logistic Finance Group Inc. ("**Aurora Logistic Finance**"), previously a 100% subsidiary of the Company, of US$1.00 each to Capital Gain. As a result, the Group's interest in the Aurora Logistic Finance and its subsidiaries (the "**Deemed Disposal Group**") was diluted from 100% to 19.6%. The balance of available-for-sale financial assets as at 31 December 2008 represented the cost of 19.6% equity interest in the Deemed Disposal Group. Details of the calculation are set out in note 18 to the financial statements.

On 21 August 2009, the Group disposed of AIEL and its subsidiaries, together with the available-for-sale financial assets. Details of the disposals are set out in note 17(f) to the financial statements.

As at 31 December 2008, these assets were stated at cost less impairment as the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that their fair value could not be measured reliably.

13. DEPOSITS FOR ACQUISITIONS OF SUBSIDIARIES

On 25 September 2009, the Group entered into an agreement with the vendor, Greater Finance Limited ("**Greater Finance**") to acquire the entire equity interests in China International Energy Investments (Hong Kong) Limited (together with its subsidiaries collectively referred to as the "**China International Group**") for a consideration of HK$1,500,000,000 (subject to adjustments). The China International Group is principally investing in oil and gas business. As at 31 December 2009, a refundable deposit of HK$150,000,000 was paid to the vendor by the Company. Details of the acquisition of the China International Group are set out in the Company's announcement dated on 22 October 2009.

On 5 November 2009, the Group entered into an agreement with the vendor, Maycrown Capital Limited ("**Maycrown Capital**") to acquire the entire equity interests in Sunlight Rise Limited (together with its subsidiaries collectively referred to as the "**Sunlight Group**") for a consideration of HK$350,860,000. The Sunlight Group is engaged in the business of generating and supplying electricity and heat by using coke oven gas in the PRC. As at 31 December 2009, a refundable deposit of HK$35,000,000 was paid to the vendor by the Company. Details of the acquisition of the Sunlight Group are set out in the Company's announcement dated on 23 November 2009.

As at 31 December 2009, acquisitions of the China International Group and the Sunlight Group have not yet been completed.

14. CONVERTIBLE BONDS

In November 2007, the Company issued zero coupon convertible bonds (the "**CB1**") in the principal amount of HK$365,000,000 as a part of the consideration for the acquisition of 51% equity interests in Kanson Development Limited ("**Kanson**"). The CB1 bear no interest with a maturity date on 4 November 2012 and are convertible into shares of the Company at the conversion price of HK$0.60 per share (subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalisation issues and rights issues) at any time after the issue date. Details of the CB1 are set out in the Company's circular dated on 15 October 2007.

In July 2008, the Company issued zero coupon convertible bonds (the "**CB3**") in the principal amount of HK$580,000,000 as the consideration for the acquisition of the remaining 49% equity interests in Kanson. The CB3 bear no interest with maturity date on 2 July 2013 and are convertible into shares of the Company at the conversion price of HK$0.25 per share (subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalisation issues and rights issues) at any time after the issue date. Details of the CB3 are set out in the Company's circular dated on 6 June 2008.

The fair value of the liability components, included in the CB1 and CB3, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in the convertible bond equity reserve in the owners' equity.

The CB1 and CB3 recognised in the statement of financial position are calculated as follows:

	CB1	**CB3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Face value of convertible bonds issued	365,000	580,000	945,000
Proceeds of issue (fair value on initial recognition)	365,467	363,506	728,973
Equity component	(189,421)	(103,438)	(292,859)
Liability component	176,046	260,068	436,114

Movement of liability component

Movement of liability component for the years ended 31 December 2009 and 2008 is as follows:

		2009	
	CB1	**CB3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 January 2009	**88,414**	**104,248**	**192,662**
Exercise of the convertible bonds	**(73,243)**	**(106,537)**	**(179,780)**
Imputed interest expenses *(note 5)*	**3,830**	**2,567**	**6,397**
At 31 December 2009	**19,001**	**278**	**19,279**

		2008	
	CB1	CB3	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	139,671	–	139,671
Liability component on initial recognition	–	260,068	260,068
Exercise of the convertible bonds	(64,276)	(164,685)	(228,961)
Imputed interest expenses *(note 5)*	13,019	8,865	21,884
At 31 December 2008	88,414	104,248	192,662

Movement of equity component

Movement of equity component for the years ended 31 December 2009 and 2008 is as follows:

		2009	
	CB1	**CB3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 January 2009	**81,872**	**38,500**	**120,372**
Issue of shares on conversion	**(66,023)**	**(38,445)**	**(104,468)**
At 31 December 2009	**15,849**	**55**	**15,904**

		2008	
	CB1	CB3	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	147,261	–	147,261
Equity component on initial recognition	–	103,438	103,438
Issue of shares on conversion	(65,389)	(64,938)	(130,327)
At 31 December 2008	81,872	38,500	120,372

The fair value of the liability components of CB1 and CB3 at the dates of issue amounted to approximately HK$176 million and HK$260 million respectively.

Interest expense on the bonds is calculated using the effective interest method by applying interest rate of 15.7% and 17.4% per annum to the liability components of CB1 and CB3 respectively.

During the year, 209,000,000 (2008: 210,000,000) and 3,543,000 (2008: Nil) new ordinary shares in aggregate were issued, at the conversion price of HK$0.60 and HK$0.508 (as adjusted) per share respectively, to the bond holders upon the conversion of the CB1. The conversion price was adjusted to HK$0.508 as a result of the open offer. Details of the result of open offer and the adjustment to the conversion price of the convertible bonds are set out in the Company's announcement dated on 7 October 2009. As a result, there was an increase in share capital and share premium of HK$2,125,000 (2008: HK$2,100,000) *(note 15(a))* and HK$137,140,000 (2008: HK$127,565,000) respectively.

During the year, 862,000,000 (2008: 1,456,000,000) new ordinary shares in aggregate were issued, at the conversion price of HK$0.25 per share, to the bond holders upon the conversion of the CB3. As a result, there was an increase in share capital and share premium of HK$8,620,000 (2008: HK$14,560,000) *(note 15(b))* and HK$136,361,000 (2008: HK$215,063,000) respectively. As a result of the open offer, the conversion price was adjusted to HK$0.212.

Subsequent to the reporting date, another 3,543,000 new ordinary shares were issued to the bond holders upon the conversion of CB1. As a result, there was a further increase in share capital and share premium of HK$35,000 and HK$2,049,000 respectively. Accordingly, the liability component and the equity component of CB1 were decreased by HK$1,140,000 and HK$944,000 respectively. These conversions have not yet been reflected in the financial statements for the year ended 31 December 2009.

15. SHARE CAPITAL

		2009		2008	
	Notes	**Number of share *'000***	***HK$'000***	Number of share *'000*	*HK$'000*
Authorised:					
Ordinary shares of HK$0.01 each		**20,000,000**	**200,000**	20,000,000	200,000
Issued and fully paid:					
At 1 January, ordinary shares of HK$0.01 each		**3,024,720**	**30,247**	1,358,720	13,587
Exercise of convertible bonds and issue of shares	*(a), (b)*	**1,074,543**	**10,745**	1,666,000	16,660
Shares issued in August 2009	*(c)*	**809,280**	**8,093**	–	–
Shares issued in October 2009	*(d)*	**2,452,500**	**24,525**	–	–
At 31 December, ordinary shares of HK$0.01 each		**7,361,043**	**73,610**	3,024,720	30,247

Notes:

(a) During the year, 209,000,000 (2008: 210,000,000) and 3,543,000 (2008: Nil) new ordinary shares in aggregate were issued, at the conversion price of HK$0.60 and HK$0.508 (as adjusted) per share respectively, to the bond holders upon the conversion of the CB1 *(note 14)*. As a result, there was an increase in share capital and share premium of HK$2,125,000 (2008: HK$2,100,000) and HK$137,140,000 (2008: HK$127,565,000) respectively.

(b) During the year, 862,000,000 (2008: 1,456,000,000) new ordinary shares in aggregate were issued, at the conversion price of HK$0.25 per share, to the bond holders upon the conversion of the CB3 *(note 14)*. As a result, there was an increase in share capital and share premium of HK$8,620,000 (2008: HK$14,560,000) and HK$136,361,000 (2008: HK$215,063,000) respectively.

(c) On 6 August 2009 and 10 August 2009, the Company entered into a placement agreement and a supplemental agreement respectively with Mayfair Securities Limited ("**Mayfair Securities**") as placing agent, pursuant to which an aggregate of 809,280,000 new ordinary shares were placed by Mayfair Securities on behalf of the Company, at the price of HK$0.137 per placing share with the independent investors. As a result, the Company issued 809,280,000 new ordinary shares at HK$0.137 per share on 20 August 2009. As a result, there was an increase in share capital and share premium of HK$8,093,000 and HK$102,779,000 respectively. Details of the placing are set out in the Company's announcements dated on 7 August, 10 August and 20 August 2009.

(d) On 25 August 2009, the Company entered into an underwriting agreement with Kingston Securities Limited relating to the open offer at the subscription price of HK$0.08 per offer share to its shareholders on the basis of one offer share for every two shares of the Company recorded on the register of members of the Company on 15 September 2009. As a result, the Company issued 2,452,500,000 new ordinary shares at HK$0.08 per share in October 2009. As a result, there was an increase in share capital and share premium of HK$24,525,000 and HK$171,675,000 respectively. Details of the open offer are set out in the Company's announcements dated on 26 August 2009 and 7 October 2009 and the prospectus dated on 16 September 2009.

All issued new ordinary shares in 2008 and 2009 rank pari passu with other shares in issue in all respect.

16. BUSINESS COMBINATIONS

Acquisition of additional interests in Kanson

As described in note 14 to the financial statements, on 8 April 2008, the Group entered into a sale and purchase agreement for the acquisition of the remaining 49% equity interests in Kanson from Ms. Leung Lai Ching Margaret.

Details of net assets acquired and goodwill are as follows:

	2008 *HK$'000*
Purchase consideration:	
– Fair value of CB3 issued *(note 14)*	363,506
Total purchase consideration	363,506
Carrying value of net assets acquired	(25,928)
Goodwill	337,578

According to the sale and purchase agreements dated on 8 July 2007 and 8 April 2008, another zero-coupon convertible bonds with face value of HK$400,000,000 (the "**CB2**") and HK$380,780,000 (the "**CB4**") will be issued on the fifth business day following the date of receipt of mining license in respect of the underlying mine. The CB2 and CB4 are convertible into shares of the Company at the conversion price of HK$0.60 and HK$0.25 per share respectively. As at 31 December 2008 and 2009, Kanson and its subsidiaries were still in the progress of obtaining the mining license. Thus the CB2 and CB4 have not been issued and have not been included in the purchase consideration above.

There was no business combination occurred during the year.

17. DISPOSALS OF SUBSIDIARIES

For the year ended 31 December 2009

(a) BJFSMI

As mentioned in note 3 to the financial statements, on 29 October 2008, the Group entered into a sale and purchase agreement such that the entire issued share capital of BJFSMI was sold to an independent third party for a consideration of HK$10,000,000. The disposal was subsequently completed on 16 January 2009. Particulars of the disposal transaction are as follows:

	2009 ***HK$'000***
Net assets disposed of:	
Prepayments, deposits and other receivables	**10,027**
Cash and cash equivalents	**160**
Deposits received, other payables and accruals	**(187)**
	10,000
Release of exchange reserve upon disposal	**(668)**
	9,332
Gain on disposal of a subsidiary *(note 3)*	**668**
Total consideration	**10,000**
Satisfied by cash	**10,000**

(b) Wise Mount and its subsidiaries

On 4 December 2008, the Group entered into a sale and purchase agreement such that the entire issued share capital of Wise Mount was sold to an independent third party for a consideration of HK$30,000. The disposal of Wise Mount and its subsidiaries, namely Win Alliance and Tang Shan Win Alliance was subsequently completed on 23 February 2009. Particulars of the disposal transaction are as follows:

	2009 ***HK$'000***
Net assets disposed of:	
Property, plant and equipment	**6,281**
Prepaid lease payments	**8,640**
Cash and cash equivalents	**6**
Trade payables	**(11,521)**
Amount due from a non-controlling shareholder	**(1,288)**
Deposits received, other payables and accruals	**(2,088)**
	30
Loss on disposal of subsidiaries	**–**
Total consideration	**30**
Satisfied by cash	**30**

(c) ***Orient Carpet and its subsidiary***

As mentioned in note 3 to the financial statements, on 4 December 2008, the Group entered into a sale and purchase agreement such that the entire issued share capital of Orient Carpet was sold to an independent third party for a consideration of HK$19.3 million of which (a) HK$12.2 million was used to set off against the net current liabilities of HZOCM being a subsidiary of Orient Carpet and assumed by the independent third party and (b) HK$7.1 million was paid in cash on completion date. The disposal of Orient Carpet and its subsidiary, namely HZOCM was subsequently completed on 20 March 2009. Particulars of the disposal transaction are as follows:

	2009
	HK$'000
Net assets disposed of:	
Property, plant and equipment	**20,455**
Prepaid lease payments	**5,422**
Prepayments, deposits and other receivables	**86**
Inventories	**7,321**
Trade receivables	**1,851**
Cash and cash equivalents	**294**
Trade payables	**(6,061)**
Deposits received, other payables and accruals	**(22,005)**
	7,363
Release of exchange reserve upon disposal	**(8,604)**
	(1,241)
Gain on disposal of subsidiaries *(notes 3 and 9)*	**8,341**
Total consideration	**7,100**
Satisfied by cash	**7,100**

(d) ***Jackley China and its subsidiaries***

As mentioned in note 3 to the financial statements, on 30 April 2009, the Group entered into a sale and purchase agreement such that the entire issued share capital of Jackley China was sold to an independent third party for a cash consideration of HK$1. The disposal of Jackley China and its subsidiaries, namely Orient Finance (Hong Kong) Limited, Charvix Concrete Company Limited, Jackley Macao Commercial Offshore Limited and Jackley Carpet Limited was completed on the same date. Particulars of the disposal transaction are as follows:

	2009
	HK$'000
Net liabilities disposed of:	
Deposits received, other payables and accruals	**(2)**
	(2)
Gain on disposal of subsidiaries *(note 3)*	**2**
Total consideration	**–**
Satisfied by cash	**–**

(e) ***626 Limited and its subsidiary***

As mentioned in note 3 to the financial statements, on 30 April 2009, the Group entered into a sale and purchase agreement such that the entire issued share capital of 626 Limited was sold to an independent third party for a consideration of HK$1. The disposal of 626 Limited and its subsidiary, namely HKFSMID was completed on 4 May 2009. Particulars of the disposal transaction are as follows:

	2009
	HK$'000
Net liabilities disposed of:	
Deposits received, other payables and accruals	**(33)**
	(33)
Gain on disposal of subsidiaries *(note 3)*	**33**
Total consideration	**–**
Satisfied by cash	**–**

(f) ***AIEL and its subsidiaries***

As mentioned in note 6 to the financial statements, on 21 August 2009, the Group entered into a sale and purchase agreement such that the entire issued share capital of AIEL was sold to an independent third party for a consideration of HK$2,000,000. The disposal of AIEL and its subsidiaries, namely Wellspark Holdings Limited and Go On Foundate Company Limited was completed on the same date. Particulars of the disposal transaction are as follows:

	2009
	HK$'000
Net assets disposed of:	
Property, plant and equipment	**85**
Available-for-sale financial assets *(note 12)*	**12,091**
Prepayments, deposits and other receivables	**487**
Cash and cash equivalents	**6**
Finance lease payables	**(66)**
Deposits received, other payables and accruals	**(69)**
	12,534
Loss on disposal of subsidiaries *(note 6)*	**(10,534)**
Total consideration	**2,000**
Satisfied by cash	**2,000**

For the year ended 31 December 2008

(g) Kaicheng

As mentioned in note 3 to the financial statements, on 6 March 2008, the Group disposed of 75.5% equity interests in Kaicheng for a consideration of HK$1. Particulars of the disposal transaction were as follows:

	2008 *HK$'000*
Net liabilities disposed of:	
Amount due to a non-controlling shareholder	(774)
Deposits received, other payables and accruals	(68)
	(842)
Gain on disposal of a subsidiary *(note 3)*	842
Total consideration	–
Satisfied by cash	–

(h) ICC

As mentioned in note 3 to the financial statements, on 30 May 2008, the Group disposed of 51% equity interests in ICC for a consideration of HK$200,000. Particulars of the disposal transaction were as follows:

	2008 *HK$'000*
Net liabilities disposed of:	
Property, plant and equipment	30
Prepayments, deposits and other receivables	4,261
Inventories	273
Trade receivables	7,663
Provision for impairment of trade receivables	(2,357)
Cash at banks and in hand	763
Amount due from a non-controlling shareholder	1,370
Non-controlling interests	217
Trade payables	(2,300)
Deposits received, other payables and accruals	(15,158)
	(5,238)
Gain on disposal of a subsidiary *(note 3)*	5,438
Total consideration	200
Satisfied by cash	200

For the years ended 31 December 2008 and 2009

(i) An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposals of the above subsidiaries is as follows:

	2009	2008
	HK$'000	*HK$'000*
Total consideration in cash	**19,130**	200
Cash at bank and in hand disposed of	**(466)**	(763)
Net cash inflows/(outflows) in respect of the disposals of subsidiaries	**18,664**	(563)

18. DEEMED DISPOSAL OF SUBSIDIARIES

As mentioned in note 12, on 10 March 2008, the Company and certain of its subsidiaries, Capital Gain, a company in which Mr. Pang has beneficial interests, and Mr. Pang entered into an agreement such that, to assume the Group's obligation to contribute approximately US$4,070,000 (HK$31,725,000 equivalent) to the registered capital of Hebei Da Sheng, 51% previously owned by the Group, the Group agreed to allot and issue 804 ordinary shares of Aurora Logistic Finance, previously a 100% subsidiary of the Company, of US$1.00 each to Capital Gain. As a result, the Company's interest in Aurora Logistic Finance and its subsidiaries (i.e. the Deemed Disposal Group) was diluted from 100% to 19.6%.

	2008	
	HK$'000	*HK$'000*
Net assets owned by the Group prior to the deemed disposal		
Property, plant and equipment		4,057
Prepayments, deposits and other receivables		59,344
Cash at banks and in hand		9,221
Deposits received, other payables and accruals		(721)
Amounts due to non-controlling shareholders		(40,787)
Non-controlling interests		(1,148)
		29,966
Release of exchange reserve upon deemed disposal		(6,848)
		23,118
Interests owned by the Group after the deemed disposal		
Property, plant and equipment	4,057	
Prepayments, deposits and other receivables	59,344	
Cash at banks and in hand	9,221	
Deposits received, other payables and accruals	(721)	
Amounts due to non-controlling shareholders	(40,787)	
Non-controlling interests	(1,148)	
Net assets owned by the Group prior to deemed disposal	29,966	
Capital injection for the 804 ordinary shares by Capital Gain	31,725	
	61,691	
Equity interests held by the Group (19.6%) after the deemed disposal		12,091
Loss on deemed disposal of subsidiaries *(note 6)*		11,027

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the Deemed Disposal Group was as follows:

	2008
	HK$'000
Total consideration	–
Cash at bank and in hand disposed of	(9,221)
Net cash outflows in respect of the deemed disposal of subsidiaries	(9,221)

There was no deemed disposal of subsidiaries during the year.

BUSINESS REVIEW

For the year ended 31 December 2009, the Group recorded revenue from its continuing operations of approximately HK$10.3 million (2008: HK$12.8 million) and net loss from its continuing operations was approximately HK$441 million (2008: HK$319 million). The loss before income tax of the Group from its continuing operations was substantially increased by approximately HK$122 million as compared to last year which included the impairment of goodwill of HK$368 million and impairment of other receivable of HK$31 million. Moreover, the discontinued operations recorded gain of HK$8.3 million (2008: loss of HK$30 million). The details are set out in the note 9 to the financial statements.

CARPET TRADING

Turnover of the carpet trading operation decreased by 19.6%, or HK$ 2.5 million, to HK$10.3 million in 2009, which was attributable to the global economic downturn and intense market competition and incurred a loss HK$1.6 million in carpets trading business. The Group will take more effort to source more orders from both new and existing customers to improve the results.

EXPLORATION AND MINING BUSINESS

Regarding the Xiao Hong Shan project, the Group is still in the process of preparing for the application for the mining license of the mineral resources of the titanium mine. The Group is currently preparing the feasibility report and the integrated utilisation plan, and the application for the approval of the delineation of the mining zone. Upon receipt of the approval of the delineation of the mining plan, and subject to review of the status reports and other relevant information on the titanium mine to be provided by Qinghai Forest Source Mining Industry Developing Company Limited with reference to the expected amount of return on investment and economic benefit of the project, the Company will consider whether the application of the mining license of the mineral resources in the titanium mine should be. It is expected that certain amount of work will still need to be completed before the mining license will be issued.

FUTURE PLAN AND PROSPECTS

Proposed acquisitions of new businesses

(i) Oil and gas business

On 25 September 2009, Cheerful Dragon Limited, a wholly owned subsidiary of the Company, entered into a conditional agreement with Greater Finance Limited ("**Greater Finance**"), pursuant to which Cheerful Dragon Limited has agreed to purchase and Greater Finance has agreed to sell the entire issued share capital of China International Energy Investments (Hong Kong) Limited ("**China International Energy**") at an aggregate consideration of HK$1,500 million (subject to the adjustment). The principal asset in China International Energy and its subsidiaries is its participating interest in Target Oil Field pursuant to the Cooperation Contract with China National Petroleum Corporation ("**CNPC**"). The details of the proposed acquisition are set out in the Company's announcement dated 22 October 2009. As at the date of this announcement, the proposed acquisition is still not yet completed and the Company is still finalising the information to be included in the circular.

The Company takes initiative in identifying investment opportunities that will broaden its revenue sources. The acquisition represents a good opportunity for the Company to diversify its business into the Petroleum Businesses in cooperation with CNPC, one of the leading state-owned petroleum enterprise in the People's Republic of China (the "**PRC**"). With the anticipated continued growth of the PRC economy which will fuel the demand for oil as basis of the acquisition cost, the Board believes that the oil business under the proposed acquisition is beneficial to the Group's profile.

(ii) Electricity and heat business

On 5 November 2009, Precious New Limited, a wholly owned subsidiary of the Company, entered into a conditional agreement with Maycrown Capital Limited ("**Maycrown Capital**"), pursuant to which Precious New Limited has agreed to purchase and Maycrown Capital has agreed to sell the entire issued share capital of Sunlight Rise Limited ("**Sunlight Rise**") at an aggregate consideration of HK$350.86 million (subject to the adjustment) and assume the obligation to contribute to and pay up the remaining balance of the registered capital of Shanxi Zhong Kai Group Lingshi Heat & Power Company Limited (山西中凱集團靈石熱電有限公司) ("**Shanxi Zhong Kai**") in the sum of approximately RMB69.55 million. The principal asset in Sunlight Rise and its subsidiaries is owned 60% equity interest in Shanxi Zhong Kai. The details of the proposed acquisition are set out in the Company's announcement dated 23 November 2009. As at the date of this announcement, the proposed acquisition is still not yet completed and the Company is still finalising the information to be included in the circular.

The Company intends to expand its existing business to generating and supplying electricity and heat by using coke oven gas in the PRC, which, the Directors believed has ample growth opportunities due to the increased demand for electricity caused by the continued growth of the PRC economy. The use of coke oven gas to create electricity and heat can not only help to reduce this hazardous gas, but it also benefits the environment. In addition, coke oven gas is of lower cost when compared with other fuel such as natural gas or heavy oil. The Board considered that the acquisition represents an opportunity for the Group to enter into the power generation industry, and believed that the Group could broaden its source of income by vertically diversifying into such industry.

FUTURE PLAN AND PROSPECTS

The year of 2010 will still be a year with great challenges. However, the Board believes that whenever there is a crisis, there is an opportunity. In the future, the Group will strive to combat the adverse impact arising from the financial crisis, and will adjust its business strategies to meet the changes of economic environment. It will also seek to capture any favorable opportunities for prudent investment in order to ensure a continuous, stable and healthy growth, and generate greater value for the shareholders.

FINANCIAL SUMMARY

The Group's turnover for the year ended 31 December 2009 was approximately HK$10.3 million. The administrative expenses for the year ended 31 December 2009 were approximately HK$25 million, which represented a decrease of 37.3% compared to the administrative expenses incurred last year.

The loss attributable to the owners of the Company for the year ended 31 December 2009 was increased to approximately HK$432 million, as compared to HK$341 million in the previous corresponding year. The loss was mainly resulted from the recognition of (i) non-cash imputed interest of approximately HK$6.4 million; (ii) impairment loss of other receivable of approximately HK$31 million and (iii) impairment loss of goodwill of approximately HK$368 million.

As a significant portion of the Group's sales and purchases were denominated in Hong Kong dollars and Renminbi, the Directors considered the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the exchange rates of Hong Kong dollars and Renminbi. During the year under review, the Group did not use any hedging instrument.

STRENGTHENING THE WORKING CAPITAL

(i) Placement of Shares

A placement agreement dated 6 August 2009 and supplemental agreement dated 10 August 2009 made between the Company and Mayfair Securities Limited ("**Mayfair Securities**") as placing agent, pursuant to which an aggregate of 809,280,000 new ordinary shares were placed by Mayfair Securities on behalf of the Company, at the price of HK$0.137 per placing share with the independent investors. After the completion of the placing, the Company issued 809,280,000 new ordinary shares at HK$0.137 per share on 20 August 2009. Net proceeds from the placing was approximately of HK$108.1 million.

(ii) Open Offer of Shares

A conditional underwriting agreement dated 25 August 2009 entered into between Kingston Securities Limited ("**Kingston Securities**") as the underwriter and the Company, in relation to the open offer of 2,452,500,000 offer shares at the subscription price of HK$0.08 per offer share on the basis of one offer share for every two shares held on 15 September 2009. The subscription was completed on 5 October 2009 and the net proceeds from the open offer was approximately of HK$191.9 million.

DEPOSITS FOR THE PROPOSED ACQUISITIONS

On 25 September 2009, the Group entered into a conditional agreement with the vendor, Greater Finance Limited ("**Greater Finance**") to acquire the entire equity interests in China International Energy Investments (Hong Kong) Limited (together with its subsidiaries collectively referred to as the "**China International Group**") for a consideration of HK$1,500 million (subject to adjustments). The China International Group is principally investing in oil and gas business. As at 31 December 2009, a refundable deposit of HK$150 million was paid to the vendor by the Company. Details of the acquisition of the China International Group are set out in the Company's announcement dated on 22 October 2009.

On 5 November 2009, the Group entered into a conditional agreement with the vendor, Maycrown Capital Limited ("**Maycrown Capital**") to acquire the entire equity interests in Sunlight Rise Limited (together with its subsidiaries collectively referred to as the "**Sunlight Group**") for a consideration of HK$350.86 million. The Sunlight Group is engaged in the business of generating and supplying electricity and heat by using coke oven gas in the PRC. As at 31 December 2009, a refundable deposit of HK$35 million was paid to the vendor by the Company. Details of the acquisition of the Sunlight Group are set out in the Company's announcement dated on 23 November 2009.

CURRENT AND GEARING RATIOS

As at 31 December 2009, the Group had total assets of approximately HK$670 million (2008: HK$841 million), total liabilities of HK$42 million (2008: HK$257 million), indicating a gearing ratio 0.06 (2008: 0.31) on the basis of total liabilities over total assets. The current ratio of the Group for the year was 5.09 (2008: 1.46).

CHARGES ON ASSETS

As at 31 December 2009, the Group had no interest-bearing bank borrowings and assets pledged (2008: Nil).

CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any significant contingent liabilities (2008: Nil).

EMPLOYEE INFORMATION

As at 31 December 2009, the Group employed approximately 31 full-time employees (2008: 165). The substantial drop in number of employees is mainly due to the discontinued operations which were disposed in 2009. The details are set out in note 17 to the financial statements. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually in line with industry practice. The Group also provides provident fund schemes (as the case may be) to its employees depending on the location of such employees.

DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the audited financial statements of the Company for the year ended 31 December 2009. The audit committee comprises the three independent non-executive directors of the Company. During the year, two regular meetings of the audit committee have been held.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules for the year ended 31 December 2009 except that (i) the non-executive directors of the Company are not appointed for any specific terms as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company's Articles of Association; and (ii) the roles of chairman and chief executive officer do not separate as the Company is still looking for a suitable candidate to fill the vacancy of chairman after the retirement of Mr. Tam Owen at the 2009 annual general meeting of the Company. Further announcement will be made by the Company upon fulfillment of this requirement under the Listing Rules.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries with each Directors and each of them confirmed that he had complied with the required standards set out in the Model Code throughout the year ended 31 December 2009.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is available for viewing on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.irasia.com/listco/hk/xianyuen). The annual report of the Company for 2009 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in due course.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 3 May 2010 pending the release of the announcement of 2009 final results. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:30 a.m. on 17 May 2010 following the publication of this announcement.

APPRECIATION

I take this opportunity to express our gratitude to the shareholders of the Company for their continued support and our Directors and our staff for their contribution to the Company.

By order of the board
Xian Yuen Titanium Resources Holdings Limited
Law Fei Shing
Chief Executive Officer and Executive Director

Hong Kong, 14 May 2010

As at the date of this announcement, the executive Directors are Mr. Law Fei Shing (chief executive officer), Mr. Chan Sung Wai, Mr. Chan Kwok Wing, Mr. Zhao Guoqiang and Mr. Wang Donghai; the non-executive Director is Mr. Zhang Zhenming; and the independent non-executive Directors are Mr. Lum Pak Sum, Mr. Sun Tak Keung and Mr. Chow Pui Fung.