Annual Report 2009

APAC RESOURCES

APAC Resources Limited
亞 太 資 源 有 限 公 司*

(Incorporated in Bermuda with limited liability)
Stock Code: 1104

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

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

Non-Executive Directors:

Mr. Lee Seng Hui
Mr. So Kwok Hoo
Mr. Liu Yongshun

Independent Non-Executive Directors:

Mr. Wong Wing Kuen, Albert
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks

AUDIT COMMITTEE

Mr. Wong Wing Kuen, Albert *(Chairman)*
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks
Mr. Lee Seng Hui

REMUNERATION COMMITTEE

Ms. Chong Sok Un *(Chairman)*
Mr. Lee Seng Hui
Mr. Wong Wing Kuen, Albert
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks

COMPANY SECRETARY

Ms. Fung Sam Ming

AUDITORS

Graham H.Y. Chan & Co

LEGAL ADVISERS

P.C. Woo & Co
Robertsons
Conyers Dill & Pearman
Mallesons Stephen Jaques

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

32/F China Online Centre
333 Lockhart Road
Wanchai
Hong Kong
Tel: +852 2541 0338
Fax: +852 2541 9133

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.irasia.com/listco/hk/apac/index.htm

STOCK CODE

1104

EXECUTIVE DIRECTORS

Ms. Chong Sok Un, aged 55, was appointed as an Executive Director of the Company on 6 July 2007 and has been re-designated as Chairman of the Company since 20 October 2009. Ms. Chong holds a Master Degree in Business Administration. Ms. Chong is currently an executive director and chairman of COL Capital Limited *(stock code: 383)*, a substantial shareholder of the Company, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). She has been the chairman of Long Island Golf & Country Club, Dongguan, China since September 1998. She is also the chairman of the 31st Term Board of Directors of Yan Oi Tong. During 1992 to 2000, she was a director and chief executive officer of Shenyin Wanguo (H.K.) Limited. During September 2001 to October 2006, she was an independent director of Fujian Minnan (Zhangzhou) Economy Development Co., Ltd（福建閩南（漳州）經濟發展股份有限公司）, a company with shares listed on the Shenzhen Stock Exchange. During June 2002 to May 2007, she was a non-executive director of RIMCapital Limited, a company with shares listed on the Australian Stock Exchange. She was a non-executive director of Shanghai Allied Cement Limited (now known as ChinaVision Media Group Limited) *(stock code: 1060)* from 25 June 2007 to 23 April 2009.

Mr. Andrew Charles Ferguson, aged 36, has been appointed as an Executive Director and the Chief Executive Officer of the Company since 12 January 2010. Mr. Ferguson holds a Bachelor of Science Degree in Natural Resource Development. He has worked in the finance industry with more than 12 years experience specialising in global natural resources and was licenced to advise on Securities (Type 4 licence) and carry on asset management (Type 9 Licence) under the Securities and Futures Ordinance (Cap. 571). Being a Fund Manager and Senior Portfolio Manager for financial institutions in London and Hong Kong previously, he was responsible for day to day management of portfolios, risk management, business development, relationship management and working with independent boards, custodians and auditors to ensure that all shareholders' funds were managed properly. He also has a proven track record in fund management and was the former co-fund manager of City Natural Resources High Yield Trust, which was awarded best UK Investment Trust in 2006. He also worked for CQS LLP ("**CQS**") in Hong Kong as the Chief Investment Officer for New City Investment Managers CQS and a Senior Portfolio Manager for CQS, both of which are reputable financial institutions providing investment management services to a variety of investors. Due to the nature of this job, he acquired knowledge of Hong Kong financial market and has developed good relations with other working partners (such as banks, financial institutions and accounting firms) in Hong Kong.

Biographical Details of Directors

Mr. Peter Anthony Curry, aged 57, has been appointed as an Executive Director and the Chief Financial Officer of the Company since 1 March 2010. Mr. Curry was graduated from the University of New South Wales with a Bachelor Degree of Commerce in 1974 and a Bachelor Degree of Laws in 1976. He became a chartered accountant and a barrister (non-practising) in Australia in 1978. He was elected as a Fellow of The Institute of Directors in Australia in 1989. In 2002, he completed the PS 146 Compliance Program organised by Securities Institute in Australia. Mr. Curry has over 35 years of business experience. He joined Peat Marwick Mitchell (now known as "KPMG") in Australia in 1974 upon graduation and worked as Tax Partner in 1983. Since that time he has worked in different listed and unlisted companies in Australia as Executive Director/Managing Director specialising in natural resources, corporate finance, financial services investments, mergers and acquisitions etc. Since 1995 Mr. Curry has been a director and shareholder in a corporate advisory firm which holds an Australian Financial Services licence. He has been involved in a range of public and private capital raisings, initial public offering related services and providing corporate and financial advisory services in relation to a range of business transactions including a wide range of mining projects. From 2004 until recently Mr. Curry was an executive director of Golden Tiger Mining NL *(stock code: GTX)*. He remains a non-executive director of Golden Tiger Mining NL and also Forrest Enterprises Australia Limited *(stock code: FEA)*, both of which are listed on the Australian Stock Exchange.

Mr. Yue Jialin, aged 42, was appointed as Chairman and Executive Director of the Company on 26 April 2004 and has been re-designated as an Executive Director of the Company since 3 May 2007. Mr. Yue has established in-depth knowledge of the PRC economic development and policies through his previous role as a judge in the Economic Court of People's Court in Luowu District, Shenzhen, the PRC during 1989 to 1992. Mr. Yue also sits on the school of business administration of Changchun Industrial University as visiting professor. Mr. Yue has engaged in legal consultation in respect of the acquisition of state owned assets and foreign investments in the PRC.

Mr. Kong Muk Yin, aged 44, has been appointed as an Executive Director of the company since 4 November 2009. Mr. Kong was graduated from City University of Hong Kong with a bachelor's degree in business studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and he has extensive experience in corporate finance, financial management, accounting and auditing. Mr. Kong is currently the executive director of COL Capital Limited *(stock code: 383)*, a substantial shareholder of the Company and ChinaVision Media Group Limited *(stock code: 1060)*, both of which are companies listed on main board of the Stock Exchange. He was an executive director of Greenfield Chemical Holdings Limited *(stock code: 582)* from 13 October 2009 to 21 January 2010,

NON-EXECUTIVE DIRECTORS

Mr. Lee Seng Hui, aged 41, has been appointed as a Non-Executive Director of the Company since 2 October 2009. Mr. Lee is the chief executive of Allied Group Limited *(stock code: 373)* ("**AGL**") since January 1998. He was appointed a non-executive director of AGL in July 1992 and became an executive director of AGL in December 1993. Mr. Lee graduated from the Law School of the University of Sydney with Honours. Previously, he worked with Baker & McKenzie and N M Rothschild & Sons (Hong Kong) Limited. He is also the chairman and a non-executive director of Tian An China Investments Company Limited *(stock code: 28)*, the shares of which are listed on the main board of the Stock Exchange. He is a non-executive director of Tanami Gold NL *(stock code: TAM)* and also Mount Gibson Iron Limited *(stock code: MGX)*, an associated company of the Company, both of which are listed on the Australian Stock Exchange. Mr. Lee was previously the chairman and an executive director of Yu Ming Investments Limited (now known as SHK Hong Kong Industries Limited) *(stock code: 666)*, the shares of which are listed on the main board of the Stock Exchange.

Mr. So Kwok Hoo, aged 56, has been appointed as a Non-Executive Director of the Company since 20 October 2009. Mr. So has over 20 years of experience in marketing of electrochemical and industrial products sales in Asia Pacific Region together with property investment experience in Hong Kong as well. Mr. So holds Bachelor degrees in both Applied Science with major in Chemical Engineering and Business Administration obtained in Canada. He is an executive director of Fushan International Energy Group Limited *(stock code: 639)*, a substantial shareholder of the Company.

Mr. Liu Yongshun, aged 49, was appointed as a Non-Executive Director of the Company on 29 May 2007, re-designated as Chief Executive Officer and an Executive Director of the Company on 27 July 2007, re-designated as an Executive Director of the Company on 11 December 2009, and has been re-designated as a Non-Executive Director since 23 April 2010. Mr. Liu obtained his Bachelor's Degree in Ironing Making from Maanshan Institute of Iron and Steel (East China University of Metallurgy/Anhui University of Technology) in 1983. He subsequently obtained his Executive Master of Business Administration degree from China Europe International Business School in 2005. Mr. Liu has had a number of major appointments in the raw iron and steel resources industry. He was the president of the Department of Mineral Resources, Shanghai Baosteel Group International Economic and Trading Co., Ltd. from November 2001 to May 2005. He was appointed as both the deputy general manager of Baosteel Corporation and the general manager of its No. 1 Department of the Purchase Centre of Baosteel Corporation from May 2005 to April 2006. He acted as deputy general manager of Baosteel Trading Co., Ltd. from May 2006 to April 2007.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Wing Kuen, Albert, aged 59, has been appointed as an Independent Non-Executive Director of the Company since 6 July 2004. Mr. Wong is a fellow member of The Institute of Chartered Secretaries and Administrators, a fellow member of The Hong Kong Institute of Chartered Secretaries, a fellow member of the Taxation Institute of Hong Kong, a member of Hong Kong Securities Institute, a fellow member of Association of International Accountants, a fellow member of Society of Registered Financial Planners, a member of The Chartered Institute of Arbitrators, a member of The Chartered Institute of Bankers in Scotland and a full member of Macau Society of Certified Practising Accountants. Currently, Mr. Wong is the managing director of Charise Financial Planning Limited, a private professional consulting firm in Hong Kong. He is also an independent non-executive director of Solargiga Energy Holdings Limited *(stock code: 757)*, a company listed on the main board of the Stock Exchange.

Mr. Chang Chu Fai, Johnson Francis, aged 55, was appointed as an Independent Non-Executive Director of the Company since 6 July 2007. Mr. Chang holds a Bachelor's Degree in Commerce from Concordia University in Montreal, Canada since 1976 and a Master's Degree in Business Administration from York University in Toronto, Canada since 1977. He has over 32 years of experience in banking, corporate finance, investment and management and has held various executive positions at financial institutions and directorships of listed companies. Mr. Chang is currently the Managing Director of Ceres Consultancy Limited and a registered person under the Securities and Futures Ordinance. He is also the deputy chairman and an independent non-executive director of Quality HealthCare Asia Limited *(stock code: 593)*; and an independent non-executive director of Tian An China Investments Company Limited *(stock code: 28)* and Royale Furniture Holdings Limited *(stock code: 1198)*, all of which are companies with shares listed on the Stock Exchange. Mr. Chang was previously the chairman and an executive director of Trasy Gold Ex Limited, an executive director of China Financial Leasing Group Limited and the managing director of Ceres Capital Limited.

Mr. Robert Moyse Willcocks, aged 61, has been appointed as an Independent Non-Executive Director of the Company since 27 July 2007. Mr. Willcocks holds a Bachelor's Degree in Arts and a Bachelor's Degree of Laws from Australian National University in Australia and a Master's Degree in Law from the University of Sydney in Sydney, Australia. He has been an advisor to companies in the mining and resources industry for more than 27 years. He has been a partner of Mallesons Stephen Jaques, an Australian law firm, director of Ban-Pu Australia Pty Ltd, Oakbridge Pty Ltd, Energy World Corporation Limited, eStar Online Trading Limited, Bond University Limited and Member of the Australian International Legal Advisory Committee. Mr. Willcocks held and holds directorships in various resources companies which are listed on the Australian Stock Exchange including being a director of Emperor Mines Limited from February 1999 to June 2006, a former chairman of RIMCapital Limited. He is currently a non-executive director of CBH Resources Limited *(stock code: CBH)*, a member of its audit committee, remuneration committee, succession and governance committee and safety, health and environment committee, and a non-executive director of ARC Exploration Limited *(stock code: ARX)*. Mr. Willcocks is also an alternate director to Mr. Lee Seng Hui of Mount Gibson Iron Limited *(stock code: MGX)*, an associated company of the Company. He is chairman of Trilogy Funds Management Limited, a responsible entity under Australian Law (since October 2009).

On behalf of the Board of directors (the "**Board**") of APAC Resources Limited (the "**Company**"), I am pleased to present to the shareholders the financial results, operations and other aspect of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2009.

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 metal 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, Tallering 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 principal 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 annual report, 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.

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.

Chong Sok Un
Chairman

Hong Kong, 23 April 2010

The Directors present their annual report and the audited financial statements of the Company and of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 36 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on pages 30 to 31.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to results by business activities for the year ended 31 December 2009 is set out in Note 5 to the financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 24 to the financial statements.

RESERVES

Details of movements in reserves of the Company and of the Group during the year are set out in Note 25 to the financial statements and in the consolidated statement of changes in equity on page 35, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 15 to the financial statements.

DIRECTORS

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

Executive Directors:

Ms. Chong Sok Un *(Chairman)*
Mr. Andrew Charles Ferguson *(Chief Executive Officer)* (appointed on 12 January 2010)
Mr. Peter Anthony Curry *(Chief Financial Officer)* (appointed on 1 March 2010)
Mr. Yue Jialin
Mr. Kong Muk Yin (appointed on 4 November 2009)
Mr. Cao Zhong (resigned on 20 October 2009)
Mr. Zhou Luyong (resigned and re-designated on 20 October 2009)
Mr. Chen Zhaoqiang (resigned on 20 October 2009)

Non-Executive Directors:

Mr. Lee Seng Hui (appointed on 2 October 2009)
Mr. So Kwok Hoo (appointed on 20 October 2009)
Mr. Liu Yongshun (re-designated on 23 April 2010)

Independent Non-Executive Directors:

Mr. Wong Wing Kuen, Albert
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks
Mr. Alan Stephen Jones (resigned on 30 September 2009)

In accordance with Bye-law 87 of the Company's Bye-laws, Ms. Chong Sok Un, Mr. Andrew Charles Ferguson, Mr. Peter Anthony Curry, Mr. Kong Muk Yin, Mr. Yue Jialin, Mr. Lee Seng Hui, Mr. So Kwok Hoo, Mr. Chang Chu Fai, Johnson Francis and Mr. Robert Moyse Willcocks will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, the interests and short positions held by each director and chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations, if any, (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register required to be kept by the Company under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") contained in the Rules Governing the Listing of Securities on the Stock Exchange were as follows:

Long positions in shares and underlying shares of the Company

		Number of shares/underlying shares held in the Company			
Name of Directors	**Capacity in which interests are held**	**Interests in shares**	**Interests under equity derivatives**	**Total Interests**	**Total interests as to % to the issued share capital of the Company as at 31 December 2009** *(Note 1)*
Ms. Chong Sok Un	Beneficial owner and interest of controlled corporation *(Note 3)*	667,580,000	115,000,000 *(Notes 2 & 4)*	782,580,000 *(Note 5)*	13.75%
Mr. Yue Jialin	Interest of controlled corporation *(Note 6)*	16,179,602	119,339,960	135,519,562 *(Note 7)*	2.38%
Mr. Liu Yongshun	Beneficial owner	–	150,000,000 *(Note 2)*	150,000,000	2.64%
Mr. Wong Wing Kuen, Albert	Beneficial owner	–	3,000,000 *(Note 2)*	3,000,000	0.05%
Mr. Chang Chu Fai, Johnson Francis	Beneficial owner	–	2,000,000 *(Note 2)*	2,000,000	0.04%

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Long positions in shares and underlying shares of the Company *(Continued)*

Notes:

1. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 5,690,343,455 shares as at 31 December 2009.

2. The relevant interests are share options granted pursuant to the Company's share option scheme adopted on 22 September 2004 (the "**Scheme**"). Upon exercise of the share options in accordance with the Scheme, the shares in the share capital of the Company are issuable.

3. These shares are held by Sparkling Summer Limited ("**Sparkling Summer**") and Rise Cheer Investments Limited ("**Rise Cheer**"), both of which are wholly-owned subsidiaries of COL Capital Limited ("**COL**"). As at 31 December 2009, COL was 64.36% owned by Vigor Online Offshore Limited which in turn is a wholly-owned subsidiary of China Spirit Limited ("**China Spirit**") in which Ms. Chong Sok Un maintains 100% beneficial interest. COL is therefore deemed to have interests in the shares and underlying shares in which Sparkling Summer and Rise Cheer are interested. Ms. Chong Sok Un is therefore deemed to have interests in the shares and underlying shares through her 100% interest in China Spirit.

4. This represents 110,000,000 share options granted to Ms. Chong Sok Un and an interest in 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares held by Sparkling Summer. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK$0.30 per share (subject to adjustments). The subscription rights attaching to 5,000,000 units of warrants held by Sparkling Summer were exercised in full on 4 February 2010.

5. This represents the interests held by: (i) Sparkling Summer as to 69,460,000 shares and 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares, (ii) Rise Cheer as to 598,120,000 shares, and (iii) 110,000,000 share options granted to Ms. Chong Sok Un. The subscription rights attaching to 5,000,000 units of warrants held by Sparkling Summer were exercised in full on 4 February 2010.

6. These shares are registered/will be registered (as the case may be) in the name of and beneficially owned by Profit Harbour Investments Limited ("**Profit Harbour**"), the entire issued share capital of which is owned by Mr. Yue Jialin.

7. This represents an interest in 16,179,602 shares and an interest in 119,339,960 units of warrants giving rise to an interest in 119,339,960 underlying shares. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK$0.30 per share (subject to adjustments). The subscription rights attaching to 119,339,960 units of warrants held by Profit Harbour were exercised in full on 3 February 2010.

Save as disclosed above, as at 31 December 2009, none of the Company's directors, chief executive or their respective associates had any other personal, family, corporate and other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The detailed disclosures relating to the Company's share option scheme and valuation of options are set out in Note 26 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and Note 26 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the following persons, other than a director or chief executive of the Company or any of its subsidiaries, were interested or had short positions in more than 5% of the shares and underlying shares of the Company or its subsidiaries according to the register required to be kept under section 336 of the SFO in the respective amounts as follows:

Long positions in shares and underlying shares of the Company

Name of Shareholders	Capacity in which interests are held	Number of shares/underlying shares held in the Company: Interests in shares	Interests under equity derivatives	Total interests	Total interests as to % to the issued share capital of the Company as at 31 December 2009 *(Note 1)*
Fushan International Energy Group Limited	Interest of controlled corporation	956,000,000	–	956,000,000 *(Note 2)*	16.80%
Rise Cheer Investments Limited	Beneficial owner	598,120,000	–	598,120,000	10.51%
COL Capital Limited	Interest of controlled corporation *(Note 3)*	667,580,000	5,000,000 *(Note 4)*	672,580,000 *(Note 5)*	11.82%
Sun Hung Kai & Co. Limited	Security interest in shares *(Notes 7 & 10)*	598,532,893	–	598,532,893 *(Note 6)*	10.52%
Allied Properties (H.K.) Limited	Interest of controlled corporation *(Notes 7 & 10)*	598,532,893	–	598,532,893	10.52%
Allied Group Limited	Interest of controlled corporation *(Notes 8 & 10)*	598,532,893	–	598,532,893	10.52%
Lee and Lee Trust	Interest of controlled corporation *(Notes 9 & 10)*	598,532,893	–	598,532,893	10.52%
Katong Assets Limited	Beneficial owner *(Note 11)*	504,760,000	1,000,000 *(Note 12)*	505,760,000	8.89%
Lin Xu Ming	Interest of controlled corporation *(Note 11)*	504,760,000	1,000,000 *(Note 12)*	505,760,000	8.89%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long positions in shares and underlying shares of the Company *(Continued)*

Notes:

1. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 5,690,343,455 shares as at 31 December 2009.

2. These shares are held by Benefit Rich Limited ("**Benefit Rich**"), a wholly-owned subsidiary of Fushan International Energy Group Limited ("**Fushan**"). Accordingly, Fushan is deemed to have the same long position as Benefit Rich under the SFO.

3. These shares are held by Sparkling Summer Limited ("**Sparkling Summer**") and Rise Cheer Investments Limited ("**Rise Cheer**"), both of which are wholly-owned subsidiaries of COL Capital Limited ("**COL**"). As at 31 December 2009, COL was 64.36% owned by Vigor Online Offshore Limited which in turn is a wholly-owned subsidiary of China Spirit Limited in which Ms. Chong Sok Un maintains 100% beneficial interest. COL is therefore deemed to have interests in the shares and underlying shares in which Sparkling Summer and Rise Cheer are interested.

4. This represents an interest in 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares held by Sparkling Summer. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK$0.30 per share (subject to adjustments). The subscription rights attaching to 5,000,000 units of warrants held by Sparkling Summer were exercised in full on 4 February 2010.

5. This represents the interests held by: (i) Sparkling Summer as to 69,460,000 shares and 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares, and (ii) Rise Cheer as to 598,120,000 shares. The subscription rights attaching to 5,000,000 units of warrants held by Sparkling Summer were exercised in full on 4 February 2010.

6. This represents security interests held by: (i) Itso Limited ("**Itso**") as to 11,060,000 shares, and (ii) Sun Hung Kai Strategic Capital Limited ("**SHKSC**") as to 587,472,893 shares, both of which are indirect wholly-owned subsidiaries of Sun Hung Kai & Co. Limited ("**SHK**"). Accordingly, SHK is deemed to have the same long position as Itso and SHKSC under the SFO.

7. SHK is a non wholly-owned subsidiary of AP Emerald Limited ("**APE**"). APE is a wholly-owned subsidiary of AP Jade Limited ("**APJ**") which in turn is a wholly-owned subsidiary of Allied Properties (H.K.) Limited ("**APL**"). Accordingly, APL, APJ and APE are deemed to have the same long position as SHK under the SFO.

8. APL is a non wholly-owned subsidiary of Allied Group Limited ("**AGL**"). Accordingly, AGL is deemed to have the same long position as APL under the SFO.

9. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees ("**Trustees**") of Lee and Lee Trust, being a discretionary trust. They together owned approximately 52.40% interest in the issued share capital of AGL as at 31 December 2009. Accordingly, Lee and Lee Trust is deemed to have the same long position as AGL under the SFO.

10. By the announcement dated 31 December 2008 jointly made by SHK, APL and AGL, it was announced that on 24 December 2008, SHKSC and/or Itso (as vendors) entered into three separate sale and purchase agreements ("**SP Agreements**") with three respective purchasers for the sale and purchase of an aggregate of 598,532,893 shares ("**Sale Shares**") of the Company. Pursuant to the SP Agreements, payment obligations of each of the purchasers were secured by a share charge ("**Share Charge(s)**") executed in favour of the relevant vendors.

    Pursuant to the SP Agreements and the Share Charges, SHK, APL, AGL and the Trustees are deemed to be interested in the Sale Shares by virtue of the Share Charges. Upon payment of all outstanding payment of the purchase price by the purchasers to the relevant vendors and the release of the Share Charges, SHK, APL, AGL and the Trustees will cease to have any interest in the Sale Shares.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long positions in shares and underlying shares of the Company *(Continued)*

Pursuant to one of the SP Agreements, SHKSC (as vendor) has sold and Kindstart Limited (as purchaser, the entire issued share capital of which is owned by Mr. Guo Qingming) has purchased 300,000,000 shares of the Company, representing approximately 5.27% of the issued share capital of the Company as at 31 December 2009, and payment obligation of Kindstart Limited was secured by a Share Charge executed in favour of SHKSC. Upon satisfaction of the payment obligation of Kindstart Limited under the related Share Charge, Kindstart Limited will become a substantial shareholder of the Company.

11. The entire issued share capital of Katong Assets Limited ("**Katong**") is owned by Mr. Lin Xu Ming. Mr. Lin is therefore deemed to have interests in the shares and underlying shares of the Company through his 100% interest in Katong.

12. This represents an interest in 1,000,000 units of warrants giving rise to an interest in 1,000,000 underlying shares held by Katong. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK$0.30 per share (subject to adjustments). The subscription rights attaching to 1,000,000 units of warrants held by Katong were sold in full on 1 February 2010.

Save as disclosed above, no other person had interest or short position in the shares underlying shares of the Company or its subsidiaries, which are recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31 December 2009.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Directors are of the opinion that during the year ended 31 December 2009, the Directors of the Company had no interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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**").

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's four customers in aggregate accounted for 100% of the turnover of the Group and the largest customer accounted for approximately 54% of the total turnover of the Group.

The aggregate purchases attributable to the Group's two suppliers during the year accounted for the entire purchases of the Group and the largest supplier accounted for approximately 66% of the total purchases of the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the Directors owns more than 5% of the Company's issued share capital, have an interest in any of the four customers and any of the two suppliers of the Group.

EMOLUMENT POLICY

The Group's employees are selected, remunerated and promoted based on their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the directors' duties and responsibilities within the Group and the prevailing market conditions.

The Company has adopted a share option scheme to provide incentives to directors, employees and consultants. The details of the scheme are set out in Note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

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

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in Note 35 to the financial statements.

PUBLIC FLOAT

As at the date of this report, the Company has maintained a sufficient public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its Directors.

AUDITORS

The financial statements of the Group for the year ended 31 December 2009 were audited by Messrs. Graham H. Y. Chan & Co. A resolution to reappoint Messrs. Graham H. Y. Chan & Co. as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chong Sok Un
Chairman

Hong Kong, 23 April 2010

The Company strives to attain and maintain a high standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders. Accordingly, the Board attributes a high priority to identifying and implementing appropriate corporate governance practices to ensure transparency, accountability and effective internal controls.

CODE OF CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2009, the Company has complied with the code provisions of The Code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for the deviation in respect of the specific term of non-executive Directors' appointment under the code provision A.4.1 of the CG Code which is detailed below.

BOARD COMPOSITION

The Board is charged with the responsibility of the leadership and control of the Group. The Board promotes the success of the Group and makes decisions objectively in the best interests of the Group. The Board's role is mainly to direct and supervise the affairs of the Group, establishing its strategic direction and setting objectives and business development plans. In addition, the Board has also delegated various responsibilities to the Board committees.

The Board currently comprises eleven Directors, with five Executive Directors, three Non-Executive Directors and three Independent Non-Executive Directors. During the year, four Board meetings were held and the attendance of each director is set out as follows:

	Number of Board meetings attended/eligible to attend
Executive Directors:	
Ms. Chong Sok Un *(Chairman)*	4/4
Mr. Andrew Charles Ferguson *(Chief Executive Officer)* (appointed on 12 January 2010)	0/0
Mr. Peter Anthony Curry *(Chief Financial Officer)* (appointed on 1 March 2010)	0/0
Mr. Yue Jialin	3/4
Mr. Kong Muk Yin (appointed on 4 November 2009)	1/1
Mr. Cao Zhong (resigned on 20 October 2009)	3/3
Mr. Zhou Luyong (resigned and re-designated on 20 October 2009)	3/3
Mr. Chen Zhaoqiang (resigned on 20 October 2009)	2/3

	Number of Board meetings attended/eligible to attend
Non-Executive Directors:	
Mr. Lee Seng Hui (appointed on 2 October 2009)	1/1
Mr. So Kwok Hoo (appointed on 20 October 2009)	1/1
Mr. Liu Yongshun (re-designated on 23 April 2010)	3/4
Independent Non-Executive Directors:	
Mr. Wong Wing Kuen, Albert	4/4
Mr. Chang Chu Fai, Johnson Francis	4/4
Mr. Robert Moyse Willcocks	4/4
Mr. Alan Stephen Jones (resigned on 30 September 2009)	3/3

The Board members have no financial, business, family or other material relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended best practice under the CG Code for the Board to have at least one-third in number of its members comprising Independent Non-Executive Directors ("**INEDs**"). At least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The brief biographical details of the Directors are set out in pages 3 to 6, which demonstrates a diversity of skills, expertise, experience and qualifications. The Board has received annual confirmation of independence from the Independent Non-Executive Directors and considers all of them to be independent pursuant to Rule 3.13 the Listing Rules.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary, and has the liberty to seek independent professional advice if so required. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Ms. Chong Sok Un and Mr. Andrew Charles Ferguson respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the board is responsible for the leadership and effective running of the board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all respects effectively.

APPOINTMENTS AND RE-ELECTION OF DIRECTORS

All the INEDs 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. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate practices are no less exacting than those in CG Code.

REMUNERATION COMMITTEE

The Remuneration Committee comprises one Executive Director, one Non-Executive Director and all three INEDs, namely, Ms. Chong Sok Un *(Chairman)*, Mr. Lee Seng Hui, Mr. Wong Wing Kuen, Albert, Mr. Chang Chu Fai, Johnson Francis and Mr. Robert Moyse Willcocks. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

The written terms of reference have been formulated to stipulate the authorities and duties of the Remuneration Committee which conform to the code provisions of the CG Code.

The Remuneration Committee shall meet at least once a year. During the year, one meeting was held by the Remuneration Committee and attended by all members.

Details of the Directors' emoluments are set out in Note 10 to the financial statements of this annual report.

The primary duties of the Remuneration Committee are:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss of office or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors;

3. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4. to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

5. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

6. to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

7. to advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under Listing Rules.

At a meeting of the Remuneration Committee held on 16 April 2009, Ms. Chong Sok Un was appointed as the Chairman of the Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee comprises all three INEDs and one Non-Executive Director, namely, Mr. Wong Wing Kuen, Albert *(Chairman)*, Mr. Chang Chu Fai, Johnson Francis, Mr. Robert Moyse Willcocks and Mr. Lee Seng Hui. To retain independence and objectivity, the Audit Committee has been chaired by an INED with appropriate professional qualifications or accounting or related financial management expertise.

The written terms of reference have been formulated to stipulate the authorities and duties of the Audit Committee which conform to the code provisions of the CG Code.

The Audit Committee shall meet at least twice a year. During the year, two meetings were held by the Audit Committee and attended by all members.

The primary duties of the Audit Committee are:

1. to recommend to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors;

2. to consider and discuss with the external auditors the nature and scope of each year's audit;

3. to review and monitor the external auditors' independence and objectivity;

4. to review the interim and annual financial statements before submission to the Board and to discuss any problem and reservation arising therefrom;

5. to review the external auditor's management letters and management's response;

6. to review the Group's financial controls, internal control and risk management systems; and

7. to consider any findings of major investigations of internal control matters as delegated by the Board and management's response.

During the year, the Audit Committee reviewed and discussed the financial reporting matters, including the review of the interim and annual financial statements.

At a meeting of the Audit Committee held on 16 April 2009, certain terms of reference of the Audit Committee were amended to bring them in line with the amendments to the Listing Rules which took effect on 1 January 2009.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its code for securities transactions by Directors ("**Code for Securities Transactions**"). All Directors have confirmed, following specific enquiry by the Company, that they had complied with the Code for Securities Transactions for the year ended 31 December 2009 (or since the date of their respective appointments).

At a meeting of the Board held on 16 April 2009, the Code for Securities Transactions was amended to bring them in line with the amendments to the Listing Rules which took effect on 1 January 2009.

BYE-LAWS

A special resolution was approved by the shareholders at the annual general meeting of the Company held on 5 June 2009 to amend the Bye-laws to bring them in line with the amendments to the Listing Rules which took effect on 1 January 2009.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing, with the support from the finance department, the consolidated financial statements for each financial year which give true and fair view of the state of affairs of the Group in presenting the interim and annual financial statements, and announcements to shareholders. The Directors aim to present a clear and understandable assessment of the Group's position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the accounts. The Board acknowledges its responsibility to present a clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators.

The responsibility of the external auditors with respect to the financial reporting are set out in the section "Independent Auditor's Report" on pages 28 to 29.

INTERNAL CONTROLS

The Board is responsible for overseeing the Group's system of internal controls. However, such a system is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Group. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board, through the Audit Committee, has discussed the effectiveness of the internal controls of the Group. The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the annual report and financial statements is sufficient to safeguard the interests of the shareholders and the Group's assets.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Messrs. Graham H. Y. Chan & Co. is set out as follows:

Services rendered	Fee paid/payable HK$'000
Audit services	340
Non-audit services	
– review of interim report	130
	470

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

The Company's general meetings are valuable forum for the Board to communicate directly with the shareholders. Shareholders are encouraged to attend the general meetings of the Company.

An annual general meeting of the Company was held on 5 June 2009 ("**2009 AGM**"). A notice convening the 2009 AGM was despatched to the shareholders in the circular dated 28 April 2009 together with the 2008 Annual Report. All the resolutions proposed at the 2009 AGM were duly passed by the shareholders by way of poll. The results of the poll were published on the websites of Stock Exchange and of the Company.

No special general meeting was held during the year.

The forthcoming annual general meeting of the Company will be held in June 2010. A notice convening the annual general meeting will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.irasia.com/listco/hk/apac/index.htm, and despatched to shareholders of the Company on or around 30 April 2010.

事務所會計師陳浩賢

GRAHAM H.Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

TO THE SHAREHOLDERS OF APAC RESOURCES LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of APAC Resources Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 105, which comprise the consolidated and Company statement of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Graham H. Y. Chan & Co.
Certified Public Accountants (Practising)
Unit 1, 15/F., The Center,
99 Queen's Road Central,
Hong Kong

23 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	4	**301,420**	298,613
Continuing operations			
Revenue from sales of goods	4	**301,420**	298,613
Net gain from sale of trading securities		**112,133**	35,079
Gain on disposal of available-for-sale investments		**–**	23,011
Change in fair value of trading securities		**6,389**	(468,862)
Interest income		**7,839**	6,956
Dividend income		**796**	–
Underwriting fee recovered		**8,641**	–
Excess of the Group's interest in the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over cost of investment		**21,244**	–
Reversal of impairment loss on interest in an associate	17	**466,553**	–
Other operating income		**6,940**	4,382
Purchases		**(197,377)**	(283,145)
Other cost of sales		**(65,445)**	–
Equity-settled share option expenses		**(14,783)**	(53,700)
Salaries and allowances		**(15,622)**	(17,836)
Operating lease rental on buildings		**(2,765)**	(2,917)
Provision for doubtful debt		**–**	(50,000)
Impairment losses on available-for-sale investments		**(28,174)**	(241,495)
Share of profits less losses of associates	17	**168,033**	2,435
Loss on deemed disposal of partial interests in an associate		**–**	(7,544)
Impairment loss on interest in an associate	17	**(304,024)**	(466,553)
Other operating expenses		**(13,946)**	(30,137)
Finance costs	7	**(13,468)**	(675)
Profit/(Loss) before taxation	8	**444,384**	(1,252,388)
Income tax expense	9	**(71,781)**	(616)

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Profit/(Loss) for the year from continuing operations		**372,603**	(1,253,004)
Discontinued operation			
Profit for the year from discontinued operation	6	**–**	675
Profit/(Loss) for the year		**372,603**	(1,252,329)
Attributable to:			
Owners of the Company	11	**372,603**	(1,252,329)
Earnings/(Loss) per share	14		
From continuing and discontinued operations			
– basic (HK cents per share)		**7.15**	(26.49)
– diluted (HK cents per share)		**7.07**	(25.87)
From continuing operations			
– basic (HK cents per share)		**7.15**	(26.50)
– diluted (HK cents per share)		**7.07**	(25.88)

Details of dividend payable to owners of the Company are set out in note 12.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Profit/(Loss) for the year		**372,603**	(1,252,329)
Other comprehensive income, net of tax	*13*		
Exchange difference arising from translation of foreign operations		**2,319**	14,918
Share of other comprehensive income of associates		**144,692**	(15,331)
Exchange difference from sharing of interest in associates		**306,501**	4,936
Change in equity of associates on previously held interest		**(83,108)**	5,688
Reversed previously recognised changes in fair value of			
– investment held for trading	*17*	**442,409**	(461,565)
– available-for-sale investments		**–**	(1,601,908)
Fair value change of available-for-sale investments		**31,120**	(179,793)
Reclassification adjustment on disposal of available-for-sale investments		**–**	(36,061)
		843,933	(2,269,116)
Total comprehensive income for the year		**1,216,536**	(3,521,445)
Total comprehensive income attributable to:			
Owners of the Company		**1,216,536**	(3,521,445)

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	**992**	1,643
Interests in associates	17	**2,357,583**	591,817
Available-for-sale investments	18	**96,376**	84,585
Total non-current assets		**2,454,951**	678,045
Current assets			
Trade and other receivables	19	**59,415**	470,732
Trading securities	20	**71,899**	113,898
Pledged bank deposits	21	**89,324**	90,004
Cash and cash equivalents	21	**318,203**	131,019
Total current assets		**538,841**	805,653
Total assets		**2,993,792**	1,483,698
Equity and Liabilities			
Capital and reserves			
Share capital	24	**569,034**	472,866
Reserves		**2,885,162**	2,114,356
Accumulated losses		**(492,182)**	(1,315,961)
Equity attributable to owners of the Company and total equity		**2,962,014**	1,271,261
Current liabilities			
Other payables		**10,020**	15,123
Bills payable	22	**–**	35,934
Margin financing	23	**–**	161,043
Tax payable		**21,758**	337
Total liabilities		**31,778**	212,437
Total equity and liabilities		**2,993,792**	1,483,698

The financial statements on pages 30 to 105 were approved and authorised for issue by the Board of Directors on 23 April 2010 and are signed on its behalf by:

Chong Sok Un
Director

Andrew Charles Ferguson
Director

Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	–	1
Interests in subsidiaries	16	2,363,165	730,617
Interests in an associate	17	25,598	22,848
Total non-current assets		2,388,763	753,466
Current assets			
Trade and other receivables	19	246	261,140
Cash and cash equivalents	21	14,648	26,002
Total current assets		14,894	287,142
Total assets		2,403,657	1,040,608
Equity and Liabilities			
Capital and reserves			
Share capital	24	569,034	472,866
Reserves	25	2,605,546	2,311,121
Accumulated losses	25	(773,665)	(1,751,764)
Equity attributable to owners of the Company and total equity		2,400,915	1,032,223
Current liabilities			
Other payables		2,320	8,385
Tax payable		422	–
Total liabilities		2,742	8,385
Total equity and liabilities		2,403,657	1,040,608

The financial statements on pages 30 to 105 were approved and authorised for issue by the Board of Directors on 23 April 2010 and are signed on its behalf by:

Chong Sok Un
Director

Andrew Charles Ferguson
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company								
	Share Capital HK$'000	Share Premium HK$'000	Special Reserve HK$'000 *(note 25)*	Investment Revaluation Reserve HK$'000 *(note 25)*	Exchange Reserve HK$'000	Share Option Reserve HK$'000 *(note 25)*	Net Unrealised Gain/(Losses) Reserve HK$'000 *(note 25)*	Retained Profits/ (Accumulated Losses) HK$'000	Total HK$'000
At 1 January 2009	472,866	1,988,220	(14,980)	(41,594)	(64,586)	262,627	(15,331)	(1,315,961)	1,271,261
Profit for the year	–	–	–	–	–	–	–	372,603	372,603
Other comprehensive income for the year	–	–	–	34,341	297,216	–	144,692	367,684	843,933
Total comprehensive income for the year	–	–	–	34,341	297,216	–	144,692	740,287	1,216,536
Issue of shares upon exercise of warrants	6,168	12,337	–	–	–	–	–	–	18,505
Issue of shares upon placement, net of expenses	90,000	350,929	–	–	–	–	–	–	440,929
Equity-settled share option expenses	–	–	–	–	–	14,783	–	–	14,783
Lapse of equity – settled share option	–	–	–	–	–	(83,492)	–	83,492	–
At 31 December 2009	569,034	2,351,486	(14,980)	(7,253)	232,630	193,918	129,361	(492,182)	2,962,014

	Attributable to owners of the Company								
	Share Capital HK$'000	Share Premium HK$'000	Special Reserve HK$'000 *(note 25)*	Investment Revaluation Reserve HK$'000 *(note 25)*	Exchange Reserve HK$'000	Share Option Reserve HK$'000 *(note 25)*	Net Unrealised Gain/(Losses) Reserve HK$'000 *(note 25)*	Retained Profits/ (Accumulated Losses) HK$'000	Total HK$'000
At 1 January 2008	472,629	1,987,747	(14,980)	1,817,762	1,350	214,889	–	258,899	4,738,296
Loss for the year	–	–	–	–	–	–	–	(1,252,329)	(1,252,329)
Other comprehensive income for the year	–	–	–	(1,859,356)	(65,936)	–	(15,331)	(328,493)	(2,269,116)
Total comprehensive income for the year	–	–	–	(1,859,356)	(65,936)	–	(15,331)	(1,580,822)	(3,521,445)
Issue of shares upon exercise of warrants	237	473	–	–	–	–	–	–	710
Equity-settled share option expenses	–	–	–	–	–	53,700	–	–	53,700
Lapse of equity – settled share option	–	–	–	–	–	(5,962)	–	5,962	–
At 31 December 2008	472,866	1,988,220	(14,980)	(41,594)	(64,586)	262,627	(15,331)	(1,315,961)	1,271,261

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Profit/(loss) before taxation		**444,384**	(1,251,713)
Adjustments for:			
Other interest		**5,202**	12
Interest on margin financing		**8,266**	663
Depreciation		**658**	732
Provision for doubtful debts		**–**	50,000
Equity-settled share option expenses		**14,783**	53,700
Fair value change of trading securities		**(6,389)**	468,862
Excess of the Group's interest in the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over cost of investment		**(21,244)**	–
Reversal of impairment loss on interest in an associate		**(466,553)**	–
Impairment loss on interest in an associate		**304,024**	466,553
Impairment losses on available-for-sale investments		**28,174**	241,495
Loss on deemed disposal of partial interest in an associate		**–**	7,544
Loss on disposal of property, plant and equipment		**1**	1
Gain on disposal of trading securities		**(112,133)**	(35,079)
Gain on disposal of available-for-sale investments		**–**	(23,011)
Share of profits less losses of associate(s)		**(168,033)**	(2,435)
Interest income		**(7,839)**	(7,640)
Movements in working capital		**23,301**	(30,316)
Decrease/(increase) in trade and other receivables		**411,316**	(287,436)
(Decrease)/increase in other payables		**(5,103)**	6,105
Cash from/(used in) operations		**429,514**	(311,647)
Overseas tax paid		**(355)**	(516)
Net cash from/(used in) operating activities		**429,159**	(312,163)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(15)**	(136)
Currency realignment of property, plant and equipment		**(7)**	(49)
Proceeds from disposal of property, plant and equipment		**13**	7
Purchase of trading securities		**(320,324)**	(645,583)
Proceeds from disposal of trading securities		**268,671**	231,444
Purchase of available-for-sale investments		**(8,845)**	–
Proceeds from disposal of available-for-sale investments		**–**	47,106
Investment in an associate		**(441,295)**	(22,848)
Decrease/(increase) in pledged bank deposits		**680**	(79,478)
Interest received		**7,839**	7,640
Net cash used in investing activities		**(493,283)**	(461,897)
Cash flow from financing activities			
Issue of placing shares, net of expenses		**440,929**	–
Issue of share upon exercise of warrants		**18,505**	710
Interest paid		**(13,468)**	(16)
Increase in margin financing		**–**	158,588
Repayment of margin financing		**(161,043)**	–
Increase of bills payable		**–**	35,934
Repayment of bills payable		**(35,934)**	–
Net cash from financing activities		**248,989**	195,216
Net increase/(decrease) in cash and cash equivalents		**184,865**	(578,844)
Effect of foreign exchange rate changes		**2,319**	14,918
Cash and cash equivalents at 1 January		**131,019**	694,945
Cash and cash equivalents at 31 December	*21*	**318,203**	131,019

1 GENERAL

The Company is incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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 as explained in the accounting policies set out below.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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

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

Judgments made by management in the application of HKFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 33.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2009, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, investment in subsidiaries is stated at cost less impairment losses.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Interest in associates

An associate is an entity over which the Group has significant influence as defined in HKAS 28 and that is neither a subsidiary nor an interest in a joint venture.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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

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

For acquisition of associates which involved successive share purchases for which the investment was previously accounted for at fair value with change in fair value included in profit or loss or equity, cumulative changes in fair value of previously held ownership interests are reversed through profit or loss, retained profits and equity respectively. The investee's profit or loss, changes in the investee's retained profits and other equity balances after each exchange transaction are included in the profit or loss, retained profits or the relevant reserves respectively to the extent that they relate to the previously held ownership interests.

In the Company's statement of financial position, investment in an associate is stated at cost less impairment losses.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation of property, plant and equipment, is provided to write off their cost, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Leasehold improvement, furniture and fixtures	over the lease terms – 5 years
–	Office equipment	5 years
–	Computers	5 years
–	Motor vehicles	5 years

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments

Financial assets and financial liabilities are recognised when the Group has become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale ("AFS") financial assets. All regular way purchases and sales of financial assets are recognised and derecognised on the trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Investments in securities held for trading are classified as current assets and are initially stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. Upon disposal, the difference between the net sales proceeds and the carrying value is included in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale investments or not classified under any of the other categories.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in the fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve until the financial asset is disposed of or determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

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

For available-for-sale investments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

For financial assets measured at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of the estimate future cash flows, discounted at the financial asset's original effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance are recognised in profit or loss.

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

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under investment revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed if an increase in fair value of investment can be objectively related to an event occurring after the recognition of the impairment loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

Financial liabilities and equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest payment over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities other than at FVTPL

Financial liabilities, including trade and other payables, bank and other borrowings, are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Financial guarantee issued

A financial guarantee contract is a contract that requires the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2 and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Derecognition

The Group derecognised a financial assets only when the contractual rights to the cash flows from the assets expire, or when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the assets to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognised its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risk and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

Derecognition (Continued)

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivables and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligation is discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(g) Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Employee benefits

(i) Short term employee benefits in the form of leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlement to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the company in an independently-administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Group's contributions to the MPF Scheme are recognised as an expense in the consolidated income statement as incurred.

In addition, the Group's contributions to a local municipal government retirement scheme in the People's Republic of China (the "PRC") are expensed when employees have rendered service entitling them to the contributions while the local municipal government in the PRC undertakes to assume the retirement benefit obligations of all existing and future retirees of the qualified staff in the PRC.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Employee benefits *(Continued)*

(iii) Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date of which the relevant employees became fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which (i) the vesting period has expired, and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movements in cumulative expense recognised as at the beginning and end of the period.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Taxation

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

Current tax

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

Deferred tax

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Taxation *(Continued)*

Deferred tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the tax is also recognised in other comprehensive income or directly in equity respectively, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(j) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, take into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable.

Sales of goods

Revenue from the sales of goods is recognised when all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the entity; and

– the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is recognised as it accrues using the effective interest method.

(l) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in currency units, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Foreign currencies *(Continued)*

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on monetary item that forms parts of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

(m) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Lease

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, benefit received and receivables as incentives to enter into an operating leases are recognised as reduction of rental expense on a straight-line basis.

(o) Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- control, is controlled by, or is under common control with, the Group;
- has an interest in the company that gives it significant influence over the Group; or
- has joint control over the Group

(ii) the party is a member of key management personnel of the Company or its parent company;

(iii) the party is a close member of the family of any individual referred to in (i) and (ii);

(iv) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entities resides with, directly or indirectly, the individual referred to in (ii) or (iii);

(v) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(p) Cash and cash equivalents

For the purpose of the consolidated statement of financial position and consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, at banks and securities companies, which are not restricted as to use.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(r) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flow of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3 ADOPTION OF NEW AND REVISED STANDARDS

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 on 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".

3 ADOPTION OF NEW AND REVISED STANDARDS *(Continued)*

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 HKFRSs 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[4]
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKAS 1 (Amendment)	Presentation of financial statements[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[3]
HKAS 38 (Amendment)	Intangible assets[1]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendments)	Additional exemptions for first-time adopters[2]
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions[2]

3 ADOPTION OF NEW AND REVISED STANDARDS *(Continued)*

HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments (relating to the classification and measurement of financial assets)[7]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[5]

1 *Effective for annual periods beginning on or after 1 July 2009*

2 *Effective for annual periods beginning on or after 1 January 2010*

3 *Effective for annual periods beginning on or after 1 February 2010*

4 *Effective for annual periods beginning on or after 1 January 2010, unless otherwise specified*

5 *Effective for annual periods beginning on or after 1 July 2010*

6 *Effective for annual periods beginning on or after 1 January 2011*

7 *Effective for annual periods beginning on or after 1 January 2013*

4 REVENUE

	2009	2008
	HK$'000	HK$'000
Revenue from sales of base metals	**301,420**	298,613

5 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. The segment information reported in the next pages does not include any amounts of these discontinued operation, which are described in more details in note 6.

5 SEGMENTAL INFORMATION *(Continued)*

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 base metals HK$'000	Trading of and investment in listed securities HK$'000	Total HK$'000
Revenue	301,420	–	301,420
Gross sales proceeds from trading of and investment in listed securities	–	268,671	268,671
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 of an associate's identifiable assets, liabilities and 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			(13,468)
Profit before taxation			444,384
Income tax expense			(71,781)
Profit for the year			372,603

5 SEGMENTAL INFORMATION *(Continued)*

Segment revenue and result *(Continued)*

For the year ended 31 December 2008

	Trading of base metals HK$'000	Trading of and investment in listed securities HK$'000	Total HK$'000
Revenue	298,613	–	298,613
Gross sales proceeds from trading of and investment in listed securities	–	231,444	231,444
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 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			(675)
Loss before taxation			(1,252,388)
Income tax expense			(616)
Loss for the year			(1,253,004)

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

5 SEGMENTAL INFORMATION *(Continued)*

Segment revenue and result *(Continued)*

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

	Trading of base metals HK$'000	Trading of and investment in listed securities HK$'000	Unallocated HK$'000	Total HK$'000
Depreciation	**(3)**	**–**	**(655)**	**(658)**
Interest income	**6,962**	**762**	**115**	**7,839**
Change in fair value of trading securities	**–**	**6,389**	**–**	**6,389**

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

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

5 SEGMENTAL INFORMATION *(Continued)*

Segment assets and liabilities

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

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

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.

5 SEGMENTAL INFORMATION *(Continued)*

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.

	2009	2008
	HK$'000	HK$'000
Hong Kong and the PRC	**301,420**	231,354
South East Asia	**–**	67,259
	301,420	298,613

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

	2009	2008
	HK$'000	HK$'000
Hong Kong and the PRC	**456,741**	432,456
Australia	**136,619**	142,112
	593,360	574,568

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 the 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.

6 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 HK$'000	2008 HK$'000
Profit for the year from discontinued operation		
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
Cash flows from discontinued operation		
Net cash flows used in operating activities	–	(8)
Net cash flows from investing activities	–	683
Net cash flows	–	675

7 FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest on bank borrowings	**9**	12
Interest on short-term loan	**5,193**	–
Interest on margin financing	**8,266**	663
	13,468	675

8 PROFIT/(LOSS) BEFORE TAXATION

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

	2009	2008
	HK$'000	HK$'000
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
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
Total staff costs	**30,405**	71,536

9 INCOME TAX EXPENSE

	2009	2008
	HK$'000	HK$'000
Income tax expense for the year		
Hong Kong profits tax	**20,543**	–
The PRC enterprise income tax	**1,233**	616
	21,776	616
Other overseas tax provided	**50,005**	–
Total income tax expense relating to continuing operations	**71,781**	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.

9 INCOME TAX EXPENSE *(Continued)*

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

	2009	2008
	HK$'000	HK$'000
Profit/(loss) before taxation from continuing operations		
– Continuing operations	**444,384**	(1,252,388)
– Discontinued operation	**–**	675
	444,384	(1,251,713)
Tax at Hong Kong profits tax rate of 16.5%	**73,323**	(206,533)
Tax effect of non-deductible expenses	**40,843**	209,500
Tax effect of non-taxable income	**(90,706)**	(10,225)
Tax effect of deferred assets not recognised	**271**	8,213
Utilisation of deferred assets previously not recognised	**(2,441)**	(389)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**419**	209
Others	**67**	(159)
Tax charge for the year in respect of Hong Kong and the PRC	**21,776**	616

At 31 December 2009, the Group had unused tax losses of approximately HK$6,534,000 (2008: HK$59,906,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

The Company had no significant unprovided deferred taxation at the reporting date.

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

An analysis of remuneration paid and payable to directors of the Company for the year ended 31 December 2009 and 2008 is set as follows:

	Fee HK$'000	Salaries, Allowances and Benefits in Kind HK$'000	Share Option Benefits HK$'000	Retirement Scheme Contribution HK$'000	2009 Total HK$'000
Executive directors					
Mr. Cao Zhong *(note a)*	–	977	–	–	977
Mr. Liu Yongshun *(note b)*	–	2,708	10,494	14	13,216
Ms. Chong Sok Un	–	1,220	–	–	1,220
Mr. Zhou Luyong *(note c)*	–	1,447	1,508	12	2,967
Mr. Chen Zhaoqiang *(note d)*	–	1,357	2,781	10	4,148
Mr. Yue Jialin	–	–	–	–	–
Mr. Kong Muk Yin *(note e)*	–	37	–	–	37
Non-executive directors					
Mr. Lee Seng Hui *(note f)*	41	–	–	–	41
Mr. So Kwok Hoo *(note g)*	–	–	–	–	–
Independent non-executive directors					
Mr. Wong Wing Kuen, Albert	170	–	–	–	170
Mr. Chang Chu Fai, Johnson Francis	170	–	–	–	170
Mr. Alan Stephen Jones *(note h)*	128	–	–	–	128
Mr. Robert Moyse Willcocks	170	–	–	–	170
	679	7,746	14,783	36	23,244

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Fee HK$'000	Salaries, Allowances and Benefits in Kind HK$'000	Share Option Benefits HK$'000	Retirement Scheme Contribution HK$'000	2008 Total HK$'000
Executive directors					
Mr. Cao Zhong *(note a)*	–	1,220	–	–	1,220
Mr. Liu Yongshun *(note b)*	–	2,822	38,980	–	41,802
Ms. Chong Sok Un	–	1,220	–	–	1,220
Mr. Zhou Luyong *(note c)*	–	1,950	5,385	–	7,335
Mr. Chen Zhaoqiang *(note d)*	–	2,037	9,335	–	11,372
Mr. Yue Jialin	–	–	–	–	–
Independent non-executive directors					
Mr. Wong Wing Kuen, Albert	170	–	–	–	170
Mr. Chang Chu Fai, Johnson Francis	170	–	–	–	170
Mr. Alan Stephen Jones *(note h)*	170	–	–	–	170
Mr. Robert Moyse Willcocks	170	–	–	–	170
	680	9,249	53,700	–	63,629

Notes:

a) Mr. Cao Zhong was appointed as executive director on 26 April 2007 and resigned on 20 October 2009

b) Mr. Liu Yongshun was redesignated as non-executive director on 23 April 2010

c) Mr. Zhou Luyong was appointed as non-executive director on 29 May 2007, re-designated as executive director on 27 July 2007 and resigned on 20 October 2009

d) Mr. Chen Zhaoqiang was appointed as non-executive director on 6 July 2007, re-designated as an executive director on 7 September 2007 and resigned on 20 October 2009

e) Mr. Kong Muk Yin was appointed as an executive director on 4 November 2009

f) Mr. Lee Seng Hui was appointed as non-executive director on 2 October 2009

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Notes: (Continued)

g) Mr. So Kwok Hoo was appointed as non-executive director on 20 October 2009

h) Mr. Alan Stephen Jones was appointed as independent non-executive director on 27 July 2007 and resigned on 30 September 2009

During the year ended 31 December 2009, Mr. Yue Jialin waived his emoluments to the amount of HK$120,000 (2008: HK$120,000). The waived emoluments were excluded in the above disclosure.

Apart from the above, there was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2009 and 2008.

During the year ended 31 December 2007, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in note 26 to the financial statements. The fair value of such options, which has been amortised to the income statement, was determined as at the date of the grant and included in the above directors' remuneration disclosures. No share options were granted to the directors in 2008 and 2009.

Of the five individuals with the highest emoluments in the Group, all (2008: all) are directors of the Company whose emoluments are included in the disclosure set out above.

No emoluments were paid by the Group to any of the directors or the five highest paid individuals, as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2009 and 2008.

11 PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit for the year attributable to owners of the Company includes a profit of approximately HK$894,607,000 (2008: loss of HK$1,333,706,000) which has been dealt with in the financial statement of the Company *(note 25)*.

12 DIVIDENDS

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

13 OTHER COMPREHENSIVE INCOME

	Investment Revaluation Reserve HK$'000	Exchange Reserve HK$'000	Net Unrealised Gains/(Losses) Reserve HK$'000	Retained Profits/ (Accumulated Losses) HK$'000	2009 Total HK$'000
Exchange difference arising from translation of foreign operations	–	2,319	–	–	2,319
Share of other comprehensive income of associates	–	–	144,692	–	144,692
Exchange difference from sharing of investment in associates	–	306,501	–	–	306,501
Change in equity of associates on previously held interest	3,221	(11,604)	–	(74,725)	(83,108)
Reversed previously recognised changes in fair value of					
– investment held for trading	–	–	–	442,409	442,409
Fair value change of available-for-sale investments	31,120	–	–	–	31,120
	34,341	297,216	144,692	367,684	843,933

	Investment Revaluation Reserve HK$'000	Exchange Reserve HK$'000	Net Unrealised Gains/(Losses) Reserve HK$'000	Retained Profits/ (Accumulated Losses) HK$'000	2008 Total HK$'000
Exchange difference arising from translation of foreign operations	–	14,918	–	–	14,918
Share of other comprehensive income of associates	–	–	(15,331)	–	(15,331)
Exchange difference from sharing of investment in associates	–	4,936	–	–	4,936
Change in equity of associates on previously held interest	(41,594)	(85,790)	–	133,072	5,688
Reversed previously recognised changes in fair value of					
– investment held for trading	–	–	–	(461,565)	(461,565)
– available-for-sale investments	(1,601,908)	–	–	–	(1,601,908)
Fair value change of available-for-sale investments	(179,793)	–	–	–	(179,793)
Reclassification adjustment on disposal of available-for-sale investments	(36,061)	–	–	–	(36,061)
	(1,859,356)	(65,936)	(15,331)	(328,493)	(2,269,116)

14 EARNINGS/(LOSS) PER SHARE

	2009 HK Cent per share	2008 HK Cent per share
Basic earnings/(loss) per share		
From continuing operations	**7.15**	(26.50)
From discontinued operation	**–**	0.01
Total basic earnings/(loss) per share	**7.15**	(26.49)
Diluted earnings/(loss) per share		
From continuing operations	**7.07**	(25.88)
From discontinued operation	**–**	0.01
Total diluted earnings/(loss) per share	**7.07**	(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	**5,267,902,913**	4,840,943,144

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.

15 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Improvement, Furniture and Fixtures HK$'000	Office Equipment HK$'000	Computers HK$'000	Motor Vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2008	1,289	79	456	553	2,377
Additions	–	5	131	–	136
Disposals	–	–	(10)	–	(10)
Currency realignment	–	3	15	31	49
At 31 December 2008	1,289	87	592	584	2,552
Additions	–	–	15	–	15
Disposals	–	–	(19)	–	(19)
Reclassification	(3)	–	–	–	(3)
Currency realignment	–	–	3	6	9
At 31 December 2009	**1,286**	**87**	**591**	**590**	**2,554**
Depreciation and impairment					
At 1 January 2008	151	2	26	–	179
Charge for the year	485	16	120	111	732
Eliminated on disposals	–	–	(2)	–	(2)
At 31 December 2008	636	18	144	111	909
Charge for the year	399	17	130	112	658
Eliminated on disposals	–	–	(6)	–	(6)
Reclassification	(1)	–	–	–	(1)
Currency realignment	–	–	1	1	2
At 31 December 2009	**1,034**	**35**	**269**	**224**	**1,562**
Carrying amounts					
At 31 December 2009	**252**	**52**	**322**	**366**	**992**
At 31 December 2008	653	69	448	473	1,643

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company	Furniture and Fixtures HK$'000
Cost	
At 1 January 2008 and At 31 December 2008	2
Reclassification	(2)
At 31 December 2009	**–**
Depreciation and impairment	
At 1 January 2008	–
Charge for the year	1
At 31 December 2008	1
Reclassification	(1)
At 31 December 2009	**–**
Carrying amounts	
At 31 December 2009	**–**
At 31 December 2008	1

16 INTEREST IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted investments	**10,801**	28,080
Amounts due from subsidiaries	**2,770,774**	2,031,097
Less: impairment loss	**(418,410)**	(1,328,560)
	2,352,364	702,537
	2,363,165	730,617

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed term of repayment. In the opinion of the directors, the amounts will not be receivables in the next twelve months from the balance sheet date and the amounts are therefore shown as non-current.

Particulars of the Company's principal subsidiaries at 31 December 2009 are set out in note 36.

17 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**	–	**–**	–
	2,661,607	1,058,370	**25,598**	22,848
Less: impairment loss	**(304,024)**	(466,553)	**–**	–
	2,357,583	591,817	**25,598**	22,848
Fair value of listed investments	**3,573,413**	392,330	**N/A**	N/A

17 INTEREST IN ASSOCIATES *(Continued)*

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("平港貿易")	The People's Republic of China	N/A	**40%**	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 ("MGX")	Australia	Ordinary	**26.75%** ***(note a)***	17.95% *(note a)*	Mining of hematite deposits at Tallering 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	**29.08%** ***(note b)***	18.45% *(note b)*	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

17 INTEREST IN ASSOCIATES *(Continued)*

Notes:

(a) Prior to 1 December 2008, the Group acquired an 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, 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 as explained in note 2(d).

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 note 2(d) 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.

17 INTEREST IN ASSOCIATES *(Continued)*

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	**7,208,379**	3,226,839	**63,996**	57,100
Group's share of net assets of associates	**1,966,770**	591,817	**25,598**	22,840
Total revenue	**5,096,187**	1,236,635	**1,385,866**	–
Profit of the year of relevant associates	**477,200**	111,932	**7,206**	–
Group's share of profits less losses of associates	**168,033**	2,435	**2,882**	–
Group's share of other comprehensive income of associates	**451,193**	(10,395)	**–**	–

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

18 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2009	2008
	HK$'000	HK$'000
Listed equity securities, Hong Kong, at fair value	**23,816**	43,145
Listed equity securities, overseas, at fair value	**72,560**	41,440
	96,376	84,585

The Group's available-for-sale equity securities were determined to be impaired on the basis of a significant decline in their fair value below cost and adverse change in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses on these investments were recognised in profit or loss in accordance with the policy set out in note 2(f).

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**48,660**	35,933	**–**	–
Interest receivables	**5,685**	–	**–**	–
Other receivables	**1**	110	**–**	–
Purchase deposits	**–**	168,896	**–**	–
Deposit for underwritten rights issue of an associate	**–**	260,985	**–**	260,985
Other deposits and prepayment	**5,069**	4,808	**246**	155
	59,415	470,732	**246**	261,140

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.

19 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables		
0 to 90 days	**48,660**	35,933

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

20 TRADING SECURITIES

	Group	
	2009	2008
	HK$'000	HK$'000
Trading securities, at fair value		
Listed equity securities, in Hong Kong	**7,839**	13,225
Listed equity securities, in overseas	**64,060**	100,673
	71,899	113,898

Fair values are determined with reference to quoted market closing prices.

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged bank deposits	**89,324**	90,004	**–**	–
Cash at bank and in hand	**318,036**	130,943	**14,624**	25,978
Cash held in securities accounts maintained in securities companies	**167**	76	**24**	24
	407,527	221,023	**14,648**	26,002
Less: Pledged bank deposits	**(89,324)**	(90,004)	**–**	–
Cash and cash equivalents	**318,203**	131,019	**14,648**	26,002

21 CASH AND CASH EQUIVALENTS *(Continued)*

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits during the year are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at respective short term time deposits rates. The carrying amount of the cash and cash equivalents approximate to their fair value.

Cash and cash equivalents of approximately HK$255,899,000 (2008: HK$76,772,000) are denominated in Chinese Renminbi ("RMB"). RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

22 BILLS PAYABLE

The bills payable are due within one year with interest rates ranging from 1.75% to 2.5% per annum.

Certain assets of the Group have been pledged to secure the trade finance facilities of the Group *(see note 31)*.

23 MARGIN FINANCING

The margin loan facility was secured by part of the investments in listed associates, part of the available-for-sale investments and trading securities with carrying amount of approximately HK$1,929,666,000 as at 31 December 2009 (2008: HK$473,323,000).

24 SHARE CAPITAL

(a) Authorised and issued share capital

	2009		2008	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January and 31 December	**8,000,000,000**	**800,000**	8,000,000,000	800,000
Issued and fully paid:				
At 1 January	**4,728,659,055**	**472,866**	4,726,291,055	472,629
Issue of shares under placement	**900,000,000**	**90,000**	–	–
Issue of shares upon exercise of warrants	**61,684,400**	**6,168**	2,368,000	237
At 31 December	**5,690,343,455**	**569,034**	4,728,659,055	472,866

24 SHARE CAPITAL *(Continued)*

(b) Capital management

The Group's objectives in capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, adjust its debt level, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 2008.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Capital includes equity attributable to the equity shareholders.

During 2009, the Group's strategy was to maintain a reasonable gearing ratio. The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009	2008
	HK$'000	HK$'000
Total borrowings	–	196,977
Less: pledged bank deposits *(note 21)*	**89,324**	90,004
Less: cash and cash equivalents *(note 21)*	**318,203**	131,019
Net cash	**(407,527)**	(24,046)
Equity *(note)*	**2,962,014**	1,271,261
Net debt to equity ratio	**N/A**	N/A

Note: Equity includes all capital and reserves of the Group.

25 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of change in equity on page 35 of the financial statements.

Company	Share Premium HK$'000	Contributed Surplus HK$'000	Share Option Reserve HK$'000	Exchange Reserve HK$'000	Retained Profits/ (Accumulated Losses) HK$'000	Total HK$'000
At 1 January 2008	1,987,747	60,274	214,889	–	(424,020)	1,838,890
Loss for the year	–	–	–	–	(1,333,706)	(1,333,706)
Total comprehensive income for the year	–	–	–	–	(1,333,706)	(1,333,706)
Issue of shares upon exercise of warrants	473	–	–	–	–	473
Equity-settled share option expenses	–	–	53,700	–	–	53,700
Lapse of equity-settled share option	–	–	(5,962)	–	5,962	–
At 31 December 2008	1,988,220	60,274	262,627	–	(1,751,764)	559,357
Profit for the year	–	–	–	–	894,607	894,607
Other comprehensive income for the year	–	–	–	(132)	–	(132)
Total comprehensive income for the year	–	–	–	(132)	894,607	894,475
Issue of shares upon exercise of warrants	12,337	–	–	–	–	12,337
Issue of shares upon placement, net of expenses	350,929	–	–	–	–	350,929
Equity- settled share option expenses	–	–	14,783	–	–	14,783
Lapse of equity-settled share option	–	–	(83,492)	–	83,492	–
At 31 December 2009	**2,351,486**	**60,274**	**193,918**	**(132)**	**(773,665)**	**1,831,881**

25 RESERVES *(Continued)*

Nature and purpose of reserves

(i) Special reserve

The special reserve represents the difference between the nominal value of aggregate share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued for the acquisition at the time of a group reorganisation in 1998.

(ii) Contributed surplus

The contributed surplus represents the difference between the consolidated net assets of the subsidiaries acquired and the nominal value of the share capital of the Company issued for the acquisition at the time of a group reorganisation in 1998.

(iii) Investment revaluation reserve

The investment revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

Besides, the reserve also arises from those sharing of equity at acquisition from associates.

(iv) Share option reserve

The share option reserve comprises the fair value of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with HKFRS 2. Further information about share-based payments is set out in note 26.

(v) Net unrealised gains/(losses) reserve

The net unrealised gains/(losses) reserve was the Group's share of change in equity of associates which include the net unrealised gains/(losses) reserve of overseas listed associates which recorded the movement for available-for-sale financial assets to fair value, gains and losses on hedging instruments determined to be effective cash flow hedges and the share of changes in equity of associates of these listed associates.

25 RESERVES *(Continued)*

In addition to the accumulated profits, under the Companies Act of Bermuda, contributed surplus of the Company is also available for distribution of shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

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

In the opinion of the directors, the Company had no reserve available for distribution to owners at the balance sheet date.

26 SHARE OPTIONS SCHEME

The Company has a share option scheme (the "Scheme") which was adopted on 22 September 2004 ("Adoption Date") whereby the board of directors of the Company may grant options to eligible persons, including directors of the Company and its subsidiaries, as incentives to directors and eligible employees to subscribe for shares in the Company. The Scheme will expire on 21 September 2014.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised in accordance with the terms of the Scheme at any time during the option period and not more than ten years after the Adoption Date. The option period will be determined by the board of directors and communicated to each grantee. The exercise price is determined by the board of directors, and will not be less than the highest of the closing price of the Company's shares on the date of grant, the nominal value of the Company's shares and the average closing price of the shares for the five business days immediately preceding the date of grant.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period up to the date of grant is not permitted to exceed 1% of the shares of the Company in issue at the date of grant without approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved by the Company's shareholders in general meeting taken on a poll.

26 SHARE OPTIONS SCHEME *(Continued)*

No share options was offered or accepted under the Scheme during the year ended 31 December 2009. Details of the share options outstanding as at 31 December 2009 under the Scheme are as follows:

Grantee	Date of Grant	Exercise Period	Exercise Price per Share HK$	Outstanding as at 1 January 2009	No. of Options Lapsed During the Year	Outstanding as at 31 December 2009	Closing Price Immediate Before Date of Grant HK$
Directors							
Mr. Cao Zhong *(note e)*	29 May 2007	29 May 2007 to 28 May 2010 *(note a)*	1.20	33,000,000	33,000,000	–	1.09
	15 August 2007	15 August 2007 to 5 July 2010 *(note b)*	1.50	100,000,000	100,000,000	–	1.02
Mr. Liu Yongshun	27 July 2007	27 July 2007 to 28 May 2010 *(note a and c)*	1.20	150,000,000	–	150,000,000	1.45
Mr. Zhou Luyong *(note e)*	29 May 2007	29 May 2007 to 28 May 2010 *(note a)*	1.20	33,000,000	–	33,000,000	1.09
Ms. Chong Sok Un	15 August 2007	15 August 2007 to 5 July 2010 *(note d)*	1.50	110,000,000	–	110,000,000	1.02
Mr. Chen Zhaoqiang *(note e)*	6 July 2007	6 July 2007 to 5 July 2010 *(note a)*	1.50	33,000,000	33,000,000	–	1.47
Mr. Wong Wing Kuen, Albert	6 July 2007	6 July 2007 to 5 July 2010	1.50	3,000,000	–	3,000,000	1.47
Mr. Chang Chu Fai, Johnson Francis	6 July 2007	6 July 2007 to 5 July 2010	1.50	2,000,000	–	2,000,000	1.47
Others							
Employees	6 July 2007	6 July 2007 to 5 July 2010	1.50	1,000,000	–	1,000,000	1.47
Consultant	6 July 2007	6 July 2007 to 5 July 2010	1.50	10,000,000	–	10,000,000	1.47
Consultant	3 October 2007	3 October 2007 to 2 October 2010	1.40	25,000,000	–	25,000,000	1.22
				500,000,000	166,000,000	334,000,000	

During the year, no options were exercised or cancelled.

26 SHARE OPTIONS SCHEME *(Continued)*

Note:

(a) The relevant options are exercisable subject to the following vesting conditions:

(i) The options granted to Mr. Cao Zhong are exercisable when the share price of the Company is HK$1.50 or above.

(ii) The options granted to Mr. Liu Yongshun are exercisable as follow:

– 1/3 of the options granted are exercisable at any time on or after the date of grant up to and including the date of maturity. No part of the options will be exercisable if the closing price of the Company's shares is lower than HK$1.50;

– 1/3 of the options granted are exercisable from 29 May 2008 up to and including the date of maturity. No part of the options will be exercisable if the closing price of the Company's shares is lower than HK$2; and

– 1/3 of the options granted are exercisable from 29 May 2009 up to and including the date of maturity. No part of the options will be exercisable if the closing price of the Company's shares is lower than HK$2.50.

(iii) The options granted to Mr. Zhou Luyong and Mr. Chen Zhaoqiang are exercisable as follows:

– 1/3 of the options granted are exercisable at any time on or after the respective date of grant up to and including the respective date of maturity. No part of the options will be exercisable if the closing price of the Company's shares is lower than HK$1.50;

– 1/3 of the options granted are exercisable after one year from the respective grant date up to and including the respective date of maturity. No part of the options will be exercisable if the closing price of the Company's shares is lower than HK$2; and

– 1/3 of the options granted are exercisable after two years from the respective grant date up to and including the respective date of maturity. No part of the options will exercisable if the closing price of the Company's shares is lower than HK$2.50.

(b) 100,000,000 options were granted on 6 July 2007 conditional upon approval at special general meeting which was eventually obtained on 15 August 2007. The closing price of the Company on the last trading day before 6 July 2007 was HK$1.46.

(c) 150,000,000 options were granted on 29 May 2007 conditional upon approval at special general meeting which was eventually obtained on 27 July 2007. The closing price of the Company on the last trading day before 29 May 2007 was HK$1.09.

(d) 110,000,000 options were granted on 6 July 2007 conditional upon approval at special general meeting which was eventually obtained on 15 August 2007. The closing price of the Company on the last trading day before 6 July 2007 was HK$1.46.

26 SHARE OPTIONS SCHEME *(Continued)*

Note: (Continued)

(e) With the cessation of the directorship, the share options granted to Mr. Cao Zhong and Mr. Chen Zhaoqiang lapsed on 31 December 2009. For Mr. Zhou Luyong, the directorship was ceased on 20 October 2009, he re-designated as deputy general manager of a PRC subsidiary of the Company, therefore, the respective share options granted remained.

(f) The options are measured using the Binomial Pricing Model. The inputs into the Model are summarised as follows:

Date of grant	29 May 2007	6 July 2007	27 July 2007	15 August 2007	3 October 2007
Expected volatility	66%	74%	75%	73%	67%
Expected life (year)	3	3	3	3	3
Risk-free interest rate	4.24%	4.45%	4.17%	4.13%	3.89%
Expected annual dividend yield	Nil	Nil	Nil	Nil	Nil
Fair value per option (HK$)	0.509	0.822	0.720	0.396	0.549

(g) The volatility measured at the standard deviation of expected share price is based on statistical analysis of daily shares over the period from the date of resumption of trading of the Company's shares on The Stock Exchange of Hong Kong Limited (i.e. 14 July 2006) to the date immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the share options and the historical volatility of the Company's shares set out above.

(h) The risk free rate is being yield of 3-year Exchange Fund Note at the date of grant.

(i) The Group recognised total expenses of approximately HK$14,783,000 for the year ended 31 December 2009 (2008: HK$53,700,000) in relation to share options granted by the Company. Besides, the Group recognised the reversal of expenses from share option reserve of approximately HK$83,492,000 (2008: HK$5,961,600) to retained earnings for the 166,000,000 (2008: 11,000,000) share options being lapsed during the year ended 31 December 2009.

27 WARRANTS

On 5 February 2007, the Company issued a total of 251,800,000 bonus warrants (the "Warrants"), as a result of the rights issue completed on 1 February 2007, with an aggregate subscription amount of HK$75,540,000. Each of the Warrants entitled the warrant-holder to subscribe for one ordinary share of the Company of HK$0.10 each at the initial subscription price of HK$0.30 (subject to adjustment (if any)) during the period from 5 February 2007 until 4 February 2010 (both dates inclusive). During the year, 61,684,400 Warrants were exercised for 61,684,400 ordinary shares (2008: 2,368,000 Warrants were exercised for 2,368,000 ordinary shares) of HK$0.10 each at a price of HK$0.30. As at 31 December 2009, there were 132,094,050 Warrants (2008: 193,778,450 Warrants) outstanding. Subsequent to the 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.

28 FINANCIAL INSTRUMENTS

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2(f).

(b) Categories of financial instruments

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Trading securities	**71,899**	113,898	**–**	–
Available-for-sale investments	**96,376**	84,585	**–**	–
Loans and receivables (including cash and cash equivalents)	**461,872**	257,066	**1,801,652**	728,539
	630,147	455,549	**1,801,652**	728,539
Financial liabilities				
Amortised cost	**9,126**	211,590	**1,879**	7,785

(c) Financial risk management objectives

The management monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

28 FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group has trading activities denominated in USD with pledged bank deposits of USD10 million to secure trade finance facilities. As HK$ is pegged to USD, the Group does not expect any significant movements in the HK$/USD exchange rate. Other than the trading activities, the Group has no material foreign currency transactions which expose the Company to foreign currency risk.

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

	Assets		**Liabilities**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group				
Chinese Renminbi	**247,058**	76,231	**755**	628
Australian dollars	**137,341**	142,140	**–**	–
Company				
Australian dollars	**671**	27	**–**	–

28 FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk management *(Continued)*

Sensitivity analysis

The Group is mainly exposed to the effect of fluctuation in Chinese Renminbi and Australian dollars.

The following table details the Group's sensitivity to a 2% and 9% increase and decrease in Hong Kong dollars against Chinese Renminbi and Australian dollars respectively. 2% and 9% are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2% and 9% change in foreign currency rates. A positive number indicates an increase in profit or decrease in loss where the functional currencies of the relevant group entities weaken against the relevant foreign currencies. For a strengthening of the functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit or loss.

	Chinese Renminbi		**Australian dollars**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Sensitivity rate	**2%**	2%	**9%**	10%
Group				
Profit or loss	**4,926**	1,525	**5,830**	10,070
Equity	**–**	–	**6,530**	4,144
Company				
Profit or loss	**–**	–	**60**	3

In the management's opinion, the sensitivity analysis is only estimation and not representative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

28 FINANCIAL INSTRUMENTS *(Continued)*

(e) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank deposits. The Group currently does not have any interest rate hedging policy. The directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments including bank balances and borrowings, at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 100 basis points (2008: 140 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the possible change in interest rate. The management adjusted the sensitivity rate from 140 basis points to 100 basis points in the current year for the purpose of analysing interest rate risk.

If interest rates had been 100 basis points (2008: 140 basis points) higher/lower and all other variables were held constant:

– the Group's profit for the year ended 31 December 2009 would increase/decrease by approximately HK$4,052,000 (2008: loss for the year would increase/decrease by HK$1,472,000). This is mainly attributable to Group's exposure to interest rate on its variable rate bank balances and borrowings.

– the Company's profit for the year ended 31 December 2009 would increase/decrease by approximately HK$142,000 (2008: loss for the year would decrease/increase by HK$359,000). This is mainly attributable to Company's exposure to interest rate on its variable rate bank balances.

28 FINANCIAL INSTRUMENTS *(Continued)*

(f) Price risk management

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in resources sector quoted in the Stock Exchange of Hong Kong and Australia.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is remained at 10% in the current year.

If equity price had been 10% higher/lower (2008: 10% higher/lower):

– post-tax profit for the year ended 31 December 2009 would increase/decrease by HK$7,190,000 (loss for the year ended 31 December 2008 would decrease/increase by HK$9,510,000). This is mainly due to the changes in fair value of trading securities; and

– other equity reserve would increase/decrease by HK$9,638,000 (2008: increase/decrease by HK$8,459,000) as a result of the changes in fair value of available-for-sale investments.

(g) Credit risk management

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the Group's trade and other receivables and bank balances.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet after deducting any impairment allowance.

In order to minimise the credit risk, the management of the Group reviews that recoverable amount of each individual debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The creditworthiness of these debtors is considered by reviewing their financial strength prior to finalisation of any contract and transaction. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

28 FINANCIAL INSTRUMENTS *(Continued)*

(g) Credit risk management *(Continued)*

The credit risk on liquid funds is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the balance sheet date, the Group has a certain level of concentrations of credit risk as 3% (2008: 100%) and 100% (2008: 100%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Except for the financial guarantees given by the Company for certain bank and margin loan facilities of its subsidiaries, the Group does not provide any other guarantee which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(h) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 December 2009, the Group has available unutilised trade finance facilities and margin facilities of approximately HK$478,000,000 (2008: HK$442,066,000) and HK$483,000,000 (2008: HK$201,956,000) respectively.

28 FINANCIAL INSTRUMENTS *(Continued)*

(h) Liquidity risk management *(Continued)*

Liquidity tables

The following tables details the Group and Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. Such non-derivative financial liabilities outstanding at the balance sheet date are considered as if outstanding for whole year. The table includes both interest and principal cash flows.

As at 31 December 2009

Group	**Within one year or on demand HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Carrying amount HK$'000**
Other payables	**9,126**	**9,126**	**9,126**

Company	**Within one year or on demand HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Carrying amount HK$'000**
Other payables	**1,879**	**1,879**	**1,879**

28 FINANCIAL INSTRUMENTS *(Continued)*

(h) Liquidity risk management *(Continued)*

Liquidity tables (Continued)

As at 31 December 2008

Group	Within one year or on demand HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Other payables	14,613	14,613	14,613
Bills payable	35,942	35,942	35,934
Margin financing	161,043	161,043	161,043
	211,598	211,598	211,590

Company	Within one year or on demand HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Other payables	7,785	7,785	7,785

(i) Fair value of financial instruments

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

– the fair value of financial assets and financial liabilities with standards terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask price respectively; and

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

28 FINANCIAL INSTRUMENTS *(Continued)*

(i) Fair value of financial instruments *(Continued)*

The directors consider that the carrying amounts of the Group's other financial asset and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

(j) Fair value hierarchy of financial instruments

HKFRS 7 requires disclosure of financial instruments that are measured at fair value by level of the following fair value measurement hierarchy.

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the financial instruments that are measured at fair value as at 31 December 2009.

Group	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Trading securities	71,899	–	–	71,899
Available-for-sale investments	96,376	–	–	96,376
	168,275	–	–	168,275

During the year, there is no significant transfers between Level 1 and Level 2.

29 COMMITMENT

(a) Operating lease – the Group as lessee

	2009 HK$'000	2008 HK$'000
Minimum lease payments under operating leases in respect of rented premises during the year	**2,985**	3,225

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

	2009 HK$'000	2008 HK$'000
Within one year	**1,885**	1,933
After one year but within five years	**1,006**	740
	2,891	2,673

Operating lease payments represent rental payable by the Group for its office premises, car parking space, director's quarters and a photocopying machine. Leases are negotiated for the terms of between six months to five years.

(b) Capital Commitments

The Group had capital commitments in respect of the acquisition of tangible assets as follows:

	2009 HK$'000	2008 HK$'000
Contracted but not provided for	**1,024**	–

Apart from the above, the Group and the Company did not have any significant commitments as at 31 December 2008 and 2009.

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following material related party transactions.

	2009 HK$'000	2008 HK$'000
Purchase from Mount Gibson Mining Limited and Koolan Island Ore Pty Limited *(note 1)*	**197,377**	57,460
Corporate consultancy service income from Fushan International Energy Group Limited *(note 2)*	**924**	–
Sales co-ordination service income from 首長鋼鐵國際貿易有限公司 *(note 3)*	**3,388**	–

Notes:

(1) Both companies are subsidiaries of Mount Gibson Iron Limited, the associate of the Group.

(2) The company is a substantial shareholder of the Company.

(3) The company was a related company of the Group as Mr. Cao Zhong, being a former director of the Company who resigned on 20 October 2009, was the common director of both companies.

(b) Compensation of key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors and the highest paid employees as disclosed in note 10, is as follows:

	2009 HK$'000	2008 HK$'000
Short-term employee benefits	**7,746**	9,249
Post-employment benefits	**36**	–
Share-based payment	**14,783**	53,700
	22,565	62,949

31 PLEDGE OF ASSETS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
(a) Margin loan facilities secured by some of the investment in listed associates, available-for-sale investments and trading securities	**1,929,666**	473,223	**–**	–
(b) Trade finance facilities of HK$10 million and US$60 million (2008: HK$10 million and US$60 million) granted by banks and secured by bank deposits of the Group	**89,324**	90,004	**–**	–
	2,018,990	563,227	**–**	–

32 RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund scheme for all qualifying employees of its Hong Kong subsidiaries. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributed 5% of the relevant payroll costs to the scheme. The Group's contributions are subject to a cap of monthly relevant payroll cost of HK$20,000.

The total cost charged to the consolidated income statement of HK$84,121 (2008: HK$52,683) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

In addition, the Group's contribution to local municipal government retirement scheme in the PRC are expensed as fall due at the rates specified in the rules of the schemes while the local municipal government in the PRC undertakes to assume the retirement benefit obligations of all existing and future retirees of the qualified staff in the PRC.

33 CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES

In the process of applying the Group's accounting policies, the Group's management is required to make judgments and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on past experiences, expectations of the future and other information that are considered to be relevant. Actual results may differ from these estimates.

33 CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES *(Continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty and critical judgments that may significantly affect the amounts recognised in the financial statements are disclosed below:

Equity-settled share option expenses

The equity settled share option expenses are subject to the limitations of the Binomial Pricing Model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

Classification of financial assets

The Directors shall make significant judgments on classification of financial assets. Different classifications would affect the accounting treatment and the Group's financial position and operating results.

Estimated impairment on interests in associates

Internal and external sources of information are reviewed to identify indications that interests in associate may be impaired. Appropriate impairment for estimated irrecoverable amounts is recognised in profit or loss when there is objective evidence that such assets are impaired.

In determining whether any impairment loss on its interests in associate is recognised, the Directors take into consideration the financial situation and the future business development of the associate.

34 CONTINGENT LIABILITIES

As at 31 December 2009, the Company had provided a corporate guarantee of US$60,000,000 (2008: US$60,000,000), equivalent to approximately HK$468,000,000 (2008: HK$468,000,000) to a bank in respect of trade finance facilities granted to a subsidiary of the Company. At the end of the reporting period, no trade finance facilities were utilised by the subsidiary (2008: HK$35,934,000).

In addition, the Company had provided corporate guarantee of HK$483,000,000 (2008: HK$483,000,000) to a securities broking company in respect of the margin loan facility granted to subsidiaries of the Company. At the end of the reporting period, no margin loan facility was utilised by the subsidiary (2008: HK$161,043,000).

35 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year-end-date, a wholly-owned subsidiary of the Company (the "Lender") entered into a loan agreement (the "Loan Agreement") with Metals X Limited ("MLX"). Pursuant to which the Lender agreed to lend to MLX a loan of up to A$20,000,000 (approximately HK$136,110,000) for the period up to 30 June 2010 at the interest of 10% per annum. The loan was to be used by MLX exclusively for investing in listed shares of a company in Australia (the "Acquisition shares"). The loan was secured by the share charge comprised of a mortgage executed in escrow by MLX in favour of the Lender by way of a first legal charge over half of the Acquisition Shares. The loan was fully settled on 19 March 2010.

On 12 March 2010, the Company entered into a placing agreement (the "Placing Agreement") with Sun Hung Kai Investment Services Limited (the "Placing Agent") pursuant to which Placing Agent conditionally agreed, on a fully underwritten basis, to place a total of 1,100,000,000 new shares of the Company (the "Placing Shares") at a price of HK$0.50 per share, to independent investors (the "Placing"). Resolutions were passed by the shareholders to approve the Placing and the grant of specific mandate at the special general meeting on 14 April 2010 and completion of the Placing took place on 23 April 2010.

36 PARTICULARS OF SUBSIDIARIES

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
APAC Resources Capital Limited (formerly known as Net Success Investments Limited)	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
APAC Resources Management Limited (formerly known as Sky Joy Management Limited)	Hong Kong	HK$1 ordinary share	100%	100%		Provision of management services
APAC Resources Investments Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
APAC Resources Strategic Holdings Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding

36 PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Asia Cheer Trading Limited	Hong Kong	HK$1 ordinary share	100%	100%		Investment holding
First Landmark Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
Fortune Desire Investments Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
Mount Sun Investments Limited	British Virgin Islands	US$1 ordinary shares	100%	100%		Investment holding
Sino Chance Trading Limited	Hong Kong	HK$1 ordinary share	100%	100%		Trading in base metals
Super Grand Investments Limited	British Virgin Islands	US$1 ordinary shares	100%	100%		Investment holding
亞太資源(青島)有限公司 *(note 1)*	The People's Republic of China	US$29,800,000	100%		100%	Trading of mineral resources
瑞域(上海)投資諮詢有限公司 *(note 1)*	The People's Republic of China	US$3,600,000	100%	100%		Provision of consultancy service in corporate management, metallurgy technology, investment and development in mineral resources

Notes:

(1) 亞太資源(青島)有限公司 and 瑞域(上海)投資諮詢有限公司 are wholly-owned foreign investment enterprises registered in the PRC.

(2) The above list contains only the particular of subsidiaries which principally affected the results, assets or liabilities of the Group.

Financial Summary

RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**301,420**	298,613	24,751	19,920	68,393
Profit/(loss) before taxation	**444,384**	(1,251,713)	345,313	25,220	6,539
Income tax expense	**(71,781)**	(616)	–	(238)	(38)
Profit/(loss) after taxation	**372,603**	(1,252,329)	345,313	24,982	6,501
Minority interests	**–**	–	–	–	–
Profit/(loss) for the year	**372,603**	(1,252,329)	345,313	24,982	6,501

ASSETS AND LIABILITIES

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,993,792**	1,483,698	4,749,348	279,373	43,003
Total liabilities	**(31,778)**	(212,437)	(11,052)	(149,397)	(21,122)
Minority interests	**–**	–	–	–	–
Shareholders' fund	**2,962,014**	1,271,261	4,738,296	129,976	21,881