ARTEL

ARTEL SOLUTIONS GROUP HOLDINGS LIMITED
宏通集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The board (the "Board") of directors (the "Directors") of Artel Solutions Group Holdings Limited (the "Company") announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009, together with the comparative figures for the previous year prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Revenue from distribution of computer components and information technology products	*3*	**260**	11,743
Cost of revenue		**(236)**	(10,519)
		24	1,224
Dividend income from held for trading investments	*3*	**3,510**	–
Gain on disposal of held for trading investments	*3*	**–**	293
(Loss)/gain on fair value changes on held for trading investments	*3*	**(4,941)**	106
Gross (loss)/profit		**(1,407)**	1,623
Other operating income	*4*	**1,179**	1,752
Administrative expenses		**(3,698)**	(5,680)
Interests on unsecured other loans		**(293)**	(293)
Loss before taxation	*5*	**(4,219)**	(2,598)
Taxation	*6*	**–**	38
Loss for the year attributable to equity shareholders of the Company		**(4,219)**	(2,560)
Other comprehensive loss for the year (after tax)			
Exchange difference arising on translation of foreign operation before and after tax effects		**(21)**	(264)
Total comprehensive loss for the year attributable to equity shareholders of the Company		**(4,240)**	(2,824)
Loss per share (HK cents)	*8*		
– Basic		**(0.11)**	(0.11)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current asset			
Plant and equipment		**579**	11
Current assets			
Held for trading investments	*10*	**5,049**	9,990
Prepayments and deposits		**1,337**	1,034
Bank balances and cash		**31,466**	31,328
		37,852	42,352
Current liabilities			
Trade payables, accrued charges and other payables	*11*	**11,569**	11,261
Unsecured other loans		**2,031**	2,031
		13,600	13,292
Net current assets		**24,252**	29,060
Net assets		**24,831**	29,071
Capital and reserves			
Share capital		**46,334**	26,386
Reserves		**(21,503)**	2,685
Shareholders' funds		**24,831**	29,071

Notes:

1. BASIS OF PREPARATION

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company and the principal activities of the Group are distribution of computer components and information technology products, provision of integrated e-enabling solutions and trading of securities. In the current year, Best Hero Limited and ASEP Solutions Limited, the wholly owned subsidiaries of the Company, were deregistered on 20 March 2009 and 5 June 2009 respectively.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis as modified by the revaluation of held for trading investments and investment properties.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants hereinafter collectively referred to as ("Hong Kong Financial Reporting Standards"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards. The adoption of the new Hong Kong Financial Reporting Standards had no material effect on how the results and financial position for the current or prior accounting years except for the impact as described as below:

HKAS 1 (Revised) Presentation of Financial Statements

As a result of the adoption of HKAS 1 (Revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. Corresponding amounts have been restated to conform to the new presentation. The change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

HKFRS 8 Operating Segments

HKFRS 8, which will replace HKAS 14 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purpose of allocation resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. HKFRS 8 has not resulted in redesignation of the Group's reportable segments.

The following Hong Kong Financial Reporting Standards in issue as at the date of authorisation of these consolidated financial statements have not been applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2009 since they were not yet effective for the annual period beginning on 1 January 2009:–

HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]
Amendments to HKAS 32	Classification of Rights Issues[4]
Amendments to HKAS 39	Eligible Hedged Items[2]
Amendments to HKFRS 1	Additional Exemptions for First-time Adopters[3]
Amendments to HKFRS 2	Group Cash-settled Share-based Payment Transactions[3]
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement[6]
Amendments to HKFRSs 2008	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[2]
Amendments to HKFRSs 2009	Improvements to HKFRSs 2009[1]

1 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
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

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. TURNOVER AND SEGMENTS AND EQUITY-WIDE INFORMATION

Turnover represents the aggregate of the net amounts received and receivable for goods sold to outside customers, less returns and allowance, dividend income from held for trading investments and net realised and unrealised gains or losses from trading of securities and is analysed as follows:–

	2009	2008
	HK$'000	HK$'000
Distribution of computer components and information technology products	**260**	11,743
Dividend income from held for trading investments	**3,510**	–
Gain on disposal of held for trading investments	**–**	293
(Loss)/gain on fair value changes on held for trading investments	**(4,941)**	106
	(1,171)	12,142

(a) Reportable segments

For management purposes, the Group is organised into two operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

– Distribution of computer components and information technology products
– Trading of securities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

(1) Segment assets consist primarily of held for trading investments. Segment liabilities comprise operating liabilities and mainly exclude items such as income tax payable and deferred tax liabilities.

(2) Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

(3) Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

(4) Unallocated items comprises financial and corporate assets, unsecured other loans, and corporate and financial expenses.

The measure used for reporting segment result is "adjusted EBIT" i.e. adjusted earnings before interest and taxes. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

Segment information about the aforementioned businesses is set out as follows:–

	Distribution of computer components and information technology products		Trading of securities		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
TURNOVER						
External	**260**	11,743	**(1,431)**	399	**(1,171)**	12,142
RESULT						
Segment result	**(423)**	280	**(1,524)**	344	**(1,947)**	624
Other operating income					**1,180**	1,752
Unallocated corporate expenses					**(3,159)**	(4,681)
Finance costs					**(293)**	(293)
Loss before taxation					**(4,219)**	(2,598)
Taxation					**–**	38
Loss for the year					**(4,219)**	(2,560)

	Distribution of computer components and information technology products		Trading of securities		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets						
Segment assets	**655**	655	**5,049**	9,990	**5,704**	10,645
Unallocated corporate assets					**32,727**	31,718
Consolidated total assets					**38,431**	42,363
Liabilities						
Segment liabilities	**6,765**	6,744	–	–	**6,765**	6,744
Unallocated corporate liabilities					**6,835**	6,548
Consolidated total liabilities					**13,600**	13,292
Other information						
Unallocated capital additions					**633**	–
Unallocated depreciation					**65**	2

(b) **Entity-wide information**

The Group's operations are substantially located in Hong Kong for both years. An analysis of the Group's geographical information is set out as follows:–

	2009	2008
	HK$'000	HK$'000
Revenue by geographical location of its customers:–		
Hong Kong	**260**	11,743
Carrying amount of non-current assets analysed by geographical area in which the assets are located of:–		
Hong Kong	**579**	11

During the current year, the Group has only one customer (2008: two).

4. OTHER OPERATING INCOME

	2009	2008
	HK$'000	HK$'000
Gain on disposal of interest in purchasing an investment property (Note 9)	**900**	–
Interest income on bank deposits	**56**	589
Sundry income	**223**	124
Gain on sales of inventories previously written off	**–**	636
Waiver of accrued director's remuneration	**–**	205
Waiver of amount due to a director	**–**	198
	1,179	1,752

5. LOSS BEFORE TAXATION

	2009	2008
	HK$'000	HK$'000
Loss before taxation has been arrived at after charging:–		
Auditor's remuneration	**298**	340
Depreciation of plant and equipment	**65**	2
Operating lease rentals in respect of rented premises	**378**	282
Staff costs:–		
Directors' remuneration		
– fees	**190**	190
– other emoluments	**–**	–
	190	190
Staff costs excluding directors' remuneration	**1,411**	1,262
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration	**31**	32
	1,442	1,294
Total staff costs	**1,632**	1,484

6. TAXATION

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not have any assessable profits for both years.

No provision for taxation has been made in respect of the Company's subsidiaries operating in other jurisdictions as they did not have assessable profits for both years.

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2009, nor has any dividend been proposed since the end of the reporting period.

8. LOSS PER SHARE

The calculation of the basic loss per share of the Company (the "Share") attributable to equity shareholders of the Company for the year is based on the loss for the year of approximately HK$4,219,000 (2008: HK$2,560,000) and the weighted average number of 3,715,113,021 (2008: 2,386,610,415) Shares in issue.

No diluted loss per Share is presented for the years ended 31 December 2009 and 2008 as the conversion of the outstanding convertible notes during the years had an anti-dilutive effect on the basic loss per Share.

9. INVESTMENT PROPERTY

On 2 January 2009, Key Fit Group Limited ("Key Fit"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with BK Capital Limited for the acquisition of an office unit (the "Property") in Hong Kong at a consideration of HK$7,000,000. 100% equity interest of BK Capital Limited are held by the executive Directors, Mr. Kan Che Kin, Billy Albert ("Mr. Kan") and Mrs. Kan Kung Chuen Lai, the spouse of Mr. Kan, BK Capital Limited is therefore regarded as a connected person of the Company under Chapter 14A of the Listing Rules. This transaction constituted a connected transaction of the Company under the Listing Rules.

On 30 July 2009, Key Fit entered into a provisional sale and purchase agreement with an independent third party and the same parties further entered into a sub-sale and purchase agreement on 14 August 2009 for the disposal of its interest in the Agreement and the Property at a consideration of HK$7,900,000. On 1 September 2009, Key Fit, BK Capital Limited and the independent third party entered into the assignment whereby all parties agreed that BK Capital Limited assigned the Property to the independent third party. This disposal has been completed on 1 September 2009 resulting in a gain of HK$900,000.

10. HELD FOR TRADING INVESTMENTS

	2009	2008
	HK$'000	HK$'000
Equity securities listed in Hong Kong, at fair value	**5,049**	9,990

The fair value of the Group's investments in listed equity securities has been determined directly by reference to their published price quotations in active market as at 31 December 2009.

Details of the Group's investments as at 31 December 2009 are as follows:–

Name	**Place of incorporation**	**Principal activities**	**Particulars of investment**	**Approximate percentage of equity interest held**
PCCW Limited	Hong Kong	Provision of telecommunications services, internet access services, interactive multimedia and pay-TV services, the sale and rental of telecommunications equipment, and the provision of computer, engineering and other technical services; investments in, and development of, systems integration and technology-related businesses; and investments in, and development of, infrastructure and properties	Ordinary shares of HK$0.25 each	0.04%

11. TRADE PAYABLES, ACCRUED CHARGES AND OTHER PAYABLES

	2009	2008
	HK$'000	HK$'000
Trade payables	**6,765**	6,744
Accrued charges and other payables	**4,804**	4,517
	11,569	11,261

All trade payables are overdue more than one year. The trade payables are primarily denominated in Hong Kong dollars and USD.

12. CONVERTIBLE NOTES

On 15 January 2008, the Company and Mr. Kan, an executive Director and the substantial shareholder of the Company, entered into a subscription agreement (the "Subscription Agreement") pursuant to which the Company had conditionally agreed to issue and Mr. Kan had conditionally agreed to subscribe for the zero-coupon and non-redeemable convertible notes (the "Convertible Notes") of the Company in an aggregate principal amount of HK$358 million. The initial conversion price is HK$0.0386 per Share. Assuming that the conversion rights attaching to the Convertible Notes are exercised in full at the conversion price of HK$0.0386 per Share, an aggregate of 9,274,611,398 Shares will be issued.

Completion of the Subscription Agreement took place on 13 February 2008 and the Convertible Notes were issued by the Company to Mr. Kan pursuant to the Subscription Agreement on the same date. The subscription price of the Convertible Notes of HK$358 million was satisfied in part of approximately HK$318 million by setting off the full amount of (i) the bank overdraft and borrowings of approximately HK$256 million and the debt of approximately HK$59 million due to a supplier which had been assigned to Mr. Kan; and (ii) the loan of approximately HK$3 million advanced by Mr. Kan, against such amount of the subscription price of the Convertible Notes on a dollar for dollar basis. The remaining balance of the subscription price of approximately HK$40 million was settled in cash, which was used as general working capital of the Group. The maturity date of the conversion rights attaching to the Conversion Notes is 13 February 2013, being the date falling on the fifth anniversary from the date of issue of the Convertible Notes. In the event the compulsory conversion of the outstanding principal amount of the Convertible Notes on the maturity date would render the then issued Shares held in the public hands being less than the minimum public float as required under the Listing Rules from time to time, the Convertible Notes will be renewed automatically for successive term of one year commencing the day next after the expiry of the then current term of the Convertible Notes.

On 18 February 2008 and 31 July 2008, Mr. Kan exercised the conversion rights attaching to the Convertible Notes in relation to the conversion of an aggregate principal amount of HK$30,000,000 and HK$10,000,000 of the Convertible Notes respectively and an aggregate of 777,202,072 Shares and 259,067,357 Shares were allotted and issued to Mr. Kan respectively. The outstanding principal amount of the Convertible Notes as at 31 December 2008 was HK$318,000,000.

The issue of Convertible Notes was satisfied in part by setting off against the amount of approximately HK$318 million due to Mr. Kan on a dollar for dollar basis, which constituted a non-cash transaction for the year ended 31 December 2008.

On 4 June 2009 and 22 June 2009, Mr. Kan exercised the conversion rights attaching to the Convertible Notes in relation to the conversion of an aggregate principal amount of HK$17,000,000 and HK$60,000,000 of the Convertible Notes respectively and an aggregate of 440,414,507 Shares and 1,554,404,145 Shares were allotted and issued to Mr. Kan respectively. There was no other conversion thereafter during the year and the outstanding principal amount of the Convertible Notes as at 31 December 2009 was HK$241,000,000.

13. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 3 February 2010, the Company entered into the joint venture agreement with the joint venture partners (the "JV Partners"), Shanxilanhua Coal Industrial Group Co. Ltd. ("Shanxilanhua"), a company established in the People's Republic of China ("PRC") and Deluxe Full Holdings Limited ("Deluxe"), a company incorporated in the British Virgin Islands and wholly owned by Mr. Li Kai Yien, Arthur Albert, an executive Director, to set up the joint venture company (the "JV Company") in the PRC. The JV Company will be principally engaged in the manufacturing and operating of gangue, and investment in projects in relation to the coal, coke and coal chemical industry.

The JV Company will have an initial registered capital of RMB10 million (equivalent to approximately HK$11.4 million), among which, the Company shall contribute RMB4.7 million (equivalent to approximately HK$5.4 million) in cash, representing 47% equity interest of the JV Company, Shanxilanhua shall contribute RMB4.8 million (equivalent to approximately HK$5.5 million) in cash, representing 48% equity interest of the JV Company, and Deluxe shall contribute RMB0.5 million (equivalent to approximately HK$0.6 million) in cash, representing 5% equity interest of the JV Company. The total investment amount of the JV Company is RMB14.28 million (equivalent to approximately HK$16.28 million) and shall be contributed by the Company and the JV Partners in proportion to their respective interest in the JV Company.

(b) On 18 March 2010, the Company entered into the placing agreement with the placing agent, Polaris Securities (Hong Kong) Limited ("Polaris"), pursuant to which the Company agreed to place, through Polaris, 400,000,000 placing shares at the placing price (being HK$0.52 per placing share) to the placees on a fully underwritten basis (the "Placing"). The Placing of 200,000,000 placing shares was completed on 9 April 2010 and the remaining 200,000,000 placing shares was completed on 13 April 2010.

The 400,000,000 placing shares represented approximately 8.63% of the issued share capital of the Company as at 18 March 2010 and approximately 7.95% of the issued share capital of the Company as enlarged by the allotment and issue of the 400,000,000 placing shares.

The gross proceeds from the Placing amounted to approximately HK$208 million. The net proceeds from the Placing, after the deduction of the Placing commission and other related expenses, were approximately HK$202 million, which will be used mainly for (i) the possible acquisition of 28.01% equity interest in the registered capital of Shanxilanhua, details of which are set out in the announcements of the Company dated 16 June 2009 and 18 September 2009: and (ii) the potential investment of the JV Company, details of which are set out above in paragraph (a).

BUSINESS AND FINANCIAL REVIEW

In 2009, most of our computer sales customers had ceased business with the Group as they have been severely affected by the global financial crisis and the Group's tightened credit term. The Group's turnover from trading of computer components and information technology products was only approximately HK$260,000 (2008: approximately HK$11,743,000), representing a decrease of approximately 98% compared with 2008.

The Group's negative turnover for the year ended 31 December 2009 amounted to approximately HK$1,171,000 and the Group recorded a gross loss of approximately HK$1 million for the year ended 31 December 2009. The negative turnover and the gross loss mainly resulted from the net loss on investment in trading securities of approximately HK$1,431,000 (including dividend income of HK$3,510,000 and unrealized loss on held for trading investments of HK$4,941,000) during the year. In summary, the Group recorded a loss of approximately HK$4,240,000 for the year ended 31 December 2009.

To make for the lack of trading in the computer business, on 2 January 2009, Key Fit Group Limited ("Key Fit"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with BK Capital Limited for the acquisition of an office unit (the "Property") in Hong Kong at a consideration of HK$7,000,000.

On 30 July 2009, Key Fit disposed its interest of and in the Agreement and the Property at a consideration of HK$7,900,000, resulting in a gain on disposal of HK$900,000.

PROSPECTS

In light of the slow recovery in the computer business from the recent financial turmoil that began in 2008, we believe the Group needs to diversify into other industries that provide better returns for our shareholders. The Directors have been focusing to grow the Group by acquisition of energy and resources projects and operations.

In the second half of 2009, the Group entered into various framework agreements to purchase a 28.01% equity interest in Shanxilanhua, a company principally engaged in coal mining that also holds a controlling interest in a company listed on the Shanghai Stock Exchange ranking amongst the top 10 PRC Blue Chip Mining Enterprises. As at the date of this report, the Directors are still working to complete a formal agreement in relation to this 28.01% equity interest in Shanxilanhua.

Towards the end of the year, the Group also entered into a framework agreement with Shanxilanhua in the formation of a joint venture company in the range of US$100 million to US$500 million, that the Group will hold a 47% equity interest, and is principally engaged in coal development projects. On 3 February 2010, the Group formally entered into an agreement on the aforementioned joint venture, that the Group will hold a 47% equity interest in the initial registered capital of RMB10 million.

On 13 April 2010, the Group completed the placing of 400 million new shares at the price of HK$0.52 per share that raised approximately HK$202 million, ear-marked for part of the capital investment needs mentioned above.

Apart from our continuing search to pursue business scope in coal mining development, the Group is also in negotiations to invest in other oil and gas related projects.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had total cash and bank balances of approximately HK$31 million as at 31 December 2009 (2008: approximately HK$31 million). Balance of other short-term borrowings was approximately HK$2 million as at 31 December 2009 (2008: approximately HK$2 million). The gearing ratio of the Group as at 31 December 2009 calculated as a ratio of total interest-bearing loans to total assets was approximately 5% (2008: approximately 5%). Net assets were approximately HK$25 million as at 31 December 2009 (2008: approximately HK$29 million).

The Group recorded total current asset value of approximately HK$38 million as at 31 December 2009 (2008: approximately HK$42 million) and total current liability value of approximately HK$14 million as at 31 December 2009 (2008: approximately HK$13 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was approximately 2.78 as at 31 December 2009 (2008: approximately 3.19).

FOREIGN EXCHANGE EXPOSURE

Transactions of the Group were mainly denominated either in Hong Kong dollars or United States dollars. In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the year.

TREASURY POLICIES

The Group's major borrowings were in Hong Kong dollars and with fixed interest rates. Bank balances and cash held by the Group were denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency and interest rate hedging policy. However, the management of the Group monitored foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign currency and interest rate exposure should the need arise.

PLEDGE OF ASSETS

The Group had no pledged assets as at 31 December 2009.

SIGNIFICANT INVESTMENTS

The Group held 2,700,000 shares of HK$0.25 each in the capital of PCCW Limited ("PCCW"), representing approximately 0.04% equity interest of PCCW at fair value of approximately HK$5,049,000 as at 31 December 2009. The shares of PCCW are listed on The Stock Exchange of Hong Kong Limited. The Board will seize the opportunity to dispose the shares of PCCW in future in order to capture the potential gain. On the other hand, the Board expected a steady return of dividend yield from PCCW before the disposal of the shares of PCCW.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2009.

SEGMENTAL INFORMATION

Details of segmental information for the year ended 31 December 2009 are set out in note 3 to this announcement.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2009.

STAFF AND REMUNERATION POLICIES

As at 31 December 2009, the Group had 7 employees (2008: 7 employees). The Group's total staff costs amounted to approximately HK$1,632,000 (2008: HK$1,484,000) for the year ended 31 December 2009.

The Group remunerated its employees mainly based on the industry practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance. Other benefits include medical and retirement schemes.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "Audit Committee") include the review and supervision of the Group's financial reporting process and internal control. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2009 and was of the opinion that the audited consolidated financial statements of the Group have been properly prepared in accordance with the statutory requirements and applicable accounting standards.

The Audit Committee currently comprises three independent non-executive directors of the Company, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") under Appendix 14 to the Listing Rules throughout the year ended 31 December 2009 except the followings:

1. Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate. The positions of chairman and chief executive officer of the Company were held by Mr. Kan. The Board believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. The Board has full confidence in Mr. Kan and believes that his dual roles will be beneficial to the Group.

2. Under the Code Provisions A.4.1 and A.4.2, non-executive Director should be appointed for a specific term and each Director should be subject to retirement by rotation at least once every three years. The existing independent non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association (the "Articles of Association") of the Company at least once every three years.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors, they all confirmed that they have fully complied with the required standards as set out in the Model Code during the year ended 31 December 2009.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 31 May 2010, details of which are set out in the notice of annual general meeting of the Company which will be published in due course.

By order of the Board
Kan Che Kin, Billy Albert
Chairman

Hong Kong, 26 April 2010

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Kan Che Kin, Billy Albert, Mrs. Kan Kung Chuen Lai, Ms. Li Shu Han, Eleanor Stella and Mr. Li Kai Yien, Arthur Albert and three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong.