



APAC Resources Limited
亞太資源有限公司*

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



2010



INTERIM REPORT 2010

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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 Moyses Willcocks

AUDIT COMMITTEE

Mr. Wong Wing Kuen, Albert (*Chairman*)
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyses 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 Moyses 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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Limited
Rosebank Centre
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Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

WEBSITE

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STOCK CODE

1104

APAC Resources Limited (“**APAC**”) listed on The Stock Exchange of Hong Kong Limited (stock code: 1104). APAC and its subsidiaries are principally engaged in (i) trading in base metals and commodities; and (ii) trading and investment in listed securities with a portfolio primarily focused on natural resources and related sector and industries. APAC’s investment business is run from Hong Kong, with the commodity trading division operating from Hong Kong and Shanghai.



Global Investments

APAC’s portfolio comprises Mount Gibson Iron and Metals X as primary investments. Other significant investments include Kalahari Minerals and Modena Resources, as well as a spread of smaller positions for geographic, development stage and commodity diversification.

Minor investments 

Major investments 

Major Investments

Company	Code	% Held	Focus
Metals X Limited	MLX.AX	29.08	Tin/Nickel
Mount Gibson Iron Limited	MGX.AX	26.22	Iron ore
Modena Resources Limited	MDA.AX	18.94	Natural Gas
Kalahari Minerals Plc	KAH.L	9.99	Uranium

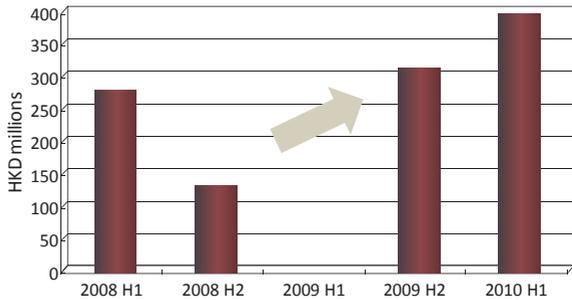
About APAC Resources

Commodity Trading

APAC's commodity trading team, based in Shanghai, is highly experienced in iron ore and coal trading. Combining strong established relationships with end users and traders in China, real-time market intelligence and input from the investment team in Hong Kong, we are well positioned to grow.

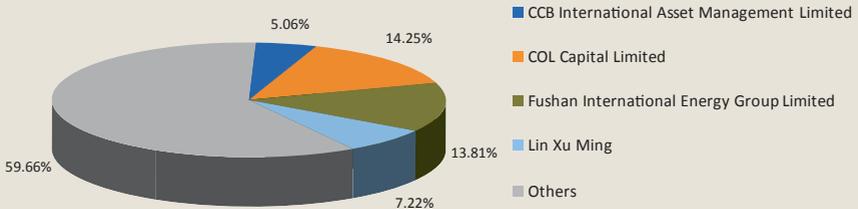
APAC's iron ore off-take with Mount Gibson has been a significant contributor to growth in the half.

Revenue – Commodity Trading



“Our mission is to be the pre-eminent resource investment house in Hong Kong and to provide long-term growth to our shareholders by pursuing high quality investments globally.”

Shareholder structure (as at 30 June 2010)



Dear Investor,

Thank you for your interest in APAC Resources (“APAC”).

I started with APAC in January 2010 so this will be my first communication to many of you. Accordingly, I would like to take this opportunity to outline my strategic vision for the company and the opportunities that I see ahead of us.

Our mission has not changed. We still aim to become the pre-eminent natural resource investment house in Hong Kong and I believe we are in an optimal position to achieve this goal. In any business, especially an investment business, success depends on the quality of people behind the scenes. APAC is no different. Over the past six months, we have made a number of significant appointments to enhance the APAC management and investment team. This includes our Chief Financial Officer, Peter Curry, who has over 35 years of legal and corporate advisory experience, as well as Portfolio Manager, John Ellis, who brings a successful investment track record of resource companies investments. This provides us with solid foundation to source and assess new investment opportunities globally.

In terms of our core investments, we remain excited about the future potential. Our two primary investments, Mount Gibson Iron and Metals X, performed well during the past half. A combination of higher production, sales and iron ore prices underpinned Mount Gibson Iron reporting a 211% increase in 2010 financial year net profits to A\$132 million, while the new Extension Hill mine remains on track for first production in late 2011. Metals X has made good progress at its Renison tin mine and reported strong (unaudited) EBITDA of A\$22m during the half. Further improvements in operational performance are expected as mining transitions entirely to higher grade Renison underground ore. Our investment in Kalahari Minerals was recently bolstered by a 37% increase in the Rossing South resource to 367 million pounds, which now makes it a top 6 uranium deposit globally. In addition, we have a portfolio of smaller positions across various commodities and stages in the development cycle where we aim to boost shareholder returns over a shorter time frame.

Our commodities team in Shanghai has made an excellent contribution over the first half period, in terms of profit and information flow. This is an area of business where we would like to grow and we continue to look for opportunities for off-take arrangements where APAC can add a recurring income stream to fund future growth.

The past half has continued to be volatile, with equity markets finishing the half lower as investors worried about a Chinese slowdown and European sovereign debt issues. Looking ahead, volatility is likely to continue but this provides opportunities for longer term investors like APAC to invest at sensible prices, as fundamentally, we believe in the structural commodity story. We believe demand should continue to be supported by the multi-decade industrialisation and urbanisation of China and other emerging economies, while the supply side remains constrained by higher costs, lower grades and increasing “resource nationalism” risks.

Last but not least, I would like to extend my gratitude to our shareholders and the team for their continued support.

Best wishes,

Andrew Ferguson
Chief Executive Officer

2010 Highlights

Jun:

Base metal trading revenues are HK\$378 million

Jun:

Half year profits are HK\$143 million

Jun:

APAC increases its interest in Kalahari Minerals to 9.99%

May:

APAC increases its interest in Modena Resources to 18.94%

Apr:

APAC completes placement of 1,100,000,000 shares raising HK\$550 million (gross proceeds)

Mar:

Mr. Peter Curry joins APAC as Chief Financial Officer

Jan:

Mr. Andrew Ferguson joins APAC as Chief Executive Officer



The board of directors (the “**Board**”) of APAC Resources Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2010, which has been reviewed by the auditors of the Group and the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Note	Group	
		Six months ended 30 June	
		2010	2009
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	378,219	–
Revenue from sales of goods		378,219	–
Net gain from sales of trading securities		379	19,467
Change in fair value of trading securities		(97,873)	115,892
Change in fair value of other financial assets		(3,326)	–
Impairment loss on available-for-sale investments		(20,630)	–
Interest income		2,940	1,132
Other operating income	4	41,426	33,839
Purchases and direct freight charge		(301,570)	–
Equity-settled share option expenses		–	(12,373)
Salaries and allowances		(6,143)	(7,636)
Operating lease rental on buildings		(1,444)	(1,544)
Share of profit less losses of associates		247,560	67,346
Exchange difference		(6,048)	1,138
Other operating expenses		(11,220)	(7,614)
Finance costs	5	(656)	(13,412)
Profit before taxation	6	221,614	196,235
Income tax expenses	7	(78,232)	(32,864)
Profit for the period		143,382	163,371
Attributable to:			
Owners of the Company		143,382	163,371
Earnings per share	9		
– Basic (HK cents per share)		2.31	3.45
– Diluted (HK cents per share)		2.30	3.41

Details of dividend payable to owners of the Company are set out in note 8.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Group	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	143,382	163,371
Other comprehensive income, net of tax		
Exchange differences arising on translation of foreign operations	(183)	1,183
Share of other comprehensive income of associates	(16,907)	105,710
Exchange difference from sharing of interest in associates	(88,449)	159,035
Fair value change of available-for-sale investments	(31,120)	33,154
Reclassification adjustment for the cumulative other comprehensive income to profit or loss upon disposal of partial interest in an associate	(6,259)	–
	<u>(142,918)</u>	<u>299,082</u>
Total comprehensive income for the period	464	462,453
Total comprehensive income attributable to:		
Owners of the Company	<u>464</u>	<u>462,453</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Note	Group	
		30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	10	1,916	992
Available-for-sale investments	11	44,626	96,376
Interest in associates	12	2,386,711	2,357,583
Total non-current assets		2,433,253	2,454,951
Current assets			
Trade and other receivables	13	86,952	59,415
Trading securities	14	525,325	71,899
Available-for-sale investments	11	3,889	–
Pledged bank deposits	15	89,375	89,324
Cash and cash equivalents	15	556,942	318,203
Total current assets		1,262,483	538,841
Total assets		3,695,736	2,993,792
Equity and Liabilities			
Capital and reserves			
Share capital	16	692,213	569,034
Reserves		3,069,260	2,885,162
Accumulated losses		(223,310)	(492,182)
Equity attributable to owners of the Company and total equity		3,538,163	2,962,014
Current liabilities			
Trade and other payables		127,955	10,020
Other financial liabilities		3,326	–
Tax payable		26,292	21,758
Total liabilities		157,573	31,778
Total equity and liabilities		3,695,736	2,993,792

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners of the company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Net unrealised gain/(losses) reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	
At 1 January 2009 (audited)	472,866	1,988,220	(14,980)	(41,584)	(64,586)	262,627	(15,331)	(1,315,961)	1,271,261
Profit for the period	-	-	-	-	-	-	-	163,371	163,371
Other comprehensive income for the period	-	-	-	33,154	160,218	-	105,710	-	299,082
Total comprehensive income for the period	-	-	-	33,154	160,218	-	105,710	163,371	462,453
Issue of shares upon placement, net of expenses	90,000	350,960	-	-	-	-	-	-	440,960
Issue of shares upon exercise of warrants	16	32	-	-	-	-	-	-	48
Equity-settled share option expenses	-	-	-	-	-	12,373	-	-	12,373
At 30 June 2009 (unaudited)	562,882	2,339,212	(14,980)	(8,440)	95,632	275,000	90,379	(1,152,590)	2,187,095
At 1 January 2010 (audited)	569,034	2,351,486	(14,980)	(7,253)	232,630	193,918	129,361	(492,182)	2,962,014
Profit for the period	-	-	-	-	-	-	-	143,382	143,382
Other comprehensive income for the period	-	-	-	(30,384)	(93,516)	-	(19,018)	-	(142,918)
Total comprehensive income for the period	-	-	-	(30,384)	(93,516)	-	(19,018)	143,382	464
Issue of shares upon exercise of warrants	13,179	26,357	-	-	-	-	-	-	39,536
Issue of shares upon placement, net of expenses	110,000	426,149	-	-	-	-	-	-	536,149
Lapse of equity-settled share option	-	-	-	-	-	(125,490)	-	125,490	-
At 30 June 2010 (unaudited)	692,213	2,803,992	(14,980)	(37,637)	139,114	68,428	110,343	(223,310)	3,538,163

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Group	
	Six months ended 30 June 2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net Cash From Operating Activities	146,404	334,844
Net Cash Used In Investing Activities	(482,511)	(469,793)
Net Cash From Financing Activities	575,029	230,618
Net Increase in Cash and Cash Equivalents	238,922	95,669
Cash and Cash Equivalents at 1 January	318,203	131,019
Effect of foreign exchange rate changes	(183)	1,183
Cash and Cash Equivalents at 30 June	556,942	227,871

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

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 address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the address of its principal office in Hong Kong is 32/F., China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

The Company and its subsidiaries (collectively referred to as “**the Group**”) are principally engaged in the (i) trading in base metals and commodities; and (ii) trading and investment in listed securities with a portfolio primarily focused on natural resources and related sector and industries.

These unaudited condensed consolidated financial statements (“**Interim Financial Statements**”) are presented in Hong Kong dollars (“**HK\$**”), which is the Company’s functional and presentation currency.

2. Basis of Preparation and Accounting Policies

These Interim Financial Statements are prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

These Interim Financial Statements should be read in conjunction with the 2009 annual report.

These Interim Financial Statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual report. The Interim Financial Statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”, which term collectively includes HKASs and Interpretations).

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretations (hereinafter collectively referred to as “**new HKFRSs**”), issued by the HKICPA, which are effective for the current accounting period of the Group.

2. Basis of Preparation and Accounting Policies (Continued)

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 38 (Amendment)	Intangible assets
HKAS 39 (Amendment)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendments)	Additional exemptions for first-time adopters
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK (IFRIC) – INT 17	Distribution of non-cash assets to owners

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

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 2010 ²
HKAS 24 (Revised)	Related party disclosures ⁴
HKAS 32 (Amendment)	Classification of rights issues ¹
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosure for first-time adopters ³
HKFRS 9	Financial instruments (relating to the classification and measurement of financial assets) ⁵
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement ⁴
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ³

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

² Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

3. Segment Information

The Group's reportable segments under HKFRS 8 are as follows:

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

Segment revenue and result

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

Six months ended 30 June 2010

	Trading in base metals HK\$'000	Trading and investment in listed securities HK\$'000	Group Total HK\$'000
Revenue	378,219	–	378,219
Gross sales proceeds from trading and investment in listed securities	–	7,209	7,209
Segment result	75,837	(106,334)	(30,497)
Share of profits less losses of associates			247,560
Impairment loss on available-for-sale investments		(20,630)	(20,630)
Change in fair value of other financial assets		(3,326)	(3,326)
Unallocated corporate incomes			42,725
Unallocated corporate expenses			(13,562)
Finance costs		(1)	(656)
Profit before taxation			221,614
Income tax expense	(4,200)	(335)	(78,232)
Profit for the period			143,382

3. Segment Information (Continued)

Segment revenue and result (Continued)

Six months ended 30 June 2009

	Trading in base metals HK\$'000	Trading and investment in listed securities HK\$'000	Group Total HK\$'000
Revenue	–	–	–
Gross sales proceeds from trading and investment in listed securities	–	56,850	56,850
Segment result	(932)	133,162	132,230
Share of profit of associates			67,346
Unallocated corporate incomes			34,622
Unallocated corporate expenses			(24,551)
Finance costs	(7)	(1,977)	(13,412)
Profit before taxation			196,235
Income tax expense	(423)	(12,600)	(32,864)
Profit for the period			163,371

3. Segment Information (Continued)

Segment revenue and result (Continued)

Other segment items included in consolidated income statement for the six months ended 30 June 2010 are as follows:

	Trading in base metals HK\$'000	Trading and investment in listed securities HK\$'000	Unallocated HK\$'000	Group Total HK\$'000
Depreciation	(2)	–	(419)	(421)
Interest income	1,526	–	1,414	2,940
Change in fair value of trading securities	–	(97,873)	–	(97,873)

Other segment items included in consolidated income statement for the six months ended 30 June 2009 are as follows:

	Trading in base metals HK\$'000	Trading and investment in listed securities HK\$'000	Unallocated HK\$'000	Group Total HK\$'000
Depreciation	(2)	–	(327)	(329)
Interest income	284	–	848	1,132
Change in fair value of trading securities	–	115,892	–	115,892

3. Segment Information (Continued)

Segment assets

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

	Group	
	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Trading in base metals	581,546	424,729
Trading and investment in listed securities	639,774	168,631
	1,221,320	593,360
Interest in associates	2,386,711	2,357,583
Unallocated assets	87,705	42,849
Consolidated assets	3,695,736	2,993,792

4. Other Operating Income

	Group	
	Six months ended 30 June 2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Dividend income	473	17
Commission income	–	2,251
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
Underwriting fee recovered	–	8,641
Gain on disposal of partial interest in an associate	40,606	–
Sundry income	347	1,686
	41,426	33,839

5. Finance Costs

	Group Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Interest on margin financing	656	8,211
Interest on short-term loan	–	5,194
Interest on bank borrowings	–	7
	656	13,412

6. Profit Before Taxation

	Group Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging/(crediting) the following :		
Depreciation	421	329
Exchange loss/(gain), net	6,048	(1,138)
Legal and professional fees	1,909	(1,778)
Consultancy fee	1,072	927
Staff costs, including directors' emoluments		
– salaries and allowances	6,143	7,636
– equity-settled share option expenses	–	12,373
– directors' quarters	643	119
– retirement benefits scheme contributions, net of nil forfeited contributions	248	266
Total staff costs	7,034	20,394

7. Income Tax Expense

	Group	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income tax expense for the period		
Hong Kong profits tax	4,535	12,769
The PRC enterprise income tax	—	254
	<hr/>	<hr/>
	4,535	13,023
Overseas tax provided	73,697	19,841
	<hr/>	<hr/>
Total income tax expense	78,232	32,864
	<hr/>	<hr/>

Hong Kong profits tax has been provided for at the rate of 16.5% on the Group estimated assessable profit for the six months period ended 30 June 2010 and 2009.

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

The Group's share of associates' tax charge for the six months period ended 30 June 2010 is included in the overseas tax provided for the period above.

The Group has no significant unprovided deferred taxation at the reporting date.

8. Dividend

No dividends had been paid or declared by the Company during the period (2009: nil).

9. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Group	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the purpose of basic and diluted earnings per share	143,382	163,371
	Number of shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	6,210,273,123	4,738,626,348
Effect of dilutive potential ordinary shares in respect of :		
– warrants	11,055,727	50,130,434
– share options	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	6,221,328,850	4,788,756,782

The calculation of the diluted earnings 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 during the period.

10. Property, Plant and Equipment

During the period, the Group incurred approximately HK\$1,344,000 (six months ended 30 June 2009: HK\$8,000) on acquisition of property, plant and equipment.

11. Available-for-sale Investments

	Group	
	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Non-current		
Listed equity securities, Hong Kong, at fair value	15,533	23,816
Listed equity securities, overseas, at fair value	<u>29,093</u>	<u>72,560</u>
	<u>44,626</u>	<u>96,376</u>
Current		
Unlisted equity securities, overseas, at cost	<u>3,889</u>	<u>—</u>

12. Interest in Associates

	Group	
	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Cost of investment in associates		
Listed in overseas	2,114,898	2,141,216
Unlisted in the PRC	<u>22,848</u>	<u>22,848</u>
Share of post-acquisition profits and other comprehensive income, net of dividends received	552,989	497,543
Less: impairment loss	<u>(304,024)</u>	<u>(304,024)</u>
	<u>2,386,711</u>	<u>2,357,583</u>
Fair value of listed investments	<u>3,167,491</u>	<u>3,573,413</u>

12. Interest in Associates (Continued)

At 31 December 2009, the Group held 26.75% interest in Mount Gibson Iron Limited ("MGX"). At 30 June 2010, the Group's interest in MGX was reduced to 26.22%.

At 30 June 2010 and 31 December 2009, the Group held 29.08% and 40% interest in Metals X Limited ("MLX") and 平港(上海)貿易有限公司, respectively.

According to the Listing Rules of the Australian Stock Exchange, the annual report of the Australian listed company should be published within three months from the end of the reporting date. The year end date of MLX was 30 June 2010. No financial information of MLX as at 30 June 2010 had been published. Therefore, the Group was unable to recognise its share of profit or loss and other comprehensive income of MLX.

13. Trade and Other Receivables

	Group	
	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Trade receivables	79,346	48,660
Interest receivables	–	5,685
Other receivables	–	1
Other deposits and prepayments	7,606	5,069
	86,952	59,415

The Group allows an average credit period of 0 – 90 days to its trade customers.

All the trade receivables are not considered to be impaired and had not past due.

14. Trading Securities

	Group	
	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Trading securities, at fair value		
Listed equity securities, in Hong Kong	23,163	7,839
Listed equity securities, in overseas	502,162	64,060
	525,325	71,899

15. Cash and Cash Equivalents

	Group	
	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Pledged bank deposits	89,375	89,324
Cash at bank and in hand	493,381	318,036
Cash held in securities accounts maintained in securities companies	63,561	167
	646,317	407,527
Less : Pledged bank deposits	(89,375)	(89,324)
Cash and cash equivalents	556,942	318,203

16. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2010	8,000,000,000	800,000
Increase during the period	<u>12,000,000,000</u>	<u>1,200,000</u>
At 30 June 2010	<u>20,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
At 1 January 2010	5,690,343,455	569,034
Issue of shares upon exercise of warrants	131,784,535	13,179
Issue of shares under placement	<u>1,100,000,000</u>	<u>110,000</u>
At 30 June 2010	<u>6,922,127,990</u>	<u>692,213</u>

Details of the major changes in the Company's share capital during the period ended 30 June 2010 are as follows :

- (a) Pursuant to an ordinary resolution passed on 29 June 2010, the authorised share capital of the Company was increased to HK\$2,000 million by the creation of 12,000 million shares of HK\$0.1 each.
- (b) On 23 April 2010, the Company completed a placing of 1,100 million new shares at the price of HK\$0.5 per share, which raised gross proceeds of HK\$550 million.

17. Share Option Scheme

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives or rewards to selected persons (including the Company's directors, employees of the Group and other eligible participants as defined under the Scheme) who contribute to the Group. The Scheme was adopted on 22 September 2004 and will remain in force for 10 years from the date of adoption until 21 September 2014.

During the six months period ended 30 June 2010, 184,000,000 share options (year ended 31 December 2009 (audited): 166,000,000 share options) were lapsed or expired. As at 30 June 2010, there were 717,000,000 (as at 31 December 2009 (audited): 334,000,000) share options outstanding.

17. Share Option Scheme (Continued)

Pursuant to the announcement of the Company dated 4 May 2010, 567,000,000 share options were proposed to be granted to grantees to subscribe for a total of 567,000,000 shares at the exercise prices. The grant of directors' share options under the Scheme to two executive directors were conditional upon approval of independent shareholders at the annual general meeting on 29 June 2010, which was obtained accordingly. Details of the share options outstanding as at 30 June 2010 under the Scheme are as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding as at 1 January 2010	No. of share options lapsed or expired during the period	No. of share options granted during the period (note a and note c)	Outstanding as at 30 June 2010	Closing price immediately before date of grant HK\$
Directors								
Mr. Andrew Charles Ferguson	29 June 2010 (note b)	7 July 2010 to 6 July 2013	1.00	-	-	250,000,000	250,000,000	0.55
Ms. Chong Sok Un	15 August 2007	15 August 2007 to 5 July 2010	1.50	110,000,000	-	-	110,000,000	1.02
	29 June 2010 (note b)	7 July 2010 to 6 July 2013	1.00	-	-	150,000,000	150,000,000	0.55
Mr. Peter Anthony Curry	4 May 2010	7 July 2010 to 6 July 2013	1.00	-	-	60,000,000	60,000,000	0.71
Mr. Kong Muk Yin	4 May 2010	7 July 2010 to 6 July 2013	1.00	-	-	20,000,000	20,000,000	0.71
Mr. Yue Jialin	4 May 2010	7 July 2010 to 6 July 2013	1.00	-	-	2,000,000	2,000,000	0.71
Mr. So Kowk Hoo	4 May 2010	7 July 2010 to 6 July 2013	1.00	-	-	2,000,000	2,000,000	0.71
Mr. Liu Yongshun	27 July 2007	27 July 2007 to 28 May 2010	1.20	150,000,000	150,000,000	-	-	1.45
	4 May 2010	7 July 2010 to 6 July 2013	1.00	-	-	2,000,000	2,000,000	0.71

17. Share Option Scheme (Continued)

Grantee	Date of grant	Exercisable period	Exercise price per share	Outstanding as at 1 January 2010	No. of share options lapsed or expired during the period	No. of share options granted during the period <i>(note a and note c)</i>	Outstanding as at 30 June 2010	Closing price immediately before date of grant
			HK\$					HK\$
Directors (Continued)								
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
	4 May 2010	7 July 2010 to 6 July 2013	1.00	-	-	2,000,000	2,000,000	0.71
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
	4 May 2010	7 July 2010 to 6 July 2013	1.00	-	-	2,000,000	2,000,000	0.71
Mr. Robert Moyses Willcocks	4 May 2010	7 July 2010 to 6 July 2013	1.00	-	-	2,000,000	2,000,000	0.71
Others								
Employees	29 May 2007	29 May 2007 to 28 May 2010	1.20	33,000,000	33,000,000	-	-	1.09
	6 July 2007	6 July 2007 to 5 July 2010	1.50	1,000,000	1,000,000	-	-	1.47
	4 May 2010	7 July 2010 to 6 July 2013	1.00	-	-	15,000,000	15,000,000	0.71
Consultants	6 July 2007	6 July 2007 to 5 July 2010	1.50	10,000,000	-	-	10,000,000	1.47
	3 October 2007	3 October 2007 to 2 October 2010	1.40	25,000,000	-	-	25,000,000	1.22
	4 May 2010	7 July 2010 to 6 July 2013	1.00	-	-	60,000,000	60,000,000	0.71
				<u>334,000,000</u>	<u>184,000,000</u>	<u>567,000,000</u>	<u>717,000,000</u>	

Notes:

- The relevant share options are exercisable subject to the vesting conditions as detailed in the announcement dated 4 May 2010.
- The share options were granted on 4 May 2010 conditional upon approval at annual general meeting which were eventually obtained on 29 June 2010.
- The share options are measured using the Black-Scholes Model.

The Group recognised nil expense for the six months ended 30 June 2010 (six months ended 30 June 2009: HK\$12,373,000) in relation to share options granted by the Company.

18. 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)).

As at 31 December 2009, 132,094,050 Warrants outstanding. During the six months period ended 30 June 2010, 131,784,535 Warrants were exercised for 131,784,535 ordinary shares (year ended 31 December 2009 (audited): 61,684,400 Warrants were exercised for 61,684,400 ordinary shares) at a price of HK\$0.30 each. The rights attaching to the outstanding 309,515 Warrants expired on 4 February 2010.

19. Operating Lease Commitments

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

	Group	
	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Within one year	3,748	1,885
After one year but within five years	2,381	1,006
	6,129	2,891

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 term of between six months to five years.

20. Pledge of Assets

	Group	
	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
(a) Margin loan facilities secured by some of the investment in listed associates, available-for-sale investments and trading securities	1,872,543	1,929,666
(b) Trade finance facilities of HK\$10 million and US\$60 million (2009: HK\$10 million and US\$60 million) granted by banks and secured by bank deposits of the Group	89,375	89,324
	1,961,918	2,018,990

21. Related Party Transactions

- (a) During the six months period, the Group entered into the following material related party transactions.

	Group	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Purchase from Mount Gibson Mining Limited and Koolan Island Ore Pty Limited (<i>note 1</i>)	218,490	–
Corporate service fee to Star Telecom Holding Limited (<i>note 4</i>)	172	–
Corporate consultancy service income from Fushan International Energy Group Limited (<i>note 2</i>)	–	470
Sales co-ordination service income from 首長鋼鐵國際貿易有限公司 (<i>note 3</i>)	–	2,251

21. Related Party Transactions (Continued)

(a) Notes:

- (1) Both companies are subsidiaries of MGX, an 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 was the common director of both companies, during the six months period ended 30 June 2009.
- (4) The company is a related company of the Company as Ms. Chong Sok Un and Mr. Kong Muk Yin are common directors of both companies.

(b) Compensation of key management personnel

	Group	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	3,491	4,339
Post-employment benefits	18	23
Share-based payment	–	12,373
	3,509	16,735

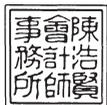
22. Events After the Reporting Period

There are no significant events subsequent to 30 June 2010 which would materially affect the Group's operating and financial position as of the date of this report.

23. Approval of Interim Financial Statements

The interim financial statements were approved by the board of directors on 25 August 2010.

INDEPENDENT REVIEW REPORT



GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

HONG KONG

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF APAC RESOURCES LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 7 to 29, which comprises the condensed consolidated statement of financial position of APAC Resources Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) as of 30 June 2010 and the related condensed consolidated income statement and condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

Except as explained in the following paragraph, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

As detailed in note 12 to the financial statements, the Group has an overseas listed associate with carrying amount of HK\$253,289,693. The Group was unable to recognise its share of profit or loss and other comprehensive income of the overseas listed associate as the results of the associate had not been published. Had we been able to complete our review of the associate, matters might have come to our attention indicating that adjustments might be necessary to the interim financial statements.

Qualified Conclusion

Except for the adjustments to the interim financial statements that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Graham H. Y. Chan & Co.

Certified Public Accountants (Practising)

Hong Kong, 25 August 2010

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2010 (2009: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 June 2010, the Group derived HK\$378,219,000 (2009: nil) turnover in relation to its commodity trading business during a significantly improved iron ore market environment in particular. However, the improved commodity trading markets were offset to a large extent by uncertain equity market conditions resulting in write downs of the Group's equity portfolio. Notwithstanding, the Group achieved a net profit attributable to shareholders of HK\$143,382,000 (2009: HK\$163,371,000) for the period.

Earnings per share (basic) for the six months ended 30 June 2010 was 2.31 HK cents (2009: 3.45 HK cents) and the net asset value per share as at 30 June 2010 was HK\$0.51 (2009: HK\$0.39).

Business Review

Trading and investment of listed securities

For the period under review, the global economic environment remained fragile and as a consequence equity markets were difficult particularly during the last quarter. For the businesses of trading of and investment in listed securities, the Group recorded gross sales proceeds of HK\$7,209,000 (2009: HK\$56,850,000) and a loss of HK\$106,334,000 (2009: profit of HK\$133,162,000). The loss was mainly due to an unrealised loss in relation to the write down of trading securities amounting to HK\$97,873,000 (2009: unrealised gain of HK\$115,892,000).

As at 30 June 2010, the Group maintained a long term investment portfolio of available-for-sale investments of HK\$44,626,000 (2009: HK\$117,741,000) and a short term portfolio of trading securities of HK\$525,325,000 (2009: HK\$334,908,000).

Trading in base metals

Commodity prices were significantly improved during the period. This was particularly the case for iron ore and accordingly the Group enjoyed buoyant trading conditions on the sales side of its operations. Gross turnover for the period was HK\$378,219,000 (2009: nil) and a profit of HK\$75,837,000 (2009: loss of HK\$932,000).

Under the Group's long term iron ore purchase agreements with Mount Gibson Iron Limited ("**MGX**"), the price is re-set annually based upon the Hamersely Benchmark price on 1 April. As at 1 April this year the Hamersely Benchmark price had not been set which remains the case as at the date of this report. Indications are that the Benchmark pricing system has ceased to exist and the parties to the contracts are currently re-negotiating the pricing formula pursuant to the terms of the contract. Interim pricing arrangements have been agreed which significantly increase the Group's iron ore purchase price in accordance with prevailing market prices.

PRINCIPAL ASSOCIATED COMPANY

The Group has two principal associated companies: MGX and Metals X Limited ("**MLX**"). As at the date of this report MGX has released its results for the year ended 30 June 2010. MLX has not yet released its results and accordingly only the results of MGX have been included in this report.

The share of profit of associates (excluding MLX) (after tax) of the Group for the six months ended 30 June 2010 was HK\$173,863,000 (2009: HK\$47,505,000). As at 30 June 2010, the Group's interest in associates amounted to HK\$2,386,711,000 (2009: HK\$1,291,805,000).

MGX

MGX had a successful half year period which included record sales numbers from its Koolan Island and Tallering Peak mines, as well as the start of construction at its Extension Hill project, where the Group also has a life of mine offtake agreement. Combined with strong iron ore prices, MGX has moved into a very strong financial position and reported cash on hand and term deposits of A\$347,404,000 as at 30 June 2010.

According to MGX's preliminary final report for the year ended 30 June 2010, MGX recorded total revenue of A\$555,278,000 (equivalent to approximately HK\$3,689,128,000) (2009: A\$431,730,000, equivalent to approximately HK\$2,694,535,000) and a net profit of A\$132,395,000 (equivalent to approximately HK\$879,599,000) (2009: A\$42,618,000 equivalent to approximately HK\$265,990,000) for the year ended 30 June 2010.

The excellent results of MGX for the year underline the Group's original investment strategy.

MLX

During the half year period, MLX settled the previously announced 50/50 Bluestone Mines Tasmanian Joint Venture with Yunnan Tin – Parksong Group for a cash payment of A\$51,200,000. Part of the funds were reinvested into a 19.99% stake in West Australian zinc and copper miner, Jabiru Metals. Operationally, production improved at Renison and a 61% increase in underground reserves was reported. After period-end, MLX announced a landmark mining agreement with the Traditional Owners which is a significant step in the development of the Wingellina nickel project.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 30 June 2010, the Group's non-current assets amounted to HK\$2,433,253,000 (2009: HK\$1,410,870,000) and net current assets amounted to HK\$1,104,910,000 (2009: HK\$776,225,000) with a current ratio of 8.01 times (2009: 50.9 times) calculated on the basis of the Group's current assets over current liabilities.

As at 30 June 2010, the Group had no borrowings (2009: nil) and has unused margin loan facilities available to it amounting to HK\$483,000,000 in total secured some of the investment in listed associates, available-for-sale investments and trading securities.

During the period under review, the Group placed a further 1,100,000,000 shares at HK\$0.50 per share to new investors raising an additional gross proceeds of HK\$550,000,000. Thereby increasing its working capital base to enable it to take advantage of market opportunities as they arise.

As a result of this placement and the exercise of warrants, the issued share capital of the Group was increased from 5,690,343,455 (as at 31 December 2009) to 6,922,127,990. The rights attaching to the outstanding warrants expired on 4 February 2010.

Foreign Exchange Exposure

For the period under review, the Group's assets were mainly denominated in Australian dollars and Hong Kong dollars while the liabilities were mainly denominated in Hong Kong dollars. As a substantial portion of the assets is held as long-term investments, there would be no material immediate effect on the cash flow of the Group from adverse movements in foreign exchange. In light of this, the Group did not actively hedge for the risk arising from the Australian Dollar denominated assets.

Pledge of Assets

As at 30 June 2010, the Group's some of the investment in listed associates, available-for-sale investments and trading securities of HK\$1,872,543,000 (2009: HK\$1,200,192,000) were pledged to a stock-broking firm to secure unused margin loan facilities available to the Group. The Group's bank deposits of HK\$89,375,000 (2009: HK\$89,308,000) were pledged to banks to secure various trade banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICY

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

PROSPECTS

The Group's two principal associates, MGX and MLX are well positioned to take advantage of the future demand for iron ore and tin respectively. The Group is also encouraged by the prospects for MLX's other portfolio of assets.

Whilst the Group's portfolio of assets held for sale and trading securities is subject to the current weakness in the equity markets, management remain confident of the portfolio's longer term prospects.

As far as the Group's commodity trading business is concerned it seems apparent that it will face some challenges arising from tighter margins over the second half of the year.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, 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 (the “**Listing Rules**”) were as follows:

Long positions in shares and underlying shares of the Company

Name of Directors	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital of the Company as at 30 June 2010 (Note 1)
		Interests in shares	Interests under equity derivatives	Total interests	
Ms. Chong Sok Un	Beneficial owner and interest of controlled corporation (Note 3)	986,480,000	260,000,000 (Note 2)	1,246,480,000 (Note 4)	18.01%
Mr. Andrew Charles Ferguson	Beneficial owner	25,000,000	250,000,000 (Note 2)	275,000,000	3.97%
Mr. Peter Anthony Curry	Beneficial owner	—	60,000,000 (Note 2)	60,000,000	0.87%
Mr. Kong Muk Yin	Beneficial owner	—	20,000,000 (Note 2)	20,000,000	0.29%
Mr. Yue Jialin	Beneficial owner and interest of controlled corporation (Note 5)	135,519,562	2,000,000 (Note 2)	137,519,562	1.99%

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

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

Name of Directors	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital of the Company as at 30 June 2010 (Note 1)
		Interests in shares	Interests under equity derivatives	Total interests	
Mr. Lee Seng Hui	Interest of controlled corporation (Note 7)	1,098,532,893	—	1,098,532,893 (Note 6)	15.87%
Mr. So Kwok Hoo	Beneficial owner	—	2,000,000 (Note 2)	2,000,000	0.03%
Mr. Liu Yongshun	Beneficial owner	—	2,000,000 (Note 2)	2,000,000	0.03%
Mr. Wong Wing Kuen, Albert	Beneficial owner	—	5,000,000 (Note 2)	5,000,000 (Note 8)	0.07%
Mr. Chang Chu Fai, Johnson Francis	Beneficial owner	—	4,000,000 (Note 2)	4,000,000 (Note 9)	0.06%
Mr. Robert Moyse Willcocks	Beneficial owner	—	2,000,000 (Note 2)	2,000,000	0.03%

Notes:

- The percentage of shareholding is calculated on the basis of the Company's issued share capital of 6,922,127,990 shares as at 30 June 2010.
- 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, ordinary shares of HK\$0.10 each in the share capital of the Company are issuable. The share options are personal to the respective Directors and the holders thereof are entitled to subscribe for shares of the Company. Further details of the share options are set out in Note 17 to the condensed financial statements.

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

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

Notes: (Continued)

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 30 June 2010, COL was 70.11% 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 in which Sparkling Summer and Rise Cheer are interested. Ms. Chong Sok Un is therefore deemed to have interests in the shares through her 100% interest in China Spirit.
4. This represents the interests held by: (i) Sparkling Summer as to 348,520,000 shares, (ii) Rise Cheer as to 637,960,000 shares, and (iii) 260,000,000 share options granted to Ms. Chong Sok Un in which 110,000,000 share options lapsed on 6 July 2010.
5. These shares are registered in the name of and beneficially owned by Profit Harbour Investments Limited, the entire issued share capital of which is owned by Mr. Yue Jialin.
6. This represents security interests held by: (i) Itso Limited as to 11,060,000 shares, (ii) Sun Hung Kai Strategic Capital Limited as to 587,472,893 shares, and (iii) Sun Hung Kai Structured Finance Limited as to 500,000,000 shares, all of which are indirect wholly-owned subsidiaries of Sun Hung Kai & Co. Limited ("**SHK**").
7. SHK is an indirect non wholly-owned subsidiary of Allied Properties (H.K.) Limited ("**APL**") which in turn is a non wholly-owned subsidiary of Allied Group Limited ("**AGL**"). Accordingly, AGL is deemed to have the same long position as APL which in turn is deemed to have the same long position as SHK under the SFO. Lee and Lee Trust, a discretionary trust of which Mr. Lee Seng Hui is one of the trustees, owned approximately 52.40% interest in the issued share capital of AGL as at 30 June 2010. Accordingly, Lee and Lee Trust is deemed to have the same long position as AGL under the SFO and Mr. Lee Seng Hui, being a trustee of Lee and Lee Trust, is therefore deemed to have interests in the shares in which Lee and Lee Trust is interested.
8. 5,000,000 share options granted to Mr. Wong Wing Kuen, Albert in which 3,000,000 share options lapsed on 6 July 2010.
9. 4,000,000 share options granted to Mr. Chang Chu Fai, Johnson Francis in which 2,000,000 share options lapsed on 6 July 2010.

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

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

Save as disclosed above, as at 30 June 2010, 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 contained in the Listing Rules.

Other than those disclosed in this section, no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executive (including their respective spouse or children under 18 years of age) during the six months ended 30 June 2010.

SHARE OPTION SCHEME

Further disclosure relating to the Company's share option scheme is set out in Note 17 to the condensed 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 17 to the condensed financial statements, at no time during the period under review 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, 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			Total interests as to % to the issued share capital of the Company as at 30 June 2010 (Note 1)
		Interests in shares	Interests under equity derivatives	Total interests	
Fushan International Energy Group Limited	Interest of controlled corporation	956,000,000	—	956,000,000 (Note 2)	13.81%
Rise Cheer Investments Limited	Beneficial owner	637,960,000	—	637,960,000	9.22%
COL Capital Limited	Interest of controlled corporation (Note 3)	986,480,000	—	986,480,000 (Note 4)	14.25%
Sun Hung Kai & Co. Limited	Interest of controlled corporation (Notes 6 & 9)	1,098,532,893	—	1,098,532,893 (Note 5)	15.87%
Allied Properties (H.K.) Limited	Interest of controlled corporation (Notes 6 & 9)	1,098,532,893	—	1,098,532,893	15.87%
Allied Group Limited	Interest of controlled corporation (Notes 7 & 9)	1,098,532,893	—	1,098,532,893	15.87%
Lee and Lee Trust	Interest of controlled corporation (Notes 8 & 9)	1,098,532,893	—	1,098,532,893	15.87%
Lin Xu Ming	Interest of controlled corporation (Note 10)	500,000,000	—	500,000,000	7.22%

SUBSTANTIAL SHAREHOLDERS (Continued)

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

Name of Shareholders	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital of the Company as at 30 June 2010 (Note 1)
		Interests in shares	Interests under equity derivatives	Total interests	
CCB International Asset Management Limited	Investment manager & beneficial owner (Note 11)	350,000,000	—	350,000,000	5.06%
CCB International Assets Management (Cayman) Limited	Interest held by a controlled corporation (Note 11)	350,000,000	—	350,000,000	5.06%
CCB International (Holdings) Limited	Beneficial owner & interest held by a controlled corporation (Note 11)	350,000,000	—	350,000,000	5.06%
CCB Financial Holdings Limited	Interest held by a controlled corporation (Note 11)	350,000,000	—	350,000,000	5.06%
CCB International Group Holdings Limited	Interest held by a controlled corporation (Note 11)	350,000,000	—	350,000,000	5.06%
China Construction Bank Corporation	Interest held by a controlled corporation (Note 11)	350,000,000	—	350,000,000	5.06%
Central Huijin Investment Limited	Interest held by a controlled corporation (Note 11)	350,000,000	—	350,000,000	5.06%

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 6,922,127,990 shares as at 30 June 2010.
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 30 June 2010, COL was 70.11% 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 in which Sparkling Summer and Rise Cheer are interested.
4. This represents the interests held by: (i) Sparkling Summer as to 348,520,000 shares, and (ii) Rise Cheer as to 637,960,000 shares.
5. This represents security interests held by: (i) Itso Limited ("**Itso**") as to 11,060,000 shares, (ii) Sun Hung Kai Strategic Capital Limited ("**SHKSC**") as to 587,472,893 shares, and (iii) Sun Hung Kai Structured Finance Limited ("**SHKSF**") as to 500,000,000 shares, all 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, SHKSC and SHKSF under the SFO.
6. 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.
7. 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.
8. 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 30 June 2010. Accordingly, Lee and Lee Trust is deemed to have the same long position as AGL under the SFO.
9. 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.

SUBSTANTIAL SHAREHOLDERS (Continued)

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

Notes: (Continued)

9. (Continued)

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.

By the announcement dated 28 January 2010 jointly made by APL and AGL, it was announced, inter alia, that on 27 January 2010, SHKSF (as lender) entered into a loan agreement (the "**Loan Agreement**") with a borrower pursuant to which SHKSF agreed to make available to the borrower a loan which was secured by a debenture (the "**Debenture**") and a share mortgage as securities created by the borrower in favour of SHKSF.

Pursuant to the Loan Agreement and the Debenture, SHKSF is deemed to be interested in 500,000,000 shares (the "**Pledged Shares**") of the Company by virtue of the Debenture. SHK, APL, AGL and the Trustees are therefore deemed to be interested in the Pledged Shares in which SHKSF is interested. Upon repayment of the loan by the borrower to SHKSF and the release of the Debenture, SHK, APL, AGL and the Trustees will cease to have any interest in the Pledged Shares.

10. These shares are held by Katong Assets Limited ("**Katong**"), the entire issued share capital is owned by Mr. Lin Xu Ming. Mr. Lin is therefore deemed to have the same long position as Katong under the SFO.
11. Among these shares, 175,000,000 shares are beneficially owned by CCB International Asset Management Limited ("**CCBIAM**") and 175,000,000 shares are held by CCBIAM in the capacity of an investment manager for the beneficial owner, CCB International (Holdings) Limited. CCBIAM is a wholly-owned subsidiary of CCB International Assets Management (Cayman) Limited which in turn is a wholly-owned subsidiary of CCB International (Holdings) Limited. CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited which in turn is wholly-owned by CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation which in turn 57.09% of its interest is owned by Central Huijin Investment Limited. Accordingly, CCB International Assets Management (Cayman) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Limited are deemed to be interested in 350,000,000 ordinary shares in the Company by virtue of the provisions of the SFO.

Save as disclosed above, no other person had interest or short position in the shares and 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 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in note 16 to the condensed financial statements, during the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2010, 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 Listing Rules, except for the deviation in respect of the specific term of non-executive Directors' appointment under code provision A.4.1 of the CG Code.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30 June 2010. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with the Hong Kong Standard on Review Engagements 2410 issued by the HKICPA as well as obtaining reports from management. The Audit Committee has not undertaken independent audit checks.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors and supervisors. Having made specific enquiry, the Company confirmed that all Directors and supervisors had complied with the required standard as set out in the Model Code for the six months ended 30 June 2010.

By order of the Board
Chong Sok Un
Chairman

Hong Kong, 25 August 2010