

APAC RESOURCES
APAC RESOURCES LIMITED
亞太資源有限公司*

(Incorporated in Bermuda with limited liability)
 (Stock Code: 1104) (Warrant Code: 324)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 2008, 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 2008

		Six months ended 30 June	
		2008	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Turnover	3	401,659	18,725
Gain on disposal of available-for-sale investments		22,488	16,535
Net gain from sales of trading securities		35,079	–
Revenue from sales of goods		170,215	18,725
Unrealised gain on trading securities		258,773	141,022
Interest income		5,247	981
Other operating income		4,704	63
Purchases		(162,538)	(18,188)
Equity-settled share option expenses		(36,637)	(933)
Salaries and allowances		(7,908)	(1,793)
Operating lease rental on buildings		(1,670)	(405)
Provision for doubtful debt for other receivables		(17,025)	–
Gain on disposal of a subsidiary		–	1,536
Other operating expenses		(11,702)	(7,317)
Finance costs		(3)	(8,089)
Profit before taxation	4	259,023	142,137
Income tax expenses	5	(521)	–
Profit for the period		258,502	142,137
Earnings per share attributable to equity shareholders of the Company	6		
– Basic		5.47 HK cents	4.99 HK cents
– Diluted		5.32 HK cents	4.78 HK cents

* For identification purpose only

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

		30 June 2008 <i>HK\$'000</i> (Unaudited)	31 December 2007 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipments	7	1,977	2,198
Available-for-sale investments	8	3,250,341	2,993,426
		<u>3,252,318</u>	<u>2,995,624</u>
Current assets			
Trade and other receivables	9	231,008	233,296
Trading securities	10	1,437,784	814,957
Pledged bank deposits		88,979	10,526
Cash and cash equivalents		329,877	694,945
		<u>2,087,648</u>	<u>1,753,724</u>
Current liabilities			
Other payables		9,603	9,018
Margin financing loan		–	1,797
Tax payable		758	237
		<u>10,361</u>	<u>11,052</u>
Net current assets		<u>2,077,287</u>	<u>1,742,672</u>
Total assets less current liabilities		<u><u>5,329,605</u></u>	<u><u>4,738,296</u></u>
Capital and reserves			
Share capital		472,657	472,629
Reserves		4,856,948	4,265,667
Total equity attributable to equity holders of the Company		<u>5,329,605</u>	<u>4,738,296</u>
Minority interests		–	–
Total equity		<u><u>5,329,605</u></u>	<u><u>4,738,296</u></u>

Notes:

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost basis except that financial instruments classified as trading securities and available-for-sale investments are stated as fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007.

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 Group’s accounting period beginning on 1 January 2008.

HK(IFRIC)-Int 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC)-Int 12	Service Concession arrangements
HK(IFRIC)-Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interactions

The application of these new HKFRSs did not have any material impact on how the financial statements of the Group are prepared and presented for the current or prior accounting periods.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. 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.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Share-based payment-vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) – Int 13	Customer loyalty programmes ³
HK(IFRIC) – Int 15	Agreements for the construction of real estate ¹
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation ⁴

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

² *Effective for annual periods beginning on or after 1 July 2009*

³ *Effective for annual periods beginning on or after 1 July 2008*

⁴ *Effective for annual periods beginning on or after 1 October 2008*

3. Segment Information

Business segments

For management purposes, the Group is currently organised into three operating divisions – trading in base metals, trading in fabric products and other merchandises and trading and investment of listed securities. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Trading in base metals <i>HK\$'000</i>	Trading in fabric products and other merchandises <i>HK\$'000</i>	Trading and investment of listed securities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended				
30 June 2008				
Revenue from external customers	<u>170,215</u>	<u>–</u>	<u>231,444</u>	<u>401,659</u>
Segment result	<u>4,594</u>	<u>442</u>	<u>322,443</u>	<u>327,479</u>
Unallocated corporate expenses				(68,453)
Finance costs				<u>(3)</u>
Profit before taxation				259,023
Taxation				<u>(521)</u>
Profit for the period				<u>258,502</u>
 Six months ended				
30 June 2007				
Revenue from external customers	<u>–</u>	<u>18,725</u>	<u>–</u>	<u>18,725</u>
Segment result	<u>–</u>	<u>557</u>	<u>157,557</u>	158,114
Unallocated corporate expenses				(9,424)
Gain on disposal of a subsidiary				1,536
Finance costs				<u>(8,089)</u>
Profit before taxation				142,137
Taxation				<u>–</u>
Profit for the period				<u>142,137</u>

Geographical segments

The following tables provide an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong and PRC	102,956	7,240
Australia	231,444	–
South East Asia	67,259	988
United States of America	–	2,049
Africa	–	8,448
	401,659	18,725

4. Profit Before Taxation

Profit before taxation for the six months period ended 30 June 2008 has been arrived at after charging depreciation and amortisation amounted to approximately HK\$405,000 (six months ended 30 June 2007: HK\$26,000).

5. Income Tax Expenses

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax provided for the period	–	–
Overseas tax provided for the period	521	–
	521	–

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit for the six months period ended 30 June 2008 (six months ended 30 June 2007: nil).

No provision for overseas taxation has been made for the six months period ended 30 June 2007 as the subsidiaries operating in the PRC has no assessable income for PRC taxation purpose.

The Group had no significant unprovided deferred taxation at the balance sheet date.

6. Earnings Per Share

- (a) The calculation of the basic earnings per share is based on the profit for the period of approximately HK\$258,502,000 (six months ended 30 June 2007: HK\$142,137,000) and on the weighted average of 4,726,524,901 (six months ended 30 June 2007: 2,850,853,386) shares in issue during the period.
- (b) The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2008	2007
Weighted average number of ordinary shares used in the calculation of basic earnings per share	4,726,524,901	2,850,853,386
Shares deemed to be issued for no consideration in respect of:		
– warrants	129,714,824	124,284,222
– share options	–	–
	<u>4,856,239,725</u>	<u>2,975,137,608</u>

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.

7. Property, Plant and Equipments

During the period, the Group's acquisition of property, plant and equipment amounted to HK\$191,000 (six months ended 30 June 2007: HK\$1,446,000).

8. Available-for-sale Investments

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Listed equity securities, in Hong Kong, at fair value	98,372	177,760
Listed equity securities, in overseas, at fair value	<u>3,151,969</u>	<u>2,815,666</u>
	<u>3,250,341</u>	<u>2,993,426</u>

9. Trade and Other Receivables

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Trade receivables	–	5,170
Other receivables	53,522	646
Purchase deposits	176,468	226,368
Other deposits and prepayment	1,018	1,112
	231,008	233,296

The Group allows an average credit period of 60 – 90 days to its trade customers.

The aged analysis of trade receivables that are not considered to be impaired is as follows:

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Neither past due nor impaired:		
Current	–	–
Past due but not impaired		
0 to 30 days	–	–
31 to 60 days	–	–
61 to 90 days	–	4,559
Over 90 days	–	611
	–	5,170

10. Trading Securities

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Trading securities, at fair value		
Listed equity securities, in Hong Kong	1,898	2,578
Listed equity securities, in overseas	1,435,886	812,379
	<u>1,437,784</u>	<u>814,957</u>

11. Commitments

(a) Operating lease – the Group as lessee

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

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Within one year	2,004	2,004
In the second to fifth year inclusive	1,649	2,651
	<u>3,653</u>	<u>4,655</u>

Operating lease payments represent rental payable by the Group for its office premises, a director's quarter and a photocopying machine. Leases are negotiated for the term of between two to five years.

(b) Capital commitments

On 20 Dec 2007, the Company entered into an investment agreement with 平頂山煤業(集團)有限公司(「平頂山煤業」) and 平頂山煤業集團天藍能源發展有限公司(「天藍能源」), to form a limited company which will be incorporated in the PRC with the registered capital of RMB50 million. The interest in the investment from 平頂山煤業, 天藍能源 and the Company are 40%, 20% and 40% respectively. Capital payable by the Company is RMB20 million, which equivalent to approximately HK\$23 million was settled on 25 July 2008. The incorporation process considered as completed.

12. Pledge of Assets

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
(a) Margin financing loan facilities secured by certain available-for-sale investments and trading securities	4,167,978	3,628,045
(b) Banking facilities of HK\$10 million and USD60 million (2007: HK\$10 million) granted by banks and secured by bank deposits of the Group	88,979	10,526
	<u>4,256,957</u>	<u>3,638,571</u>

13. Post Balance Sheet Events

As announced on 16 July 2008, the Company, through its direct wholly-owned subsidiary, APAC Resources Investments Limited (“**ARI**”), entered into a conditional sale and purchase agreement (“**Conditional Agreement**”) with Leaping Far Investments Limited (“**Leaping Far**”) and pursuant to which ARI has conditionally agreed to purchase 10 issued shares of par value of US\$1 each, representing the entire issued share capital of Good China Limited (“**GCL**”) and accept the assignment of a loan in the amount of US\$16.1 million, equivalent to HK\$125.58 million due by GCL to Leaping Far, at an aggregate consideration of HK\$1,200,000,000. The consideration will be satisfied as to (i) HK\$600,000,000 by cash and (ii) HK\$600,000,000 by allotting and issuing a total of 600,000,000 new ordinary shares of the Company at HK\$1.00 per share as fully paid, to Leaping Far on completion.

GCL is the legal and beneficial owner of the entire issued share capital of Upper China Industrial Limited which in turn owns 49% equity interest in a joint venture company which is engaged in the business of iron ore mining and production of iron ore materials in the PRC.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2008 (2007: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 June 2008, the Group's turnover increased by 20 times to HK\$401,659,000 (2007: HK\$18,725,000). Net profit attributable to shareholders of the Company was HK\$258,502,000 as compared with HK\$142,137,000 for the corresponding period of 2007. The substantial improvement in financial result was mainly due to the realised gain from sales of trading securities and increase in unrealised gain on trading securities. Basic earnings per share of the Company was HK Cents 5.47 (corresponding period in 2007: HK Cents 4.99), while diluted earnings per share was HK Cents 5.32 (corresponding period in 2007: HK Cents 4.78).

As at 30 June 2008, total equity attributable to equity shareholders of the Company amounted to HK\$5,329,605,000 (31 December 2007: HK\$4,738,296,000) and the Group's net asset value per share was HK\$1.13 (31 December 2007: HK\$1.00).

BUSINESS REVIEW

Trading and investment of listed securities

For the first half of 2008, the Group's business of trading and investment of listed securities recorded a realised gain of HK\$22,488,000 (2007: HK\$16,535,000) from the partial realisation of its long-term investment, a realised gain from sales of trading securities of HK\$35,079,000 (2007: nil) and an unrealised gain of HK\$258,773,000 (2007: HK\$141,022,000) from its portfolio of trading securities. This satisfactory performance was due to the Group's ability in securing good investment opportunities in the booming natural resources sector during the first half of the year.

During the period under review, the Group continued to maintain long-term investments in shares in Mount Gibson Iron Limited (“**MGX**”), Australasian Resources Limited (“**ARH**”) and China Primary Resources Holdings Limited (“**CPR**”). MGX and ARH are companies incorporated in Australia with their shares listed on the Australian Stock Exchange. MGX’s principal businesses are mining of hematite iron ore at Talling Peak and Koolan Island and exploration and development of hematite iron ore deposit at Extension Hill. ARH’s principal activity is mineral exploration. Recent development of ARH includes the Balmoral South Iron Ore Project with respect to the right to mine 1 billion tonnes of magnetite ore from part of the Balmoral South Project situated in the Pilbara region of Western Australia. CPR is a company incorporated in Cayman Islands with its shares listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. CPR’s principal businesses are manufacture and sale of polyethylene/fibre glass reinforced plastic pipes and mining businesses and property development.

In the first half of 2008, the Group has also increased its investment in resources related securities in order to strengthen its securities trading portfolio.

Trading in fabric products

There was no trading in fabric products (2007: HK\$18,725,000) and a segment profit of HK\$442,000 was recorded (2007: HK\$557,000) in the period under review. Due to intense competition and dim outlook within this market, the Group has wound down the operations in this sector.

Trading in base metals

For the first half year of 2008, as a result of the strengthening of its business in trading of base metals, the Group recorded a turnover of HK\$170,215,000 (2007: nil) and a segment profit of HK\$4,594,000 (2007: nil).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 30 June 2008, the Group maintained a healthy financial position. The Group's non-current assets consisted mainly of available-for-sale investments of HK\$3,250,341,000 (31 December 2007: HK\$2,993,426,000) and the Group had net current assets of HK\$2,077,287,000 (31 December 2007: HK\$1,742,672,000) with current ratio of 201.5 times (31 December 2007: 158.7 times), calculating on the basis of the Group's current assets over current liabilities.

The flexibility of financial resources available to the Group was enhanced by both short term credit facilities granted by a stock-broking firm and banking facilities granted to the Group. The short term credit facilities were secured by available-for-sale investments and trading securities while the banking facilities were secured by bank deposits. As at 30 June 2008, the Group had no borrowings (31 December 2007: HK\$1,797,000) and a gearing ratio of 0% (31 December 2007: 0%), calculating on the basis of the Group's net borrowings (after cash and cash equivalents) over the sum of total equity and net borrowings.

Foreign Exchange Exposure

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

Pledge of Assets

As at 30 June 2008, the Group's available-for-sale investments and trading securities of HK\$4,167,978,000 (31 December 2007: HK\$3,628,045,000) were pledged to a stock-broking firm to secure short term credit facilities granted to the Group and the Group's bank deposits of HK\$88,979,000 (31 December 2007: HK\$10,526,000) were pledged to banks to secure banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, the Group had 27 employees. 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.

PROSPECT

As announced on 16 July 2008, the Company, through its wholly-owned subsidiary, ARI, entered into a Conditional Agreement with Leaping Far and pursuant to which ARI has conditionally agreed to purchase from Leaping Far the entire issued share capital of GCL (the “**Sale Shares**”) and accept the assignment of loan in the amount of US\$16,100,000 equivalent to HK\$125,580,000 due by GCL to Leaping Far (the “**Loan**”), at an aggregate consideration of HK\$1,200,000,000.

The aggregate consideration in the sum of HK\$1,200,000,000 will be satisfied as to (i) HK\$600,000,000 by cash and (ii) HK\$600,000,000 by the issue to Leaping Far of 600,000,000 new shares of the Company (at HK\$1.00 per share) (the “**Consideration Shares**”) upon completion of the purchase of the Sale Shares by ARI and the assignment of the Loan pursuant to the Conditional Agreement. The Consideration Shares (being 600,000,000 new shares) represents approximately 11.26% of the enlarged issued share capital of the Company upon allotment and issue of the Consideration Shares.

GCL is the legal and beneficial owner of the entire issued share capital of Upper China Industrial Limited which in turn owns 49% equity interests in 灤平縣偉源礦業有限責任公司 (Lan Ping Xian Wei Yuan Mining Co. Ltd.) (the “**Joint Venture Company**”) which is engaged in the business of iron ore mining and production of iron ore materials in the PRC. The main assets of the Joint Venture Company are the iron ore mine and its related infrastructure. In accordance with the business licence of the Joint Venture Company, the business operation of the Joint Venture Company includes exploitation of iron ore, processing and selling of iron ore and iron ore concentrates, selling of steel materials, mining machinery and accessories.

Completion of the Conditional Agreement is subject to a number of conditions being fulfilled on or before 13 October 2008, or such other date as may be agreed by ARI and Leaping Far.

The Group is now in the course of conducting the due diligence works on this project.

Other particulars in relation to the transactions contemplated under the Conditional Agreement are disclosed in the Company's circular of 5 August 2008.

The performance of the Group's activities in trading and investment of listed securities is measured by mark-to-market accounting standards and, therefore, the continued global financial turmoil will adversely affect the Group's results for the second half of 2008. This, coupled with the possible recession in the US and the slowing down of the economy in China, necessitate a more cautious view to be taken by the Group in its investments activities. With a strong and healthy financial position, however, the Group is able to take advantage of such market conditions when grossly undervalued investments and business opportunities arise.

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

During the six months ended 30 June 2008, 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

The Company is committed to maintaining a high standard of corporate governance. Throughout the six months ended 30 June 2008, the Company had adopted practices which complied with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange on Hong Kong Limited (the "Listing Rules").

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 2008. 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 for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules as the code (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 Code for the six months ended 30 June 2008.

By Order of the Board
APAC RESOURCES LIMITED
Cao Zhong
Chairman

Hong Kong, 22 September 2008

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

Executive Directors: Mr. Cao Zhong (*Chairman*), Mr. Liu Yongshun (*Chief Executive Officer*), Mr. Zhou Luyong (*Deputy Chief Executive Officer*), Ms. Chong Sok Un, Mr. Chen Zhaoqiang and Mr. Yue Jialin

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