APAC RESOURCES

APAC RESOURCES LIMITED

亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

ANNOUNCEMENT OF THE SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010

The board of directors (the "**Board**") of APAC Resources Limited (the "**Company**") is pleased to announce the unaudited second interim results of the Company and its subsidiaries (collectively the "**Group**") for the twelve months ended 31 December 2010, which has been reviewed by the auditors of the Group and the audit committee of the Company. This second interim results announcement is prepared due to the change of financial year end date of the Company from 31 December to 30 June, details of which are disclosed in the announcement of the Company dated 11 February 2011.

RESULTS HIGHLIGHTS

Year on Year Comparison

- Commodity trading revenue increased by 182% to HK$848.7 million with a corresponding 173% rise in profit to HK$125.8 million
- Net gain in trading and investments of listed securities increased by 181% to HK$350.0 million which more than offset the loss of HK$106.3 million reported in the first interim results announcement
- Share of net profit of associated companies jumped by 354% to HK$536.4 million as Mount Gibson delivered strong results
- Net profit attributable to owners increased by 196% to HK$1,104.4 million reflected significant improved profit contributions from all business segments
- Earnings per share (basic) improved by 135% to 16.81 HK cents

OTHER HIGHLIGHTS

- The Group increased its interest in AIM listed Kalahari Minerals to 14.79%
- By way of a placement of 1,100,000,000 shares in April 2010, the Group successfully raised gross proceeds of HK$550 million to provide additional working capital to the Group

PROSPECTS

Banking on our expertise in the resource sector and strong financial position, the Group will continue to expand its commodity trading business and to identify, evaluate and acquire direct investment in mines and strategic interests in early stage quality natural resources assets in order to maximise returns for shareholders

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the twelve months ended 31 December 2010 (the "**2010 Period**"), we achieved record turnover of HK$848,699,000 (2009: HK$301,420,000) representing an increase of 182% over 2009. The main driver was the significant growth in the commodity trading business which benefitted from continuing strength in the iron ore market. We also took advantage of buoyant equity market conditions to post a net gain of HK$350,025,000 (2009: HK$124,702,000) in its equity portfolio, representing an increase of 181% year on year. Overall, net profit attributable to owners of HK$1,104,447,000 (2009: HK$372,603,000) was achieved, translating to a 135% improvement in earnings per share (basic) of 16.81 HK cents (2009: 7.15 HK cents) and a 40% increase in the (equity accounted) net asset value per share to HK$0.73 (2009: HK$0.52) as at 31 December 2010.

Business Review

Trading and investment in listed securities

The fragile global economic environment which had adversely affected equity markets in the first half of 2010, had improved in the second half of 2010, underpinning strong gains from trading and investments in listed securities. This resulted in the Group reversing the reported net loss of HK$106,334,000 for the first half of 2010 into a profit of HK$350,025,000 (2009: HK$124,702,000) for the full year. The 181% improvement in profit over 2009, was largely reflecting unrealised gains in relation to trading securities which amounted to HK$334,267,000 (2009: HK$6,389,000).

As at 31 December 2010, we maintained a long term investment portfolio of HK$115,860,000 (2009: HK$96,376,000) and a short term investment portfolio of HK$1,371,802,000 (2009: HK$71,899,000) focused on listed natural resource companies. The portfolio of trading securities is dominated by a 14.79% interest in the AIM listed Kalahari Minerals Plc ("**Kalahari**"), with interests in uranium, gold, copper and other base metals in Namibia. The remaining portfolio comprises mostly minor holdings in various natural resource companies listed on major stock exchanges including Australia, Canada, Hong Kong and United Kingdom.

Trading in Commodities

Commodity prices, including iron ore, dipped in the second quarter of 2010 but rebounded and sustained a strong upward move in the second half of the year. Accordingly, we enjoyed generally favourable conditions for our commodity trading business and reported a profit of HK$125,772,000 (2009: HK$46,092,000), representing a 173% increase over the 2009 period, on gross turnover of HK$848,699,000 (2009: HK$301,420,000), up 182% from the previous year. In November 2010, we entered into new long term purchase agreements with Mount Gibson Iron Limited ("**Mount Gibson**") for the purchase of hematite iron ore from its Koolan Island and the Tallering Peak mines. These replaced the previous benchmark-related contracts and are now based on the Platts Iron Ore index using monthly pricing.

PRINCIPAL ASSOCIATED COMPANIES

The Group's two principal associated companies are Mount Gibson and Metals X Limited ("**Metals X**"). The share of profit of associates (after tax) of the Group for the year ended 31 December 2010 was HK$536,379,000. (2009: HK$118,028,000), representing a 354% increase over the previous year. As at 31 December 2010, the Group's interest in associates amounted to HK$3,272,253,000 (2009: HK$2,357,583,000).

Mount Gibson

Mount Gibson, an Australian listed mining company, currently producing iron ore from Koolan Island and the Tallering Peak mines in Western Australia, with combined production of circa 7 million tonnes per year. The Extension Hill mine is due to start production during the second half of 2011. Mount Gibson's production should increase to circa 10 million tonnes per year. Company reserves were 56 million tonnes at a grade of 62.0% Fe with a total resource of 109 million tonnes as of 30 June 2010.

For the 2010 Period, Mount Gibson reported a total production of circa 7 million tonnes, with the record financial results driven by large increases in realised prices, reflecting the strong demand within the iron ore market. Accordingly, the Mount Gibson results included total revenue of A$701,071,000 (circa HK$5,571,061,000) (2009: A$445,531,000, circa HK$3,100,562,000), representing a 57% increase on the 2009 period, and a net profit of A$233,000,000 (circa HK$1,851,535,000) (2009: A$68,700,000, circa HK$478,100,000), representing a 239% increase on the 2009 period. Mount Gibson's financial position has strengthened further, with a reported net asset value of A$1,072,095,000 and net cash position of A$351,000,000 as at 31 December 2010.

The excellent results of Mount Gibson validate our original investment strategy.

Metals X

Metals X, an Australian-based emerging diversified resource group with a primary focus on tin via its 50% interest in the producing Renison mine in Tasmania, Australia, and nickel via its world class and wholly owned Wingellina nickel deposit. The company also has a portfolio of strategic investments, namely Westgold Resources (31.8%), Aragon Resources (28.8%) and Agaton Phosphate (75.0%).

During the 2010 Period, Renison production increased to circa 6,500 tonnes of tin in concentrate while mining reserves were upgraded twice during the year to 119,207 tonnes of 0.57% tin. Significantly, the company also received its Native Title Approvals for the Wingellina project.

OTHER MAJOR INVESTMENTS

Kalahari

Kalahari's key assets are its holdings of approximately 41% in the ASX listed Extract Resources Limited ("**Extract**") and its 45% interest in AIM listed North River Resources Plc. Extract is developing the Husab Uranium Project in Namibia, the fifth largest primary uranium deposit in the world, based on updated JORC resources of 367 million pounds of uranium (U3O8).

During 2010, the outlook for uranium improved significantly, with the spot price increasing over 59% from US$44 to almost US$70 by year-end. With China purchasing around a quarter of 2010 supply to build stockpiles and Russia acquiring a number of globally significant uranium companies, security of supply has become an issue for various nations. In 2011, Extract will focus on finalising the definitive feasibility study for Husab, permitting and financing this globally significant uranium mine development.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 31 December 2010, our non-current assets amounted to HK$3,389,762,000 (2009: HK$2,454,951,000) and net current assets amounted to HK$1,678,947,000 (2009: HK$507,063,000) with a current ratio of 9.2 times (2009: 17.0 times) calculated on the basis of its current assets over current liabilities.

As at 31 December 2010, we had borrowings of HK$156,382,000 (2009: nil) and had undrawn banking facilities amounting to HK$834,618,000 secured against its investments in listed associates, available-for-sale investments, trading securities, the Company's corporate guarantee and term deposits. As at 31 December 2010, we had a gearing ratio of 0.03 (2009: Nil), calculated on the basis of total borrowings over equity attributable to owners of the Company as at 31 December 2010.

During the 2010 Period, we successfully placed 1,100,000,000 shares at HK$0.50 per share to new investors, raising gross proceeds of HK$550,000,000 and thereby increasing our working capital base to enable us to take advantage of market opportunities as they arise. As a result of this placement, the exercise of warrants and buy back of shares by the Company, the issued share capital of the Company increased from 5,690,343,455 to 6,910,567,990 during the 2010 Period.

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 flows 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 31 December 2010, certain of the Group's investment in listed associates, available-for-sale investments and trading securities of HK$3,444,392,000 (2009: HK$1,929,666,000) were pledged to a stock-broking firm to secure margin loan facilities made available to the Group. The Group's bank deposits of HK$79,426,000 (2009: HK$89,324,000) 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.

FORWARD LOOKING OBSERVATIONS

Over the past year, commodity prices have continued to strengthen as China's rapacious appetite for resources has been coupled with a steady recovery in demand from the developed nations. Barring external shocks and likely increased volatility, we remain upbeat on the natural resources sector given economic growth expectations in 2011.

Accordingly, we continue to evaluate opportunities to expand and diversify our commodity trading business as well as potential acquisitions of direct mine investments and strategic interests in natural resource companies. We believe this multi-pronged strategy, combined with our robust financial position and strong expertise disciplined approach to investments will provide a solid platform to maximise returns for you, our shareholders.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six and twelve months ended 31 December 2010

	Note	Six months ended 31 December 2010 HK$'000 (Unaudited)	Six months ended 31 December 2009 HK$'000 (Unaudited)	Twelve months ended 31 December 2010 HK$'000 (Unaudited)	Twelve months ended 31 December 2009 HK$'000 (Audited)
Revenue	2	**470,480**	301,420	**848,699**	301,420
Revenue from sales of goods		**470,480**	301,420	**848,699**	301,420
Net gain from sales of trading securities		**11,833**	92,666	**12,212**	112,133
Change in fair value of trading securities		**432,140**	(109,503)	**334,267**	6,389
Change in fair value of other financial assets		**3,669**	–	**343**	–
Interest income		**2,820**	6,707	**5,760**	7,839
Reversal of impairment loss on interest in an associate	11	**109,592**	466,553	**109,592**	466,553
Other operating income	3	**50,743**	2,351	**92,169**	36,190
Purchases		**(355,411)**	(197,377)	**(596,894)**	(197,377)
Other cost of sales		**(64,371)**	(65,445)	**(124,458)**	(65,445)
Equity-settled share option expenses		**(39,979)**	(2,410)	**(39,979)**	(14,783)
Salaries and allowances		**(7,943)**	(7,601)	**(14,977)**	(15,622)
Operating lease rental on buildings		**(1,140)**	(1,221)	**(2,584)**	(2,765)
Impairment loss on available-for-sale investments		**–**	(28,174)	**(20,630)**	(28,174)
Impairment loss on other receivable		**(3,781)**	–	**(3,781)**	–
Share of profit less losses of associates		**453,220**	100,687	**700,780**	168,033
Impairment loss on interest in an associate		**–**	(304,024)	**–**	(304,024)
Exchange gain, net		**9,864**	293	**3,816**	1,431
Other operating expenses		**(6,117)**	(6,717)	**(16,446)**	(13,946)
Finance costs	4	**(1,515)**	(56)	**(2,171)**	(13,468)
Profit before taxation	5	**1,064,104**	248,149	**1,285,718**	444,384
Income tax expense	6	**(103,039)**	(38,917)	**(181,271)**	(71,781)
Profit for the period		**961,065**	209,232	**1,104,447**	372,603
Attributable to:					
Owners of the Company		**961,065**	209,232	**1,104,447**	372,603
Earnings per share	8				
— Basic (HK cents per share)		**13.89**	3.68	**16.81**	7.15
— Diluted (HK cents per share)		**13.89**	3.66	**16.78**	7.07

Details of dividend payable to owners of the Company are set out in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six and twelve months ended 31 December 2010

	Six months ended 31 December		Twelve months ended 31 December	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Profit for the period	**961,065**	209,232	**1,104,447**	372,603
Other comprehensive income, net of tax				
Exchange differences arising on translation of foreign operations	**8,255**	1,136	**8,072**	2,319
Share of other comprehensive income of associates	**64,873**	38,982	**47,966**	144,692
Exchange difference from sharing of interest in associates	**396,032**	147,466	**307,583**	306,501
Change in equity of associates on previously held interest	**–**	(83,108)	**–**	(83,108)
Reversal previously recognised changes in fair value of investment held for trading	**–**	442,409	**–**	442,409
Fair value change of available-for-sale investments	**71,235**	(2,034)	**40,115**	31,120
Reclassification adjustment for the cumulative other comprehensive income to profit or loss upon disposal of partial interest in an associate	**(5,017)**	–	**(11,276)**	–
	535,378	544,851	**392,460**	843,933
Total comprehensive income for the period	**1,496,443**	754,083	**1,496,907**	1,216,536
Total comprehensive income attributable to:				
Owners of the Company	**1,496,443**	754,083	**1,496,907**	1,216,536

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

		Group	
	Note	**31 December 2010**	31 December 2009
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Assets			
Non-current assets			
Property, plant and equipment	*9*	**1,649**	992
Available-for-sale investments	*10*	**115,860**	96,376
Interest in associates	*11*	**3,272,253**	2,357,583
Total non-current assets		**3,389,762**	2,454,951
Current assets			
Trade and other receivables	*12*	**21,142**	59,415
Other financial assets		**343**	–
Trading securities	*13*	**1,371,802**	71,899
Pledged bank deposits	*14*	**79,426**	89,324
Cash and cash equivalents	*14*	**411,262**	318,203
Total current assets		**1,883,975**	538,841
Total assets		**5,273,737**	2,993,792
Equity and Liabilities			
Capital and reserves			
Share capital	*15*	**691,057**	569,034
Reserves		**3,572,625**	2,885,162
Retained earnings/(accumulated losses)		**805,027**	(492,182)
Equity attributable to owners of the Company and total equity		**5,068,709**	2,962,014
Current liabilities			
Trade and other payables		**22,398**	10,020
Margin financing		**156,382**	–
Tax payable		**26,248**	21,758
Total liabilities		**205,028**	31,778
Total equity and liabilities		**5,273,737**	2,993,792

Notes:

1. **Basis of Preparation and Accounting Policies**

Pursuant to a resolution of the Board of Directors dated 11 February 2011, the Company's financial year end date has been changed from 31 December to 30 June so as to align the Company's financial year end date with those of the Company's principal overseas listed associates which are the Group's substantial investments. Accordingly, the next audited final results will cover a period of eighteen months from 1 January 2010 to 30 June 2011. The first interim report which was issued on 25 August 2010 has covered the six-month period from 1 January 2010 to 30 June 2010. This second interim report covers the twelve-month period from 1 January 2010 to 31 December 2010. The comparative figures presented for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows and related notes cover the financial year from 1 January 2009 to 31 December 2009, as extracted from the audited financial statements for the year ended 31 December 2009.

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

These Second 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 Second 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.

HKAS 1 (Amendments)	Presentation of financial statements
HKAS 7 (Amendment)	Statement of cash flows
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 28 (Revised)	Investments in associates
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
HKFRS 5 (Amendments)	Non-current assets held for sale and discontinued operations
HKFRS 7 (Amendment)	Financial instruments : disclosures
HK (IFRIC) – INT 17	Distribution of non-cash assets to owners
HK (IFRIC) – INT 18	Transfers of assets from customers

The adoption of the new HKFRSs had no material effect on how the results and financial position for the prior accounting 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 7 (Amendment)	Disclosures – transfers of financial assets[5]
HKFRS 9	Financial instruments (relating to the classification and measurement of financial assets)[6]
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 July 2011
6 Effective for annual periods beginning on or after 1 January 2013

2. Segment Information

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

(i) trading in commodities; 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.

Twelve months ended 31 December 2010

	Trading in commodities *HK$'000*	**Trading and investment in listed securities** *HK$'000*	**Group Total** *HK$'000*
Revenue	**848,699**	**–**	**848,699**
Gross sales proceeds from trading and investment in listed securities	**–**	**90,151**	**90,151**
Segment result	**125,772**	**350,025**	**475,797**
Share of profits less losses of associates			**700,780**
Gain on disposal of partial interest in an associate			**90,894**
Reversal of impairment loss on interest in an associate			**109,592**
Impairment loss on other receivable	**(3,781)**		**(3,781)**
Impairment loss on available-for-sale investments		**(20,630)**	**(20,630)**
Unallocated corporate income			**3,908**
Unallocated corporate expenses			**(68,671)**
Finance costs	**(653)**	**(864)**	**(2,171)**
Profit before taxation			**1,285,718**
Income tax expense	**(16,820)**	**(335)**	**(181,271)**
Profit for the period			**1,104,447**

Twelve months ended 31 December 2009

	Trading in commodities *HK$'000*	Trading and investment in listed securities *HK$'000*	Group Total *HK$'000*
Revenue	301,420	–	301,420
Gross sales proceeds from trading and investment in listed securities	–	268,671	268,671
Segment result	46,092	124,702	170,794
Share of profit less losses of associates			168,033
Excess of the Group's interest in the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over cost of investment			21,244
Impairment loss on available-for-sale investments	–	(28,174)	(28,174)
Reversal of impairment loss on interest in an associate			466,553
Impairment loss on interest in an associate			(304,024)
Unallocated corporate income			2,079
Unallocated corporate expenses			(38,653)
Finance costs	(8)	(13,460)	(13,468)
Profit before taxation			444,384
Income tax expense	(5,030)	(15,091)	(71,781)
Profit for the period			372,603

Segment assets

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

	31 December 2010 ***HK$'000*** **(Unaudited)**	31 December 2009 *HK$'000* (Audited)
Trading in commodities	**439,525**	424,729
Trading and investment in listed securities	**1,515,281**	168,631
	1,954,806	593,360
Interest in associates	**3,272,253**	2,357,583
Unallocated assets	**46,678**	42,849
Total assets	**5,273,737**	2,993,792

3. Other Operating Income

	Group Six months ended 31 December		Group Twelve months ended 31 December	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Dividend income	**564**	779	**1,037**	796
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	**50,288**	–	**90,894**	–
Sundry income	**(109)**	1,572	**238**	5,509
	50,743	2,351	**92,169**	36,190

4. Finance Costs

	Group Six months ended 31 December		Group Twelve months ended 31 December	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Interest on margin financing	**208**	55	**864**	8,266
Interest on short-term loan	**–**	–	**–**	5,193
Interest on bank borrowings	**1,307**	1	**1,307**	9
	1,515	56	**2,171**	13,468

5. Profit Before Taxation

	Group Six months ended 31 December		Group Twelve months ended 31 December	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Profit before taxation has been arrived at after charging/(crediting) the following :				
Depreciation	**291**	329	**712**	658
Legal and professional fees	**1,837**	1,823	**3,746**	45
Loss on disposal of property, plant and equipment	**–**	1	**–**	1
Consultancy fee				
— settled by cash	**1,320**	1,078	**2,392**	2,005
— equity-settled share option expenses	**6,525**	–	**6,525**	–
Total consultancy fee	**7,845**	1,078	**8,917**	2,005
Staff costs, including directors' emoluments				
— salaries and allowances	**6,951**	7,585	**13,094**	15,221
— equity-settled share option expenses	**33,454**	2,410	**33,454**	14,783
— directors' quarters	**640**	101	**1,283**	220
— retirement benefits scheme contributions, net of nil forfeited contributions	**352**	(85)	**600**	181
Total staff costs	**41,397**	10,011	**48,431**	30,405

6. Income Tax Expense

	Group Six months ended 31 December		Group Twelve months ended 31 December	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Income tax expense for the period				
Hong Kong profits tax	**11,693**	7,774	**16,228**	20,543
The PRC enterprise income tax	**642**	979	**642**	1,233
	12,335	8,753	**16,870**	21,776
Overseas tax provided	**90,704**	30,164	**164,401**	50,005
Total income tax expense	**103,039**	38,917	**181,271**	71,781

Hong Kong profits tax has been provided for at the rate of 16.5% on the Group's estimated assessable profit for the twelve months ended 31 December 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 twelve months ended 31 December 2010 is included in the overseas tax provided for the period above.

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

7. Dividend

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

8. 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 31 December		Group Twelve months ended 31 December	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Profit for the purpose of basic and diluted earnings per share	**961,065**	209,232	**1,104,447**	372,603
		Number of shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**6,919,971,795**	5,678,907,037	**6,571,413,781**	5,212,630,859
Effect of dilutive potential ordinary shares in respect of :				
— warrants	**–**	30,550,099	**11,055,727**	55,272,054
— share options	**–**	–	**–**	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**6,919,971,795**	5,709,457,136	**6,582,469,508**	5,267,902,913

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.

The warrants lapsed on 4 February 2010. There was no dilutive effect for the six months ended 31 December 2010.

9. Property, Plant and Equipment

During the period, the Group incurred approximately HK$1,350,000 (twelve months ended 31 December 2009: HK$15,000) on acquisition of property, plant and equipment.

10. Available-for-sale Investments

	Group	
	31 December 2010	31 December 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current		
Listed equity securities, Hong Kong, at fair value	**24,722**	23,816
Listed equity securities, overseas, at fair value	**91,138**	72,560
	115,860	96,376

11. Interest in Associates

	Group	
	31 December 2010	31 December 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Cost of investment in associates		
Listed, overseas	**2,097,387**	2,141,216
Unlisted in the PRC	**22,848**	22,848
Share of post- acquisition profits and other comprehensive income, net of dividends received	**1,346,450**	497,543
Less : impairment loss	**(194,432)**	(304,024)
	3,272,253	2,357,583
Fair value of listed investments	**5,712,159**	3,573,413

At 31 December 2009, the Group held 26.75% interest in Mount Gibson Iron Limited ("**MGX**"). At 31 December 2010, the Group's interest in MGX was reduced to 25.61%.

At 31 December 2010 and 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. MLX has released its audited results for the year ended 30 June 2010 but its unaudited results for the six months ended 31 December 2010 have not yet been released. Accordingly results of MLX for the six months ended 31 December 2010 have been included based on management accounts of MLX.

In determining the recoverable amount of MLX, having taken into account of the difference in characteristics of mining business and securities market, the Group considered it to be more prudent to temporarily adopt the net asset value of MLX as at 31 December 2010 instead of its securities trading value, a basis referred to by the HKAS 36 to adopt. The Group considered this would better reflect the business value of the associate and would reassess the recoverable amount of MLX when the Group's audited final results for the eighteen months from 1 January 2010 to 30 June 2011 are prepared.

12. Trade and Other Receivables

	Group	
	31 December 2010	31 December 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**3,200**	48,660
Interest receivables	**–**	5,685
Other receivables	**–**	1
Other deposits and prepayments	**17,942**	5,069
	21,142	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.

13. Trading Securities

	Group	
	31 December 2010	31 December 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trading securities, at fair value		
Listed equity securities, in Hong Kong	**22,599**	7,839
Listed equity securities, overseas	**1,349,203**	64,060
	1,371,802	71,899

14. Cash and Cash Equivalents

	Group	
	31 December 2010	31 December 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Pledged bank deposits	**79,426**	89,324
Cash at bank and in hand	**400,121**	318,036
Cash held in securities accounts maintained in securities companies	**11,141**	167
	490,688	407,527
Less : pledged bank deposits	**(79,426)**	(89,324)
Cash and cash equivalents	**411,262**	318,203

15. 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	12,000,000,000	1,200,000
At 31 December 2010	20,000,000,000	2,000,000
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	1,100,000,000	110,000
Repurchase of issued shares	(11,560,000)	(1,156)
At 31 December 2010	6,910,567,990	691,057

Details of the major changes in the Company's share capital during the twelve months ended 31 December 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 20,000,000,000 shares by the creation of 12,000,000,000 shares of HK$0.10 each.

(b) On 23 April 2010, the Company completed a placing of 1,100,000,000 new shares at the price of HK$0.50 per share, which raised gross proceeds of HK$550,000,000.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the twelve months ended 31 December 2010 (2009: nil) as the Company has the intention to repurchase shares of the Company as and when the market conditions are considered appropriate and the available cash flow and/or working capital facilities will be retained for such purpose.

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

During the twelve months ended 31 December 2010, the Company purchased 11,560,000 shares of HK$0.10 each in the capital of the Company at prices ranging from HK$0.48 to HK$0.53 per share on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Particulars of the purchase of shares are as follows:

Date	Number of shares repurchased	Highest price paid per share *(HK$)*	Lowest price paid per share *(HK$)*	Aggregate consideration paid (excluding expenses) *(HK$)*
November 2010	9,840,000	0.530	0.480	5,005,400
December 2010	1,720,000	0.495	0.490	850,500
Total	11,560,000			5,855,900

The repurchased shares were cancelled and accordingly, the Company's issued share capital was diminished by the nominal value thereof. The premium payable on repurchases was charged against the Company's share premium account.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the twelve months ended 31 December 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

For the twelve months ended 31 December 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 Rules Governing the Listing of Securities on the Stock Exchange (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 second interim financial report for the twelve months ended 31 December 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 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 twelve months ended 31 December 2010.

By Order of the Board
APAC RESOURCES LIMITED
Chong Sok Un
Chairman

Hong Kong, 25 February 2011

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

Executive Directors: Ms. Chong Sok Un *(Chairman)*, Mr. Andrew Ferguson *(Chief Executive Officer)*, Mr. Yue Jialin and Mr. Kong Muk Yin

Non-executive Directors: Mr. Lee Seng Hui, Mr. So Kwok Hoo, Mr. Liu Yongshun and Mr. Peter Anthony Curry

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

* *For identification purpose only*