



APAC RESOURCES

# APAC Resources Limited 亞太資源有限公司\*

(Incorporated in Bermuda with limited liability)

Stock Code: 1104

Interim Report 2009

\* For identification purpose only

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### **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  
 Mr. Yue Jialin

#### **Independent Non-Executive Directors:**

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

### AUDIT COMMITTEE

Mr. Wong Wing Kuen, Albert (*Chairman*)  
 Mr. Chang Chu Fai, Johnson Francis  
 Mr. Alan Stephen Jones  
 Mr. Robert Moyse Willcocks

### REMUNERATION COMMITTEE

Ms. Chong Sok Un (*Chairman*)  
 Mr. Cao Zhong  
 Mr. Wong Wing Kuen, Albert  
 Mr. Chang Chu Fai, Johnson Francis  
 Mr. Alan Stephen Jones  
 Mr. Robert Moyse Willcocks

### COMPANY SECRETARY

Ms. Fung Sam Ming

### AUDITORS

Graham H.Y. Chan & Co

### LEGAL ADVISERS

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

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

### REGISTERED OFFICE

Clarendon House  
 2 Church Street  
 Hamilton HM11  
 Bermuda

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### WEBSITE

[www.irasia.com/listco/hk/apac/index.htm](http://www.irasia.com/listco/hk/apac/index.htm)

### STOCK CODE

1104

### WARRANT CODE

324

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 2009, 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 2009

		Six months ended 30 June	
	Notes	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (Restated)
Revenue	3	—	170,215
<b>Continuing operations</b>			
Revenue from sales of goods		—	170,215
Net gain from sales of trading securities		19,467	35,079
Gain on disposal of available-for-sale investments		—	22,488
Change in fair value of trading securities		115,892	258,773
Interest income		1,132	4,765
Other operating income		34,977	4,743
Purchases		—	(162,538)
Equity-settled share option expenses		(12,373)	(36,637)
Salaries and allowances		(7,636)	(7,908)
Operating lease rental on buildings		(1,544)	(1,670)
Provision for doubtful debt		—	(17,025)
Share of profit of associates		67,346	—
Other operating expenses		(7,614)	(11,701)
Finance costs	4	(13,412)	(3)
Profit before taxation	5	196,235	258,581
Income tax expenses	6	(32,864)	(521)
Profit for the period from continuing operations		163,371	258,060
<b>Discontinued operation</b>			
Profit for the period from discontinued operation		—	442
<b>Profit for the period</b>		163,371	258,502

		Six months ended 30 June	
	Notes	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited) (Restated)
Attributable to:			
Owners of the Company		<b>163,371</b>	258,502
Earnings per share	8		
From continuing and discontinued operations			
– Basic (HK cents)		<b>3.45</b>	5.47
– Diluted (HK cents)		<b>3.41</b>	5.32
From continuing operations			
– Basic (HK cents)		<b>3.45</b>	5.45
– Diluted (HK cents)		<b>3.41</b>	5.31

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 June 2009*

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
<b>Profit for the period</b>	<b>163,371</b>	258,502
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations	<b>1,183</b>	15,887
Share of reserve movements of associates	<b>264,745</b>	–
Fair value change of available-for-sale investments	<b>33,154</b>	280,199
<b>Other comprehensive income for the period, net of tax</b>	<b>299,082</b>	296,086
<b>Total comprehensive income for the period</b>	<b>462,453</b>	554,588
Total comprehensive income attributable to:		
Owners of the Company	<b>462,453</b>	554,588

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 30 June 2009*

	<i>Notes</i>	<b>30 June 2009 HK\$'000 (Unaudited)</b>	<b>31 December 2008 HK\$'000 (Audited)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipments	9	<b>1,324</b>	1,643
Available-for-sale investments	10	<b>117,741</b>	84,585
Interest in associates	11	<b>1,291,805</b>	591,817
		<b>1,410,870</b>	678,045
<b>Current assets</b>			
Trade and other receivables	12	<b>139,708</b>	470,732
Trading securities	13	<b>334,908</b>	113,898
Pledged bank deposits	14	<b>89,308</b>	90,004
Cash and cash equivalents	14	<b>227,871</b>	131,019
		<b>791,795</b>	805,653
<b>Total assets</b>		<b>2,202,665</b>	1,483,698
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Share capital	15	<b>562,882</b>	472,866
Reserves		<b>1,624,213</b>	798,395
<b>Total equity</b>		<b>2,187,095</b>	1,271,261
<b>Current liabilities</b>			
Other payables		<b>2,564</b>	15,123
Bills payable		–	35,934
Margin financing	16	–	161,043
Tax payable		<b>13,006</b>	337
		<b>15,570</b>	212,437
<b>Total liabilities</b>		<b>15,570</b>	212,437
<b>Total equity and liabilities</b>		<b>2,202,665</b>	1,483,698

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2009*

	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/(loss) reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2008 (audited)	472,629	1,987,747	(14,980)	1,817,762	1,350	214,889	–	258,899	4,738,296
Total comprehensive income									
attributable to owners	–	–	–	280,199	15,887	–	–	258,502	554,588
Issue of shares upon exercise of warrants	28	56	–	–	–	–	–	–	84
Equity-settled share option expenses	–	–	–	–	–	36,637	–	–	36,637
At 30 June 2008 (unaudited)	<u>472,657</u>	<u>1,987,803</u>	<u>(14,980)</u>	<u>2,097,961</u>	<u>17,237</u>	<u>251,526</u>	<u>–</u>	<u>517,401</u>	<u>5,329,605</u>
At 1 January 2009 (audited)	472,866	1,988,220	(14,980)	(41,594)	(64,586)	262,627	(15,331)	(1,315,961)	1,271,261
Total comprehensive income									
attributable to owners	–	–	–	33,154	160,218	–	105,710	163,371	462,453
Issue of placing shares for cash, net	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)	<u>562,882</u>	<u>2,339,212</u>	<u>(14,980)</u>	<u>(8,440)</u>	<u>95,632</u>	<u>275,000</u>	<u>90,379</u>	<u>(1,152,590)</u>	<u>2,187,095</u>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2009*

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Net Cash From Operating Activities</b>	<b>334,844</b>	225
<b>Net Cash Used In Investing Activities</b>	<b>(469,793)</b>	(379,470)
<b>Net Cash From/(Used In) Financing Activities</b>	<b>230,618</b>	(1,710)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>95,669</b>	(380,955)
<b>Cash and Cash Equivalents at 1 January</b>	<b>131,019</b>	694,945
<b>Effect of foreign exchange rate changes</b>	<b>1,183</b>	15,887
<b>Cash and Cash Equivalents at 30 June</b>	<b>227,871</b>	329,877
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	<b>215,225</b>	302,127
Cash held in securities accounts maintained in securities companies	<b>12,646</b>	27,750
	<b>227,871</b>	329,877

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30 June 2009*

### 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 of base metals and commodities primarily focused on natural resources and related sectors and (ii) trading of and investment in listed securities in the resources and related industries.

These condensed consolidated interim financial statements (“**Interim Financial Statements**”) are presented in Hong Kong dollars (“**HK\$**”), which is the Company’s functional and presentation currency. These Interim Financial Statements were approved for issue by the Board of Directors on 21 September 2009.

### 2. Basis of Preparation and Accounting Policies

These unaudited 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 2008 annual report.

This interim financial report contains 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 2008 annual report. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statement prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”, which term collectively includes HKASs and Interpretations).

## 2. Basis of Preparation and Accounting Policies *(Continued)*

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 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRSs (Amendments)	Improvements to HKFRSs, except for amendment to HKFRS 5
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Share-based payment-vesting conditions and cancellations
HKFRS 7 (Amendment)	Improvement disclosures about financial instruments
HKFRS 8	Operating segments
HK (IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives
HK (IFRIC) – Int 13	Customer loyalty programmes
HK (IFRIC) – Int 15	Agreements for the construction of real estate
HK (IFRIC) – Int 16	Hedges of a net investment in a foreign operation

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

The Group has applied the disclosures requirements under HKAS 1 (Revised) “Presentation of Financial Statements”. Under HKAS 1 (Revised), the “Balance Sheet” is renamed as the “Statement of Financial Position” and the “Cash Flow Statement” is renamed as the “Statement of Cash Flows”. All income and expenses arising from transactions with non-owner (i.e., the non-owner changes in equity) are presented under the “Statement of Comprehensive Income”, while the owner changes in equity are presented in the “Statement of Changes in Equity”.

## 2. Basis of Preparation and Accounting Policies (*Continued*)

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.

HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRS 5 <sup>2</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>2</sup>
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards <sup>2</sup>
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions <sup>4</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HK (IFRIC) – Int 17	Distribution of non-cash assets to owners <sup>2</sup>
HK (IFRIC) – Int 18	Transfer of assets from customers <sup>3</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2010, unless otherwise specified*

<sup>2</sup> *Effective for annual periods beginning on or after 1 July 2009*

<sup>3</sup> *Effective for transfers on or after 1 July 2009*

<sup>4</sup> *Effective for annual periods beginning on or after 1 January 2010*

### 3. Segment Information

#### *Business segments*

For management purposes, the Group is currently organised into two operating divisions – trading of base metals and trading of and investment in listed securities.

Segment information about these businesses is presented below.

#### **Six months ended 30 June 2009**

	Continuing operations		Discontinued operation		Consolidated
	Trading of base metals	Trading of and investment in listed securities	Total	Trading of fabric products and other merchandises	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	-	-	-	-	-
Gross sales proceeds from trading of and investment in listed securities	-	56,850	56,850	-	56,850
Segment result	(932)	133,162	132,230	-	132,230
Share of profit of associates					67,346
Unallocated corporate incomes					34,622
Unallocated corporate expenses					(24,551)
Finance costs					(13,412)
Profit before taxation					196,235
Income tax expense					(32,864)
Profit for the period					163,371

### 3. Segment Information (Continued)

#### Business segments (Continued)

Six months ended 30 June 2008

	Continuing operations			Discontinued operation	
	Trading of base metals HK\$'000	Trading of and investment in listed securities HK\$'000	Total HK\$'000	Trading of fabric products and other merchandises HK\$'000	Consolidated HK\$'000
Revenue	170,215	–	170,215	–	170,215
Gross sales proceeds from trading of and investment in listed securities	–	231,444	231,444	–	231,444
Segment result	4,594	322,443	327,037	442	327,479
Unallocated corporate incomes					2,444
Unallocated corporate expenses					(70,897)
Finance costs					(3)
Profit before taxation					259,023
Income tax expense					(521)
Profit for the period					258,502

### 3. Segment Information (Continued)

#### Business segments (Continued)

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

#### At 30 June 2009

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Trading of base metals HK\$'000	Trading of and investment in listed securities HK\$'000	Total HK\$'000	Trading of fabric products and other merchandises HK\$'000	
Segment assets	328,480	472,973	801,453	–	801,453
Interest in associates					1,291,805
Unallocated assets					109,407
					<u>2,202,665</u>

#### At 31 December 2008

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Trading of base metals HK\$'000	Trading of and investment in listed securities HK\$'000	Total HK\$'000	Trading of fabric products and other merchandises HK\$'000	
Segment assets	375,919	198,649	574,568	–	574,568
Interest in associates					591,817
Unallocated assets					317,313
					<u>1,483,698</u>

#### 4. Finance Costs

	Six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Interest on margin financing	8,211	–
Interest on short-term loan	5,194	–
Interest on other bank borrowings	7	3
	<u>13,412</u>	<u>3</u>

#### 5. Profit Before Taxation

	Six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging/(crediting) the following:		
Depreciation	329	405
Exchange gain, net	(1,138)	(4,688)
Legal and professional fees	1,778	3,756
Consultancy fee	927	621
	<u>          </u>	<u>          </u>
Staff costs, including directors' emoluments		
– salaries and allowance	7,636	7,908
– equity-settled share option expenses	12,373	36,637
– staff quarter	119	111
– retirement benefits scheme contributions, net of nil forfeited contributions	266	30
	<u>          </u>	<u>          </u>
Total staff costs	<u>20,394</u>	<u>44,686</u>



## 6. Income Tax Expenses

	Six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Hong Kong profits tax provided for the period	12,769	–
Overseas tax provided for the period	20,095	521
	<b>32,864</b>	<b>521</b>

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 2009. 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.

Taxation arising in other jurisdictions are calculated at the rate prevailing in the respective jurisdictions.

The Group's share of associates' tax charge for the six months period ended 30 June 2009 of approximately HK\$19,841,000 is included in the overseas tax provided for the period above.

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

## 7. Dividend

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

## 8. Earnings Per Share

- (a) The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$163,371,000 for the period ended 30 June 2009 (six months period ended 30 June 2008: HK\$258,502,000) and the weighted average of 4,738,626,348 (six months ended 30 June 2008: 4,726,524,901) ordinary shares in issue during the period.

## 8. Earnings Per Share (Continued)

- (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	
	2009	2008
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<b>4,738,626,348</b>	4,726,524,901
Shares deemed to be issued for no consideration in respect of:		
– warrants	<b>50,130,434</b>	129,714,824
– share options	–	–
	<b>4,788,756,782</b>	4,856,239,725

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.

## 9. Property, Plant and Equipments

During the period, the Group incurred approximately HK\$8,000 (six months ended 30 June 2008: HK\$191,000) on acquisition of property, plant and equipment.

## 10. Available-for-sale Investments

	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Listed equity securities, in Hong Kong, at fair value	<b>47,460</b>	43,145
Listed equity securities, in overseas, at fair value	<b>70,281</b>	41,440
	<b>117,741</b>	84,585

## 11. Interest in Associates

	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Share of net assets of associates	1,291,805	591,817
Goodwill on acquisition of an associate	—	466,553
	1,291,805	1,058,370
Less: impairment loss	—	(466,553)
	1,291,805	591,817

At 31 December 2008, the Group held 17.95% interest in Mount Gibson Iron Limited ("MGX") and accounted for the investment as an associate. In January 2009, the Group further subscribed 115,729,630 new shares of MGX at an aggregate consideration of A\$69,437,777 (equivalent to approximately HK\$366,496,000). The Group's interest in MGX was increased to 26.03%.

## 12. Trade and Other Receivables

	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Trade receivables	—	35,933
Other receivables	10,487	110
Purchase deposits	124,406	168,896
Deposit for underwritten right issue of an associate	—	260,985
Other deposits and prepayments	4,815	4,808
	139,708	470,732

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

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

**13. Trading Securities**

	<b>30 June 2009 HK\$'000 (Unaudited)</b>	31 December 2008 HK\$'000 (Audited)
Trading securities, at fair value		
Listed equity securities, in Hong Kong	<b>177,445</b>	13,225
Listed equity securities, in overseas	<b>157,463</b>	100,673
	<b>334,908</b>	113,898

**14. Cash and Cash Equivalents**

	<b>30 June 2009 HK\$'000 (Unaudited)</b>	31 December 2008 HK\$'000 (Audited)
Pledged bank deposits	<b>89,308</b>	90,004
Cash at bank and in hand	<b>215,225</b>	130,943
Cash held in securities accounts maintained in securities companies	<b>12,646</b>	76
	<b>317,179</b>	221,023
Less: Pledged bank deposits	<b>(89,308)</b>	(90,004)
Cash and cash equivalents	<b>227,871</b>	131,019

## 15. Share Capital

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Authorised:		
At 1 January 2009 and at 30 June 2009	8,000,000,000	800,000
Issued and fully paid:		
At 1 January 2009	4,728,659,055	472,866
Issue of shares under placement	900,000,000	90,000
Issue of shares upon exercise of warrants	160,000	16
At 30 June 2009	5,628,819,055	562,882

## 16. Margin Financing

The margin loan facilities were secured by part of the investment in a listed associate, part of the available-for-sale investments and part of the trading securities with carrying amount of approximately HK\$1,200,280,000 as at 30 June 2009 (31 December 2008 (audited): HK\$661,502,000).

## 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 month period ended 30 June 2009, no share option granted (year ended 31 December 2008 (audited): 11,000,000 share options) was lapsed. As at 30 June 2009, there were 500,000,000 (as at 31 December 2008 (audited): 500,000,000) share options outstanding.

## 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).

During the six months period ended 30 June 2009, 160,000 Warrants were exercised for 160,000 ordinary shares (year ended 31 December 2008 (audited): 2,368,000 Warrants were exercised for 2,368,000 ordinary shares) at a price of HK\$0.30 each. As at 30 June 2009, there were 193,618,450 Warrants (as at 31 December 2008 (audited): 193,778,450 Warrants) outstanding.

## 19. Operating Lease Commitments

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:

	<b>30 June 2009 HK\$'000 (Unaudited)</b>	<b>31 December 2008 HK\$'000 (Audited)</b>
Within one year	<b>1,870</b>	1,933
After one year but within five years	<b>270</b>	740
	<b>2,140</b>	2,673

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

## 20. Pledge of Assets

	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
(a) Margin financing loan facilities secured by investment in a listed associate, available-for-sale investments and trading securities	1,200,192	661,502
(b) Banking facilities of HK\$10 million and US\$60 million (2008: HK\$10 million and US\$60 million) granted by banks and secured by bank deposits of the Group	89,308	90,004
	<b>1,289,500</b>	<b>751,506</b>

## 21. Related Party Transactions

During the six months period ended 30 June 2009, the Group entered into corporate consultancy and sales co-ordination service to related companies for the amount of approximate HK\$470,000 and USD288,577 (equivalent to HK\$2,250,900) respectively.

### *Compensation of key management personnel*

	Six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Short-term employee benefits	4,339	4,311
Post-employment benefits	23	—
Share-based payment	12,373	36,637
	<b>16,735</b>	<b>40,948</b>

## 22. Events After the Reporting Period

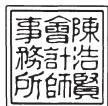
Subsequent to the period-end-date, the subscription of 431,456,260 new shares in respect of the Right Issue of China Primary Resources Holdings Limited ("**CPR**") was all taken up by the Group in July 2009 at an aggregate consideration of HK\$8,629,125 which was funded by the Group's internal resources. As a result, the Group's interest in CPR increased to 1,294,368,780 shares, representing approximately 10.53% of the issued share capital of CPR. At the extraordinary general meeting held on 20 August 2009, the proposed share consolidation of every ten issued and unissued shares of HK\$0.00125 each in the capital of CPR into one consolidated share of HK\$0.0125 was approved. The Group's interest in CPR then reduced to 129,436,878 shares, representing approximately 10.53% of the issued share capital of CPR.

## 23. Approval of Interim Financial Statements

The Interim Financial Statements were approved by the Board on 21 September 2009.



## 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 3 to 23, 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 2009 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

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.

## Conclusion

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, 21 September 2009

## INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2009 (2008: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

For the six-months ended 30 June 2009, although the Group recorded no turnover in relation to its base metal trading business amid a highly turbulent and uncertain market environment (2008: HK\$170,215,000), the Group managed to achieve a net profit attributable to shareholders of HK\$163,731,000 (2008: HK\$258,502,000).

Earning per share (basic) for the six-months ended 30 June 2009 was 3.45 HK cents (2008: 5.47 HK cents) and the net asset value as at 30 June 2009 was HK\$0.39 (2008: HK\$1.13).

### Business Review

#### *Trading and investment of listed securities*

For the period under review, the economic environments and the financial market remained mostly volatile attributed to the global financial crisis though signs of recovery have emerged since the second quarter of 2009. For the businesses of securities trading and investment, the Group recorded a gross sales proceeds of HK\$56,850,000 (2008: HK\$231,444,000) and a profit of HK\$133,162,000 (2008: HK\$322,443,000) mainly due to the realised net gain from sales of trading securities of HK\$19,467,000 (2008: HK\$35,079,000) and the mark-to-market unrealised change in fair value of trading securities of HK\$115,892,000 (2008: HK\$258,773,000).

As at 30 June 2009, the Group maintained a long term investment portfolio of available-for-sale investments of HK\$117,741,000 (2008: HK\$3,250,341,000) and a short term portfolio of trading securities of HK\$334,908,000 (2008: HK\$1,437,784,000).

#### *Trading in base metals*

As a result of the uncertainty in the economic outlook and market demand for base metal, the Group did not actively in sourcing the supply of base metals for trading which resulted in no turnover was recorded for the period under review (2008: HK\$170,215,000) and a loss of HK\$932,000 (2008: profit of HK\$4,594,000) was recorded for the period under review.

## Principal associated company

The share of profit of associates (after tax) of the Group for the six-months ended 30 June 2009 was HK\$47,505,000 (2008: nil). As at 30 June 2009, the Group's interest in associates amounted to HK\$1,291,805,000 (2008: nil).

### ***Mount Gibson Iron Limited ("MGX") – 26.03% owned by the Group***

Following the completion of a 1 for 5 renounceable rights issue at A\$0.6 each of MGX, the Group's equity interest in MGX increased to 26.03%. MGX is a pure iron ore exploration and mining company, which owns iron ore deposits and holds mining rights in Western Australia. The Group considers such increase in investment in MGX as a step to preserve the Group's interest in MGX from being diluted and as a way in which to strengthen and support its existing investment. Further, the Group considers that the long term offtake agreements, entered into between the Group and MGX in November 2008, will give the Group an opportunity to secure long term supply of hematite iron ore products for and to expand its base metal trading activities.

According to MGX's preliminary final report for the year ended 30 June 2009, MGX recorded a total revenue of A\$431,730,000 (2008: A\$435,174,000) and a net profit of A\$42,618,000 (2008: A\$113,344,000) for the year ended 30 June 2009.

MGX pointed out that the impact of some of its customers defaulting on the MGX's near term cash flows, together with the desire of the MGX to recommence priority development at Koolan Island and Extension Hill in Western Australia required the raising of additional equity finance. The rights issue and placement of MGX, completed in December 2008 and January 2009 respectively, together raised gross proceeds of A\$162,523,697, which together with existing cash reserves, will better place MGX to recommence priority development activities and mitigate the impact on the MGX of any near term volatility in the iron ore and financial markets.

## Financial Review

### ***Liquidity, Financial Resources and Capital Structure***

As at 30 June 2009, the Group's non-current assets amounted to HK\$1,410,870,000 (2008: HK\$3,252,318,000) and net current assets amounted to HK\$776,225,000 (2008: HK\$2,077,287,000) with a current ratio of 50.9 times (2008: 201.5 times) calculated on the basis of the Group's current assets over current liabilities.

## Financial Review (Continued)

### ***Liquidity, Financial Resources and Capital Structure (Continued)***

The flexibility of the 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 part of the investment in a listed associate, part of the available-for-sale investments and part of the trading securities while the banking facilities were secured by bank deposits. All the Group's borrowings are arranged on a short-term basis in Hong Kong. As at 30 June 2009, the Group had no borrowings (2008: nil) and a gearing ratio of 0% (2008: 0%), calculated on the basis of the Group's net borrowings (after cash and cash equivalents) over shareholders' fund.

In order to strengthen its capital base, the Group conducted a placing of 900,000,000 shares at HK\$0.5 each to raise approximately HK\$440.9 million for reduction of borrowings and for general working capital of the Group and/or for investment when opportunities arise which placing was completed in June 2009 (the "Placing").

During the period under review, the issued share capital of the Group was increased to HK\$562,882,000 from HK\$472,866,000 as a result of the Placing and the issue of 160,000 new shares following the exercise of warrants for consideration of HK\$16,000.

### ***Foreign Exchange Exposure***

For the period under review, the Group's assets were mainly denominated in Australian Dollar and Hong Kong Dollar while the liabilities were mainly 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 actively hedge for the risk arising from the Australian Dollar denominated assets.

### ***Pledge of Assets***

As at 30 June 2009, part of the Group's investment in a listed associate, available-for-sale investments and trading securities of HK\$1,200,192,000 (2008: HK\$4,167,978,000) 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\$89,308,000 (2008: HK\$88,979,000) were pledged to banks to secure 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.

## PROSPECT

With the commencement of supply of long term offtake of hematite iron ore products from MGX to the Group from July 2009 onward and the stabilisation of base metal market, barred for unforeseen circumstance, the Group believes its business in base metal trading will be improved in the second half of year 2009.

Given the recent sign of recovery from the global financial turmoil and economic recession, the Group believes that there will be ample supply of grossly undervalued investment and business opportunities and will continue to identify, evaluate and acquire strategic interests in quality natural resources assets in order to maximise returns for shareholders.

## OTHER INFORMATION

### Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2009, the interests and short positions held by each director and chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations, if any, (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") contained in the Rules Governing the Listing of Securities on the Stock Exchange (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 2009 (Note 1)
		Interests in shares	Interests under equity derivatives	Total Interests	
Mr. Cao Zhong	Beneficial owner	–	133,000,000 (Note 2)	133,000,000	2.36%
Mr. Liu Yongshun	Beneficial owner	–	150,000,000 (Note 2)	150,000,000	2.66%
Ms. Chong Sok Un	Beneficial owner and interest of controlled corporation (Note 3)	638,680,000	115,000,000 (Notes 2 & 4)	753,680,000 (Note 5)	13.39%
Mr. Zhou Luyong	Beneficial owner	–	33,000,000 (Note 2)	33,000,000	0.59%
Mr. Chen Zhaoqiang	Beneficial owner	–	33,000,000 (Note 2)	33,000,000	0.59%

## 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 2009 (Note 1)
		Interests in shares	Interests under equity derivatives	Total Interests	
Mr. Yue Jialin	Interest of controlled corporation (Note 6)	16,179,602	119,339,960	135,519,562 (Note 7)	2.41%
Mr. Wong Wing Kuen, Albert	Beneficial owner	–	3,000,000 (Note 2)	3,000,000	0.05%
Mr. Chang Chu Fai, Johnson Francis	Beneficial owner	–	2,000,000 (Note 2)	2,000,000	0.04%

#### Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 5,628,819,055 shares as at 30 June 2009.
2. The relevant interests are share options granted pursuant to the Company's share option scheme adopted on 22 September 2004 (the "**Scheme**"). Upon exercise of the share options in accordance with the Scheme, 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.
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 2009, COL was 62.33% owned by Vigor Online Offshore Limited which in turn is a wholly-owned subsidiary of China Spirit Limited ("**China Spirit**") in which Ms. Chong Sok Un maintains 100% beneficial interest. COL is therefore deemed to have interests in the shares and underlying shares in which Sparkling Summer and Rise Cheer are interested. Ms. Chong Sok Un is therefore deemed to have interests in the shares and underlying shares through her 100% interest in China Spirit.
4. This represents 110,000,000 share options granted to Ms. Chong Sok Un and an interest in 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares held by Sparkling Summer. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK\$0.30 per share (subject to adjustment).



## Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

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

5. This represents the interests held by: (i) Sparkling Summer as to 40,560,000 shares and 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares, (ii) Rise Cheer as to 598,120,000 shares, and (iii) 110,000,000 share options granted to Ms. Chong Sok Un.
6. These shares are registered/will be registered (as the case may be) in the name of and beneficially owned by Profit Harbour Investments Limited, the entire issued share capital of which is owned by Mr. Yue Jialin.
7. This represents an interest in 16,179,602 shares and an interest in 119,339,960 units of warrants giving rise to an interest in 119,339,960 underlying shares. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK\$0.30 per share (subject to adjustments).

Save as disclosed above, as at 30 June 2009, none of the Company's directors, chief executive or their respective associates had any other personal, family, corporate and other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code 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 2009.

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

### Long positions in shares and underlying shares of the Company

Name of Shareholders	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital of the Company as at 30 June 2009 (Note 1)
		Interests in shares	Interests under equity derivatives	Total interests	
Benefit Rich Limited	Beneficial owner	600,000,000	60,000,000	660,000,000 (Note 2)	11.73%
Shougang Holding (Hong Kong) Limited	Interest of controlled corporation (Note 4)	896,000,000	60,000,000	956,000,000 (Note 3)	16.98%
Rise Cheer Investments Limited	Beneficial owner	598,120,000	–	598,120,000	10.63%
COL Capital Limited	Interest of controlled corporation (Note 5)	638,680,000	5,000,000 (Note 6)	643,680,000 (Note 7)	11.44%
Sun Hung Kai & Co. Limited	Security interest in shares (Notes 9 & 12)	598,532,893	–	598,532,893 (Note 8)	10.63%
Allied Properties (H.K.) Limited	Interest of controlled corporation (Notes 9 & 12)	598,532,893	–	598,532,893	10.63%
Allied Group Limited	Interest of controlled corporation (Notes 10 & 12)	598,532,893	–	598,532,893	10.63%
Lee and Lee Trust	Interest of controlled corporation (Notes 11 & 12)	598,532,893	–	598,532,893	10.63%
Katong Assets Limited	Beneficial owner (Note 13)	516,500,000	1,000,000 (Note 14)	517,500,000	9.19%
Lin Xu Ming	Interest of controlled corporation (Note 13)	516,500,000	1,000,000 (Note 14)	517,500,000	9.19%

## Substantial Shareholders (Continued)

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

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 5,628,819,055 shares as at 30 June 2009.
2. This represents an interest in 600,000,000 shares and an interest in 60,000,000 units of warrants giving rise to an interest in 60,000,000 underlying shares. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK\$0.30 per share (subject to adjustments).
3. This represents the interests held by: (i) Benefit Rich Limited ("**Benefit Rich**") as to 600,000,000 shares and 60,000,000 units of warrants giving rise to an interest in 60,000,000 underlying shares, (ii) Easymade Investments Limited ("**Easymade**") as to 100,000,000 shares, and (iii) Prime Success Investments Limited ("**Prime Success**") as to 196,000,000 shares, all of which are wholly-owned subsidiaries of Shougang Holding (Hong Kong) Limited ("**Shougang**") as at 30 June 2009.
4. Benefit Rich, Easymade and Prime Success are wholly-owned subsidiaries of Shougang as at 30 June 2009. Accordingly, Shougang is deemed to have the same long position as Benefit Rich, Easymade and Prime Success under the SFO.
5. 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 2009, COL is 62.33% owned by Vigor Online Offshore Limited which in turn is a wholly-owned subsidiary of China Spirit Limited ("**China Spirit**") in which Ms. Chong Sok Un maintains 100% beneficial interest. COL is therefore deemed to have interests in the shares and underlying shares in which Sparkling Summer and Rise Cheer are interested.
6. This represents an interest in 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares held by Sparkling Summer. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK\$0.30 per share (subject to adjustments).
7. This represents the interests held by: (i) Sparkling Summer as to 40,560,000 shares and 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares, and (ii) Rise Cheer as to 598,120,000 shares.
8. This represents security interests held by: (i) Itso Limited ("**Itso**") as to 11,060,000 shares, and (ii) Sun Hung Kai Strategic Capital Limited ("**SHKSC**") as to 587,472,893 shares, both of which are indirect wholly-owned subsidiaries of Sun Hung Kai & Co. Limited ("**SHK**"). Accordingly, SHK is deemed to have the same long position as Itso and SHKSC under the SFO.
9. 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.

## Substantial Shareholders (Continued)

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

10. 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.
11. 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 44.54% interest in the issued share capital of AGL as at 30 June 2009. Accordingly, Lee and Lee Trust is deemed to have the same long position as AGL under the SFO.
12. 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 Itsco (as vendors) entered into three separate sale and purchase agreements ("**SP Agreements**") with three respective purchasers for the sale and purchase of an aggregate of 598,532,893 shares ("**Sale Shares**") of the Company. Pursuant to the SP Agreements, payment obligations of each of the purchasers were secured by a share charge ("**Share Charge(s)**") executed in favour of the relevant vendors.

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

Pursuant to one of the SP Agreements, SHKSC (as vendor) has sold and Kindstart Limited (as purchaser, the entire issued share capital of which is owned by Mr. Guo Qingming) has purchased 300,000,000 shares of the Company, representing approximately 5.33% of the issued share capital of the Company as at 30 June 2009, and payment obligation of Kindstart Limited was secured by a Share Charge executed in favour of SHKSC. Upon satisfaction of the payment obligation of Kindstart Limited under the related Share Charge, Kindstart Limited will become a substantial shareholder of the Company.

13. The entire issued share capital of Katong Assets Limited ("**Katong**") is owned by Mr. Lin Xu Ming. Mr. Lin is therefore deemed to have interests in the shares and underlying shares of the Company through his 100% interests in Katong.
14. This represents an interest in 1,000,000 units of warrants giving rise to an interest in 1,000,000 underlying shares. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK\$0.30 per share (subject to adjustments).

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 2009.

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

During the six months ended 30 June 2009, 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 2009, the Company has complied with the code provisions of The Code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 of the Listing Rules, except for the deviation in respect of the specific term of non-executive directors' appointment under the code provision A.4.1 of the CG Code.

## **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 2009. 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 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 2009.

By order of the Board

**Cao Zhong**

*Chairman*

Hong Kong, 21 September 2009