APAC RESOURCES

APAC Resources Limited
亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 1104

Interim Report 2011

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Lee Seng Hui
Mr. So Kwok Hoo
Mr. Liu Yongshun
Mr. Peter Anthony Curry

Independent Non-Executive Directors

Dr. Wong Wing Kuen, Albert
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks

AUDIT COMMITTEE

Dr. Wong Wing Kuen, Albert *(Chairman)*
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks
Mr. Lee Seng Hui

REMUNERATION COMMITTEE

Ms. Chong Sok Un *(Chairman)*
Mr. Lee Seng Hui
Dr. Wong Wing Kuen, Albert
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks

COMPANY SECRETARY

Ms. Chan Suk Mei

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Robertsons
P. C. Woo & Co
Conyers Dill & Pearman
Steinepreis Paganin
Addisons

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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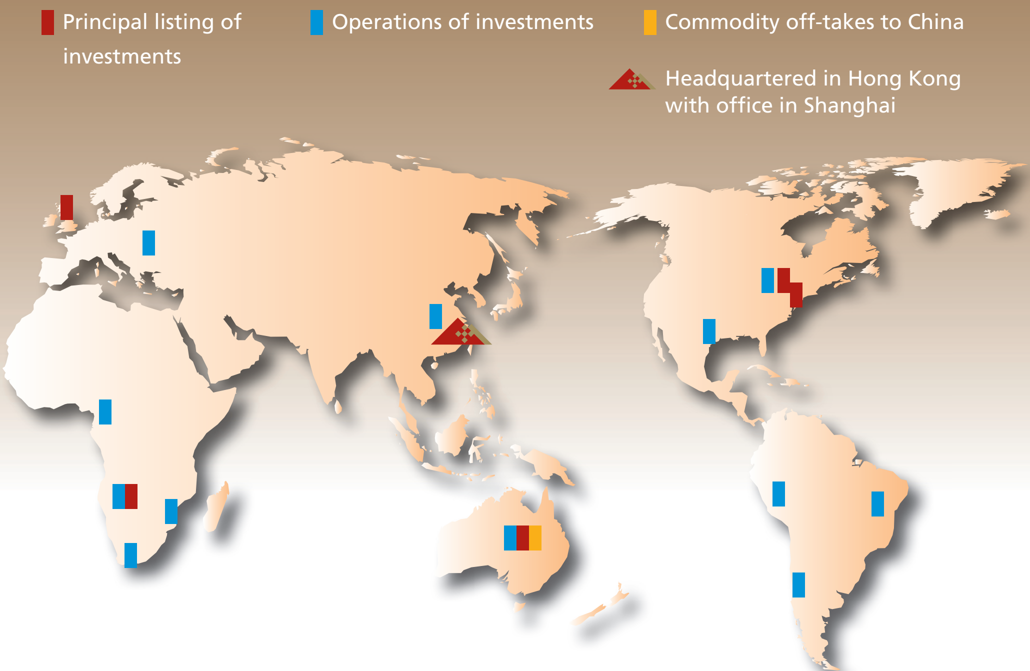
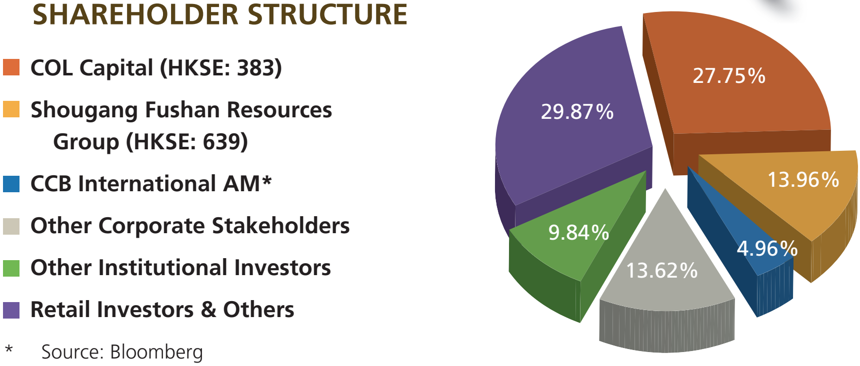
STOCK CODE

1104

About APAC Resources



SHAREHOLDER STRUCTURE



* Source: Bloomberg

Company	Code	% Held	Focus
Mount Gibson Iron Limited	MGX	26.46	Iron ore
Metals X Limited	MLX	29.99	Tin/Nickel
Kalahari Minerals plc#	KAH	13.35	Uranium

\# APAC has since disposed of its entire interest through on-market sales and the acceptance of the cash offer by CGNPC.

CEO Message

Dear Investor,

Despite a very challenging operating environment, I am pleased to be able to report to you a modest net profit of HK$12,298,000 for the six months ending 31 December 2011, down 98.7% on the prior corresponding period.

Since taking over as Chief Executive Officer of your company, there has been no shortage of drama in the world. In 2010, we witnessed a number of "green shoots" after the Global Financial Crisis, as monetary and fiscal easing by a number of developed economies supported a return to economic growth. However, this gave way to increased volatility in 2011, as investors rightly worried about the sustainability of a rebound given increasing levels of sovereign debt. We have seen China overtake Japan as the world's second largest economy and yet the Hang Seng Index, which should be a major beneficiary of China's continued economic growth, finished 2011 at 18,434, some 16% below where it started 2010 at 21,823.

In particular, the period under review was plagued by the potential default of certain European Economic Community members which, if happened, in my humble opinion, would have had a knock on effect greater than that witnessed when Lehman Brothers failed in 2008. We also witnessed Standard & Poor's downgrading the credit rating of the US from its AAA status and gold, a traditional measure of risk aversion, failing to live up to expectations and posting only a 4% gain for the second half of last year.

China has become the world's great marketplace and now consumes over half of the world's iron ore and coking coal, plus well over a third of global steel, aluminium, copper, and thermal coal output. The expression used to be "when the US sneezes, the rest of the world catches a cold" but, in the world of commodities, China is the now the main focus. The Chinese government's deliberate attempts to slow inflation, which peaked at 6.5% in July 2011, have also had a major impact on commodity prices. Whilst I do not expect Chinese growth to slow significantly for any prolonged period of time, it serves as a timely reminder that they cannot be expected to grow without the odd pause or two. The change in power in the fall will also be contributing to the lack of decisive policy at the top.

US economic data points have posted a number of months of positive surprises and this is finally translating into a fall in unemployment rates and a stabilisation of house prices. The success of North American unconventional shale plays and the cheap gas they provide to US industry is also a massive fillip and, I think, often underestimated by markets.

Mount Gibson had a difficult six months, with a number of senior management changes, and struggled to maintain production levels. As well as the regular seasonal weather issues, production was also impacted by third-party upgrades to the rail and port around Geraldton.

On a positive, however, Mount Gibson have a new independent board of directors who, for the first time since my joining your company, have shown a genuine determination to engage with all shareholders. They also declared their first dividend, which was gratefully received.

Mount Gibson's reported profit was A$121 million for the period, and exited the half with a cash position of A$421 million. Whilst the company has had its fair share of challenges, we take comfort in the strong balance sheet, robust margins, and renewed operational focus being implemented by the new management team.

During the half, the tin price fell from US$26,050 to US$19,200 per metric tonne and Metals X was impacted accordingly. The tin operations at Renison continue to be an ongoing tussle, in terms of moving the required number of tonnes at consistent good grades. Whilst we have had to be patient for the prerequisite development work and mining fleet upgrades to be completed, we remain fully confident in management's ability to get the mine operating to shareholders' satisfaction this year.

The continuing discussions surrounding the Wingellina Nickel deposit progress with various interested parties, and an outcome should also be expected at some point during this calendar year, which should drive value for your company.

The Commodity Business has continued to perform satisfactorily, despite a tricky and difficult operating environment. Chinese steel production, which had been averaging over 700 million tonnes per annum rate over the first three quarters, slumped to just 625 million tonnes per annum rate in the fourth quarter, with a corresponding impact on iron ore demand and pricing. Although profits for the Commodity Business dropped significantly due to a highly volatile market place, I remain supremely confident in our ability to make money in this space.

CEO Message

Kalahari Minerals, our largest single trading investment, finally concluded a deal with CGNPC at GBP2.4355 per share. This single investment returned HK$1.07 billion to the company's balance sheet, having created a profit of HK$268 million. Although the price did not fully reflect the true value we believed to be in the company and CGNPC's initial proposed bid at GBP2.90 per share, we are delighted with the result given the market's highly negative view on uranium post the Japanese earthquake and the very disturbing resource nationalism that is becoming a now all-too-familiar theme in resource rich countries. The fact that this company has been successfully sold during very difficult circumstances highlights our investment philosophy to back quality assets but also quality management. Without their input and tireless efforts during the sale period, I do not believe we would be in this position today.

We had recently taken a 19.99% stake in ABM Resources, an Australian gold explorer with a resource of circa 1.7 million ounces. This company has the potential to grow its resource base exponentially and provides us with huge potential upside and a valuable hedge against global inflation.

Despite my seeming doom and gloom, I remain positive on resources markets and the long-term structural growth that is underpinned by a further three billion people urbanising by the middle of this century. We have started the year with a positive mindset and this has, to date, been reflected in the performance of commodity and equity markets, as well as the APAC Resource Investment portfolio.

Even though no interim dividend has been declared, as a board, we are more than conscious that shareholders invest for returns and, quite rightly, expect some sort of reward after the successful realisation of our Kalahari investment. With this in mind, we have announced an on-market buyback of up to 5% of the issued capital of APAC and to reassess a potential dividend payment at financial year end.

As ever, I would like to thank you all for your continued faith and belief in APAC Resources.

Best Wishes,

Andrew Ferguson
Chief Executive Officer

FINANCIAL RESULTS

In a much more difficult economic environment, APAC Resources Limited ("**APAC**" or the "**Company**"), together with its subsidiaries (the "**Group**") reported a modest net profit after tax of HK$12,298,000 (2010: HK$961,065,000), with all three operating divisions registering significantly weaker results.

PRIMARY STRATEGIC INVESTMENT

APAC's two Primary Strategic Investments remain a circa 26% interest in Mount Gibson Iron Limited ("**Mount Gibson**") and 30% interest in Metals X Limited ("**Metals X**"), both with their core assets and listing in Australia. Both holdings have increased slightly, due to on-market buying of Mount Gibson towards the end of the half and the ongoing share buyback by Metals X. The attributable profit from our Primary Strategic Investments for the period was HK$211,007,000 (2010: HK$362,516,000), down 42% period on period, mainly due to the outsized currency impact in the previous period.

Mount Gibson

Mount Gibson is a leading West Australian "pure-play" hematite iron ore producer listed on the Australian Stock Exchange ("**ASX**"). The company has three mines in production with annual capacity of 10 million tonnes per annum of Direct Ship Ore. JORC reserves are 52 million tonnes at 62.5% iron, within a resource base of 103 million tonnes at 61.6% iron. As well as optimising the existing asset base, the company has a strategy of growth via sensible acquisition, and is targeting iron ore projects, as well as coking coal and copper, that are longer life, lower cost and have larger production potential than the existing asset portfolio.

Operationally, Mount Gibson reported production of 3.55 million tonnes and sales of 2.84 million tonnes, which underpinned a strong first half net profit of A$121 million, a maiden A$0.02 per share interim dividend, and a healthy cash position of A$421 million, up from A$387 million in June 2011. The company also achieved a number of significant milestones during the period. These included the completion of the sea wall at Koolan Island and recommencement of mining in the Main Pit, first shipments from the new Extension Hill mine, and ongoing upgrade work to Geraldton port infrastructure to enable loading up to 6 million tonnes of iron ore per year from the Midwest operations. Iron ore prices have stabilised in a range of US$130 to US$150 per dry metric tonne after the collapse in prices in October 2011. Looking forward, the continuing expansion tie-ins will likely constrain sales in the first half of 2012 and the company continues to await details of the proposed Minerals Resource Rent Tax (MRRT) which is currently before the Australian Parliament.

The company is going through a significant renewal programme following the departure of Managing Director, Mr. Luke Tonkin in December 2011 plus a number of outgoing directors. A new Chairman, Mr. Geoffrey Hill, has been appointed, as well as three new independent directors, Mr. Russell Barwick, Mr. Paul Dougas and Mr. Simon Bird, with strong industry and international finance experience. New Chief Operating Officer, Mr. Jim Beyer, is acting in the position of Chief Executive Officer while the board considers options for a permanent appointment.

Metals X

Metals X is an Australian-based emerging diversified resource group with a primary focus on tin, via its 50% interest in the producing Renison mine in Tasmania, and nickel, via its world scale Wingellina development project. The company also boasts a portfolio of strategic investments in other commodities, including copper, gold, nickel, zinc and bauxite. Current holdings are Independence Group, Westgold, Mongolian Resource Corporation and Aziana.

The Renison mine produced 2,437 tonnes of tin in concentrate (100% basis) during the half, which was lower than expectations due to delayed access to high grade stopes. Low production was compounded by lower tin prices, which averaged US$22,800 per metric tonne in the half after peaking at US$33,600 per metric tonne earlier in the year, however, the mine was still EBITDA positive in both quarters. Operations are expected to show significant improvement this calendar year, based on investments in mining fleet upgrades, additional flexibility as new mining areas are opened up and mine throughput is increased, and higher grades including first ore from the high grade Area 4 deposit in April 2011. Additionally, the tin price has also rebounded strongly and is currently around US$25,000 per metric tonne, though somewhat offset by the stronger Australian Dollar.

Metals X continues to progress Wingellina to a development-ready scenario including bore field water studies and advancing discussions with several international entities for funding and development. The previously announced deal, to swap Jinchuan's 13% shareholding in Metals X into a direct 20% interest in Wingellina, was dropped after Chinese regulatory approvals were not forthcoming.

The company has purchased approximately 44 million shares under the current buyback. The company remains strongly capitalised with cash of A$75 million (including working capital), circa A$53 million in investments, and no corporate debt.

RESOURCE INVESTMENT

The Resource Investment portfolio is dominated by the Kalahari Minerals plc ("**Kalahari**") position, with the remaining investments comprising holdings in various emerging natural resource companies. The vast majority are listed on the major stock exchanges in Australia, Canada, Hong Kong, the United Kingdom and the United States, but a handful of investments are unlisted.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period, this division reported a loss of HK$148,080,000 (2010 profit: HK$459,685,000), which was an unsatisfactory reversal from the strong result a year prior. The main driver of this weak performance was the dramatic sell-off in equity markets globally, with major fears about European sovereign debt issues and a potential slowdown in Chinese growth. During the half, the S&P 500 performed relatively well, only off 5%, while the Euro Stoxx 50 plunged 19% and the Hang Seng Index dropped 18%. Resources stocks, being a very cyclical industry, fared even worse, with the HSBC Global Mining Index down 25%. Shares in many junior exploration and development companies, where APAC has a number of positions, were hit extremely hard as investors pushed down prices to find liquidity.

While disappointing, we remain confident in the quality of our investments and have seen good rebounds in the share prices of many of the holdings so far in 2012.

Kalahari

Kalahari's key investment is its 42.7% interest in ASX-listed Extract Resources, which owns 100% of the world class Husab Uranium Project in Namibia. With over 500 million pounds in JORC resources, Husab is targeting annual production of 15 million pounds, which would make it one of the three largest uranium mines in the world. The project benefits from straightforward open pit mining and a proven process flow sheet, with scope for further upside through the Mine Optimisation and Resource Extension programme and exploration for additional high grade mineralisation.

During the period, Extract Resources continued to make substantial progress on moving Husab into production. Significant announcements included the award of a Mining Licence by the Ministry of Mines and Energy and increasing JORC reserves to 320 million pounds at improved grade and stripping ratios.

Discussions recommenced with China Guangdong Nuclear Power Holding Corporation ("**CGNPC**") late in the half regarding a potential takeover offer for Kalahari, following two aborted bids during the first half of 2011. These resulted in a recommended cash bid by CGNPC at GBP2.4355 per share in December 2011, which valued Kalahari at GBP632 million. The offer was subsequently declared unconditional on 3 February 2012 when CGNPC announced acceptances had reached 89.5%.

Following the nuclear disaster at the Fukushima Dai-ichi plant in March 2011, investor sentiment towards the uranium sector continued to be very weak. Shares in the world's largest uranium producer, Cameco Corp, for example, traded off 28%, while uranium prices were modestly softer, with spot prices range bound between US$50 and US$55 per pound and term prices weakening from US$68 to US$62 per pound. CGNPC's takeover offer for Kalahari validates APAC's policy of focusing on world class assets which have strong economics and substantial strategic value under a variety of bull and bear case scenarios. APAC accepted the CGNPC offer for its holding subsequent to the period and, with proceeds of circa HK$990 million now received from CGNPC plus HK$83 million from on-market sales, realised a substantial profit of HK$268 million on the investment overall.

COMMODITY BUSINESS

The Commodity Business is currently based on two long-term offtake agreements with Mount Gibson, for iron ore from their Koolan Island and Tallering Peak mines. These shipments are sold to small and mid-sized steelmills and traders in China. Additional offtake opportunities in iron ore, as well as other commodities, are continuously being assessed.

For the half year, the division posted a profit of HK$3,310,000 (2010: HK$46,154,000). This drop in profit was very disappointing after a series of strong results in previous half year period. The main driver was the collapse in iron ore prices in October 2011, with the Platts 62% index falling from US$171 to US$118 per dry metric tonne within a month, which caused Chinese steelmills to defer spot iron ore purchases. Consequently, we were unable to sell an October lump shipment and were forced to warehouse the cargo until a buyer could be found at a suitable price around US$140 per dry metric tonne, which occurred in January 2012 and consequently eroded much of the accumulated profits for the period. This business has a policy of not speculating on the direction of iron ore prices and aims to sell cargos as and when they become available, however, this was simply not possible in this instance. While an exceptional case, management has taken steps to mitigate the possibility of a similar loss going forward and APAC is in the process of setting up facilities that will allow us to fix the price of a cargo in the paper market, where a physical sale is not possible.

During the half, APAC increased its share of Koolan Island offtake after Mount Gibson could not agree to revised offtake agreements with CITIC and Marubeni. However, we were unable to reach agreement with Mount Gibson on commercial terms for the sale and purchase of 20% of life of mine production from their Extension Hill hematite iron ore mine.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2011, our non-current assets amounted to HK$3,970,967,000 (As at 30 June 2011: HK$3,889,336,000) and net current assets amounted to HK$1,288,230,000 (As at 30 June 2011: HK$1,509,264,000) with a current ratio of 2.9 times (As at 30 June 2011: 3.1 times) calculated on the basis of its current assets over current liabilities.

As at 31 December 2011, we had borrowings of HK$646,016,000 (As at 30 June 2011: HK$689,530,000) and had undrawn banking and loan facilities amounting to HK$351,416,000 secured against certain of our interests in listed associates and available-for-sale investments, term deposits and corporate guarantee of the Company. As at 31 December 2011, we had a gearing ratio of 0.12 (As at 30 June 2011: 0.13), calculated on the basis of total borrowings over equity attributable to owners of the Company.

Foreign Exchange Exposure

For the period under review, the Group's assets were mainly denominated in Australian Dollars, British Pounds 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 Dollars and the British Pounds denominated assets.

Pledge of Assets

As at 31 December 2011, certain of the Group's interests in listed associates and available-for-sale investments of HK$2,248,052,000 (As at 30 June 2011: HK$2,744,285,000) were pledged to a stock-broking firm to secure against securities margin loan facilities made available to the Group. The Group's bank deposits of HK$345,783,000 (As at 30 June 2011: HK$339,158,000) were pledged to banks to secure various trade and 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. All employees are entitled to participate in the Company's benefit plans including medical insurance, share options scheme and Mandatory Provident Fund Scheme (subject to the applicable laws and regulations of the PRC for its employees in the PRC).

As at 31 December 2011, the Group, including its subsidiaries but excluding associates, had 21 (As at 31 December 2010: 21) employees. Total remuneration together with pension contributions incurred for the six months ended 31 December 2011 amounted to HK$14,687,000 (2010: HK$26,362,000).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, during the six months ended 31 December 2011, the Group had not held any significant investments nor made any material acquisitions or disposals of subsidiaries or associated companies. Save as disclosed in this report, as at 31 December 2011, the Group does not have plan for any other material investments or acquisition of material capital assets.

CAPITAL COMMITMENTS

As at 31 December 2011, the Group had no material capital commitments contracted but not provided for (2010: Nil).

CONTINGENT LIABILITIES

As at the date of this report and as at 31 December 2011, the board of directors of the Company (the "**Board**") is not aware of any material contingent liabilities.

SUBSEQUENT EVENT

After the end of the interim period, the Group disposed of all its shares in Kalahari. Full details of this are set out in note 22 to the condensed consolidated financial statements.

INTERIM DIVIDEND

For the six months ended 31 December 2011, the Board has resolved not to declare an interim dividend (2010: Nil). However, it was resolved to reassess the potential dividend payment at year end. This would obviously take into consideration overall market conditions, sustainability, financial performance and the dividend flow from the Company's Primary Strategic Investments.

SHARE BUYBACK PROGRAMME

The Board announces its intention to commence a share buyback programme to purchase up to 5% of the issued share capital of the Company as at the date of this report. The buyback will be made pursuant to the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 28 September 2011. The implementation of the buyback will depend on the market conditions and only proceed in circumstances where the Board considers it to be in the best interests of the Company and its shareholders as a whole.

FORWARD LOOKING OBSERVATIONS

Equity and commodity markets have started 2012 positively, driven by a number of factors: valuations are relatively attractive after the large sell-offs in the second half of 2011, there is substantially greater liquidity including the ECB's Long Term Refinancing Operations, likely to be followed by QE3 in the United States, as well as falling inflation expectations in China, which could lead to policy easing later in the year.

A Greek debt default has been avoided for now, but other European sovereigns need to refinance in coming months and a number of European nations could slip into recession this year. Economic data in the United States has been surprising to the upside, while leading economic indicators indicate that growth in Asia may be bottoming in the first quarter. This could lead to improved demand for commodities in the short-term, particularly as China enters its normal restocking period post Chinese New Year. A key data point to watch will be Chinese steel production which, at the time of writing, remains at depressed levels.

In Resource Investment, we have been deploying some of the Kalahari proceeds, but will generally remain patient in order to find the right investments at the right valuations. We expect the Commodity Business to report a better half after the challenges of last October, and continue to seek new offtake opportunities but it is a competitive market with industry giants like Glencore aggressively bidding for contracts and building market share. In terms of our Primary Strategic Investment, we look forward to continued management and board renewal at Mount Gibson, although sales could remain constrained until the first half of 2012 given Geraldton tie-ins and cyclone season in the north. We expect Metals X should post improved financial results given a strong rebound in tin prices and access to higher grade ore at Renison.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2011

	Notes	Six months ended 31.12.2011 HK$'000 (unaudited)	31.12.2010 HK$'000 (unaudited)
Revenue from sales of goods	3	**680,524**	470,480
Cost of sales		**(674,835)**	(419,782)
		5,689	50,698
Other gains and losses	4	**(153,896)**	617,386
Other income	5	**5,642**	3,275
Administrative expenses			
— General administrative expenses		**(22,793)**	(18,981)
— Equity-settled share option expenses		**(14,747)**	(39,979)
Finance costs	6	**(16,188)**	(1,515)
Share of results of associates		**211,007**	362,516
Profit before taxation	7	**14,714**	973,400
Income tax expenses	8	**(2,416)**	(12,335)
Profit for the period attributable to owners of the Company		**12,298**	961,065
Earnings per share (expressed in HK cents)	10		
— Basic and diluted		**0.18**	13.89

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2011

	Six months ended	
	31.12.2011	31.12.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**12,298**	961,065
Other comprehensive (expense) income, net of tax		
Exchange difference arising from translation of associates	**(165,790)**	396,032
Exchange difference arising from translation of other foreign operations	**6,916**	8,255
Fair value change of available-for-sale investments	**(10,912)**	71,235
Impairment loss on available-for-sale investments	**10,912**	—
Reclassification adjustment of cumulative gain upon partial disposal of investment in an associate	**(311)**	(5,017)
Share of other comprehensive (expense) income of associates	**(2,581)**	64,873
	(161,766)	535,378
Total comprehensive (expense) income for the period attributable to owners of the Company	**(149,468)**	1,496,443

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	**31.12.2011 HK$'000 (unaudited)**	30.6.2011 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	**1,888**	1,370
Interests in associates	12	**3,887,715**	3,835,439
Available-for-sale investments	13	**81,364**	52,527
		3,970,967	3,889,336
Current assets			
Inventories	14	**64,686**	—
Trade and other receivables and loan receivable	15	**75,783**	54,641
Investments held for trading	16	**1,297,103**	1,440,946
Pledged bank deposits		**345,783**	339,158
Bank balances and cash		**168,770**	384,090
		1,952,125	2,218,835
Total assets		**5,923,092**	6,108,171
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	**684,905**	686,329
Reserves		**3,372,613**	3,554,350
Accumulated profits		**1,201,679**	1,157,921
		5,259,197	5,398,600
Current liabilities			
Trade and other payables	17	**13,343**	6,773
Borrowings		**646,016**	689,530
Tax payable		**4,536**	13,268
		663,895	709,571
Total equity and liabilities		**5,923,092**	6,108,171
Net current assets		**1,288,230**	1,509,264
Total assets less current liabilities		**5,259,197**	5,398,600

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2011

	Attributable to the owners of the Company								
	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	**Capital redemption reserve** HK$'000	**Accumulated (losses) profits** HK$'000	**Total** HK$'000
At 1 July 2010 (unaudited)	692,213	2,803,992	(14,980)	72,706	139,114	68,428	—	(223,310)	3,538,163
Profit for the period	—	—	—	—	—	—	—	961,065	961,065
Other comprehensive income for the period	—	—	—	134,735	400,643	—	—	—	535,378
Total comprehensive income for the period	—	—	—	134,735	400,643	—	—	961,065	1,496,443
Cancellation of shares repurchased	(1,156)	(4,720)	—	—	—	—	1,156	(1,156)	(5,876)
Equity-settled share option expenses	—	—	—	—	—	39,979	—	—	39,979
Lapse of equity-settled share options	—	—	—	—	—	(68,428)	—	68,428	—
At 31 December 2010 (unaudited)	691,057	2,799,272	(14,980)	207,441	539,757	39,979	1,156	805,027	5,068,709
At 1 July 2011 (audited)	**686,329**	**2,782,143**	**(14,980)**	**26,728**	**693,045**	**61,530**	**5,884**	**1,157,921**	**5,398,600**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**12,298**	**12,298**
Other comprehensive expense for the period	**—**	**—**	**—**	**(2,561)**	**(159,205)**	**—**	**—**	**—**	**(161,766)**
Total comprehensive (expense) income for the period	**—**	**—**	**—**	**(2,561)**	**(159,205)**	**—**	**—**	**12,298**	**(149,468)**
Cancellation of shares repurchased	**(1,424)**	**(3,258)**	**—**	**—**	**—**	**—**	**1,424**	**(1,424)**	**(4,682)**
Equity-settled share option expenses	**—**	**—**	**—**	**—**	**—**	**14,747**	**—**	**—**	**14,747**
Lapse of equity-settled share options	**—**	**—**	**—**	**—**	**—**	**(32,884)**	**—**	**32,884**	**—**
At 31 December 2011 (unaudited)	**684,905**	**2,778,885**	**(14,980)**	**24,167**	**533,840**	**43,393**	**7,308**	**1,201,679**	**5,259,197**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2011

	Six months ended	
	31.12.2011	31.12.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(109,685)**	(408,413)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(850)**	(6)
Purchase of available-for-sale investment	**(39,749)**	—
Additional interests in associates	**(107,106)**	(18,249)
Redemption in pledged bank deposits	**—**	9,950
Proceeds from partial disposal of interest in an associate	**3,082**	110,992
Dividend received from an associate	**90,944**	—
Interest received	**5,512**	2,711
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(48,167)**	105,398
FINANCING ACTIVITIES		
Payments on repurchase of shares	**(4,682)**	(5,876)
Interest paid	**(16,188)**	(1,515)
New borrowings raised	**59,859**	156,382
Repayments of borrowings	**(103,373)**	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(64,384)**	148,991
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(222,236)**	(154,024)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	**6,916**	8,344
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**384,090**	556,942
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**168,770**	411,262

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2011

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and 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 Company changed its financial year end date from 31 December to 30 June in the last financial period. Accordingly, the financial period under review covers the period from 1 July 2011 to 31 December 2011. The corresponding interim period, which cover the period from 1 July 2010 to 31 December 2010, for the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes are presented as the comparative information.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2011 are the same as those followed in the preparation of the Group's consolidated financial statements for the eighteen months ended 30 June 2011.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 July 2011.

2. Principal Accounting Policies (Continued)

HKAS 24 (Revised 2009)	Related party disclosures
HKAS 32 (Amendments)	Classification of rights issues
HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 7 (Amendments)	Disclosures — Transfer of financial assets
HK(IFRIC)-INT 14 (Amendments)	Prepayments of a minimum funding requirement
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments

The application of the new or revised standards, amendments and interpretation in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements.

The Group has not early applied new or revised standards, amendments or interpretations that have been issued but are not yet effective. The following new or revised standards and interpretations have been issued after the date the consolidated financial statements for the eighteen months ended 30 June 2011 were authorised for issuance and are not yet effective:

Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities[1]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[3]
HK(IFRIC)-INT 20	Stripping costs in the production phase of a surface mine[1]

1 *Effective for annual periods beginning on or after 1 January 2013.*

2 *Effective for annual periods beginning on or after 1 January 2015.*

3 *Effective for annual periods beginning on or after 1 January 2014.*

2. Principal Accounting Policies (Continued)

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures — Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required. Based on the Group's financial assets and financial liabilities as at 31 December 2011, in the opinion of the Directors of the Company, the application of these amendments is not expected to have material impact to the presentation and disclosures of financial information of the Group.

HK(IFRIC)-INT 20 Stripping costs in the production phase of a surface mine

HK(IFRIC)-INT 20 "Stripping costs in the production phase of a surface mine" applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the Interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with HKAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

2. Principal Accounting Policies (Continued)

HK(IFRIC)-INT 20 Stripping costs in the production phase of a surface mine (Continued)

HK(IFRIC)-INT 20 is effective for annual periods beginning on or after 1 January 2013 with transitional provisions. The Directors of the Company anticipate that the Interpretation will be applied in the Group's associates' consolidated financial statements for the annual period beginning 1 July 2013. In the opinion of the Directors of the Company, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Other than disclosed in the consolidated financial statements for eighteen months ended 30 June 2011 and as above, the Directors of the Company anticipate that the application of the new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

Segment information is presented based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance. The Group's reportable segments under HKFRS 8 are therefore as follows:

(i) Commodity business (trading of commodities); and

(ii) Resource investment (trading of and investment in listed and unlisted securities)

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, reversal of impairment loss on interest in an associate, deemed loss on partial disposal of interest in an associate, gain on disposal of interest in an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Information regarding the Group's reportable segments is presented below.

3. Segment Information (Continued)

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

Six months ended 31 December 2011

	Commodity business HK$'000	Resource investment HK$'000	Total HK$'000
Revenue	680,524	—	680,524
Gross sales proceeds from resource investment	—	144,947	144,947
Segment profit (loss)	3,310	(148,080)	(144,770)
Share of results of associates			211,007
Deemed loss on partial disposal of interest in an associate			(3,941)
Gain on partial disposal of interest in an associate			812
Unallocated corporate income			50
Unallocated corporate expenses			(32,256)
Finance costs			(16,188)
Profit before taxation			14,714

3. Segment Information (Continued)

Six months ended 31 December 2010

	Commodity business HK$'000	Resource investment HK$'000	Total HK$'000
Revenue	470,480	—	470,480
Gross sales proceeds from resource investment	—	82,942	82,942
Segment profit	46,154	459,685	505,839
Share of results of associates			362,516
Reversal of impairment loss on interest in an associate			109,592
Deemed loss on partial disposal of interest in an associate			(1,434)
Gain on partial disposal of interest in an associate			50,183
Unallocated corporate income			1,894
Unallocated corporate expenses			(53,675)
Finance costs			(1,515)
Profit before taxation			973,400

Revenue reported above represents revenue generated from external customers. There were no intersegment sales during the current period and prior period.

3. Segment Information (Continued)

The following is an analysis of the Group's assets by reportable segments:

	31.12.2011 HK$'000 (unaudited)	30.6.2011 HK$'000 (audited)
Commodity business	**508,111**	656,271
Resource investment	**1,470,390**	1,553,930
Total segment assets	**1,978,501**	2,210,201
Interests in associates	**3,887,715**	3,835,439
Unallocated	**56,876**	62,531
Consolidated assets	**5,923,092**	6,108,171

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than interests in associates, property, plant and equipment, other receivables and certain bank balances and cash.

4. Other Gains and Losses

	Six months ended	
	31.12.2011	31.12.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Change in fair value of investments held for trading	**(131,865)**	449,181
Deemed loss on partial disposal of interest in an associate	**(3,941)**	(1,434)
Gain on partial disposal of interest in an associate	**812**	50,183
Impairment loss on available-for-sale investments	**(10,912)**	—
Reversal of impairment loss on interest in an associate	**—**	109,592
Net foreign exchange (loss) gain	**(7,990)**	9,864
	(153,896)	617,386

5. Other Income

	Six months ended	
	31.12.2011	31.12.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Dividend income from investments held for trading	**130**	564
Interest income from bank deposits	**5,136**	2,711
Others	**376**	—
	5,642	3,275

6. Finance Costs

	Six months ended 31.12.2011 HK$'000 (unaudited)	31.12.2010 HK$'000 (unaudited)
Interest on borrowing wholly repayable within five years:		
— Bank borrowings	**2,009**	1,307
— Securities margin financing	**14,179**	208
	16,188	1,515

7. Profit Before Taxation

	Six months ended 31.12.2011 HK$'000 (unaudited)	31.12.2010 HK$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Staff costs, including directors' emoluments		
— salaries and allowances	**9,191**	6,951
— equity-settled share option expenses (included in administrative expenses)	**14,747**	39,979
— staff quarter	**390**	640
— retirement benefits schemes contributions	**108**	352
Total staff costs	**24,436**	47,922
Depreciation of property, plant and equipment	**332**	291
Write-down of inventories	**21,945**	—

8. Income Tax Expenses

	Six months ended	
	31.12.2011	31.12.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**1,040**	11,693
Enterprise Income Tax in the People's Republic of China (the "**PRC**")	**1,376**	642
	2,416	12,335

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

Enterprise Income Tax in the PRC is calculated at 25% of estimated assessable profit for both periods.

9. Dividends

No dividends were paid, declared or proposed during the reporting period. The directors of the Company do not recommend the payment of an interim dividend.

10. Earnings Per Share

The calculation of basic and diluted earnings per share is based on the profit attributable to owners of the Company of HK$12,298,000 (six months ended 31 December 2010: HK$961,065,000) and weighted average number of 6,858,486,023 (six months ended 31 December 2010: 6,920,681,214) ordinary shares in issue during the six months ended 31 December 2011.

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 for both periods.

11. Movements in Property, Plant and Equipment

There was no material addition in property, plant and equipment noted for the six months ended 31 December 2011.

12. Interests in Associates

	31.12.2011	30.6.2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Cost of investment in associates		
Listed in Australia	**2,187,816**	2,082,850
Unlisted	**22,716**	22,716
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,677,183**	1,729,873
	3,887,715	3,835,439
Fair value of listed investments	**3,269,554**	5,102,095

At 31 December 2011, the carrying amount of the Group's interests in listed associates was more than their fair value. The management of the Group carried out impairment review on the entire carrying amount of its interests in listed associates as a single asset of each associate by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its respective carrying amount. In determining the value in use of the investments, the Group estimated the present value of the estimated future cash flows expected to arise from the operations of the investments and from the ultimate disposal, by using 11% to 13% to discount the cash flow projections to net present values. Based on the assessments, the recoverable amount of the Group's interests in listed associates exceeded their entire carrying amount. Hence, no impairment against the Group's interests in the listed associates is considered necessary.

12. Interests in Associates (Continued)

During the six months ended 31 December 2011, the Group acquired additional 10,982,990 shares at an aggregate consideration of approximately HK$106,273,000 with an increase in equity interest in Mount Gibson Iron Limited by 1.00% and acquired additional 500,000 shares at an aggregate consideration of approximately HK$833,000 with an increase in equity interest in Metals X Limited by 0.04%. At 31 December 2011, the Group's equity interests in Mount Gibson Iron Limited and Metals X Limited were 26.46% and 29.99% respectively.

13. Available-For-Sale Investments

	31.12.2011 **HK$'000** **(unaudited)**	30.06.2011 HK$'000 (audited)
Listed investments:		
— Equity securities listed in Hong Kong	**6,059**	14,309
— Equity securities listed in Australia	**30,450**	33,112
	36,509	47,421
Unlisted investments:		
— Unlisted equity securities	**44,855**	5,106
	81,364	52,527

The unlisted investments represent investments in unlisted equity securities issued by private entities. Due to the range of reasonable fair value estimates is so wide that the directors of the Company are of the opinion that fair values cannot be measured reliably, hence the investments are measured at cost less impairment at the end of the reporting period.

14. Inventories

	31.12.2011	30.6.2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Iron ore held for trading	**64,686**	—

15. Trade and Other Receivables and Loan Receivable

The Group allows an average credit period of 90 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	31.12.2011	30.6.2011
	HK$'000	HK$'000
	(unaudited)	(audited)
0 to 90 days	**14,787**	1,828

The trade receivables disclosed above are neither past due nor impaired at the end of the reporting period.

At 31 December 2011 and 30 June 2011, there was a loan receivable of HK$42,296,000 in the form of a shareholder's loan to an unlisted company (the "**Borrower**"), which was one of the Group's available-for-sale investments. The loan receivable had no fixed repayment terms and was expected to be repaid within the six months (30 June 2011: twelve months) from the end of the reporting period and interest bearing at market rate. Taking into the consideration of the financial information of the Borrower, the management was of the view that the loan was recoverable and no impairment loss was required to be recognised.

16. Investments Held for Trading

	31.12.2011 HK$'000 (unaudited)	30.6.2011 HK$'000 (audited)
Listed securities:		
— Equity securities listed in the United Kingdom	**999,138**	1,082,368
— Equity securities listed in the United States of America	**3,260**	4,967
— Equity securities listed in Australia	**226,616**	260,167
— Equity securities listed in Canada	**68,089**	93,444
	1,297,103	1,440,946

17. Trade and Other Payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of reporting period:

	31.12.2011 HK$'000 (unaudited)	30.6.2011 HK$'000 (audited)
0 to 90 days	**10,786**	4,144

18. Share Capital

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.10 each		
Authorised	20,000,000,000	2,000,000
Issued and fully paid		
At 1 July 2010	6,922,127,990	692,213
Cancellation of shares repurchased	(11,560,000)	(1,156)
At 31 December 2010	6,910,567,990	691,057
Cancellation of shares repurchased	(47,280,000)	(4,728)
At 1 July 2011	6,863,287,990	686,329
Cancellation of shares repurchased	(14,240,000)	(1,424)
At 31 December 2011	6,849,047,990	684,905

18. Share Capital (Continued)

The Company repurchased its own shares through The Stock Exchange of Hong Kong Limited, and cancelled ordinary shares during the six months ended 31 December 2011 as follows:

Month of cancellation	Number of ordinary share of HK$0.10 each	Price per share Highest	Price per share Lowest	Aggregate amount paid
		HK$	HK$	HK$'000
July 2011	3,000,000	0.400	0.400	1,204
November 2011	8,540,000	0.315	0.295	2,596
December 2011	2,700,000	0.330	0.320	882
	14,240,000			4,682

The repurchased shares were cancelled during the period and the issued share capital of the Company was reduced by the nominal value thereof.

19. Commitments

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

	31.12.2011 **HK$'000** **(unaudited)**	30.6.2011 HK$'000 (audited)
Within one year	**2,996**	1,434
After one year but within five years	**1,958**	12
	4,954	1,446

Leases are negotiated for the terms between six months to five years.

Apart from the above, the Group did not have any significant commitments as at the end of the reporting period.

20. Related Party Transactions

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

	Six months ended	
	31.12.2011 **HK$'000** **(unaudited)**	31.12.2010 HK$'000 (unaudited)
Purchases from Mount Gibson Mining Limited and Koolan Iron Ore Pty Ltd *(note)*	**676,476**	358,412

Note: Both companies are subsidiaries of Mount Gibson Iron Limited, an associate of the Company.

20. Related Party Transactions (Continued)

(b) Compensation of key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	Six months ended	
	31.12.2011	31.12.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term employee benefits	**3,380**	3,499
Post-employment benefits	**12**	12
Equity-settled share option expenses	**9,985**	29,629
	13,377	33,140

21. Pledged of Assets

At the end of the reporting period, the following assets of the Group were pledged to banks and securities brokers to secure credit facilities.

	31.12.2011	30.6.2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Interests in associates	**2,217,600**	2,711,173
Available-for-sale investments	**30,452**	33,112
Pledged bank deposits	**345,783**	339,158
	2,593,835	3,083,443

22. Event after the End of the Interim Period

On 10 January 2012, APAC Resources Capital Limited ("**APAC Resources Capital**"), a wholly owned subsidiary of the Company had fully accepted the conditional cash offer for the entire issued share capital of Kalahari Minerals plc ("**Kalahari**") by China Guangdong Nuclear Power Holding Corporation through CGNPC Uranium Resources Co., Ltd. (the "**Offer**"), an independent third party, in respect of all the shares in Kalahari owned by APAC Resources Capital. As at 31 December 2011, the Kalahari shares were classified as held for trading and measured at fair value. The Offer was subsequently declared unconditional and the consideration of GBP81,505,145 (equivalent to approximately HK$990,288,000) was received by APAC Resources Capital on 16 February 2012. Further details of this are set out in the voluntary announcements of the Company dated 12 January 2012 and 16 February 2012.

Deloitte.
德勤

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 16 to 39 which comprises the condensed consolidated statement of financial position of APAC Resources Limited (the "**Company**") and its subsidiaries as of 31 December 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") 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.

INDEPENDENT REVIEW REPORT (Continued)

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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 February 2012

OTHER INFORMATION

Directors' interests in shares, underlying shares and debentures

As at 31 December 2011, the interests and short positions held by the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, the "**SFO**") as recorded in the register required to be kept by the Company under section 352 of the SFO or as 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 (the "**Model Code**") as set out in Appendix 10 to 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

		Number of shares/underlying shares held			
Name of Director	**Capacity in which interests are held**	**Interests in shares**	**Interests under equity derivatives** *(Note 2)*	**Total interests**	**Approximate percentage of shareholding** *(Note 1)*
Ms. Chong Sok Un	Beneficial owner and interest of controlled corporations	1,900,939,562 *(Note 3)*	97,500,000	1,998,439,562	29.18%
Mr. Andrew Ferguson	Beneficial owner	25,000,000	162,500,000	187,500,000	2.74%
Mr. Kong Muk Yin	Beneficial owner	—	10,000,000	10,000,000	0.15%
Mr. Yue Jialin	Beneficial owner	—	2,000,000	2,000,000	0.03%
Mr. So Kwok Hoo	Beneficial owner	—	2,000,000	2,000,000	0.03%
Mr. Liu Yongshun	Beneficial owner	—	2,000,000	2,000,000	0.03%
Mr. Peter Anthony Curry	Beneficial owner	—	39,000,000	39,000,000	0.57%
Dr. Wong Wing Kuen, Albert	Beneficial owner	—	2,000,000	2,000,000	0.03%
Mr. Chang Chu Fai, Johnson Francis	Beneficial owner	—	2,000,000	2,000,000	0.03%
Mr. Robert Moyse Willcocks	Beneficial owner	—	2,000,000	2,000,000	0.03%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 6,849,047,990 shares as at 31 December 2011.

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 the section headed "SHARE OPTION SCHEME".

3. These shares are held by (i) Rise Cheer Investments Limited ("**Rise Cheer**") as to 1,124,640,000 shares and (ii) Taskwell Limited ("**Taskwell**") as to 776,299,562 shares, both are wholly-owned subsidiaries of Besford International Limited ("**Besford**"). Besford is a wholly-owned subsidiary of COL Capital Limited ("**COL**"). Accordingly, COL is deemed to have interests in the shares in which Rise Cheer and Taskwell are interested. As at 31 December 2011, COL was 71.22% 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. Therefore, Ms. Chong Sok Un is deemed to have interests in the shares in which COL is interested through her 100% interests in China Spirit.

Save as disclosed above, as at 31 December 2011, none of the directors or chief executive of the Company had any 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.

SHARE OPTION SCHEME

Pursuant to the Scheme, the Board may grant options to eligible persons, including directors, eligible employees and consultants of the Company and its subsidiaries, as incentives to those persons to subscribe for shares in the Company. The Scheme expires on 21 September 2014.

During the six months ended 31 December 2011, no share option was granted and exercised under the Scheme. As at 31 December 2011, 374,000,000 share options were outstanding. Details of the share options movement during the six months ended 31 December 2011 are as follows:

Grantee	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 July 2011	Number of share options lapsed during the period	Number of share options granted during the period	Outstanding as at 31 December 2011	*Note*
Directors								
Ms. Chong Sok Un	29 June 2010	7 July 2010 to 6 July 2013	1.00	52,500,000	(52,500,000)	—	—	(a)(i)(1)
	29 June 2010	7 July 2011 to 6 July 2013	1.00	52,500,000	—	—	52,500,000	(a)(i)(2)
	29 June 2010	7 July 2012 to 6 July 2013	1.00	45,000,000	—	—	45,000,000	(a)(i)(3)
Mr. Andrew Ferguson	29 June 2010	7 July 2010 to 6 July 2013	1.00	87,500,000	(87,500,000)	—	—	(a)(i)(1)
	29 June 2010	7 July 2011 to 6 July 2013	1.00	87,500,000	—	—	87,500,000	(a)(i)(2)
	29 June 2010	7 July 2012 to 6 July 2013	1.00	75,000,000	—	—	75,000,000	(a)(i)(3)
Mr. Kong Muk Yin	4 May 2010	7 July 2010 to 6 July 2013	1.00	10,000,000	(10,000,000)	—	—	(a)(i)(1)
	4 May 2010	7 July 2011 to 6 July 2013	1.00	5,000,000	—	—	5,000,000	(a)(i)(2)
	4 May 2010	7 July 2012 to 6 July 2013	1.00	5,000,000	—	—	5,000,000	(a)(i)(3)
Mr. Yue Jialin	4 May 2010	7 July 2010 to 6 July 2013	1.00	2,000,000	—	—	2,000,000	(a)(ii)
Mr. So Kwok Hoo	4 May 2010	7 July 2010 to 6 July 2013	1.00	2,000,000	—	—	2,000,000	(a)(ii)
Mr. Liu Yongshun	4 May 2010	7 July 2010 to 6 July 2013	1.00	2,000,000	—	—	2,000,000	(a)(ii)
Mr. Peter Anthony Curry	4 May 2010	7 July 2010 to 6 July 2013	1.00	21,000,000	(21,000,000)	—	—	(a)(i)(1)
	4 May 2010	7 July 2011 to 6 July 2013	1.00	21,000,000	—	—	21,000,000	(a)(i)(2)
	4 May 2010	7 July 2012 to 6 July 2013	1.00	18,000,000	—	—	18,000,000	(a)(i)(3)

Grantee	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 July 2011	Number of share options lapsed during the period	Number of share options granted during the period	Outstanding as at 31 December 2011	*Note*
Dr. Wong Wing Kuen, Albert	4 May 2010	7 July 2010 to 6 July 2013	1.00	2,000,000	—	—	2,000,000	(a)(ii)
Mr. Chang Chu Fai, Johnson Francis	4 May 2010	7 July 2010 to 6 July 2013	1.00	2,000,000	—	—	2,000,000	(a)(ii)
Mr. Robert Moyse Willcocks	4 May 2010	7 July 2010 to 6 July 2013	1.00	2,000,000	—	—	2,000,000	(a)(ii)
Others								
Employees	4 May 2010	7 July 2010 to 6 July 2013	1.00	9,000,000	(9,000,000)	—	—	(a)(i)(1)
	4 May 2010	7 July 2011 to 6 July 2013	1.00	9,000,000	(5,500,000) Note (a)(i)(5)	—	3,500,000 Note (a)(i)(2)	
	4 May 2010	7 July 2012 to 6 July 2013	1.00	7,000,000	(4,000,000) Note (a)(i)(5)	—	3,000,000 Note (a)(i)(3)	
Employee	28 February 2011	28 February 2011 to 6 July 2013	1.00	8,500,000	(8,500,000)	—	—	(a)(i)(4)
	28 February 2011	7 July 2011 to 6 July 2013	1.00	8,500,000	—	—	8,500,000	(a)(i)(2)
	28 February 2011	7 July 2012 to 6 July 2013	1.00	8,000,000	—	—	8,000,000	(a)(i)(3)
Consultant	4 May 2010	7 July 2010 to 6 July 2013	1.00	20,000,000	(20,000,000)	—	—	(a)(i)(1)
	4 May 2010	7 July 2011 to 6 July 2013	1.00	20,000,000	—	—	20,000,000	(a)(i)(2)
	4 May 2010	7 July 2012 to 6 July 2013	1.00	10,000,000	—	—	10,000,000	(a)(i)(3)
				592,000,000	(218,000,000)	—	374,000,000	

Notes:

(a) The relevant share options are exercisable subject to the following market conditions:

(i) The share options granted to these grantees:

(1) Exercisable only if the closing price of the shares has reached HK$1.20 or above per share at any time between 7 July 2010 and 6 July 2011 (both dates inclusive) and will lapse if the share price does not hit HK$1.20 or above during such period. As the closing price of the Company's share did not reach the required level during such period, these share options lapsed after 6 July 2011. The options are estimated to be vested at 31 December 2010.

(2) Exercisable only if the closing price of the shares has reached HK$1.60 or above per share at any time between 7 July 2011 and 6 July 2012 (both dates inclusive) and will lapse if the share price does not hit HK$1.60 or above during such period, or not exercised by 6 July 2012. The options are estimated to be vested at 31 December 2011.

(3) Exercisable only if the closing price of the shares has reached HK$2.00 or above per share at any time between 7 July 2012 and 6 July 2013 (both dates inclusive) and will lapse if the share price does not hit HK$2.00 or above during such period, or not exercised by 6 July 2013. The options are estimated to be vested at 31 December 2012.

(4) Exercisable only if the closing price of the shares has reached HK$1.20 or above per share at any time between 28 February 2011 and 6 July 2011 (both dates inclusive) and will lapse if the share price does not hit HK$1.20 or above during such period. As the closing price of the Company's share did not reach the required level during such period, these share options lapsed after 6 July 2011. The options are estimated to be vested at 30 June 2011.

(5) Exercisable only if the closing price of the shares has reached (i) HK$1.60 or above per share at any time between 7 July 2011 and 6 July 2012 (both dates inclusive) in respect of 5,500,000 share options and (ii) HK$2.00 or above per share at any time between 7 July 2012 and 6 July 2013 (both dates inclusive) in respect of 4,000,000 share options and will lapse if the share price does not hit HK$1.60 and HK$2.00 or above respectively during such period. These share options lapsed during the period due to resignation of the employees.

Notes:

(a) (ii) Exercisable only if the closing price of the shares has reached HK$1.20 or above per share at any time between 7 July 2010 and 6 July 2013 (both dates inclusive) and will lapse if the share price does not hit HK$1.20 or above during such period, or not exercised by 6 July 2013. The options are estimated to be vested at 31 December 2011.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES", 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.

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

During the six months ended 31 December 2011, the Company purchased 11,240,000 shares of HK$0.10 each in the capital of the Company at prices ranging from HK$0.295 to HK$0.330 per share on the Stock Exchange.

Particulars of the purchase of shares are as follows:

Month	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration paid (excluding expenses) HK$
November 2011	11,240,000	0.330	0.295	3,465,684
Total	11,240,000			3,465,684

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 six months ended 31 December 2011.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the following persons, other than a director or chief executive of the Company, were interested or had short positions in more than 5% of the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares and underlying shares of the Company

		Number of shares/underlying shares held			
Name of Shareholder	**Capacity in which interests are held**	**Interests in shares**	**Interests under equity derivatives**	**Total interests**	**Approximate percentage of shareholding** *(Note 1)*
Benefit Rich Limited	Beneficial owner *(Note 2)*	956,000,000	—	956,000,000	13.96%
Shougang Fushan Resources Group Limited	Interest of a controlled corporation *(Note 2)*	956,000,000	—	956,000,000	13.96%
Rise Cheer Investments Limited	Beneficial owner *(Note 3)*	1,124,640,000	—	1,124,640,000	16.42%
Taskwell Limited	Beneficial owner *(Note 3)*	776,299,562	—	776,299,562	11.33%
COL Capital Limited	Interest of controlled corporations *(Note 3)*	1,900,939,562	—	1,900,939,562	27.75%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 6,849,047,990 shares as at 31 December 2011.

2. These shares are held by Benefit Rich Limited ("**Benefit Rich**"), a wholly-owned subsidiary of Shougang Fushan Resources Group Limited (formerly known as Fushan International Energy Group Limited) ("**Shougang Fushan**"). Accordingly, Shougang Fushan is deemd to have the same long position as Benefit Rich under the SFO.

3. These shares are held by (i) Rise Cheer Investments Limited ("**Rise Cheer**") as to 1,124,640,000 shares and (ii) Taskwell Limited ("**Taskwell**") as to 776,299,562 shares, both are wholly-owned subsidiaries of Besford International Limited ("**Besford**"). Besford is a wholly-owned subsidiary of COL Capital Limited ("**COL**"). Accordingly, COL is deemed to have interests in the shares in which Rise Cheer and Taskwell are interested. As at 31 December 2011, COL was 71.22% 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. Therefore, Ms. Chong Sok Un is deemed to have interests in the shares in which COL is interested through her 100% interests in China Spirit.

Save as disclosed above, as at 31 December 2011, the Company was not notified of any persons, other than the directors and the chief executive of the Company, having any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors subsequent to the date of the 2010/2011 Annual Report of the Company are set out below:

Mr. Liu Yongshun has been appointed an executive director of Prosperity International Holdings (H.K.) Limited (Stock Code: 803), a company whose shares are listed on the Stock Exchange with effect from 19 September 2011.

AUDIT COMMITTEE REVIEW

The audit committee of the Company (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 31 December 2011. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor in accordance with the 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 as well as obtaining reports from management. The Audit Committee has not undertaken independent audit checks.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2011, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to 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.

All non-executive directors of the Company were not appointed for a specific term since they are subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the directors of the Company. Having made specific enquiry of all directors of the Company, the Company confirmed that all directors had complied with the required standard set out in the Model Code for the six months ended 31 December 2011.

By Order of the Board
Chong Sok Un
Chairman

Hong Kong, 27 February 2012