APAC RESOURCES

APAC Resources Limited
亞太資源有限公司*

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

Interim Report 2012

* For identification purpose only

A unique natural resource investment house with global focus and target on China's commodities market

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Lee Seng Hui
Mr. So Kwok Hoo
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

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

NOMINATION 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

Mr. Wong Wai Keung Frederick

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Robertsons
Conyers Dill & Pearman
Steinepreis Paganin
Addisons

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Wanchai
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Hamilton HM11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda)
Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
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28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

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apac.quamir.com

STOCK CODE

1104

Invest in resources companies at key stages along the value curve of the project cycle, to capture share price and value appreciation

We aim at building our Resource Investments to Primary Strategic Investments which will provide off-take to complement our Commodity Business in China

Mount Gibson

26.6%

Mount Gibson Iron

Mount Gibson Iron Limited (ASX: MGX)

is the 5th largest iron ore producer in Australia mining high grade ores from the Koolan Island, Tallering Peak and Extension Hill mines.

Metals X

24.1%

METALS X LIMITED

Metals X Limited (ASX: MLX)

Australia's largest tin producer which holds a pipeline of assets from exploration to development, including the Renison tin mine, the world scale Wingellina Nickel Project and the Central Murchison gold project.

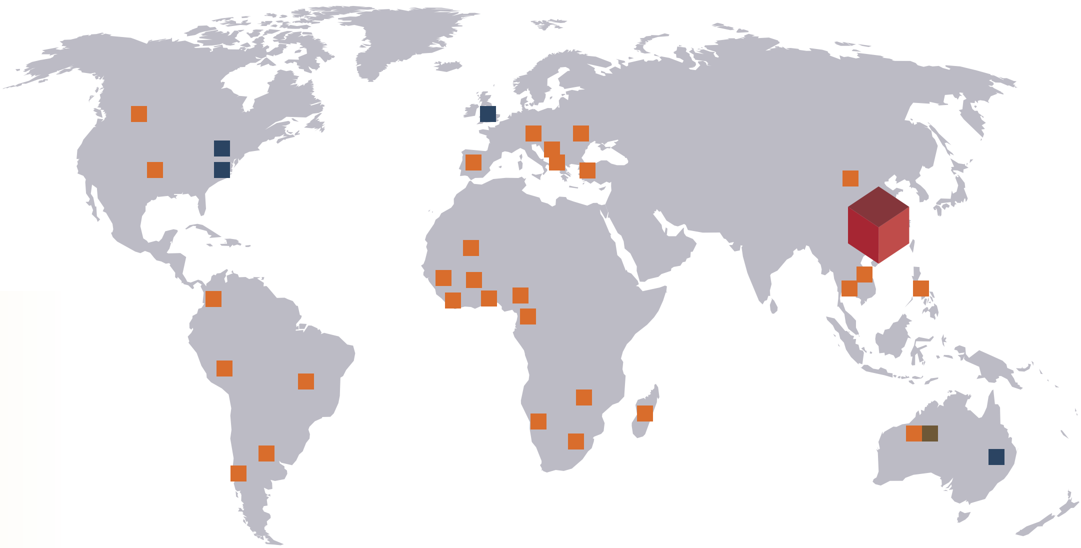
ABM

19.7%

ABM RESOURCES NL

ABM Resources NL (ASX: ABU)

is an emerging gold exploration company with growing 3.5 Moz gold JORC resources and large tenements in Northern Territory, Australia. It has two highly prospective flagship projects — Old Pirate and Buccaneer.



Principal listing of investments

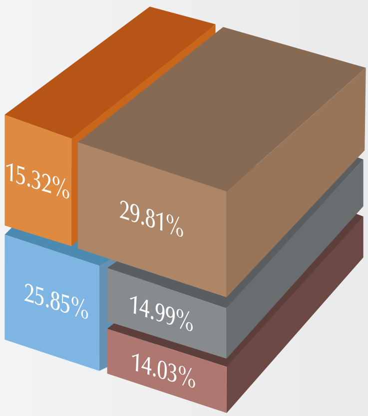
Operation of investments

Commodity off-takes to China

Headquartered in Hong Kong with office in Shanghai

Shareholder Structure

- COL Capital (HKSE Stock Code: 383)
- Shougang Fushan Resources Group (HKSE Stock Code: 639)
- Other Corporate Stakeholders
- Other Institutional Investors
- Retail Investors & Others



Source: Share Register Analysis Report by Orient Capital Pty Limited and public information

CEO's Message

Andrew Ferguson

Dear Investor,

During this period we witnessed a moderate turnaround in the global macro environment, intense price volatility, and mixed performance in resource equities and commodities. I am pleased to be able to report to you a significantly higher net profit of HK$81,567,000 for the six months ended 31 December 2012, up 172% compared to the same period last year.

Although investors started the half with concerns of an economic hard landing in China, the latest figures show that Chinese GDP growth rebounded to 7.9% in the December quarter, after eight consecutive down quarters and bottoming at a three-year low of 7.4% in the September quarter. Recent manufacturing, fixed asset investment and export data from China indicate an improved macro picture. US continue its steady recovery, with consumer spending and the property sector being the bright spots. While the Eurozone economy remains sluggish, the three-year-old sovereign debt crisis has taken a back seat for now and this has resulted in better market sentiment.

Political change also dominated the agenda as US, China, and Japan all held elections during the period. With renewed political mandates and mild inflation, we believe there is ample scope for governments to support growth and implement necessary structural reforms to balance their economies.

Valuations continue to be attractive and we believe the resource sector remains "underweight" even after the recent rally in equity markets. We remain cautiously optimistic that our investment and commodity businesses will perform well in 2013.

We saw dramatic swings in iron ore prices in this period. Nevertheless, Mount Gibson delivered a strong sales quarter in December 2012 due to the successful upgrade and commissioning of its rail and port facilities in the Mid West. The company has also taken prudent cost reduction initiatives to weather the challenging business environment. With solid management, healthy balance sheet, and minimal capital expenditure required, we believe Mount Gibson is well positioned to maximise cash flow generation in the near term as it accelerates the drawdown of ore stockpiles, especially after the significant rebound in iron ore prices.

Tin prices made a comeback from US$19,000 to US$23,000 per metric tonne by the end of 2012 and we expect Metals X to generate reasonable cashflow from its Renison operation. Notable progress has also been made in other areas, such as the announcement of a Memorandum of Understanding with Samsung C&T for the Wingellina project, and the completion of a Definitive Feasibility Study for its Central Murchison gold project.

ABM Resources continues to make significant progress in exploration, with new high grade discoveries like Golden Hind and Old Glory. We would like to reiterate the fact that Old Pirate is one of the highest grade open-pittable gold projects in Australia, and ABM has an exceptionally passionate and technically solid exploration team. We continue to build and develop our asset management business through the establishment of an asset management arm in the United Kingdom.

Despite the unprecedented volatility in the iron ore market, the Commodity Business has continued to deliver a profit this period and we believe this is a reflection of our robust trading discipline.

We are ready to take advantage of attractive asset valuations in the midst of a gradual economic recovery in China and the rest of the world. With guarded optimism, we continue to exercise strong discipline in our investment and trading decisions despite improved risk appetite in the markets. Our philosophy is to "be long on what China is short of" as we strongly believe the drive towards urbanization in China, as in other emerging economies, is ultimately an irreversible trend which will underpin long-term growth in demand for commodities.

Although the half-year result has shown a marked improvement compared to the previous full-year result, we have not declared an interim dividend. Current asset valuations remain attractive amid a gradual recovery in global economic growth. Therefore, we have decided to preserve our flexibility for investments with the intention to deliver superior medium to long term returns to shareholders. We will reassess a potential dividend at year end if the business environment and our financial performance continue to improve.

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

Andrew Ferguson
Chief Executive Officer

To align with the early adoption of the new accounting standard on the treatment of mine waste stripping costs by Mount Gibson, one of APAC's Primary Strategic Investments, and having consulted with its auditor, the Group considered it appropriate to early adopt the equivalent accounting standard on the treatment of mine waste stripping costs issued by the Hong Kong Institute of Certified Public Accountants. The early adoption of the new accounting standard by the Group resulted in the restatement of its previously reported results for the six months ended 31 December 2011 and the consolidated statement of financial position as at 30 June 2012. Further details are set out in note 2 of the condensed consolidated financial statements on page 16 of this report.

For comparison purposes, current period results are compared with that of the prior period — as restated.

FINANCIAL RESULTS

In a challenging economic environment, APAC Resources Limited ("**APAC**" or the "**Company**"), together with its subsidiaries (the "**Group**") reported a net profit after tax of HK$81,567,000 for the six months ended 31 December 2012 (2011 Net Profit: HK$29,959,000). Our Primary Strategic Investments reported an overall profit of HK$109,704,000 (2011 Profit: HK$228,668,000), and our Resource Investment portfolio posted a loss of HK$4,641,000 (2011 Loss: HK$148,080,000). Our Commodity Business achieved a profit of HK$5,119,000 (2011 Profit: HK$3,310,000).

PRIMARY STRATEGIC INVESTMENT

Our two Primary Strategic Investments are a circa 27% interest in Mount Gibson Iron Limited ("**Mount Gibson**") and a circa 24% interest in Metals X Limited ("**Metals X**"), both with core assets and listings in Australia. The attributable profit from our Primary Strategic Investments for the period was HK$109,704,000 (2011 Profit: HK$228,668,000).

Mount Gibson

Mount Gibson is a leading West Australian "pure-play" Direct Shipping Ore (DSO) 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 Shipping Ore.

For the latest December quarter, tonnage mined was up 11% year-on-year, and tonnage sold was up 121% year-on-year, as a result of the successful commissioning of rail and port facilities in the Mid West and the catch-up of the shipments from Koolan Island. As for the first half of financial year ending 30 June 2013 ("**FY2013**"), Mount Gibson reported production of 3.6 million tonnes and sales of 4.4 million tonnes including low grade ore sales of 0.3 million tonnes, on track to meet FY2013 sales guidance of 8.0 to 8.5 million tonnes. However, net profit after tax fell to A$37.1 million, primarily driven by lower prevailing iron ore prices and broader product mix during the period under review. The company also declared an interim dividend of A$0.02 per share. We believe Mount Gibson is well positioned to maximise cash flow generation by continuing to draw down existing stockpiles throughout the rest of FY2013. As at 31 December 2012, the company is strongly capitalised with A$279 million in cash and term deposits.

Iron ore prices have been incredibly volatile during the period, ranging from US$88 per dry metric tonne in September 2012 to almost US$160 per dry metric tonne in early January 2013. Recent price action has been caused by an over-reaction to destocking and restocking events in China. Faced with extreme market volatility, in October 2012, Mount Gibson announced cost saving initiatives of A$40 million to A$50 million in operating expenditure from the original internal budget for FY2013.

The company has renewed and strengthened its management team after the appointment of Mr. Peter Kerr as the new CFO and Mr. Andrew Thomson as the new COO in September 2012. In addition, FIRB decreed in July 2012 that it is satisfied that the structure of Mount Gibson's Board is consistent with ASX Corporate Governance Principles.

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, nickel via its world-scale Wingellina nickel project, and gold via the Central Murchison gold project and the Rover gold and copper project after the recent merger with Westgold Resources Limited. Metals X also has indirect exposure to copper and bauxite through its portfolio of strategic investments, namely Reed Resources Limited, Mongolian Resource Corporation, and Aziana Limited.

During the first half, Renison produced 3,285 tonnes of tin in concentrate (all 100% basis), up 35% year-on-year as Metals X have now opened up the northern mining area, which contains higher grade ore. The mine was EBITDA positive in both quarters and the tin price rebounded to US$25,000 per metric tonne in early February.

Significant progress continued at Wingellina. Metals X signed a Memorandum of Understanding ("**MOU**") with Samsung C&T in September 2012 to accelerate project development. Under the MOU, Samsung C&T will provide its technical expertise in engineering, feasibility studies and construction to assist Metals X in completing the Definitive Feasibility Study for the project. Samsung C&T will also use its financial reputation and capacity to assist Metals X with financing and development proposals.

Metals X completed the merger with Westgold by a scheme of arrangement in October 2012. As a result, Metals X has added two new gold projects, which have a total resource of 6.2 million ounces of gold.

The company is strongly capitalised with A$85 million in cash and working capital, and A$8.8 million in ASX-listed investments as of 31 December 2012. The results of Metals X for the six months ended 31 December 2012 have not been released. Accordingly, results of Metals X for the six months ended 31 December 2012 have been included based on management accounts of Metals X.

RESOURCE INVESTMENT

Resource Investment posted a loss of HK$4,641,000 in the last six months (2011 Loss: HK$148,080,000). The investments in this division comprise mostly holdings in various emerging natural resource companies listed on major stock exchanges including Australia, Canada, United Kingdom, United States, and Hong Kong. Despite many of the junior companies in our portfolio reporting positive newsflow in advancing projects, lack of investor appetite and concerns with the global economy have weighed on share prices.

Tail risks such as a Chinese economic hard landing, contagion of the Eurozone crisis, and U.S. fiscal cliff have caused uncertainty in equity markets over the last six months. However, we saw signs of stabilisation from all fronts towards the end of 2012. During the half, the S&P 500 was up 8%, the Euro Stoxx 50 rose 16%, and the Hang Seng Index increased 17%. However, small-mid cap resource sector benchmarks like the ASX Small Resources Index were up 2%, the FTSE AIM Basic Resources Index down 5%, and the TSX-V Composite Index 3% higher. The loss is a disappointing result, but we recognise the cyclical nature of our industry and remain confident in the underlying fundamentals and the long-term prospects of our investments.

ABM

ABM Resources NL ("**ABM**"), in which the Company holds a 19.7% interest, is a gold exploration company listed on the ASX with assets located in Northern Territory. It has a large acreage footprint in the Tanami-Arunta region, and is currently focused on the Old Pirate and Buccaneer projects, both of which sit inside the Twin Bonanza Gold Camp.

ABM has a total resource of 3.5 million ounces of gold, including a high grade resource of 723,800 ounces of gold at 11.96g/t at Old Pirate, one of Australia's highest grade open-pittable gold projects. The Buccaneer deposit contains 2.67 million ounces of gold resource at 0.65g/t. There is potential for high grade zones within the project, as evidenced in the drilling of the Caribbean and Cypress zones. There are 30 additional targets identified in the Twin Bonanza, most notably Hyperion, which has a resource of 202,200 ounces of gold at 2.1g/t, located 18km from Tanami Gold's Groundrush gold project.

During the period, ABM continued to make substantial progress on exploration at Old Pirate. New discoveries have been made, such as the Golden Hind Prospect, which returned a longitudinal trenching result of 60m at 103.2gpt gold and a best drilling result of 42m at 44.0g/t gold from surface. Surface sampling has identified additional new high grade veins and extensions including "East Side" vein, "Heartland" vein, and the "Western Limb" extension, where drilling results from the Western Limb also demonstrated increased widths at depth including 17m at 7.66g/t gold from 189m. The latest metallurgical test-work on samples from Old Pirate indicates high gravity recovery of gold and ABM is planning a trial mining and processing exercise in 2013, which will further de-risk the Old Pirate project.

Gold prices have been firm over the last 6 months, starting the half at US$1,558/oz and ending 2012 at US$1,664/oz. In September 2012, the Federal Reserve announced open-ended purchases of US$40 billion of mortgage-backed securities a month and the ECB unveiled its unlimited bond buying program. Latest comments from the FOMC indicated rising division within the Committee in relation to quantitative easing and this has negatively impacted the gold price. However, given that accommodative monetary policies and low real interest rates are likely to continue in the forseeable future, we remain bullish on gold prices in the long term.

COMMODITY BUSINESS

The Commodity Business is dominated by two offtake agreements with Mount Gibson and the shipments are sold on the spot market to steel mills and traders in China.

For the period, Commodity Business posted a profit of HK$5,119,000 (2011 Profit: HK$3,310,000). Despite extreme price volatility, we believe the modest profit is a reflection of our robust trading discipline. The Platts IODEX 62% CFR China index fell sharply from US$135/t in the start of July 2012 to the lowest of US$88/t in September 2012. Since the end of the reporting period, iron ore prices have continued its rally to almost US$160/t in early January 2013, due to seasonal restocking and very tight supply of spot material. We expect a short term correction in iron prices in the second quarter of 2013 due to the completion of restocking, seasonality factors, and increased Chinese domestic iron ore supply in response to higher prices. However, we believe additional policy stimulus and a pickup in construction after winter in China will improve end-user demand and lend support to iron ore prices in the medium term.

COMPANY STRATEGY

APAC leverages its in-house resources expertise to identify and manage both Primary Strategic Investments and Resource Investments which drives growth in the business. We aim to profit from the value curve of resources projects from exploration to production, though currently see good risk-reward in select mid-tier producers. Value and cashflow can be generated through capital appreciation, direct project ownership and securing offtake agreements.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2012, our non-current assets amounted to HK$3,719,690,000 (As at 30 June 2012: HK$3,651,523,000) and net current assets amounted to HK$1,040,701,000 (As at 30 June 2012: HK$990,292,000) with a current ratio of 4.5 times (As at 30 June 2012: 9.4 times) calculated on the basis of its current assets over current liabilities.

As at 31 December 2012, we had borrowings of HK$278,757,000 (As at 30 June 2012: Nil) and had undrawn banking and loan facilities amounting to HK$553,000,000 (As at 30 June 2012: HK$578,115,000) 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 2012, we had a gearing ratio of 0.06 (As at 30 June 2012: Nil), 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 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 denominated assets.

Pledge of Assets

As at 31 December 2012, certain of the Group's interests in listed associates of HK$2,453,105,000 (Interests in listed associates and available-for-sale investments as at 30 June 2012: HK$2,414,648,000) 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$328,763,000 (As at 30 June 2012: HK$79,748,000) 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 2012, the Group, including its subsidiaries but excluding associates, had 21 (As at 30 June 2012: 21) employees. Total remuneration together with pension contributions incurred for the six months ended 31 December 2012 amounted to HK$15,093,000 (2011: HK$14,687,000).

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 2012, 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 2012, the Group does not have plan for any other material investments or acquisition of material capital assets.

CAPITAL COMMITMENTS

As at 31 December 2012, the Group had no material capital commitments contracted but not provided for (As at 30 June 2012: Nil).

CONTINGENT LIABILITIES

As at the date of this report and as at 31 December 2012, the Board is not aware of any material contingent liabilities.

INTERIM DIVIDEND

For the six month ended 31 December 2012, the Board has resolved not to declare an interim dividend (2011: Nil). We have decided to preserve our flexibility for investments with the intention to deliver superior medium to long term returns to shareholders. We will reassess a potential dividend at year end if the business environment and our financial performance continue to improve.

FORWARD LOOKING OBSERVATIONS

Equities and commodities started 2013 with strong gains after the United States avoided the "fiscal cliff" as a result of a bipartisan deal. For China, positive manufacturing, fixed asset investment, and trade data have provided optimism that the economy might have bottomed in the second half of last year. The European debt crisis has taken a back seat for now and we feel that global markets have already priced in the impact of austerity and stagnant economic growth in the Eurozone.

The last six months have been dominated by political change with major elections being held in China, United States, and Japan. With increased political clarity, renewed momentum for additional economic stimulus and greater risk appetite, we believe the macro backdrop provides a strong medium term outlook for commodities and resource equities. Valuations remain attractive and we think certain areas of the resource sector, such as mid-cap producers, are particularly "under-owned".

For our Primary Strategic Investments, Mount Gibson and Metals X, we expect higher iron ore and tin prices will result in better financial performance over the next few quarters. Operationally, Mount Gibson will benefit from the full ramp-up at Geraldton, the drawdown of existing stockpiles and various cost-cutting measures. Metals X should continue to ramp up its mining and processing throughput at Renison, which is expected to drive production growth and a reduction in unit cash costs, as well as progressing Wingellina and Central Murchison. For Resource Investment, we remain confident that our existing positions, in a more "risk-on" environment, will deliver solid performance given attractive valuations and sound fundamentals.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 31 December 2012

	Notes	Six months ended 31.12.2012 HK$'000 (unaudited)	31.12.2011 HK$'000 (unaudited) (restated)
Revenue from sales of goods	3	**442,201**	680,524
Cost of sales		**(439,669)**	(674,835)
		2,532	5,689
Other gains and losses	4	**(1,840)**	(153,896)
Other income	5	**7,234**	5,642
Administrative expenses			
— General administrative expenses		**(19,219)**	(22,793)
— Equity-settled share option expenses		**(14,021)**	(14,747)
Finance costs	6	**(2,791)**	(16,188)
Share of results of associates		**109,704**	228,668
Profit before taxation	7	**81,599**	32,375
Income tax expenses	8	**(32)**	(2,416)
Profit for the period attributable to owners of the Company		**81,567**	29,959
Earnings per share (expressed in HK cents)			
— Basic and diluted	10	**1.20**	0.44

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended 31 December 2012

	Six months ended	
	31.12.2012	31.12.2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Profit for the period	**81,567**	29,959
Other comprehensive income (expense), net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of associates	**36,947**	(142,623)
Exchange difference arising from translation of other foreign operations	**5,361**	6,916
Fair value change of available-for-sale investments	**241**	(10,912)
Impairment loss on available-for-sale investments	**—**	10,912
Reclassification adjustment of investment revaluation reserve upon deemed disposal of partial interest in associates	**(1,161)**	20
Reclassification adjustment of exchange reserve upon deemed disposal of partial interest in associates	**(6,198)**	(331)
Share of investment revaluation reserve of associates	**(11,879)**	(2,581)
	23,311	(138,599)
Total comprehensive income (expense) for the period attributable to owners of the Company	**104,878**	(108,640)

Condensed Consolidated Statement of Financial Position

At 31 December 2012

	Notes	**31.12.2012 HK$'000 (unaudited)**	30.6.2012 HK$'000 (audited) (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	**1,287**	1,589
Interests in associates	12	**3,544,605**	3,459,522
Available-for-sale investments	13	**55,742**	71,465
Financial assets at fair value through profit or loss	14	**118,056**	118,947
		3,719,690	3,651,523
Current assets			
Inventories	15	**69,691**	61,932
Trade and other receivables and loan receivable	16	**66,442**	183,237
Investments held for trading	17	**454,563**	410,611
Pledged bank deposits	22	**328,763**	79,748
Bank balances and cash		**420,602**	372,642
		1,340,061	1,108,170
Total assets		**5,059,751**	4,759,693
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	**681,193**	681,305
Reserves		**3,394,691**	3,428,398
Accumulated profits		**684,507**	532,112
		4,760,391	4,641,815
Current liabilities			
Trade and other payables	18	**19,845**	115,572
Bank loans		**278,757**	—
Tax payable		**758**	2,306
		299,360	117,878
Total equity and liabilities		**5,059,751**	4,759,693
Net current assets		**1,040,701**	990,292
Total assets less current liabilities		**4,760,391**	4,641,815

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2012

	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$'000	Accumulated profits HK$'000	Total HK$'000
At 1 July 2011 (audited), as originally stated	686,329	2,782,143	(14,980)	26,728	693,045	61,530	5,884	1,157,921	5,398,600
Effect of changes in accounting policy *(note 2)*	–	–	–	–	(5,544)	–	–	(411,041)	(416,585)
At 1 July 2011 (audited), as restated	686,329	2,782,143	(14,980)	26,728	687,501	61,530	5,884	746,880	4,982,015
Profit for the period	–	–	–	–	–	–	–	29,959	29,959
Other comprehensive expense for the period	–	–	–	(2,561)	(136,038)	–	–	–	(138,599)
Total comprehensive (expense) income for the period	–	–	–	(2,561)	(136,038)	–	–	29,959	(108,640)
Shares repurchased and cancelled	(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), as restated	684,905	2,778,885	(14,980)	24,167	551,463	43,393	7,308	808,299	4,883,440
At 1 July 2012 (audited), as originally stated	**681,305**	**2,769,940**	**(14,980)**	**37,700**	**550,970**	**56,919**	**10,908**	**658,601**	**4,751,363**
Effect of changes in accounting policy *(note 2)*	**–**	**–**	**–**	**–**	**16,941**	**–**	**–**	**(126,489)**	**(109,548)**
At 1 July 2012 (audited), as restated	**681,305**	**2,769,940**	**(14,980)**	**37,700**	**567,911**	**56,919**	**10,908**	**532,112**	**4,641,815**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**81,567**	**81,567**
Other comprehensive (expense) income for the period	**–**	**–**	**–**	**(12,799)**	**36,110**	**–**	**–**	**–**	**23,311**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**(12,799)**	**36,110**	**–**	**–**	**81,567**	**104,878**
Shares repurchased and cancelled	**(112)**	**(211)**	**–**	**–**	**–**	**–**	**112**	**(112)**	**(323)**
Equity-settled share option expenses	**–**	**–**	**–**	**–**	**–**	**14,021**	**–**	**–**	**14,021**
Cancel of equity-settled share options	**–**	**–**	**–**	**–**	**–**	**(70,940)**	**–**	**70,940**	**–**
At 31 December 2012 (unaudited)	**681,193**	**2,769,729**	**(14,980)**	**24,901**	**604,021**	**–**	**11,020**	**684,507**	**4,760,391**

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2012

	Six months ended	
	31.12.2012	31.12.2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(32,939)**	(109,685)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(21)**	(850)
Purchase of available-for-sale investments	**(3,079)**	(39,749)
Investment in associates	**—**	(107,106)
Proceeds from disposal of partial interest in an associate	**—**	3,082
Dividend received from an associate	**45,689**	90,944
Interest received	**6,321**	5,512
Placement of pledged bank deposits	**(328,763)**	—
Withdrawal of pledged bank deposits	**79,748**	—
NET CASH USED IN INVESTING ACTIVITIES	**(200,105)**	(48,167)
FINANCING ACTIVITIES		
Payments on repurchase of shares	**(323)**	(4,682)
Interest paid	**(2,791)**	(16,188)
New bank loans raised	**448,417**	59,859
Repayments of bank loans	**(169,660)**	(103,373)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**275,643**	(64,384)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**42,599**	(222,236)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	**5,361**	6,916
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**372,642**	384,090
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**420,602**	168,770

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**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2012.

In the current interim period, the Group has applied, for the first time, the following amendments and interpretation to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA:

Amendments to HKFRS 7	Financial instruments: Disclosures — Transfers of financial assets;
Amendments to HKAS 1	Presentation of items of other comprehensive income;
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets; and
HK(IFRIC)-INT 20	Stripping costs in the production phase of a surface mine.

Except as described below, the application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

During the current period, the Group has early adopted HK(IFRIC)-INT 20, as one of its associates has early adopted this interpretation. HK(IFRIC)-INT 20 has no impact to other associates and group entities.

HK(IFRIC)-INT 20 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 on-going 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.

Prior to the issuance of HK(IFRIC)-INT 20, the relevant associate adopted a life-of-mine approach and deferred all costs attributable to waste stripping and recognised as an expense the amortisation of capitalised waste stripping costs over the remaining ore reserves of the relevant mine. Amortisation was provided on the units-of-production method, with separate calculations being made for each mineral resource. Estimated future capital and waste development costs to be incurred in accessing the reserves and measured resources were taken into account in determining amortisation charges. The units-of-production method resulted in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

The requirements in accordance with HK(IFRIC)-INT 20 differs from the associate's previous policies in that only waste stripping costs which provide improved access to ore can be capitalised when certain criteria are met, and the capitalisation and amortisation of waste stripping costs is undertaken at the level of individual deposits or components thereof rather than on a whole-of-mine basis. In addition, specific transitional rules are provided to deal with any opening deferred stripping balances recognised under the previous accounting policies.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

HK(IFRIC)-INT 20 has been applied by the associate prospectively to production stripping costs incurred on or after the beginning of the earliest period presented, which is 1 July 2011. Such early adoption has affected the amounts reported in the Group's condensed consolidated financial statements (see the tables below). Any previously recognised asset balance that resulted from stripping activity undertaken during the production phase (predecessor stripping asset) is reclassified as a part of an existing asset to which the stripping activity related, to the extent that there remains an identifiable component of the orebody with which the predecessor stripping asset can be associated. Such balances are then amortised over the remaining expected useful life of the identified component of the orebody to which each predecessor stripping asset balance relates. If there is no identifiable component of the orebody to which the predecessor asset relates, it has been written off through opening retained earnings at the beginning of the earliest period presented, being 1 July 2011.

Given the nature of the associate's mining operations and the way the associate plans to mine the remaining components of the orebodies, it has been determined that part of the associate's predecessor stripping asset relates to components of the orebodies where the associated ore has already been extracted. Accordingly, an amount of HK$434,415,000 (net of tax) has been derecognised through the Group's accumulated profits as at 30 June 2012 with an increase in share of results of associates and profit of HK$17,661,000 (net of tax) for the period ended 31 December 2011.

Summary of the effects

The effects of early adoption described above results for the period ended 31 December 2011 by line are as follows:

	HK$'000
Increase in share of results of associates and profit for the period	17,661
Increase in exchange difference arising from translation of associates and other comprehensive income for the period	23,167

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

Summary of the effects (Continued)

The effects of the above early adoption in accounting policy on the financial positions of the Group as at 1 July 2011 and 30 June 2012 are as follows:

	As at 1.7.2011 (originally stated) HK$'000	Adjustments HK$'000	As at 1.7.2011 (restated) HK$'000	As at 30.6.2012 (originally stated) HK$'000	Adjustments HK$'000 *(note)*	As at 30.6.2012 (restated) HK$'000
Interests in associates	3,835,439	(416,585)	3,418,854	3,569,070	(109,548)	3,459,522
Accumulated profits	1,157,921	(411,041)	746,880	658,601	(126,489)	532,112
Exchange reserve	693,045	(5,544)	687,501	550,970	16,941	567,911
Total effects on equity	1,850,966	(416,585)	1,434,381	1,209,571	(109,548)	1,100,023

Note: The accumulated impact on early adoption of HK(IFRIC)-INT 20 resulted in reduction in interests in associates of HK$417,474,000 and accumulated profits of HK$434,415,000 respectively as at 30 June 2012, while such effect is reduced by the adjustment of impairment loss recognised in respect of interest in an associate of HK$307,926,000 due to the reduction in the carrying value of the associate.

The effects of the above early adoption in accounting policy on the Group's basic and diluted earnings per share for the period ended 31 December 2011 are as follows:

	HK cents
Figures before adjustments	0.18
Adjustments arising from changes in the Group's accounting policy in relation to:	
— application of HK(IFRIC)-INT 20	0.26
Figures after adjustments	0.44

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 results represent the profit (loss) earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, gain (loss) on deemed disposal of partial interest in associates, gain on disposal of partial 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.

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

Six months ended 31 December 2012

	Commodity business HK$'000	Resource investment HK$'000	Total HK$'000
Revenue	442,201	—	442,201
Gross sales proceeds from resource investment	—	125,311	125,311
Segment profit (loss)	5,119	(4,641)	478
Share of results of associates			109,704
Gain on deemed disposal of partial interest in associates			3,359
Unallocated corporate income			177
Unallocated corporate expenses			(29,328)
Finance costs			(2,791)
Profit before taxation			81,599

3. SEGMENT INFORMATION *(Continued)*

Six months ended 31 December 2011, as restated

	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			228,668
Loss on deemed disposal of partial interest in an associate			(3,941)
Gain on disposal of partial interest in an associate			812
Unallocated corporate income			50
Unallocated corporate expenses			(32,256)
Finance costs			(16,188)
Profit before taxation			32,375

Revenue reported above represents revenue generated from external customers. There were no intersegment sales during both periods.

3. SEGMENT INFORMATION *(Continued)*

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

	31.12.2012 HK$'000 (unaudited)	30.6.2012 HK$'000 (audited) (restated)
Commodity business	**745,418**	593,939
Resource investment	**704,176**	651,198
Total segment assets	**1,449,594**	1,245,137
Interests in associates	**3,544,605**	3,459,522
Unallocated	**65,552**	55,034
Consolidated assets	**5,059,751**	4,759,693

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	
	31.12.2012 HK$'000 (unaudited)	31.12.2011 HK$'000 (unaudited)
Fair value change of investments held for trading	**(6,521)**	(131,865)
Gain (loss) on deemed disposal of partial interest in associates	**3,359**	(3,941)
Gain on disposal of partial interest in an associate	**—**	812
Impairment loss on available-for-sale investments	**—**	(10,912)
Net foreign exchange gain (loss)	**1,928**	(7,990)
Gain on disposal of available-for-sale investments	**285**	—
Fair value change of financial assets at fair value through profit or loss	**(891)**	—
	(1,840)	(153,896)

5. OTHER INCOME

	Six months ended 31.12.2012 HK$'000 (unaudited)	Six months ended 31.12.2011 HK$'000 (unaudited)
Dividend income from investments held for trading	**261**	130
Interest income from bank deposits	**3,794**	5,136
Others	**3,179**	376
	7,234	5,642

6. FINANCE COSTS

	Six months ended 31.12.2012 HK$'000 (unaudited)	Six months ended 31.12.2011 HK$'000 (unaudited)
Interest on borrowing wholly repayable within five years:		
— Bank loans	**2,791**	2,009
— Securities margin financing	**—**	14,179
	2,791	16,188

7. PROFIT BEFORE TAXATION

	Six months ended 31.12.2012 HK$'000 (unaudited)	Six months ended 31.12.2011 HK$'000 (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments		
— salaries and allowances	**7,622**	9,191
— equity-settled share option expenses (included in administrative expenses)	**14,021**	14,747
— staff quarters	**432**	390
— retirement benefits schemes contributions	**120**	108
Total staff costs	**22,195**	24,436
Depreciation of property, plant and equipment	**326**	332
Reversal of allowance for trade receivables	**(3,317)**	—
Cost of goods recognised as an expense included a reversal of allowance for inventories of HK$5,867,000 (six months ended 31 December 2011: allowance for inventories of HK$21,945,000)	**392,562**	602,712

8. INCOME TAX EXPENSES

	Six months ended 31.12.2012 HK$'000 (unaudited)	Six months ended 31.12.2011 HK$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	**(820)**	1,040
Enterprise Income Tax in the People's Republic of China (the "**PRC**")	**852**	1,376
	32	2,416

8. INCOME TAX EXPENSES *(Continued)*

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

9. DIVIDENDS

No dividend was paid, declared or proposed during the period, nor has any dividend been proposed since the end of 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$81,567,000 (six months ended 31 December 2011: HK$29,959,000) and the weighted average number of 6,812,062,635 (six months ended 31 December 2011: 6,858,486,023) ordinary shares in issue during the six months ended 31 December 2012.

For the periods ended 31 December 2011 and 2012, 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 the period.

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 2012.

12. INTERESTS IN ASSOCIATES

	31.12.2012 HK$'000 (unaudited)	30.6.2012 HK$'000 (audited) (restated)
Cost of investment in associates		
Listed in Australia	**2,223,339**	2,223,339
Unlisted	**22,716**	22,716
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,371,853**	1,286,770
Impairment loss recognised	**(73,303)**	(73,303)
	3,544,605	3,459,522
Fair value of listed investments	**2,413,859**	2,439,826

At 31 December 2012, the carrying amounts of the Group's interests in listed associates were higher than their respective market values determined based on the closing prices as at 31 December 2012. The management of the Group carried out impairment review on the carrying amounts of its interests in listed associates individually as a single asset by comparing their recoverable amounts (higher of value in use and fair value less costs to sell) with their respective carrying amounts. 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 discount rates ranging from 11% to 12.5% to discount the cash flow projections to net present values. Based on the assessments, the recoverable amounts of the Group's interests in listed associates approximated their carrying amounts. Hence, no further impairment against the Group's interests in the listed associates is considered necessary during current period.

13. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2012 HK$'000 (unaudited)	30.06.2012 HK$'000 (audited)
Listed investments:		
— Equity securities listed in Hong Kong	**5,865**	5,625
— Equity securities listed in Australia	**—**	19,043
	5,865	24,668
Unlisted investments:		
— Unlisted equity securities	**49,877**	46,797
	55,742	71,465

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

During the period ended 31 December 2012, the Group signed a share exchange agreement ("**Agreement**") with an independent third party, which is listed on AIM of London Stock Exchange. Pursuant to the Agreement, the Group transferred an available-for-sale investment to a third party, in exchange for the listed issued shares of the third party of HK$19,328,000, being the fair value on the date of exchange which approximates the fair value of the available-for-sale investment on the date of exchange. The exchanged shares are classified as investment held for trading at 31 December 2012. A gain of HK$285,000 is recognised in other gains and losses from this transaction.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2012 HK$'000 (unaudited)	30.06.2012 HK$'000 (audited)
Investment in convertible bonds designated at fair value through profit or loss	**118,056**	118,947
Listed investments:		
— Convertible bonds listed in Singapore	**2,836**	2,779
— Convertible bonds listed in United Kingdom	**6,020**	6,968
	8,856	9,747
Unlisted investments:		
— Convertible bonds	**109,200**	109,200
	118,056	118,947

The listed investments are measured at their quoted market prices at 31 December 2012 and 30 June 2012.

The unlisted investments represent investments in unlisted convertible bonds issued by two private entities. For these convertible bonds, which contain embedded derivatives that are linked to and will be settled by delivery of unquoted equity instruments in which the fair value cannot be reliably measured, and the directors of the Company are of the opinion that the conversion option component of these hybrid instruments may be sufficiently significant to preclude them from obtaining a reliable estimate of the entire instrument, so they are measured at cost plus accrued contractual interest less impairment at the end of the reporting period.

15. INVENTORIES

	31.12.2012 HK$'000 (unaudited)	30.6.2012 HK$'000 (audited)
Iron ores at net realisable value	**69,691**	61,932

16. 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, which approximated to the respective revenue recognition dates:

	31.12.2012 HK$'000 (unaudited)	30.6.2012 HK$'000 (audited)
0 to 90 days	**2,996**	125,649
91 days to 180 days	**—**	—
Over 180 days	**8,170**	4,853
	11,166	130,502

Included in the Group's trade receivable balance were debtors with aggregate carrying amount of HK$8,170,000 (30 June 2012: HK$4,853,000) which were past due as at the end of the reporting period. The Group considered that no provision for impairment loss against this receivable was required. The average age of these receivables was 180 days.

The loan receivable of HK$35,002,000 (30 June 2012: HK$35,002,000) from an investee is non-interest bearing and repayable on demand.

17. INVESTMENTS HELD FOR TRADING

	31.12.2012 HK$'000 (unaudited)	30.6.2012 HK$'000 (audited)
Listed securities:		
— Equity securities listed in Hong Kong	**745**	871
— Equity securities listed in United Kingdom	**62,802**	19,269
— Equity securities listed in United States of America	**2,802**	2,882
— Equity securities listed in Australia	**320,147**	321,504
— Equity securities listed in Canada	**68,067**	66,085
	454,563	410,611

18. 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:

	31.12.2012 HK$'000 (unaudited)	30.6.2012 HK$'000 (audited)
0 to 90 days	**14,251**	112,485

19. 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 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
Cancellation of shares repurchased	(36,000,000)	(3,600)
At 1 July 2012	6,813,047,990	681,305
Cancellation of shares repurchased	(1,120,000)	(112)
At 31 December 2012	6,811,927,990	681,193

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 2012 as follows:

Month of cancellation	Number of ordinary share of HK$0.10 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate amount paid HK$'000
July 2012	1,120,000	0.290	0.285	323

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

20. 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:

	31.12.2012 HK$'000 (unaudited)	30.6.2012 HK$'000 (audited)
Within one year	**3,750**	3,766
After one year but within five years	**855**	2,276
	4,605	6,042

Operating lease payments represent rental payable by the Group for its office premises, car parking space, director's quarters and a photocopying machine. Leases are negotiated for the terms of 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.

21. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	31.12.2012 HK$'000 (unaudited)	31.12.2011 HK$'000 (unaudited)
Subsidiaries of an associate, Mount Gibson Iron Limited — Purchase of commodities	**396,398**	676,476

	31.12.2012 HK$'000 (unaudited)	30.6.2012 HK$'000 (audited)
Trade payables	**14,251**	112,485

21. 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	
	31.12.2012	31.12.2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term employee benefits	**3,752**	3,380
Post employment benefits	**12**	12
Share option benefits	**10,375**	9,985
	14,139	13,377

22. PLEDGED OF ASSETS

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

	31.12.2012	30.6.2012
	HK$'000	HK$'000
	(unaudited)	(audited)
		(restated)
Interests in associates	**2,453,105**	2,395,605
Available-for-sale investments	**—**	19,043
Pledged bank deposits	**328,763**	79,748
	2,781,868	2,494,396

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF APAC RESOURCES LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of APAC Resources Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 14 to 36, which comprises the condensed consolidated statement of financial position as of 31 December 2012 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 February 2013

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, 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**	**Total interests**	**Approximate percentage of shareholding** *(Note 1)*
Ms. Chong Sok Un	Beneficial owner and interest of controlled corporations	2,030,939,562 *(Note 2)*	—	2,030,939,562	29.81%
Mr. Andrew Ferguson	Beneficial owner	25,000,000	—	25,000,000	0.37%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 6,811,927,990 shares as at 31 December 2012.

2. 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 906,299,562 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 2012, COL was 72.04% 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 2012, 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 by the Company 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 Company's share option scheme adopted on 22 September 2004 (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. 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 Scheme expires on 21 September 2014.

During the six months ended 31 December 2012, no share options were granted and exercised under the Scheme. 174,000,000 share options were cancelled on 11 July 2012. As at 31 December 2012, no share options were outstanding. Details of the share options movement during the six months ended 31 December 2012 are as follows:

Grantee	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 July 2012	Number of share options lapsed during the period	Number of share options cancelled during the period	Outstanding as at 31 December 2012	*Note*
Directors								
Ms. Chong Sok Un	29 June 2010	7 July 2010 to 6 July 2013	1.00	–	–	–	–	(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	–	–	–	–	(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	–	–	–	–	(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) & (b)
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. Peter Anthony Curry	4 May 2010	7 July 2010 to 6 July 2013	1.00	–	–	–	–	(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)
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)

Grantee	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 July 2012	Number of share options lapsed during the period	Number of share options cancelled during the period	Outstanding as at 31 December 2012	*Note*
Others								
Employee	4 May 2010	7 July 2010 to 6 July 2013	1.00	–	–	–	–	(a)(i)(1)
	4 May 2010	7 July 2011 to 6 July 2013	1.00	3,500,000	(3,500,000)	–	–	(a)(i)(2)
	4 May 2010	7 July 2012 to 6 July 2013	1.00	3,000,000	–	(3,000,000)	–	(a)(i)(3)
Employee	28 February 2011	28 February 2011 to 6 July 2013	1.00	–	–	–	–	(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	–	–	–	–	(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)
				372,000,000	(198,000,000)	(174,000,000)	–	

Notes:

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

(i) The share options granted to these grantees were:

(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 on 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. As the closing price of the Company's share did not reach the required level during such period, these share options lapsed on 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. These share options were cancelled on 11 July 2012. 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 on 6 July 2011. The options are estimated to be vested at 30 June 2011.

(ii) The share options granted to these grantees were 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. These share options were cancelled on 11 July 2012. The options are estimated to be vested at 31 December 2011.

(b) Mr. Yue Jialin has retired as a director of the Company with effect from the conclusion of the annual general meeting of the Company held on 5 December 2012. The options granted to him were cancelled on 11 July 2012.

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 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, 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

Name of Shareholder	Capacity in which interests are held	Number of shares/underlying shares 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	14.03%
Shougang Fushan Resources Group Limited	Interest of a controlled corporation *(Note 2)*	956,000,000	–	956,000,000	14.03%
Rise Cheer Investments Limited	Beneficial owner *(Note 3)*	1,124,640,000	–	1,124,640,000	16.51%
Taskwell Limited	Beneficial owner *(Note 3)*	906,299,562	–	906,299,562	13.30%
COL Capital Limited	Interest of controlled corporations *(Note 3)*	2,030,939,562	–	2,030,939,562	29.81%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 6,811,927,990 shares as at 31 December 2012.

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 deemed 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 906,299,562 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 2012, COL was 72.04% 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 2012, 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 2012 Annual Report of the Company are set out below:

Mr. Andrew Ferguson was appointed an alternate director to Mr. Lee Seng Hui of Mount Gibson Iron Limited (Stock Code: MGX), which is listed on the Australian Stock Exchange, on 24 September 2012.

Mr. Lee Seng Hui was appointed the deputy chairman of Mount Gibson Iron Limited on 14 December 2012.

Mr. Peter Curry has resigned as a non-executive director of East West Resources plc, which is listed on the AIM market of the London Stock Exchange (Stock Code: EWR), on 14 December 2012; a non-executive director of Magnum Gas & Power Limited (formerly Ormil Energy Limited) (Stock Code: MPE), which is listed on the Australian Stock Exchange, on 27 September 2012 and an alternative director to Mr. Lee Seng Hui of Mount Gibson Iron Limited on 24 September 2012.

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 2012. 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 CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2012, the Company had fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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 2012.

By Order of the Board
Chong Sok Un
Chairman

Hong Kong, 27 February 2013