APAC RESOURCES

APAC Resources Limited
亞太資源有限公司*

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

INTERIM REPORT 2013

* For identification purpose only

Contents

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

STOCK CODE

1104

LEGAL ADVISERS

Robertsons
Conyers Dill & Pearman
Addisons
Steinepreis Paganin

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd
Hong Kong Branch
Industrial and Commercial Bank of China
(Asia) Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.apacresources.com
apac.quamir.com

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

26.6%

Mount Gibson Iron

Mount Gibson

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 LIMITED

24.0%

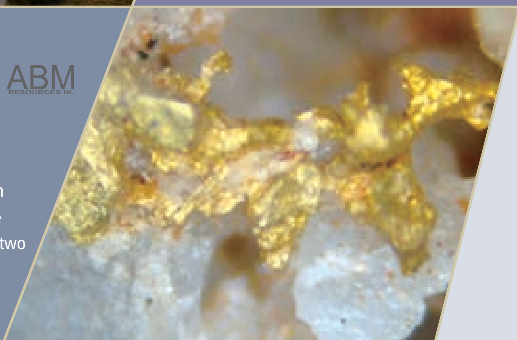
Metals X

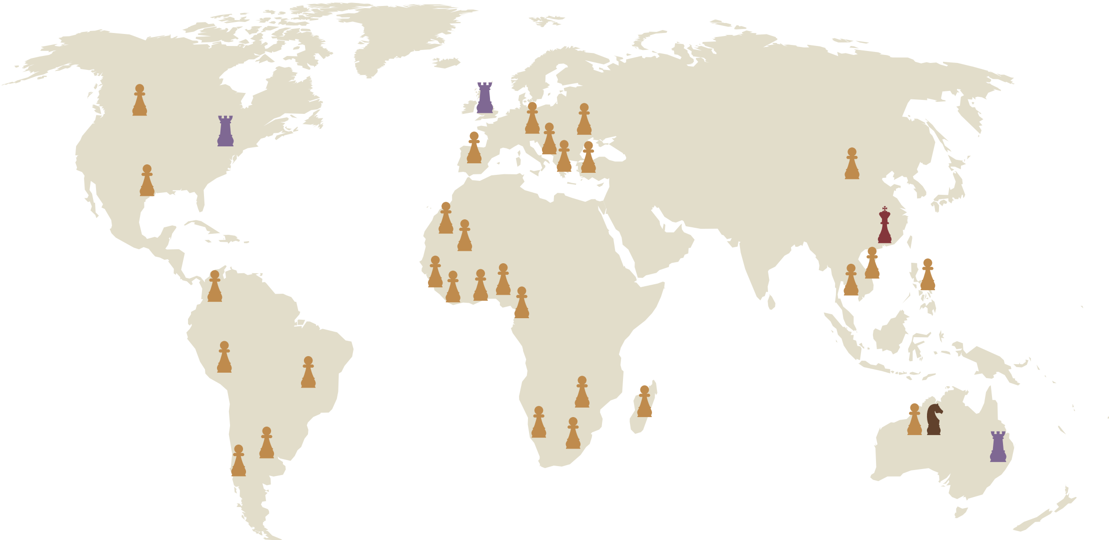
Metals X Limited (ASX: MLX) Australia's largest tin producer which holds a pipeline of assets from exploration to development, including the Renison tin mine, the world scale Wingellina Nickel Project and the Central Murchison gold project.

19.7%

ABM RESOURCES NL

ABM 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.





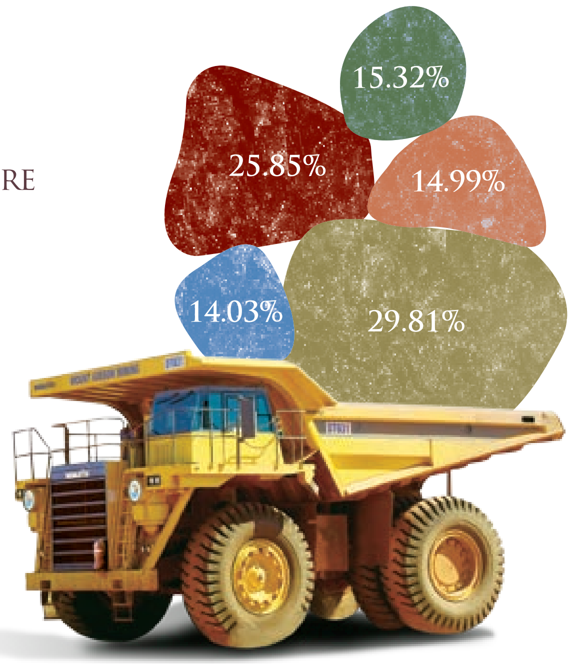
Principal listing of investments

Operation of investments

Commodity off-takes to China

Headquartered in Hong Kong with office in Shanghai

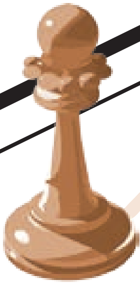
Shareholder Structure



- 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

A specialist in natural resource investment targetting on China's commodities market



Identify China Commodity Supply/ Demand Imbalance

- Generated stock ideas
- Analysis of trend
- Initial screening

Pin-point Potential Companies

- Detailed research
- Apply pre-defined investment criteria
- Review fundamental analysis

APAC RESOURCES

Investment Stage
(Equity/Pre IPO/Debt)

- Maximize shareholders' return
- Active monitoring
- Position adjustment

Primary Strategic Investment

- >20% Stake in producers
- Cashflow, productivity assets & offtake opportunity

Resource Investment

Early positions incubating

Commodity Trading

Off-takes for shipments to the Chinese market

Dear Investor,

I would like to thank you, the shareholders, for your ongoing support during another difficult six months for your company and many natural resources companies alike.

Andrew Ferguson
Chief Executive Officer

CEO's Message

Developed markets appear to be improving. The threat of a second recession in Europe has faded, and markets are now forecasting positive, albeit low, growth. In December 2013, the Fed surprised the market by announcing the tapering of its Quantitative Easing programme, as it grew increasingly confident that the US economy was making a steady recovery. While markets responded positively to this announcement, it has recently started to question the impact of a higher US dollar and potential for higher interest rates. This is likely to cause ongoing volatility but tapering is a necessary step forward to normalise the US economy.

In recent times, concerns over emerging markets and China, in particular, have flared up again. The concerns in China are driven by an increasing number of temporary credit crunches leading to spikes in the benchmark SHIBOR rate. To date, these "mini credit crunches" have been eased by PBOC cash injections, but the general consensus view is that the PBOC will continue to allow short term rates to increase as a means to discourage high-risk lending. The market has long been concerned about China's shadow banking sector, and there is now an increasing concern of a widespread credit crisis in China.

In addition to tighter credit, I expect Chinese demand for commodities to be tempered by two other issues. Firstly, the Chinese government is likely to maintain its plans for consumer led growth rather than infrastructure investment. Secondly, the pollution problems in China are likely to result in increasing restrictions on steel, cement and chemical output and coal consumption. Both are ultimately necessary for sustained and healthy Chinese growth, and if successful, will be short term pain for the sake of long term gain.

Abenomics helped to give Japan a kick-start in first half of 2013, and a potential VAT hike later this year could be offset by additional monetary easing. The market is waiting for more clarity on the "third arrow" of Abenomics, generally expected to be structural reform including employment, immigration and deregulation, to boost long term economic growth.

Despite the ongoing volatility in the global economy, I am pleased to be able to report to you a marked improvement in the half-year result, with a net profit of HK$1,316,017,000 for the six months ended 31 December 2013. The valuation of our interest in associates, based on current market valuations, has resulted in a reversal of impairment losses in our Primary Strategic Investments. Even stripping out this reversal, our underlying net profit is HK$136,530,000, which is a significant improvement when compared to our net profit of HK$81,567,000 in the six months ended 31 December 2012.

Given the ongoing challenges in commodity markets, our Resource Investment unit has remained conservatively positioned, we maintain a large net cash position and the growth of our asset management business remains on track. The resource sector has been challenging in the past few years, but we are confident that the Chinese government will effectively manage the challenges it faces, and the US, and European markets appear to have bottomed. Valuations in the resources sector remain near record lows, providing increasing opportunities to generate strong returns.

We have delivered a substantial net profit in our Commodity Business as iron ore demand remained strong over the past six months, keeping prices stable. We are prepared for a more volatile iron ore outlook from here onwards, and will maintain our robust trading discipline.

We have recently announced a share buyback of up to 10% of total issued share capital at a price of HK$0.18 per share. We believe our shares are grossly undervalued given that they have recently traded up to a 70% discount to Net Asset Value. Existing shareholders have an opportunity to sell at a premium to market, while continuing shareholders benefit from an increased Net Asset Value per share. We will continue to reassess our dividend policy based on our expectations of the economic outlook.

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

Andrew Ferguson
Chief Executive Officer

FINANCIAL RESULTS

For the six months ended 31 December 2013 ("**1H 2014**"), against a challenging economic environment, the Group reported a net profit attributable to owners of HK$1,316,017,000 for 1H 2014 compared with a net profit of HK$81,567,000 reported for the six months ended 31 December 2012 ("**1H 2013**"). The profit includes a reversal of impairment losses of HK$1,179,487,000 (1H 2013: Nil) against the carrying value of the Group's two principal listed associates. Before taking into account the reversal of impairment losses, the Group generated an operating profit of HK$136,530,000, an improvement in profitability when compared with the profit reported in 1H 2013.

The reversal of impairment losses is related to the performance of the Mount Gibson Iron Limited ("**Mount Gibson**") and Metals X Limited ("**Metals X**") share prices. This equates to a 1H 2014 gain of HK$1,179,487,000 (1H 2013: no reversal of impairment losses/impairment losses provided). At the date of this report, the share prices of both Mount Gibson and Metals X had recovered to A$0.930 and A$0.225 respectively.

PRIMARY STRATEGIC INVESTMENT

Our two Primary Strategic Investments are Mount Gibson and Metals X, both listed and operating in Australia. The net attributable profit from our Primary Strategic Investments for the 1H 2014 was HK$162,503,000 (1H 2013: HK$109,704,000). Mount Gibson and Metals X delivered very strong operational results.

Mount Gibson

Mount Gibson is an Australian listed iron ore producer. Annual production capacity is 10 million tonnes from its Koolan Island, Tallering Peak and Extension Hill mines. All three projects are located in Western Australia and are Direct Shipping Ore (DSO) operations, which have a substantial cost advantage over mines that require beneficiation prior to sale.

In 1H 2014, Mount Gibson increased total ore sales by 15% to a record 5.1 million tonnes, and it is comfortably on track to meet its financial year sales guidance of 9.0 million tonnes to 9.5 million tonnes. Koolan Island is still ramping up to 4 million tonnes per annum despite the impact of Cyclone Christine and Mid West operations are steady. Mount Gibson's net profit after tax more than doubled compared to the previous corresponding period, increasing from A$37.1 million in 1H 2013 to A$78.3 million in 1H 2014. The solid result was driven by record sales volume of 5.1 million tonnes in 1H 2014 (up from 4.4 million tonnes in 1H 2013), higher realized iron ore price and lower costs on a per unit basis. Importantly, Mount Gibson ended the period with an impressive cash balance of A$483.9 million, implying a cash build of A$107.9 million in 1H 2014 even after a dividend payment of A$21.8 million.

Initial exploration at Extension Hill South appears positive, as Mount Gibson has indicated its plans for a second round of exploration, and could add to mine life at Extension Hill. Additionally, the recent acquisition of the Shine DSO project for A$15 million has the potential to be brought into production quickly to partially offset the closure of Tallering Peak in the June quarter 2014.

In 1H 2014, iron ore prices outperformed market expectations and generally traded around the US$130 to US$135 per tonne range, as Chinese steel production growth of 8% in 2013 outperformed market expectations. However significant new iron ore supply over the next 12 to 24 months, combined with slowing Chinese demand (due to overcapacity, a shift from infrastructure to consumption based growth and increasing focus on air pollution), remains a concern for the market, and we have seen a softening in the iron ore price in recent weeks.

Metals X

Metals X is an Australian based and listed emerging diversified resource group with exposure to tin via its 50% interest in the producing Renison mine in Tasmania, gold through its recently acquired Higginsville and South Kalgoorlie operations plus existing Westgold assets, and nickel through its world scale Wingellina nickel development project.

During 1H 2014, Renison produced 3,120 tonnes of tin in concentrate (100% basis), up 3% compared to the six months ended 30 June 2013. Mine productivity was impacted by a power failure during the December quarter which constrained mine output. In the coming quarters, Metals X will be accessing higher grade areas at Renison which is expected to increase production and reduce costs in the second half of the 2014 financial year.

The Higginsville and South Kalgoorlie Operations were acquired as of 1 October 2013 and produced 51,300 ounces in the December quarter, adding an impressive A$28 million pre-tax free cash flow compared to an acquisition cost of only A$44 million. During the quarter, the South Kalgoorlie Operations transitioned to toll treating third party ore but Metals X is evaluating the potential to restart mining operations later in 2014. As a result, the company reported a solid net profit of A$9.2 million for 1H 2014, compared to A$4.9 million for 1H 2013 after stripping out an one-off income tax benefit of A$10.6 million from the Westgold Resources Limited merger in October 2012.

Metals X received an average realised tin price of A$24,034 per tonne in 1H 2014, up 22% compared to 1H 2013 (A$19,705 per tonne). Tin prices recovered in 1H 2014 as the Indonesians sought to support prices with new regulations forcing local exchange trading of tin prior to export. We remain bullish on the medium to long-term outlook for tin due to the lack of supply growth as most development projects require a minimum tin price of US$30,000 to US$40,000 per tonne to be economically viable. In addition, existing resources in China, Indonesia, and Peru continue to be depleted, while market expectations are for stronger tin demand in 2014, based on a rebound in semiconductor shipments.

RESOURCE INVESTMENT

The investments in this division comprise mostly minor holdings in various natural resource companies listed on major stock exchanges including Australia, Canada, Hong Kong, and the United Kingdom. Some of our positions are exploration or development stage companies and this section of the market is particularly sensitive to risk aversion, lower commodity prices, and the difficult financing markets.

Commodity prices remained weak throughout 1H 2014 with the ASX Small Resources Index down 24%; the FTSE AIM Basic Resources Index dropping 22%, and the TSX Venture Composite Index falling 13%. However, US and European economic data continue to improve and, in December 2013, the US announced that it is tapering its monthly bond purchases. The World Bank recently raised its 2014 global growth forecast from 3.0% to 3.2%, and up from 2.4% in 2013. However, markets remain concerned about a potential credit crisis in China, as well as a slowdown in emerging market economies, which will continue to keep commodity prices volatile.

We have maintained a high cash position throughout 1H 2014 and also increased the defensiveness of the portfolio, increasing our weighting in producing companies with strong balance sheets and cash flows, and generally avoiding earlier stage, unfunded explorers. Resource Investment posted a loss of HK$9,545,000 in 1H 2014 (1H 2013: loss of HK$4,641,000). While a loss is always a disappointing result, we feel that our defensive strategy minimised the quantum of the loss in an otherwise very difficult market. We remain confident that our high quality core positions, many of which are well capitalised, will weather the challenging market conditions and deliver superior returns in the long run.

ABM

ABM Resources NL ("**ABM**") is an Australian listed gold company with assets located in the 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. Old Pirate is one of Australia's highest grade open-pittable projects, with a resource of 723,800 ounces of gold at 11.96g/t.

ABM completed its trial mine at Old Pirate, where the initial target was to extract and process 10,000 tonnes of ore at an average recovered grade of 10g/t, extracting roughly 3,000 ounces of gold in total. With final results imminent, the exercise looks relatively successful, with over 4,000 ounces of gold expected to be produced (after the final mill clean out), and broadly confirming the resource model and the amenability of ore to gravity recovery.

Looking forward, approval of the Environmental Impact Statement (EIS) is expected in the first quarter 2014, after which ABM have the option of submitting a Mine Management Plan for stage 2 to expand capacity. The key benefit of this staged approach is minimising upfront capital expenditure and "self-funding" future growth, to maximise shareholder value.

The gold price generally trended downwards during 1H 2014, bottoming just below US$1,200 per ounce in late December as the US announced its plans to taper bond purchases. While gold prices have recovered in recent days and currently trades around US$1,300 per ounce, the key variables, going forward, will be ongoing Chinese demand, an easing in Exchange Traded Fund (ETF) outflows and potential US Dollar strength on the back of tapering.

ABM should be well insulated given the high grade nature of the project which is expected to generate robust margins even in a lower gold price environment.

COMMODITY BUSINESS

The Commodity Business mainly comprises two offtake agreements with Mount Gibson, and the shipments are sold on the spot market to steel mills and traders in China. For 1H 2014, Commodity Business generated a strong profit of HK$42,600,000 (1H 2013: HK$5,119,000). The Platts IODEX 62% CFR China index started 1H 2014 at US$117 per tonne, but had increased to over US$140 per tonne by mid-August due to aggressive re-stocking by steel mills. Iron ore then traded in a tight range throughout the remainder of the period, but has drifted lower in early 2014. The data seems to indicate that the traditional restocking by Chinese steel mills in the first quarter is mostly complete, especially given tighter credit conditions, and port stockpiles are currently over 100 million tonnes. Given a number of large mine expansions this year, we are cautious on the outlook for iron ore prices heading into 2014.

COMPANY STRATEGY

APAC leverages its in-house natural 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 cash flow 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 2013, our non-current assets amounted to HK$2,913,030,000 (As at 30 June 2013: HK$1,428,755,000) and net current assets amounted to HK$635,934,000 (As at 30 June 2013: HK$829,878,000) with a current ratio of 3.4 times (As at 30 June 2013: 4.1 times) calculated on the basis of its current assets over current liabilities.

As at 31 December 2013, we had borrowings of HK$184,500,000 (As at 30 June 2013: HK$242,500,000) and had undrawn banking and loan facilities amounting to HK$553,000,000 (As at 30 June 2013: HK$656,592,000) secured against certain of our interests in listed associates and investments held for trading, term deposits and corporate guarantee of the Company. As at 31 December 2013, we had a gearing ratio of 0.05 (As at 30 June 2013: 0.11), calculated on the basis of total borrowings over equity attributable to owners of the Company.

As part of the Group's on-going treasury management arrangements, in November 2013, the Group applied certain of its available funds to subscribe for loan notes of US$30,000,000 (Equivalent to approximately HK$232,599,000). Details of this are set out in the announcement of the Company dated 26 November 2013.

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 2013, certain of the Group's interests in listed associates of HK$1,381,391,000 (As at 30 June 2013: HK$862,277,000) 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$308,314,000 (As at 30 June 2013: HK$345,502,000) 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 People's Republic of China (the "**PRC**") for its employees in the PRC).

As at 31 December 2013, the Group, including its subsidiaries but excluding associates, had 25 (As at 30 June 2013: 25) employees. Total emolument together with pension contributions incurred for the six months ended 31 December 2013 amounted to HK$8,410,000 (2012: HK$15,093,000).

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 2013, 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 2013, the Group does not have plan for any other material investments or acquisition of material capital assets.

CAPITAL COMMITMENTS

As at 31 December 2013, the Group had no material capital commitments contracted but not provided for (As at 30 June 2013: Nil).

CONTINGENT LIABILITIES

As at the date of this report and as at 31 December 2013, the Board is not aware of any material contingent liabilities.

SUBSEQUENT EVENT

On 23 January 2014, the Company announced a conditional cash offer (the "**Offer**") to repurchase for cancellation up to a maximum of 680,000,000 shares of the Company, representing approximately 10% of the total issued share capital of the Company as at 23 January 2014, at the offer price of HK$0.18 per share. There is no minimum number of shares proposed to be repurchased under the Offer. If the Offer is fully accepted, the amount payable by the Company under the Offer, before expenses, is HK$122,400,000. Details of the Offer are set out in the Company's announcement dated 23 January 2014.

On 26 January 2014, as part of the Group's on-going treasury management arrangements, the Group entered into a loan agreement with a third party as borrower, pursuant to which the Group has agreed to make available to the borrower a secured loan of HK$218,320,000 with interest rate of 24% per annum. The repayment date of the loan is 28 July 2014. Details of this transaction are set out in the Company's announcement dated 28 January 2014.

INTERIM DIVIDEND

No dividend was paid or proposed during the six months ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil) as the Company has negative distributable reserves.

FORWARD LOOKING OBSERVATIONS

In December 2013, markets responded positively to the US decision to start tapering its bond purchases, illustrating consensus belief that the US economy is close to reaching "escape velocity". Europe also appears to stabilising, and consensus forecast is for 1% growth in 2014. China remains an area of concern for markets, given expectations for slower growth (in part due to the government's focus on "quality growth"), the lack of overwhelming stimulus as in previous years, and shadow banking risk which could trigger a credit event.

Looking at the supply-demand fundamentals for most commodities, it is hard to see a strong rebound in prices. However, given expectations for increased global growth in 2014 and many commodity prices starting to bite into the top end of cost curves, we see a case where the commodity complex remains broadly steady this year. The market is still underweight on resource equities, so even a flat commodity complex could see investors returning to resources equities given cheap valuations, more focused management teams, cost pressures subsiding and a return to significant sector free cash flow in 2014 and 2015.

Our Primary Strategic Investments are still focused on sensible low risk acquisitions and reducing costs, leaving them well positioned for a time when the investment community returns to the resources sector. Over the past six months, Mount Gibson has added over A$100 million to its cash balance despite a A$21.8 million dividend, completely replaced reserves depletion at its three operations, reduced costs significantly at its Koolan Island operations and identified a number of near-mine exploration and development opportunities to extend mine life. Our positive view for tin prices remains unchanged, and Metals X has recently acquired Alacer Gold Corp.'s Higginsville and South Kalgoorlie gold operations in Australia, which has already begun to generate significant free cash flow, particularly at Higginsville where cash costs averaged A$825 per ounce in the December 2013 quarter. To date, ABM has delivered a pleasing result at its trial mining programme, and we look forward to the company further progressing to a full production scenario.

We remain defensive and selective with our investments in the near term, and continue to look for deep value opportunities which will generate attractive returns over the long run.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 31 December 2013

		Six months ended	
	Notes	**31.12.2013 HK$'000 (unaudited)**	31.12.2012 HK$'000 (unaudited)
Revenue from sales of goods	3	**540,038**	442,201
Cost of sales		**(496,320)**	(439,669)
		43,718	2,532
Other gains and losses	4	**1,138,001**	(1,840)
Other income	5	**9,860**	7,234
Administrative expenses			
— General administrative expenses		**(27,859)**	(19,219)
— Equity-settled share option expenses		**—**	(14,021)
Finance costs	6	**(3,457)**	(2,791)
Share of results of associates		**162,503**	109,704
Profit before taxation	7	**1,322,766**	81,599
Income tax expense	8	**(6,749)**	(32)
Profit for the period attributable to owners of the Company		**1,316,017**	81,567
Earnings per share (expressed in HK cents) — Basic and diluted	10	**19.32**	1.20

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2013

	Six months ended	
	31.12.2013	31.12.2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**1,316,017**	81,567
Other comprehensive (expense) income, net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of associates	**(32,513)**	36,947
Exchange difference arising from translation of other foreign operations	**3,477**	5,361
Fair value change of available-for-sale investments	**327**	241
Reclassification adjustment upon disposal of available-for-sale investments	**6**	—
Reclassification adjustment upon deemed disposal of partial interests in associates	**(23)**	(7,359)
Share of investment revaluation reserve of associates	**3,040**	(11,879)
	(25,686)	23,311
Total comprehensive income for the period attributable to owners of the Company	**1,290,331**	104,878

Condensed Consolidated Statement of Financial Position

At 31 December 2013

	Notes	31.12.2013 HK$'000 (unaudited)	30.6.2013 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	**2,878**	2,011
Interests in associates	12	**2,545,776**	1,301,491
Available-for-sale investments	13	**30,073**	18,686
Financial assets designated at fair value through profit or loss	14	**74,156**	77,953
Loan receivable		**27,548**	28,614
Loan notes	15	**232,599**	—
		2,913,030	1,428,755
Current assets			
Trade and other receivables	16	**89,509**	27,178
Investments held for trading	17	**201,372**	233,091
Pledged bank deposits	23	**308,314**	345,502
Bank balances and cash		**303,131**	492,785
		902,326	1,098,556
Total assets		**3,815,356**	2,527,311
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	**681,193**	681,193
Reserves		**3,028,501**	3,054,187
Accumulated losses		**(160,730)**	(1,476,747)
		3,548,964	2,258,633

Condensed Consolidated Statement of Financial Position

At 31 December 2013

	Notes	31.12.2013 HK$'000 (unaudited)	30.6.2013 HK$'000 (audited)
Current liabilities			
Trade and other payables	18	**76,439**	25,381
Bank borrowing	19	**184,500**	242,500
Tax payable		**5,453**	797
		266,392	268,678
Total equity and liabilities		**3,815,356**	2,527,311
Net current assets		**635,934**	829,878
Total assets less current liabilities		**3,548,964**	2,258,633

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2013

	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$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1 July 2012 (audited)	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
Lapse/cancellation 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
At 1 July 2013 (audited)	**681,193**	**2,769,729**	**(14,980)**	**19,503**	**268,915**	**—**	**11,020**	**(1,476,747)**	**2,258,633**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,316,017**	**1,316,017**
Other comprehensive income (expense) for the period	**—**	**—**	**—**	**3,365**	**(29,051)**	**—**	**—**	**—**	**(25,686)**
Total comprehensive income (expense) for the period	**—**	**—**	**—**	**3,365**	**(29,051)**	**—**	**—**	**1,316,017**	**1,290,331**
At 31 December 2013 (unaudited)	**681,193**	**2,769,729**	**(14,980)**	**22,868**	**239,864**	**—**	**11,020**	**(160,730)**	**3,548,964**

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2013

	Six months ended	
	31.12.2013	31.12.2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**35,876**	(32,939)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,298)**	(21)
Purchase of available-for-sale investments	**(24,000)**	(3,079)
Dividend received from an associate	**41,912**	45,689
Interest received	**9,972**	6,321
Placement of pledged bank deposits	**(275,771)**	(328,763)
Withdrawal of pledged bank deposits	**312,959**	79,748
Investment in loan notes	**(232,599)**	—
Investment in financial assets designated at fair value through profit or loss	**(2,636)**	—
Proceeds from disposal of financial assets designated at fair value through profit or loss	**2,184**	—
Proceeds from disposal of available-for-sale investments	**1,727**	—
NET CASH USED IN INVESTING ACTIVITIES	**(167,550)**	(200,105)
FINANCING ACTIVITIES		
Payments on repurchase of shares	**—**	(323)
Interest paid	**(3,457)**	(2,791)
New borrowings raised	**427,000**	448,417
Repayments of borrowings	**(485,000)**	(169,660)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(61,457)**	275,643
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(193,131)**	42,599
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	**3,477**	5,361
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**492,785**	372,642
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**303,131**	420,602

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2013

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, as appropriate.

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 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2013.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are mandatorily effective for the current interim period.

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

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 13 Fair value measurement (Continued)

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 24.

Amendments to HKAS 34 Interim financial reporting (as part of the annual improvements to HKFRSs 2009–2011 cycle)

The Group has applied the amendments to HKAS 34 "Interim financial reporting" as part of the annual improvements to HKFRSs 2009–2011 cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker ("**CODM**") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

CODM reviews assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, thus the Group included total assets and total liabilities information as part of segment information.

3. SEGMENT INFORMATION

Information regularly reviewed by the CODM, represented by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance focuses on nature of the Group's business and operations. The Group's reportable and operating 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, loss on deemed disposal of partial interest in an associate, impairment loss on interest in an associate, reversal of impairment losses on interests in associates and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

3. SEGMENT INFORMATION (Continued)

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

Six months ended 31 December 2013

	Commodity business HK$'000	Resource investment HK$'000	Total HK$'000
Revenue	540,038	—	540,038
Gross sales proceeds from resource investment	—	81,405	81,405
Segment profit (loss)	42,600	(9,545)	33,055
Share of results of associates			162,503
Loss on deemed disposal of partial interest in an associate			(108)
Reversal of impairment losses on interests in associates			1,179,487
Impairment loss on interest in an associate			(26,190)
Unallocated corporate income			2,050
Unallocated corporate expenses			(24,574)
Finance costs			(3,457)
Profit before taxation			1,322,766

3. SEGMENT INFORMATION (Continued)

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
Net gain on deemed disposal of partial interests in associates			3,359
Unallocated corporate income			177
Unallocated corporate expenses			(29,328)
Finance costs			(2,791)
Profit before taxation			81,599

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

3. SEGMENT INFORMATION (Continued)

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

	31.12.2013 HK$'000 (unaudited)	30.6.2013 HK$'000 (audited)
Commodity business	**535,248**	772,078
Resource investment	**454,157**	400,686
Total segment assets	**989,405**	1,172,764
Interests in associates	**2,545,776**	1,301,491
Loan notes	**232,599**	—
Unallocated	**47,576**	53,056
Consolidated assets	**3,815,356**	2,527,311
Commodity business	**258,156**	265,529
Resource investment	**235**	117
Total segment liabilities	**258,391**	265,646
Unallocated	**8,001**	3,032
Consolidated liabilities	**266,392**	268,678

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, loan notes, property, plant and equipment, other receivables and certain bank balances and cash.
- all liabilities are allocated to reportable segments other than certain other payables and tax payable.
- bank borrowing is allocated while the finance costs are not allocated to respective reportable segments.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2013

4. OTHER GAINS AND LOSSES

	Six months ended	
	31.12.2013	31.12.2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Fair value change of investments held for trading	**5,145**	(6,521)
(Loss) net gain on deemed disposal of partial interests in associates	**(108)**	3,359
Impairment loss on available-for-sale investments	**(11,214)**	—
Impairment loss on financial assets designated at fair value through profit or loss	**(2,636)**	—
Impairment loss on loan receivable	**(1,066)**	—
Reversal of impairment losses on interests in associates	**1,179,487**	—
Impairment loss on interest in an associate	**(26,190)**	—
Net foreign exchange (loss) gain	**(3,799)**	1,928
(Loss) gain on disposal of available-for-sale investments	**(6)**	285
Fair value change of financial assets designated at fair value through profit or loss	**(1,612)**	(891)
	1,138,001	(1,840)

5. OTHER INCOME

	Six months ended	
	31.12.2013	31.12.2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Dividend income from investments held for trading	**300**	261
Interest income from bank deposits	**5,464**	3,794
Others	**4,096**	3,179
	9,860	7,234

6. FINANCE COSTS

	Six months ended	
	31.12.2013	31.12.2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on borrowing wholly repayable within five years:		
— Bank borrowing	**3,457**	2,791

7. PROFIT BEFORE TAXATION

	Six months ended	
	31.12.2013	31.12.2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments		
— salaries and allowances	**11,107**	7,622
— equity-settled share option expenses (included in administrative expenses)	**—**	14,021
— staff quarters	**441**	432
— retirement benefits schemes contributions	**97**	120
Total staff costs	**11,645**	22,195
Depreciation of property, plant and equipment	**434**	326
Reversal of allowance for trade receivables	**—**	(3,317)
Cost of goods recognised as an expense	**420,967**	398,429
Reversal of allowance for inventories (included in cost of sales)	**—**	(5,867)

8. INCOME TAX EXPENSE

	Six months ended	
	31.12.2013	31.12.2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	**5,842**	(820)
Enterprise Income Tax in the People's Republic of China (the "**PRC**")	**907**	852
	6,749	32

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

Under the Law of the PRC 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.

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$1,316,017,000 (six months ended 31 December 2012: HK$81,567,000) and the number of 6,811,927,990 (six months ended 31 December 2012: weighted average number of 6,812,062,635) ordinary shares in issue during the six months ended 31 December 2013.

For the period ended 31 December 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 for the six months ended 31 December 2013.

12. INTERESTS IN ASSOCIATES

	31.12.2013 **HK$'000** **(unaudited)**	30.6.2013 HK$'000 (audited)
Cost of investment in associates		
Listed in Australia	**2,223,339**	2,223,339
Unlisted	**50,687**	50,687
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,303,115**	1,212,127
Impairment losses recognised	**(1,031,365)**	(2,184,662)
	2,545,776	1,301,491
Fair value of listed investments	**2,508,707**	1,237,392

During the period ended 31 December 2013, the recoverable amounts of the Group's listed associates which represented the fair value less cost of disposal were higher than their carrying amounts, accordingly, impairment losses of HK$1,179,487,000 (six months ended 31 December 2012: Nil) recognised in prior years were reversed in profit or loss. The fair value of the Group's listed associates referred to their respective closing prices as at 31 December 2013.

One of the Group's unlisted associates engages in mineral exploration. However, the exploration license has not yet been granted by the relevant government authority to the associate. Due to the uncertainty in obtaining the exploration license and the insolvent financial position of the associate, the directors of the Company determined to recognise an impairment loss of HK$26,190,000 against the full carrying value of the associate during the period ended 31 December 2013.

13. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2013 HK$'000 (unaudited)	30.06.2013 HK$'000 (audited)
Listed investments:		
— Equity securities listed in Hong Kong	**3,279**	4,677
Unlisted investments:		
— Unlisted equity securities	**26,794**	14,009
	30,073	18,686

The above unlisted 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 reliably measured.

14. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2013 HK$'000 (unaudited)	30.06.2013 HK$'000 (audited)
Investment in convertible bonds designated at fair value through profit or loss	**74,156**	77,953
Listed investments:		
— Convertible bonds listed in Singapore	**—**	2,708
— Convertible bonds listed in United Kingdom	**3,956**	5,045
	3,956	7,753
Unlisted investments:		
— Convertible bonds	**72,836**	70,200
— Impairment loss recognised	**(2,636)**	—
	70,200	70,200
	74,156	77,953

14. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The listed investments are measured at their quoted market prices at 31 December 2013 and 30 June 2013.

The unlisted investments represent investments in unlisted convertible bonds issued by two private entities (as at 30 June 2013: a private entity). For the 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, they are measured at cost plus accrued contractual interest less impairment at the end of the reporting period.

15. LOAN NOTES

The Group subscribed for loan notes with a nominal value of US$30,000,000 from Mulpha SPV Limited ("**Mulpha**"), a limited liability company incorporated in Malaysia, at the nominal amount in November 2013. The loan notes bear 8.5% coupon interest per annum and it will mature on 26 November 2016. The loan notes are guaranteed by Mulpha International Bhd., a company incorporated in Malaysia whose shares are listed on the Main Market of Bursa Malaysia Securities Berhad. The loan notes can be early redeemed by Mulpha before the maturity date at the nominal amount of the loan notes plus accrued unpaid interest up to the date of redemption. The early redemption option by Mulpha is closely related to the host debt and is therefore not separately accounted for.

16. TRADE AND OTHER RECEIVABLES

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:

	31.12.2013 HK$'000 (unaudited)	30.6.2013 HK$'000 (audited)
0 to 90 days	**70,982**	4,919

As at 31 December 2013 and 30 June 2013, the trade receivables disclosed above are neither past due nor impaired.

17. INVESTMENTS HELD FOR TRADING

	31.12.2013 HK$'000 (unaudited)	30.6.2013 HK$'000 (audited)
Listed securities:		
— Equity securities listed in United Kingdom	**18,814**	44,233
— Equity securities listed in United States of America	**—**	1,622
— Equity securities listed in Australia	**146,738**	152,797
— Equity securities listed in Canada	**35,820**	34,439
	201,372	233,091

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:

	31.12.2013 HK$'000 (unaudited)	30.6.2013 HK$'000 (audited)
0 to 90 days	**62,866**	20,407

19. BANK BORROWING

	31.12.2013 HK$'000 (unaudited)	30.6.2013 HK$'000 (audited)
Secured bank loan repayable within one year	**184,500**	242,500

At 31 December 2013, the loan is denominated in HK$, interest bearing at Hong Kong Interbank Offered Rate plus 2.5% per annum and will be repayable in February 2014.

At 30 June 2013, the loan was denominated in HK$, interest bearing at Hong Kong Interbank Offered Rate plus 2.5% per annum and was repaid in September 2013.

20. 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 2012	6,813,047,990	681,305
Cancellation of shares repurchased	(1,120,000)	(112)
At 31 December 2012, 1 July 2013 and 31 December 2013	6,811,927,990	681,193

21. 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:

	31.12.2013 HK$'000 (unaudited)	30.6.2013 HK$'000 (audited)
Within one year	**3,473**	2,860
After one year but within five years	**1,228**	732
	4,701	3,592

Operating lease payments represent rental payable by the Group for its office premises, car parking space, directors' 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.

22. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	31.12.2013	31.12.2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Subsidiaries of an associate, Mount Gibson Iron Limited — Purchase of commodities	**420,967**	396,398

	31.12.2013	30.6.2013
	HK$'000	HK$'000
	(unaudited)	(audited)
Trade payables	**62,866**	7,681

(b) **Compensation of key management personnel**

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

	Six months ended	
	31.12.2013	31.12.2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term employee benefits	**4,187**	3,752
Post-employment benefits	**15**	12
Share option benefits	**—**	10,375
	4,202	14,139

23. 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.

	31.12.2013 HK$'000 (unaudited)	30.6.2013 HK$'000 (audited)
Interests in associates	**1,381,391**	862,277
Pledged bank deposits	**308,314**	345,502
	1,689,705	1,207,779

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31.12.2013	Fair value as at 30.6.2013	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
1) Investments in listed equity securities classified as investments held for trading in the condensed consolidated statement of financial position	**HK$201,372,000**	HK$233,091,000	Level 1	Quoted bid prices in active markets	N/A	N/A
2) Investments in listed equity securities classified as available-for-sale investments in the condensed consolidated statement of financial position	**HK$3,279,000**	HK$4,677,000	Level 1	Quoted bid prices in active markets	N/A	N/A
3) Investments in listed convertible bonds classified as financial assets designated at fair value through profit or loss in the condensed consolidated statement of financial position	**HK$3,956,000**	HK$7,753,000	Level 1	Quoted bid prices in active markets	N/A	N/A

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

25. EVENTS AFTER THE REPORTING PERIOD

On 23 January 2014, the Company announced a conditional cash offer (the "**Offer**") will be made to repurchase for cancellation up to a maximum of 680,000,000 shares, representing approximately 10% of the total issued share capital of the Company as at 23 January 2014, at the offer price of HK$0.18 per share. There is no minimum number of shares proposed to be repurchased under the Offer. If the Offer is fully accepted, the amount payable by the Company under the Offer is HK$122,400,000. Details of the Offer are set out in the Company's announcement dated 23 January 2014.

25. EVENTS AFTER THE REPORTING PERIOD (Continued)

On 26 January 2014, a subsidiary of the Company, as a lender, entered into a loan agreement with an independent third party, Rising Peak Investment Guangzhou Company Limited, as a borrower, pursuant to which the lender has agreed to make available to the borrower a secured loan of HK$218,320,000 with interest rate of 24% per annum. The repayment date of the loan is 28 July 2014. The loan is secured by a floating charge on the assets of the borrower, mortgage of shares of the borrower and one of the borrower's subsidiaries incorporated in the People's Republic of China ("**PRC Co**"), mortgage of a parcel of land and property held by PRC Co, assignment of loan due by one of the borrower's subsidiaries to PRC Co and the sale and purchase agreement, in relation to the sale and purchase of certain properties to the Group by one of the borrower's subsidiaries. Details of this transaction are set out in the Company's announcement dated 28 January 2014.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

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 17 to 39, which comprise the condensed consolidated statement of financial position as of 31 December 2013 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
25 February 2014

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, 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 2013.

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 2013, COL was 72.87% 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 2013, 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 incentive 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 issueable. The Scheme expires on 21 September 2014.

There were no outstanding options brought forward from 30 June 2013 as all outstanding options with an expiry date of 6 July 2013 were cancelled on 11 July 2012. During the six months ended 31 December 2013, no options had been granted under the Scheme.

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 2013, 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 2013, 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	Beneficial owner *(Note 3)*	1,124,640,000	—	1,124,640,000	16.51%
Taskwell	Beneficial owner *(Note 3)*	906,299,562	—	906,299,562	13.30%
COL	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 2013.

2. These shares are held by Benefit Rich Limited ("**Benefit Rich**"), a wholly-owned subsidiary of Shougang Fushan Resources 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 as to 1,124,640,000 shares and (ii) Taskwell as to 906,299,562 shares, both are wholly-owned subsidiaries of Besford. Besford is a wholly-owned subsidiary of COL. Accordingly, COL is deemed to have interests in the shares in which Rise Cheer and Taskwell are interested. As at 31 December 2013, COL was 72.87% owned by Vigor Online Offshore Limited which in turn is a wholly-owned subsidiary of 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 2013, 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 2013 Annual Report of the Company are set out below:

Mr. Chang Chu Fai, Johnson Francis has resigned as deputy chairman and an independent non-executive director of Allied Overseas Limited (Stock Code: 593) with effect from 27 January 2014.

Mr. Lee Seng Hui has resigned as non-executive director of Tanami Gold NL (ASX: TAM), a company listed on the Australian Stock Exchange, with effect from 7 November 2013. Mr. Lee has also been re-designated from deputy chairman and non-executive director to chairman and non-executive director of Mount Gibson Iron Limited (ASX: MGX), an Australian Stock Exchange listed associate of the Group, with effect from 19 February 2014.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 31 December 2013. 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 2013 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 2013.

By Order of the Board
Chong Sok Un
Chairman

Hong Kong, 25 February 2014