



APAC RESOURCES

APAC Resources Limited 亞太資源有限公司*

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



APAC RESOURCES

Interim Report **2014**

* For identification purpose only



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Board of Directors

Executive Directors

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

Non-Executive Directors

Mr. Lee Seng Hui (*Mr. Peter Anthony Curry as his alternate*)
Mr. So Kwok Hoo

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

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

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
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

Mount Gibson Iron Limited (ASX: MGX) is a leading iron ore producer in Australia mining high grade ores from the Koolan Island, and Extension Hill mines.



Metals X

Metals X Limited (ASX: MLX)

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

23.9%

14.3%



ABM Resources NL (ASX: ABU)

is an emerging gold exploration company with growing 3.4 Moz gold JORC resources and large tenements in Northern Territory, Australia. It has two highly prospective flagship projects — Old Pirate and Buccaneer.





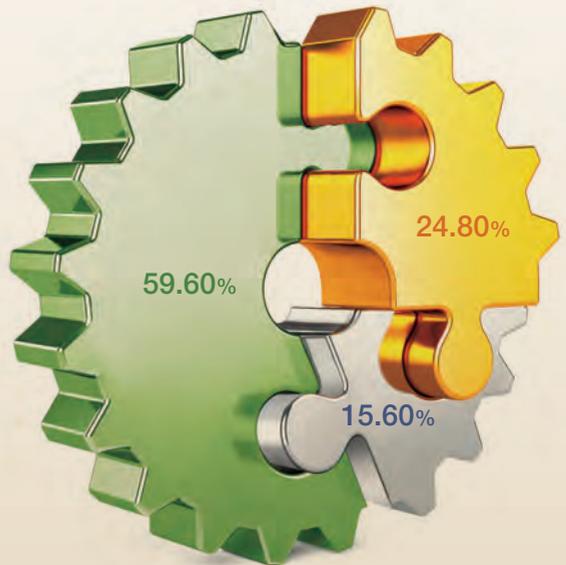
- Principal listing of investments
- Commodity off-takes to China

- Operation of investments
- Headquartered in Hong Kong with office in Shanghai

Shareholder Structure

- Ms. Chong Sok Un
- Shougang Fushan Resources Group (HKSE Stock Code: 639)
- Others

Source: Publicly available information



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

Pin-point Potential Companies

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

Identify China Commodity Supply/Demand Imbalance

- ✦ Generated stock ideas
- ✦ Analysis of trend
- ✦ Initial screening



Primary Strategic Investment

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

Investment Stage (Equity/Pre IPO/Debt)

- ✦ Maximize shareholders' return
- ✦ Active monitoring
- ✦ Position adjustment



Commodity Trading

Off-takes for shipments to the Chinese market

Resource Investment

Early positions incubating

CEO's Message

“ Dear Shareholder,

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

”



The global economy is still a mixed bag. US economic data is improving, and there are now suggestions that the Fed could raise interest rates as early as mid-2015. Meanwhile the new anti-austerity government in Greece is increasing concerns of a Greek exit from the Eurozone and Chinese growth continues to slow as evidenced by recent PMI numbers.

The sharp fall in the oil price will be positive for net importers of oil like China, Japan, Korea, US and Europe as it translates to a tax cut for consumers. Further, the lower oil price is helpful for the rest of the resources sector (obviously excluding oil producers) where diesel often makes up a significant portion of operating costs, leaving room for margin expansion.

We expect a combination of weaker commodity currencies and reduced costs from ongoing management initiatives and lower oil prices will provide an opportunity for select companies to deliver margin expansion in the resources sector — despite broadly steady prices. We remain diligent in our search for investment opportunities that benefit from these influences.

In November, Mount Gibson suffered a failure at the Koolan Island Main Pit seawall, leading the company to suspend the mine and write off the value of the mine in full. We have taken a significant impairment in the value of our Primary Strategic Investments to reflect current market valuations, which is the driver for our net loss of HK\$897,234,000 for the six months ended 31 December 2014. This is clearly a very disappointing result, however the majority of this loss is driven by a non-cash accounting related adjustment, with no material impact to the financial strength of your company which retains a net cash position.

In light of the opportunities in the market, we have not declared a dividend, but 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



Management Discussion and Analysis



Financial Results

APAC Resources Limited (“**APAC**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**”) reported a net loss attributable to owners of HK\$897,234,000 for the six months ended 31 December 2014 (“**1H 2015**”), compared with a net profit of HK\$1,316,017,000 reported for the six months ended 31 December 2013 (“**1H 2014**”). The loss includes principally the share of net loss of associates of HK\$1,460,673,000 (1H 2014: Net profit of HK\$162,503,000), which is partially offset by the net reversal of impairment losses of HK\$632,428,000 (1H 2014: HK\$1,153,297,000) against the carrying value of the Group’s two principal listed associates which are marked to their respective share prices as of 31 December 2014.

Primary Strategic Investment

Our two Primary Strategic Investments are Mount Gibson Iron Limited (“**Mount Gibson**”) and Metals X Limited (“**Metals X**”), both listed and operating in Australia. The net attributable loss from our Primary Strategic Investments for 1H 2015 was HK\$1,460,673,000 (1H 2014: Net profit of HK\$162,503,000). Mount Gibson reported an operating loss and a very significant impairment loss on its Koolan Island mine as a result of the flooding of the Main Pit after a seawall failure and lower iron ore prices. In contrast, Metals X delivered very strong operational results.

Mount Gibson

Mount Gibson is an Australian listed iron ore producer. Annual production capacity is 3 to 4 million tonnes of Direct Shipping Ore from its Extension Hill mine, which provides it with a substantial cost advantage over mines that require beneficiation prior to sale. Mount Gibson has undergone significant changes in the last six months following the unfortunate incident at the Koolan Island mine.

In November 2014, the Main Pit at Koolan Island was flooded after a failure of the Main Pit seawall. As a result, all mining operations have been suspended at the Main Pit, while Mount Gibson completes a detailed evaluation of restart options. As part of the evaluation, Mount Gibson is in discussions with its insurers about their existing policies for property damage and business interruption. Mount Gibson has revised its financial year ending 30 June 2015 (“**FY 2015**”) sales guidance to 5.0 to 5.4 million tonnes, after 3.1 million tonnes in 1H 2015.

Mount Gibson’s results were impacted by significant non-cash write downs related to Koolan Island, the weak iron ore price and the repeal of the Mineral Resources Rent Tax. Mount Gibson continues to focus on cutting costs in the weak iron ore environment, and reduced total cost of sales from A\$78/t in 1H 2014 to A\$62/t in 1H 2015. Importantly, Mount Gibson still boasts an impressive cash balance, ending 1H 2015 with A\$354 million or A\$0.320 per share compared to share price at the date of this report of A\$0.250 per share.

Extension Hill South remains a high priority near-mine exploration target. Mount Gibson completed an infill and extensional drilling program in 1H 2015 following an initial drilling program in December 2013 and is awaiting assay results.

The Platts IODEX 62% CFR China index has steadily fallen throughout 1H 2015, ending the year at US\$71 per tonne but drifting down to around US\$60 per tonne since. The weakness has been driven by ongoing supply growth and a weaker outlook for steel demand in China. We remain cautious on the outlook for iron ore in FY 2015.

Metals X

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

The Higginsville and South Kalgoorlie Operations produced 72,884 ounces in the 1H 2015 and generated A\$40m of EBITDA despite the closure of the Chalice mine, with the current focus on redeveloping the HBJ underground mine.

The gold price hit a low of US\$1,131 per ounce in November before rebounding well above US\$1,200 per ounce, driven by shifts in expectations of the timing of US rate hikes. While a stronger US Dollar has been a headwind, Chinese, Indian and net central bank buying have been supportive. Importantly, the Australian dollar gold price is up around A\$200 per ounce, in Australian dollar terms, the gold price is trading near 2-year highs around A\$1,600 per ounce.

Management Discussion and Analysis

During 1H 2015, Renison produced 3,791 tonnes of tin in concentrate (100% basis), up 21% compared to the six months ended 30 June 2014. The production increase was driven by both higher grade and higher mine output. Average realised tin prices of A\$23,394 per tonne in 1H 2015 were down 3% compared to 1H 2014 given strong Myanmar ore production growth. However, we remain bullish on the medium to long-term outlook for tin due to the lack of significant 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.

Metals X reported a solid net profit of A\$15.9 million for 1H 2015, compared to A\$9.2 million for 1H 2014. During the half Metals X also underwent a 1-for-4 share consolidation and announced its inaugural dividend of approximately 2.7 Australian cents per share (post consolidation) and a dividend policy of at least 30% of the company's annual net profit after tax.

Share price of Metals X has rebounded strongly from A\$0.785 per share at 31 December 2014 to A\$1.235 per share at the date of this report.

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 2015 with the ASX Small Resources Index down 29%; the FTSE AIM Basic Resources Index dropping 27%, and the TSX Venture Composite Index falling 33%.

Resource Investment posted a loss of HK\$88,681,000 in 1H 2015 (1H 2014: Loss of HK\$9,545,000). While a loss is always a disappointing result, we feel that our defensive strategy with focus on producing companies with strong balance sheets and cash flows has minimised the quantum of loss. 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 project. Old Pirate is Australia’s highest grade open-pit mine development, with a resource of 640,000 ounces of gold at 11.7g/t.

ABM is moving forward with the staged development of its Old Pirate project. In December it received approval of the Mine Management Plan which was the last major approval required before beginning site works. ABM has selected a mining contractor who will be mobilised in early 2015 to upgrade the access road and commence clearing over planned mining areas. Recommissioning of the Coyote Plant is expected to commence shortly.

In July 2014, Pacific Road Capital became a strategic investor after subscribing to A\$20 million of new equity. ABM launched a rights issue and share placement to raise a total of A\$15 million in February 2015. The proceeds will be used to cover working capital requirements until the mine reaches steady state. At period end, ABM had A\$11 million cash and no debt.

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 2015, Commodity Business generated a modest profit of HK\$4,046,000 (1H 2014: HK\$42,600,000), amid a steadily declining iron ore price.

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 2014, our non-current assets amounted to HK\$1,327,246,000 (As at 30 June 2014: HK\$2,531,023,000) and net current assets amounted to HK\$567,803,000 (As at 30 June 2014: HK\$598,178,000) with a current ratio of 6.4 times (As at 30 June 2014: 3.9 times) calculated on the basis of its current assets over current liabilities. Included in non-current assets and current assets are loan notes of HK\$315,962,000 (As at 30 June 2014: HK\$235,934,000) and loans receivable of HK\$240,925,000 (As at 30 June 2014: HK\$238,754,000) which form part of the on-going treasury management arrangements of the Group.

Management Discussion and Analysis

As at 31 December 2014, we had borrowings of HK\$81,040,000 (As at 30 June 2014: HK\$126,217,000) and had undrawn banking and loan facilities amounting to HK\$625,148,000 (As at 30 June 2014: HK\$501,183,000) 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 2014, we had a gearing ratio of 0.04 (As at 30 June 2014: 0.04), 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 2014, certain of the Group's interests in listed associates of HK\$561,028,000 (As at 30 June 2014: HK\$1,253,610,000) 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\$80,085,000 (As at 30 June 2014: HK\$80,010,000) were pledged to a bank 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 2014, the Group, including its subsidiaries but excluding associates, had 18 (As at 30 June 2014: 18) employees. Total emolument together with pension contributions incurred for the six months ended 31 December 2014 amounted to HK\$5,187,000 (2013: HK\$8,410,000).

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 2014, 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 2014, the Group does not have plan for any other material investments or acquisition of material capital assets.

Capital Commitments

As at 31 December 2014, the Group had no material capital commitments contracted but not provided for (As at 30 June 2014: Nil).

Contingent Liabilities

As at the date of this report and as at 31 December 2014, the board of directors (the “**Board**”) of the Company is not aware of any material contingent liabilities.

Interim Dividend

No dividend was paid or proposed during the six months ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

Forward Looking Observations

US economic data continues to strengthen as illustrated by consistently robust employment data, showing increasing wages and job growth. Although the outlook for Europe and China remains uncertain, both regions have demonstrated their willingness to support the economy. In early 2015, the European Central Bank announced that it will inject €1.1 trillion into the economy through quantitative easing and maintain interest rates at record low levels. China has similarly moved to stimulate the economy by reducing the reserve requirement ratio by 0.5% and lowering interest rates.

We expect commodity prices to remain volatile. While a stronger US economy will improve sentiment, it is likely to result in a stronger US dollar which makes commodities more expensive for global consumers. Furthermore, the uncertainty around China’s economy will remain a challenge for the resources space given that it is the key buyer for most commodities.

Management Discussion and Analysis

While headline commodity prices are likely to remain weak, we see an opportunity for significant margin expansion for specific producers, given lower commodity currencies, a halving in oil prices and general industry cost deflation. Our Primary Strategic Investments remain focused on sensible low risk acquisitions and general cost cutting, leaving them well positioned for strong margin expansion when prices turn. Mount Gibson is focused on optimising and extending Extension Hill and its A\$354 million cash balance provides significant potential to grow via careful acquisition. Metals X continues to generate free cash flow, and has prudently acquired two other gold projects with plans to commence development in the coming year. ABM is progressing to a full production scenario and will start production later in the year.

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 2014

	Notes	Six months ended	
		31.12.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (unaudited)
Revenue from sales of goods	3	193,785	540,038
Cost of sales		(189,332)	(496,320)
		4,453	43,718
Other gains and losses	4	537,902	1,138,001
Other income	5	41,920	9,860
Administrative expenses		(15,526)	(27,859)
Finance costs	6	(4,254)	(3,457)
Share of results of associates		(1,460,673)	162,503
(Loss) profit before taxation	7	(896,178)	1,322,766
Income tax expense	8	(1,056)	(6,749)
(Loss) profit for the period attributable to owners of the Company		(897,234)	1,316,017
(Loss) earnings per share (expressed in HK cents)			
— Basic and diluted	10	(14.64)	19.32

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2014

	Six months ended	
	31.12.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period	(897,234)	1,316,017
Other comprehensive (expense) income, net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of associates	(327,000)	(32,513)
Exchange difference arising from translation of other foreign operations	(474)	3,477
Fair value change of available-for-sale investments	—	327
Reclassification adjustment upon disposal of available-for-sale investments	—	6
Reclassification adjustment upon deemed disposal of partial interests in associates	(29)	(23)
Share of investment revaluation reserve of associates	(8,670)	3,040
	(336,173)	(25,686)
Total comprehensive (expense) income for the period attributable to owners of the Company	(1,233,407)	1,290,331

Condensed Consolidated Statement of Financial Position

At 31 December 2014

	Notes	31.12.2014 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,051	2,395
Interests in associates	12	984,514	2,241,023
Available-for-sale investments	13	2,794	26,794
Financial assets designated at fair value through profit or loss	14	2,735	3,522
Loans receivable	15	18,269	20,434
Loan notes	16	315,962	235,934
Deposits		921	921
		1,327,246	2,531,023
Current assets			
Inventories		—	39,798
Trade receivables, other receivables and deposits	17	35,761	77,017
Financial assets designated at fair value through profit or loss	14	70,200	70,200
Investments held for trading	18	165,849	225,199
Loans receivable	15	222,656	218,320
Tax recoverable		787	693
Pledged bank deposits	24	80,085	80,010
Bank balances and cash		98,243	94,776
		673,581	806,013
Total assets		2,000,827	3,337,036

Condensed Consolidated Statement of Financial Position

At 31 December 2014

	Notes	31.12.2014 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	612,777	613,193
Reserves		317,409	3,153,495
Accumulated profits (losses)		964,863	(637,487)
		1,895,049	3,129,201
Current liabilities			
Trade and other payables	19	13,906	74,984
Derivative financial instruments		4,551	873
Borrowings	20	81,040	126,217
Tax payable		6,281	5,761
		105,778	207,835
Total equity and liabilities		2,000,827	3,337,036
Net current assets		567,803	598,178
Total assets less current liabilities		1,895,049	3,129,201

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2014

	Attributable to the owners of the Company								
	Share capital	Share premium	Special reserve	Investment revaluation reserve	Exchange reserve	Capital redemption reserve	Contributed surplus reserve	Accumulated (losses) profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
At 1 July 2014 (audited)	613,193	2,715,329	(14,980)	29,721	344,405	79,020	—	(637,487)	3,129,201
Loss for the period	—	—	—	—	—	—	—	(897,234)	(897,234)
Other comprehensive expense for the period	—	—	—	(8,672)	(327,501)	—	—	—	(336,173)
Total comprehensive expense for the period	—	—	—	(8,672)	(327,501)	—	—	(897,234)	(1,233,407)
Transfer upon reduction of share premium (Note)	—	(2,500,000)	—	—	—	—	2,500,000	—	—
Transfer (Note)	—	—	—	—	—	—	(2,500,000)	2,500,000	—
Shares repurchased and cancelled	(416)	(329)	—	—	—	416	—	(416)	(745)
At 31 December 2014 (unaudited)	612,777	215,000	(14,980)	21,049	16,904	79,436	—	964,863	1,895,049

Note: On 27 October 2014, the directors of the Company proposed for the approval of the shareholders of the Company the reduction of the share premium of the Company amounting of HK\$2,500,000,000 and transfer such amount to contributed surplus reserve of the Company. On 3 December 2014, the reduction of share premium was approved by the shareholders of the Company at the Company's annual general meeting. On the same date, the directors of the Company resolved to transfer the amount of HK\$2,500,000,000 from the contributed surplus reserve to set off the accumulated losses of the Company.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2014

	Six months ended	
	31.12.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	25,235	35,876
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	—	(1,298)
Purchase of available-for-sale investments	—	(24,000)
Dividend received from an associate	78,933	41,912
Interest received	32,072	9,972
Placement of pledged bank deposits	(248,159)	(275,771)
Withdrawal of pledged bank deposits	248,084	312,959
Investment in an associate	(4,048)	—
Investment in loan notes	(77,509)	(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 FROM (USED IN) INVESTING ACTIVITIES	29,373	(167,550)
FINANCING ACTIVITIES		
Payments on repurchase of shares	(745)	—
Interest paid	(4,254)	(3,457)
New borrowings raised	253,814	427,000
Repayments of borrowings	(298,991)	(485,000)
NET CASH USED IN FINANCING ACTIVITIES	(50,176)	(61,457)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,432	(193,131)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	(965)	3,477
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	94,776	492,785
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	98,243	303,131

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2014.

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. The application of these 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.

3. Segment Information

Information 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 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 associates, impairment loss on interests in associates, reversal of impairment losses on interests in associates and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

3. Segment Information (Continued)

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

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

Six months ended 31 December 2014

	Commodity business HK\$'000	Resource investment HK\$'000	Total HK\$'000
Revenue	193,785	—	193,785
Gross sales proceeds from resource investment	—	47,926	47,926
Segment profit (loss)	4,046	(88,681)	(84,635)
Share of results of associates			(1,460,673)
Loss on deemed disposal of partial interest in associates			(463)
Reversal of impairment loss on interest in an associate			777,114
Impairment loss on interests in associates			(144,686)
Unallocated corporate income			38,348
Unallocated corporate expenses			(16,929)
Finance costs			(4,254)
Loss before taxation			(896,178)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

3. Segment Information (Continued)

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

3. Segment Information (Continued)

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

	31.12.2014 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (audited)
Commodity business	160,709	262,064
Resource investment	278,169	342,687
Total segment assets	438,878	604,751
Interests in associates	984,514	2,241,023
Loan notes	315,962	235,934
Loans receivable	240,925	238,754
Unallocated	20,548	16,574
Consolidated assets	2,000,827	3,337,036
Commodity business	5,634	128,425
Resource investment	90,983	73,764
Total segment liabilities	96,617	202,189
Unallocated	9,161	5,646
Consolidated liabilities	105,778	207,835

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, loan notes, loans receivable, other receivables and certain bank balances and cash.
- all liabilities are allocated to reportable segments other than certain other payables and tax payable.
- bank borrowings are 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 2014

4. Other Gains and Losses

	Six months ended	
	31.12.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value change of investments held for trading	(63,056)	5,145
Fair value change of derivative financial instruments	(3,678)	—
Loss on deemed disposal of partial interests in associates	(463)	(108)
Impairment loss on available-for-sale investments	(24,000)	(11,214)
Impairment loss on financial assets designated at fair value through profit or loss	—	(2,636)
Impairment loss on loan receivable	(2,165)	(1,066)
Reversal of impairment losses on interests in associates	777,114	1,179,487
Impairment loss on interests in associates	(144,686)	(26,190)
Net foreign exchange losses	(377)	(3,799)
Loss on disposal of available-for-sale investments	—	(6)
Fair value change of financial assets designated at fair value through profit or loss	(787)	(1,612)
	537,902	1,138,001

5. Other Income

	Six months ended	
	31.12.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividend income from investments held for trading	553	300
Interest income from bank deposits	532	5,464
Interest income from loan notes	11,973	—
Interest income from financial assets designated at fair value through profit or loss	2,436	—
Interest income from loans receivable	25,618	—
Others	808	4,096
	41,920	9,860

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

6. Finance Costs

	Six months ended	
	31.12.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on borrowing wholly repayable within five years:		
– Bank borrowing	211	3,457
– Securities margin financing	4,043	–
	4,254	3,457

7. (Loss) Profit before Taxation

	Six months ended	
	31.12.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit before taxation has been arrived at after charging:		
Staff costs, including directors' emoluments		
– salaries and allowances	8,005	11,107
– staff quarters	441	441
– retirement benefits schemes contributions	115	97
Total staff costs	8,561	11,645
Depreciation of property, plant and equipment	344	434
Cost of goods recognised as an expense	164,053	420,967

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

8. Income Tax Expense

	Six months ended	
	31.12.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	490	5,842
Enterprise Income Tax ("EIT") in the People's Republic of China (the "PRC")	107	907
Underprovision in EIT in the PRC in previous years	459	—
	1,056	6,749

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

Under the Enterprise Income Tax Law and Implementation Rules of the PRC, 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. (Loss) Earnings Per Share

The calculation of basic (loss) earnings per share is based on the loss attributable to owners of the Company of HK\$897,234,000 (Six months ended 31 December 2013: profit of HK\$1,316,017,000) and the weighted average number of 6,128,740,164 (Six months ended 31 December 2013: weighted average number of 6,811,927,990) ordinary shares in issue during the six months ended 31 December 2014.

For the six months ended 31 December 2014 and 31 December 2013, no diluted (loss) earnings per share information has been presented as there was no potential ordinary shares outstanding during those periods. The computation of diluted (loss) earnings per share does not assume the exercise of the options of an associate of the Company because the options of the associate have anti-dilutive effect.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

11. Movements in Property, Plant and Equipment

There was no material addition and disposal in property, plant and equipment for the six months ended 31 December 2014 and 2013.

12. Interests in Associates

	31.12.2014 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (audited)
Cost of investment in associates		
Listed in Australia	2,223,339	2,223,339
Unlisted	54,735	50,687
Share of post-acquisition (losses) profits and other comprehensive income, net of dividends received	(388,783)	1,504,202
Impairment losses recognised	(904,777)	(1,537,205)
	984,514	2,241,023
Fair value of listed investments	947,566	2,217,823

As at 31 December 2014, management of the Group carried out review on impairment on the carrying amounts of its interests in listed associates individually as a single asset by comparing their recoverable amounts (higher of the value in use and fair value less cost of disposal (market value)) 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 a discount rate of 11% to discount the cash flow projections to net present values. The respective market values of these two listed associates were determined based on the closing prices as at 31 December 2014. At 31 December 2014, the recoverable amount of the Group's interest in Mount Gibson Iron Limited which represented the fair value less cost of disposal were higher than the carrying amount, accordingly, impairment loss of HK\$777,114,000 recognised in prior years were reversed in profit or loss during the six months ended 31 December 2014. On the other hand, as the carrying amount of the Group's interest in Metals X Limited was higher than the recoverable amount, accordingly, impairment loss of HK\$140,638,000 was recognised in profit or loss during the six months ended 31 December 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

12. Interests in Associates (Continued)

One of the Group's unlisted associates engages in mineral exploration. Due to the insolvent financial position and uncertainty of the associate in raising new funds to continue with the exploration of its projects, the directors of the Company determined to recognise an impairment loss of HK\$4,048,000 (Six months ended 31 December 2013: HK\$26,190,000) of the investment during the period ended 31 December 2014.

13. Available-for-sale Investments

	31.12.2014	30.6.2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
<hr/>		
Unlisted investments:		
— Unlisted equity securities	2,794	26,794

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.

Due to the insolvent financial position of a private investee entity, the directors of the Company determined to recognise an impairment loss against the entire carrying value of HK\$24,000,000 (Six months ended 31 December 2013: Nil) of the investment during the six months ended 31 December 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

14. Financial Assets Designated at Fair Value Through Profit or Loss

	31.12.2014 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (audited)
Investment in convertible bonds designated at fair value through profit or loss	72,935	73,722
Listed investments:		
– Convertible bonds listed in the United Kingdom	2,735	3,522
Unlisted investments:		
– Convertible bonds	79,232	79,232
– Impairment loss recognised	(9,032)	(9,032)
	70,200	70,200
	72,935	73,722

The following is the analysis of financial assets designated at fair value through profit or loss for the financial reporting purposes:

	31.12.2014 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (audited)
Non-current assets	2,735	3,522
Current assets	70,200	70,200
	72,935	73,722

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

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 2014 and 30 June 2014.

The unlisted investments represent investments in unlisted convertible bonds issued by two private entities (As at 30 June 2014: Two private entities). 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. Loans Receivable

	31.12.2014 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (audited)
Fixed-rate loan (<i>Note a</i>)	222,656	218,320
Interest-free loan (<i>Note b</i>)	18,269	20,434
	240,925	238,754

The following is the analysis of loans receivable for financial reporting purpose:

Non-current assets	18,269	20,434
Current assets	222,656	218,320
	240,925	238,754

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

15. Loans Receivable (Continued)

Notes:

- (a) The loan receivable amounting to HK\$218,320,000 bears fixed-rate interests of 24% per annum and will mature on 28 January 2015 pursuant to the supplemental loan agreement dated 25 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 PRC ("**PRC Co A**"), mortgage of a parcel of land and properties held by the PRC Co A, assignment of loan due by a company incorporated in the PRC ("**PRC Co B**"), in which the PRC Co A has a non-controlling interest, to the PRC Co A. and the pre-sale agreements in relation to certain properties signed between the Group and the PRC Co B which will be cancelled upon repayment of the loan.
- (b) The loan receivable from an investee amounting to HK\$18,269,000 (As at 30 June 2014: HK\$20,434,000) is non-interest bearing as at 31 December 2014 (As at 30 June 2014: non-interest bearing). Management of the Group considered that the loan will not be recovered within one year, hence classified it as a non-current asset as at 31 December 2014 and 30 June 2014. Taking into consideration of the financial information of the investee, impairment loss of HK\$2,165,000 (Six months ended 31 December 2013: HK\$1,066,000) was recognised in profit or loss during the six months ended 31 December 2014.

16. Loan Notes

The Group subscribed 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 will mature on 26 November 2016. The Group subscribed additional loan notes with a nominal value of US\$10,000,000 from Mulpha at the nominal amount in September 2014. These loan notes bear 8.0% coupon interest per annum and will mature on 5 September 2016.

These 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. These loan notes can be early redeemed by Mulpha before their respective maturity dates 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

17. Trade Receivables, Other Receivables and Deposits

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:

	31.12.2014 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (audited)
0 to 90 days	563	65,787

As at 31 December 2014 and 30 June 2014, the trade receivables disclosed above are neither past due nor impaired.

18. Investments Held for Trading

	31.12.2014 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (audited)
Listed securities:		
– Equity securities listed in Hong Kong	21,562	504
– Equity securities listed in the United Kingdom	10,976	16,840
– Equity securities listed in Australia	126,139	184,674
– Equity securities listed in Canada	7,172	23,181
	165,849	225,199

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

19. 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:

	31.12.2014 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (audited)
0 to 90 days	5,475	58,839

20. Borrowings

	31.12.2014 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (audited)
Securities margin loans repayable on demand (<i>Note a</i>)	81,040	68,639
Secured bank borrowings repayable within one year (<i>Note b</i>)	—	57,578
	81,040	126,217

Notes:

(a) Securities margin loans

These represent securities margin financing received from a stock broking, futures and options broking house. Additional funds or collateral are required if the balance of the borrowings exceeds the eligible margin value of securities pledged to the broking house. Should the Group be unable to repay securities margin loans on demand, the collateral can be sold at the broking house's discretion to settle any outstanding borrowings owed by the Group. The entire loans are secured by the Group's listed associates as disclosed in note 24, repayable on demand and bear variable interest with an average of 6.25% (30 June 2014: 6.25%) per annum. The securities margin loans are denominated in HK\$.

(b) Secured bank borrowings

The borrowings was denominated in HK\$ and interest bearing at Hong Kong Interbank Offered Rate plus 2.5% per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

21. Share Capital

	2014		2013	
	Number of shares	Share capital HK\$'000	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised	20,000,000,000	2,000,000	20,000,000,000	2,000,000
Issued and fully paid				
At beginning of the period	6,131,927,990	613,193	6,811,927,990	681,193
Shares repurchased and cancelled	(4,160,000)	(416)	—	—
At end of the period	6,127,767,990	612,777	6,811,927,990	681,193

22. 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:

	31.12.2014 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (audited)
Within one year	3,900	4,370
After one year but within five years	3,853	3,862
	7,753	8,232

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

23. Related Party Transactions

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

	Six months ended	
	31.12.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<hr/>		
Subsidiaries of an associate, Mount Gibson Iron Limited		
– Purchase of commodities	127,906	420,967
<hr/>		
	31.12.2014	30.6.2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
<hr/>		
Trade payables	5,475	62,254
<hr/>		

- (b) In November 2008, the Group entered into certain commodity forward contracts with MGX to purchase iron ores from MGX representing approximately 20% of total production of the remaining mines lives of the two relevant mines in Australia for which the forward price was determined with reference to the Hamersley Benchmark Iron Ore Prices. In November 2010, the commodity forward contracts were revised as the Hamersley Benchmark Iron Ore Prices were no longer available in the market and the iron ore forward price was then revised to be determined with reference to Platts Iron Ore Price, less operating adjustments and market commission.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

23. Related Party Transactions (Continued)

- (c) Compensation of key management personnel

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

	Six months ended	
	31.12.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term employee benefits	4,324	4,187
Post-employment benefits	18	15
	4,342	4,202

24. 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.

	31.12.2014	30.6.2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Interests in associates	561,028	1,253,610
Pledged bank deposits	80,085	80,010
	641,113	1,333,620

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

25. Fair Value Measurements of Financial Instruments

Some of the Group's financial assets and financial liabilities 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 and financial liabilities 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).

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

Some of the Group's financial assets and financial liabilities 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 and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques
	31.12.2014	30.6.2014		
1) Financial assets designated at fair value through profit or loss	Listed convertible bonds – HK\$2,735,000	Listed convertible bonds – HK\$3,522,000	Level 1	Quoted bid price in an active market
2) Investments held for trading	Listed equity securities – HK\$165,849,000	Listed equity securities – HK\$225,199,000	Level 1	Quoted bid prices in active markets
3) Derivative financial instruments	Liabilities – HK\$4,551,000	Liabilities – HK\$873,000	Level 3	Quoted from financial institution

There was no transfer between Level 1 and 2 during the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

25. Fair Value Measurements of Financial Instruments (Continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Derivative financial instruments HK\$'000
At 1 July 2013	—
Unrealised loss in profit or loss	873
At 30 June 2014	873
Unrealised loss in profit or loss	3,678
At 31 December 2014	4,551

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis and considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

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 15 to 39, which comprise the condensed consolidated statement of financial position as of 31 December 2014 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.

Report on Review of Condensed Consolidated Financial Statements

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 2015

Other Information

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2014, 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

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held		Approximate percentage of shareholding (Note 1)
		Interests in shares	Total interests	
Ms. Chong Sok Un	Beneficial owner and interest of controlled corporations	1,519,760,849 (Note 2)	1,519,760,849	24.80%
Mr. Andrew Ferguson	Beneficial owner	25,000,000	25,000,000	0.41%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 6,127,767,990 shares as at 31 December 2014.
2. These shares are held by (i) Vigor Online Offshore Limited ("Vigor Online") as to 1,466,721,400 shares, a wholly-owned subsidiary of China Spirit Limited ("China Spirit") in which Ms. Chong Sok Un maintains a 100% beneficial interest; and (ii) Taskwell Limited ("Taskwell") as to 53,039,449 shares, a wholly-owned subsidiary of Besford International Limited which in turn is a wholly-owned subsidiary of COL Capital Limited ("COL"). As at 31 December 2014, COL was 73.75% owned by Vigor Online. Therefore, Ms. Chong Sok Un is deemed to have interest in the shares in which COL is interested through her 100% interest in China Spirit.

Save as disclosed above, as at 31 December 2014, 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.

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 2014, the Company repurchased its own shares on the Stock Exchange as follows:

Month	Number of shares repurchased	Purchase Price		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
July 2014	4,160,000	0.180	0.173	742,960

All the repurchased shares were subsequently cancelled.

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

Save as disclosed above in Note 21, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities during the period.

Other Information

Substantial Shareholders

As at 31 December 2014, 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 by the Company 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		Approximate percentage of shareholding <i>(Note 1)</i>
		Interests in shares	Total interests	
Benefit Rich Limited	Beneficial owner <i>(Note 2)</i>	956,000,000	956,000,000	15.60%
Shougang Fushan Resources Group Limited	Interest of a controlled corporation <i>(Note 2)</i>	956,000,000	956,000,000	15.60%
China Spirit Limited	Interest of a controlled corporation <i>(Note 3)</i>	1,519,760,849	1,519,760,849	24.80%
Vigor Online Offshore Limited	Beneficial owner and interest of controlled corporations <i>(Note 3)</i>	1,519,760,849	1,519,760,849	24.80%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 6,127,767,990 shares as at 31 December 2014.
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) Vigor Online as to 1,466,721,400 shares, a wholly-owned subsidiary of China Spirit in which Ms. Chong Sok Un maintains a 100% beneficial interest; and (ii) Taskwell as to 53,039,449 shares, a wholly-owned subsidiary of Besford International Limited which in turn is a wholly-owned subsidiary of COL. As at 31 December 2014, COL was 73.75% owned by Vigor Online. Therefore, Ms. Chong Sok Un is deemed to have interest in the shares in which COL is interested through her 100% interest in China Spirit.

Save as disclosed above, as at 31 December 2014, 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.

Other Information

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 results for the six months ended 31 December 2014. 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 2014, 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 2014.

By Order of the Board

Chong Sok Un

Chairman

Hong Kong, 27 February 2015