APAC RESOURCES

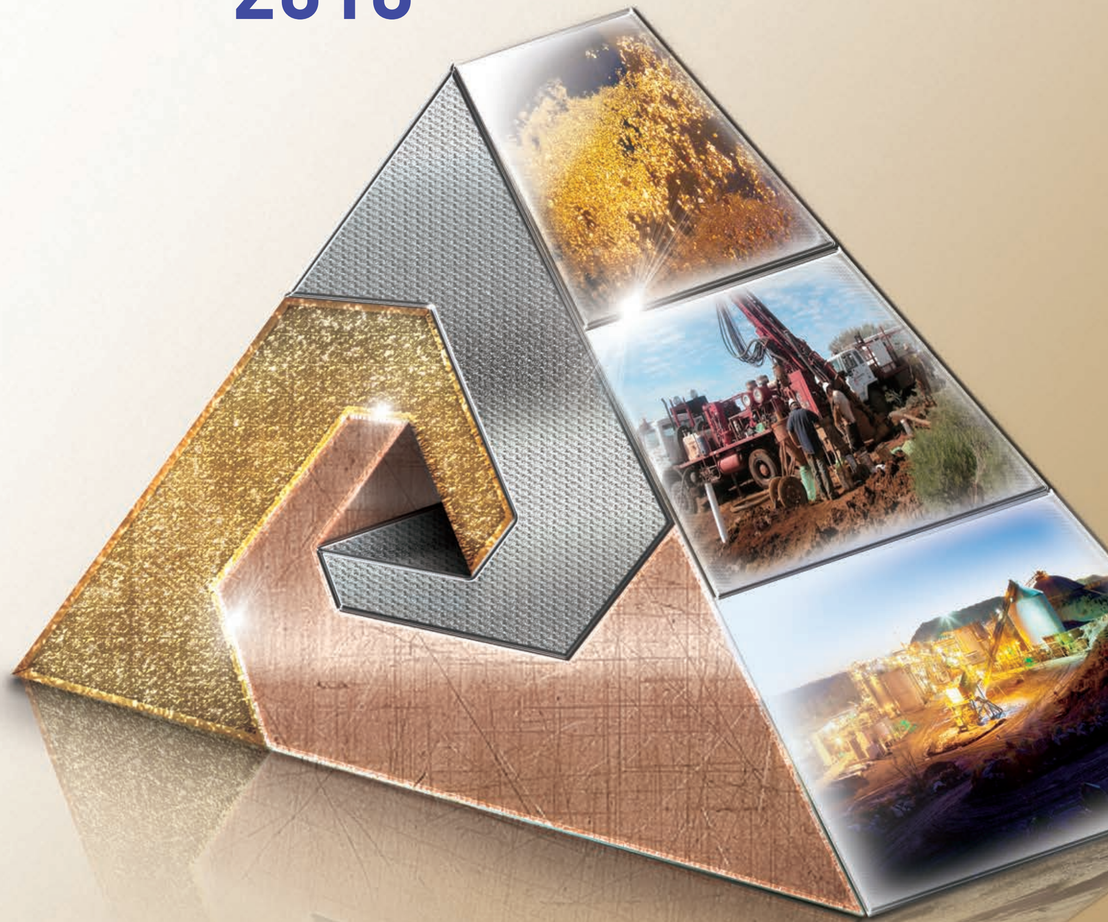
APAC Resources Limited

亞太資源有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 1104

INTERIM REPORT 2016



* For identification purpose only

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Corporate Information

Board of Directors

Executive Directors

Mr. Brett Robert Smith *(Deputy Chairman)*
Mr. Andrew Charles Ferguson
(Chief Executive Officer)

Non-Executive Directors

Mr. Arthur George Dew *(Chairman)*
(Mr. Wong Tai Chun, Mark as his alternate)
Mr. Lee Seng Hui
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. Arthur George Dew
(Mr. Wong Tai Chun, Mark as his alternate)
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks

Remuneration Committee

Dr. Wong Wing Kuen, Albert *(Chairman)*
Mr. Arthur George Dew
(Mr. Wong Tai Chun, Mark as his alternate)
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks

Nomination Committee

Mr. Arthur George Dew *(Chairman)*
(Mr. Wong Tai Chun, Mark as his alternate)
Dr. Wong Wing Kuen, Albert
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks

Company Secretary

Ms. Lau Tung Ni

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

Room 2304, 23rd Floor
Allied Kajima Building
138 Gloucester 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

(Shareholding as at the date of this Interim Report)

29.53%

Mount Gibson

Mount Gibson Iron Limited (ASX: MGX)

is an established iron ore producer and will begin production from its new Iron Hill mine in 2017.

9.18%

Metals X

Metals X Limited (ASX: MLX)

is a diversified base metals producer listed in Australia. It produces tin its 50% interest in the Renison mine in Tasmania, copper through the recently acquired Nifty mine of Aditya Birla Minerals Limited. Metals X also owns the world scale Wingellina nickel development project.

9.18%

Westgold Resources

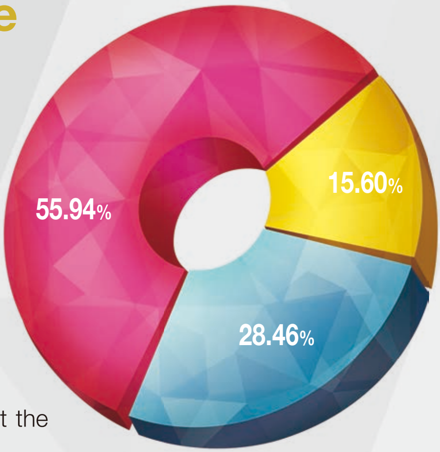
Westgold Resources Limited (ASX: WGX)

is an Australian listed gold company. It is producing from the Higginsville, South Kalgoorlie and Central Murchison projects located in Western Australia and it is refurbishing the Fortnum Gold Project.

- Principal listing of investments
- Commodity off-takes to China
- Operation of investments
- Headquartered in Hong Kong with office in Shanghai

Shareholder Structure

- Allied Properties (H.K.) Limited (HKSE Stock Code: 56)
- Shougang Fushan Resources Group Limited (HKSE Stock Code: 639)
- Others



Source: Publicly available information (as at the date of this Interim Report)

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

1

Identify China Commodity Supply/Demand Imbalance

- Generated stock ideas
- Analysis of trend
- Initial screening

2

Pin-point Potential Companies

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

3

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

CEO's Message

Dear Shareholder,

I would like to thank you for your ongoing support and am pleased to announce that APAC Resources generated a net profit of HK$327,903,000 in the six months ended 31 December 2016 ("**1H 2017**"). This was predominantly driven by the gains arising from derecognition of interests in associates of HK$189,599,000 and reversal of impairment loss on the carrying value of the Group's investment in Mount Gibson Iron Limited of HK$128,335,000.

After several years of weak commodity prices, we are seeing signs that prices have reached the bottom as supply from new projects has been constrained for a number of commodities, and the outlook for the global economy improved in 1H 2017 as seen in stronger global industrial production, PMI and US GDP numbers.

Donald Trump was elected as the new US president in November 2016 which resulted in increased volatility. For now, financial markets are still somewhat optimistic that US economic growth will be underpinned by tax cuts and increases in infrastructure spend. Combined with the market expectations for up to three interest rate rises in 2017, the outlook for the US dollar is robust which is supportive for the majority of commodity producers.

The Chinese economy was boosted by stimulus in the infrastructure and property sectors. Iron ore was the star performer in the commodities complex in 1H 2017 due to higher than expected demand for steel from the machinery and auto sector. China's plan to reduce overcapacity in certain sectors also resulted in large moves in select commodities such as coking coal and aluminum. As always, we remain somewhat cautious in our expectations for growth in Chinese commodity demand, and in recent days the government has raised short-term interest rates as it once again turns its focus on the high levels of debt and booming property prices.

The rest of the world is muted but monetary policy continues to be very accommodative. In September, Japan set a target yield for 10-year government bonds at zero percent. The European Central Bank is expected to keep monetary loose especially with a number of potentially disruptive elections in Europe this year.

We have put our investment in Metals X and Westgold Resources under strategic review and received shareholder approval to dispose of both investments within a 12 month period from January 2017. In July 2016, as part of the strategic review, we sold 21.5 million shares in Metals X through on-market transactions for an aggregate consideration of A$31,820,000 and in February 2017 we sold a further 22 million shares in Metals X and 11 million shares in Westgold Resources for an aggregate consideration of A$46,200,000.

In 1H 2017, we announced the creation of two new investment portfolios, one to focus on energy and the other focused on mining. These portfolios will form a new platform for the company's on going commitment and investment in the Resource Investment segment.

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

24 February 2017

Financial Results

APAC Resources Limited ("**APAC**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") reported a net profit attributable to owners of HK$327,903,000 for the six months ended 31 December 2016 ("**1H 2017**"), compared with a net loss of HK$128,644,000 reported for the six months ended 31 December 2015 ("**1H 2016**"). The profit includes reversal of impairment loss on the carrying value of the Group's investment in Mount Gibson Iron Limited ("**Mount Gibson**") of HK$128,335,000 and gains arising from derecognition of interests in associates of HK$189,599,000. The net loss in 1H 2016 was driven by impairment on interest in associates and a significant loss in resource investments driven by the underperformance of ABM Resources NL ("**ABM Resources**").

Primary Strategic Investment

Our Primary Strategic Investment is in Mount Gibson listed and operating in Australia. Metals X Limited ("**Metals X**") is no longer classified as a Strategic Investment after we sold 21.5m shares in Metals X in July 2016. The net attributable profit from our Primary Strategic Investment for 1H 2017 was HK$39,416,000 (1H 2016: Net loss of HK$21,779,000). Mount Gibson reported a net profit after tax of A$23 million.

Mount Gibson

Mount Gibson is an Australian listed iron ore producer. Mining of Direct Shipping Ore from its Extension Hill mine has finished, and will now be replaced by Iron Hill which is expected to start production in May 2017. Mount Gibson continues to evaluate the potential to reinstate the Koolan Island Main Pit seawall.

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 are suspended, and Mount Gibson is undergoing a detailed evaluation of restart options. As part of the evaluation, Mount Gibson is in discussions with insurers about the business interruption policy, and successfully received A$86 million cash settlement for the property damage insurance claim. Mount Gibson sales guidance for the financial year ending 30 June 2017 ("**FY 2017**") is 3.2 to 3.5 million tonnes, of which 1.8 million tonnes was sold in 1H 2017.

Mount Gibson reported a net profit after tax of A$23 million, which was driven by a stronger realized iron ore price and costs which came in at the bottom of the guidance range.

Mount Gibson continues to focus on keeping costs low, despite the recent rebound in the iron ore price. All-in group cash cost guidance has been reduced from A$50–54 per tonne in the financial year ended 30 June 2016 to A$47–51 per tonne in FY 2017. Corporate costs also fell slightly, down 4% year-on-year ("**YoY**") in 1H 2017. Importantly, Mount Gibson still boasts an impressive cash balance, ending 1H 2017 with A$447 million or A$0.408 per share.

Mount Gibson has received final statutory approvals for the development of the Iron Hill deposit at Extension Hill South and life-of-mine sales is estimated to be 5.5–6.0 million tonnes. Mount Gibson aims to commence first ore sales in May 2017 and Iron Hill will contribute 0.4–0.5 million tonnes to FY 2017 guidance. Mining at Iron Hill is expected to continue until late 2018.

The Platts IODEX 62% CFR China index has risen sharply in December 2016 quarter on the back of higher than expected Chinese steel demand. Iron ore prices ended 1H 2017 at US$78.87 per tonne compared to US$54.33 per tonne at the start of 1H 2017. While iron ore prices remain strong in January and February 2017, we are cautious on the outlook for iron ore prices. Iron ore inventory at the mills and the port are back at 2013–2014 highs and forecasts for seaborne supply continues to grow significantly, and is likely to outpace steel demand in 2017 and 2018.

Metals X and Westgold Resources

In December 2016, Metals X spun out its gold assets into Westgold Resources Limited ("**Westgold Resources**"), which now holds the Higginsville, South Kalgoorlie and Central Murchison projects. The remaining base metals assets including tin via its 50% interest in the producing Renison mine in Tasmania, copper through the recently acquired Nifty mine of Aditya Birla Minerals Limited ("**ABY**") and nickel through its world scale Wingellina nickel development project remain in Metals X. Both companies remain listed in Australia.

In July 2016, APAC disposed of 21.5 million shares in Metals X through an on-market transaction. The disposal ties in with APAC's decision to place Metals X under strategic review. In January 2017, APAC received shareholder approval to dispose of the remaining shares in Metals X and Westgold Resources for a period of 12 months. In February 2017 we sold a further 22 million shares in Metals X and 11 million shares in Westgold Resources for an aggregate consideration of A$46,200,000.

Westgold Resources produced 140,401 ounces in the 1H 2017 up 81% YoY driven by a successful ramp up at the Central Murchison Gold Project (CMGP) and improved production at both South Kalgoorlie (SKO) and Higginsville (HGO). Looking forward, the company expects to commence production from the Fortnum Project in the March quarter 2017.

The gold price fell after the US election in early November and ended the year below US$1,150 as the market anticipated more fiscal easing which was seen as positive for the US economy. Further, the US Federal Reserve raised interest rates in December by 25 basis points and expectations for three additional hikes during CY 2017 increased. Gold has since rebounded as enthusiasm for Trump's policies have waned. We expect the gold price to remain linked to sentiment around the US rate hikes and retain its safe haven status.

At Metals X, Renison produced 3,486 tonnes of tin (100% basis), and benefited from a strong average realised tin prices of A$26,550 per tonne, up 27% from 1H 2016. After acquiring the Nifty mine in August 2016, Metals X significantly increased production at Nifty, delivering 7,909 tonnes in the December quarter compared to 4,504 tonnes in the September quarter. Further upside can be generated from returning the Nifty plant to continuous production.

Tin prices have been supported by lower production from Indonesia, China and Myanmar while demand seems to have rebounded as evidenced by an increase in semiconductor shipments. We remain bullish on the medium to long-term outlook for tin due to the lack of significant supply growth. Copper prices rebounded sharply in December quarter 2016 driven by supply side issues at several key mines and stronger Chinese demand from both the appliances and grid sectors.

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. Our investments focus on selective commodities within several commodity segments, namely energy, bulk commodities, base metals, and precious metals. 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.

Resource Investment posted a fair value gain of HK$56,594,000 in 1H 2017 (1H 2016: Loss of HK$101,452,000), which after accounting for segment related dividend and other investment income and expenses, resulted in a segment profit of HK$25,277,000 (1H 2016: Loss of HK$96,845,000).

Our Resource Investment division includes the results of the two new resource portfolios which were announced in August 2016. Despite a rally in commodity prices late in the December quarter 2016, the resources sector was still fairly anaemic during 1H 2017. This was reflected in the ASX Small Resources Index which was up only 1%, and the TSX Venture Composite Index which was up 2%.

Precious

The precious commodities (majority gold, and some diamonds exposure) generated a net fair value gain of HK$3,459,000 in 1H 2017 despite the gold price falling 14% as we were able to effectively leverage our fundamental analysis to focus on mispriced opportunities. As at 31 December 2016, the carrying value of the Precious segment was HK$81,268,000 (As at 30 June 2016: HK$49,732,000). Our largest gold investment is in ABM Resources which generated a fair value gain of HK$10,951,000 with carrying value as at 31 December 2016 of HK$29,993,000.

Bulk

Bulk commodities (predominantly coal exposure) generated a fair value gain of HK$20,559,000 and coking coal prices increased 118% during 1H 2017. Within this segment, our significant investments include Shougang Fushan Resources Group (Stock code: 639) listed in Hong Kong, which generated a fair value gain of HK$16,361,000 in 1H 2017 and had a carrying value as at 31 December 2016 of HK$19,760,000 after we realized some gains through selling part of our investment (As at 30 June 2016: HK$93,784,000).

Base Metals

Base Metals segment (a mix of copper, nickel and aluminium companies) delivered a fair value gain of HK$17,801,000 in 1H 2017 as the copper, aluminium and nickel prices increased by roughly 13%, 2% and 0.4% respectively. The Base Metals segment includes our investment in China Hongqiao Group (Stock code: 1378) listed in Hong Kong, which generated a fair value gain of HK$7,988,000 in 1H 2017 and had a carrying value as at 31 December 2016 of HK$33,629,000 (As at 30 June 2016: HK$25,641,000).

Energy

The Energy segment (mainly oil exposure) had a fair value gain of HK$9,439,000 in 1H 2017 driven by an oil price increase of 13%. Our significant Energy investments include Karoon Gas (ASX: KAR), which generated a fair value gain of HK$3,483,000 and had a carrying value as at 31 December 2016 of HK$2,016,000 and Santos (ASX: STO), which generated a fair value gain of HK$2,790,000 in 1H 2017 and had a carrying value as at 31 December 2016 of HK$Nil after we realized gains in our investment (As at 30 June 2016: HK$32,063,000).

Others

We also have a fair value gain of HK$5,336,000 from our non-commodity related investments in 1H 2017 and had a carrying value as at 31 December 2016 of HK$10,476,000 (As at 30 June 2016: HK$7,098,000). This segment includes our investment in Brainchip Holdings (ASX: BRN) listed in Australia, which generated a fair value gain of HK$5,269,000 and had a carrying value as at 31 December 2016 of HK$4,339,000 (As at 30 June 2016: HK$5,795,000).

Commodity Business

Our iron ore offtakes at Koolan Island and Tallering Peak have ceased to deliver shipments with both mines now closed, so we are now looking for new offtake opportunities across a range of commodities. As a result of the limited activity, in 1H 2017, our Commodity Business generated a minor loss of HK$647,000 (1H 2016: Profit of HK$11,267,000).

Loans Receivable

In the year ended 30 June 2016, we reduced the group's loans receivable by HK$119,583,000 reflecting conservative estimates for the recoverable amount of a loan (the "**Loan**") granted to an investment holding company of a property developer in the People's Republic of China (the "**PRC**") which was due in January 2016 and remained outstanding at 30 June 2016.

In December 2016, the borrower through another entity (the "**Payer**"), repaid RMB10,000,000 (equivalent to approximately HK$11,122,000) to the Group.

Money Lending

We have not engaged in any money lending activities since our money lenders license was granted under the Money Lenders Ordinance of Hong Kong in August 2015.

Company Strategy

APAC leverages its in-house natural resources expertise to identify and manage both Primary Strategic Investment and Resource Investment 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 2016, our non-current assets amounted to HK$1,541,182,000 (As at 30 June 2016: HK$1,226,788,000) and net current assets amounted to HK$1,049,471,000 (As at 30 June 2016: HK$981,578,000) with a current ratio of 45.4 times (As at 30 June 2016: 48.6 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$194,980,000 (As at 30 June 2016: HK$345,465,000) and loans receivable of HK$140,381,000 (As at 30 June 2016: HK$131,899,000) respectively which form part of the on-going treasury management arrangements of the Group.

As at 31 December 2016, we had no borrowings (As at 30 June 2016: HK$ Nil) and had undrawn banking facilities amounting to HK$170,639,000 secured against certain of term deposits and corporate guarantee of the Company. As at 31 December 2016, we had a gearing ratio of Nil (As at 30 June 2016: HK$ Nil), calculated on the basis of total borrowings over equity attributable to owners of the Company.

Foreign Exchange Exposure

For the period under review, the Group's assets were mainly denominated in Australian Dollars 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 2016, certain of the Group's bank deposits of HK$80,100,000 (As at 30 June 2016: HK$79,955,000) 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 and pension fund schemes including the Mandatory Provident Fund Scheme (subject to the applicable laws and regulations of the PRC for its employees in the PRC).

As at 31 December 2016, the Group, including its subsidiaries but excluding associates, had 18 (As at 30 June 2016: 19) employees. Total emolument together with pension contributions incurred for the six months ended 31 December 2016 amounted to HK$5,013,000 (1H 2016: HK$5,350,000).

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 2016, 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 2016, the Group does not have plan for any other material investments or acquisition of material capital assets.

Capital Commitments

As at 31 December 2016, the Group had no material capital commitments contracted but not provided for (As at 30 June 2016: HK$ Nil).

Contingent Liabilities

As at the date of this report and as at 31 December 2016, the board of directors 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 2016, nor has any dividend been proposed since the end of the reporting period (2015: HK$ Nil).

Subsequent Events

On 29 December 2016, the Group received a repayment of RMB10,000,000 (equivalent to approximately HK$11,122,000) of the Loan from the Payer. Subsequent to the end of the reporting period, the Group received a further amount of approximately RMB216,170,000 (equivalent to approximately HK$245,093,000) from the Payer as settlement of the outstanding amount of the Loan in full.

On 16 February 2017, the Group sold 22 million shares in Metals X and 11 million shares in Westgold Resources for an aggregate consideration of A$46,200,000.

Forward Looking Observations

Economic sentiment for most regions is cautiously positive, as evidenced by generally improving global industrial production, PMI and US GDP numbers. For now, the US market is focused on the potential for tax reform and infrastructure spending as a means to underpin ongoing growth.

We remain somewhat cautious in our expectations for growth in Chinese commodity demand particularly as the housing market appears to have started to cool. Nonetheless we expect the Chinese government to maintain its growth target at a level similar to 2016 and any concerns about a hard landing in China has been firmly pushed to the back.

Mount Gibson is benefiting from the higher than expected iron ore price, which at time of writing is above US$90 per tonne. While we do not expect iron ore levels to remain at these levels, Mount Gibson should generate strong cash flow in the short term, which should add to its impressive cash balance, ending CY 2016 with A$447 million. We have received shareholder approval for a possible disposal for the remainder interests of our Metals X and Westgold Resources. Our new investment portfolios are the platform for future mining and energy investments. We remain defensive and selective with our investments in the near term, and continue to look for high quality opportunities which will generate attractive returns over the long run.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 31 December 2016

	Notes	Six months ended 31.12.2016 HK$'000 (unaudited)	31.12.2015 HK$'000 (unaudited)
Revenue from sales of goods	3	**26,098**	58,000
Cost of sales		**(24,876)**	(46,939)
Gross profit		**1,222**	11,061
Other gains and losses	4	**329,650**	(147,754)
Other income	5	**35,720**	49,375
Administrative expenses		**(18,283)**	(18,856)
Finance costs	6	**—**	(135)
Share of results of associates		**40,085**	(21,779)
Profit (loss) before taxation	7	**388,394**	(128,088)
Income tax expense	8	**(60,491)**	(556)
Profit (loss) for the period attributable to owners of the Company		**327,903**	(128,644)
Earnings (loss) per share (expressed in HK cents)			
— Basic	10	**3.57**	(1.43)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2016

	Six months ended	
	31.12.2016	31.12.2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit (loss) for the period	**327,903**	(128,644)
Other comprehensive income (expense), net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of associates	**(15,069)**	(57,927)
Exchange difference arising from translation of other foreign operations	**(2,980)**	(4,192)
Reclassification adjustment upon deemed disposal of partial interests in associates	**(144)**	1,734
Reclassification adjustment upon derecognition of interests in an associate	**65,515**	—
Net fair value change on available-for-sale investments	**(19,088)**	—
Share of investment revaluation reserve of associates	**424**	5,791
	28,658	(54,594)
Total comprehensive income (expense) for the period attributable to owners of the Company	**356,561**	(183,238)

Condensed Consolidated Statement of Financial Position

At 31 December 2016

	Notes	31.12.2016 HK$'000 (unaudited)	30.6.2016 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,323	486
Interests in associates	12	671,536	1,145,649
Available-for-sale investments	13	670,098	49,492
Loan notes	14	194,980	31,161
Deferred tax asset	20	3,245	—
		1,541,182	1,226,788
Current assets			
Inventories		—	24,823
Loan notes	14	—	314,304
Other receivables and deposits	15	14,489	15,078
Investments held for trading	16	257,764	286,881
Loans receivable	17	140,381	131,899
Pledged bank deposits		80,100	79,955
Bank balances and cash		580,355	149,251
		1,073,089	1,002,191
Total assets		2,614,271	2,228,979

Condensed Consolidated Statement of Financial Position

At 31 December 2016

	Notes	31.12.2016 HK$'000 (unaudited)	30.6.2016 HK$'000 (audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	919,165	919,165
Reserves		320,533	291,875
Accumulated profits		1,325,229	997,326
		2,564,927	2,208,366
Non-current liability			
Deferred tax liability	20	25,726	—
Current liabilities			
Trade and other payables	19	4,028	19,215
Tax payable		19,590	1,398
		23,618	20,613
Total equity and liabilities		2,614,271	2,228,979
Net current assets		1,049,471	981,578
Total assets less current liabilities		2,590,653	2,208,366

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2016

	Attributable to the owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 *(Note)*	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 July 2015 (audited)	612,777	215,000	(14,980)	31,688	(10,379)	79,436	1,014,171	1,927,713
Loss for the period	–	–	–	–	–	–	(128,644)	(128,644)
Other comprehensive income (expense) for the period	–	–	–	5,459	(60,053)	–	–	(54,594)
Total comprehensive income (expense) for the period	–	–	–	5,459	(60,053)	–	(128,644)	(183,238)
Issue of shares	306,388	–	–	–	–	–	–	306,388
Transfer costs attributable to issue of new ordinary shares	–	(5,752)	–	–	–	–	–	(5,752)
At 31 December 2015 (unaudited)	919,165	209,248	(14,980)	37,147	(70,432)	79,436	885,527	2,045,111
At 1 July 2016 (audited)	919,165	209,248	(14,980)	47,454	(29,283)	79,436	997,326	2,208,366
Profit for the period	–	–	–	–	–	–	327,903	327,903
Other comprehensive (expense) income for the period	–	–	–	(47,452)	76,110	–	–	28,658
Total comprehensive (expense) income for the period	–	–	–	(47,452)	76,110	–	327,903	356,561
At 31 December 2016 (unaudited)	919,165	209,248	(14,980)	2	46,827	79,436	1,325,229	2,564,927

Note: The special reserve represents the difference between the nominal value of aggregate share capital of subsidiaries acquired and the nominal value of the share capital of the Company issued for the acquisition at the time of a group reorganisation in 1998.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2016

	Six months ended	
	31.12.2016 **HK$'000** **(unaudited)**	31.12.2015 HK$'000 (unaudited)
Profit (loss) before taxation	**388,394**	(128,088)
Adjustments for:		
Gain on deemed disposal of partial interests in an associate	**—**	(20,811)
Impairment loss on interests in associates	**—**	65,365
Reversal of impairment loss on interests in an associate	**(128,335)**	—
Fair value change of investments held for trading	**(19,699)**	117,381
Gains arising from derecognition of interests in associates	**(189,599)**	—
Other non-cash items	**(26,898)**	(14,822)
Operating cash flows before movement in working capital	**23,863**	19,025
Decrease (increase) in investments held for trading	**48,816**	(122,246)
Other working capital items	**10,225**	(14,479)
Cash from (used in) operations	**82,904**	(117,700)
Income tax refunded (paid)	**65**	(2,427)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**82,969**	(120,127)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,051)**	—
Dividend received from associates	**—**	15,995
Interest received	**19,694**	13,959
Purchase of available-for-sale investments	**(2,215)**	—
Net proceeds from disposal of an associate	**185,120**	—
Investment in an associate	**—**	(4,505)
Investment in loan notes	**(160,816)**	—
Redemption of loan notes	**310,232**	—
NET CASH FROM INVESTING ACTIVITIES	**350,964**	25,449

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2016

	Six months ended	
	31.12.2016	31.12.2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Proceeds from issue of shares	**–**	306,388
Transaction costs attributable to issue of new shares	**–**	(5,752)
Interest paid	**–**	(135)
New borrowings raised	**–**	42,602
Repayments of borrowings	**–**	(99,290)
NET CASH FROM FINANCING ACTIVITIES	**–**	243,813
NET INCREASE IN CASH AND CASH EQUIVALENTS	**433,933**	149,135
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	**(2,829)**	(4,025)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**149,251**	101,308
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**580,355**	246,418

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 for the newly adopted accounting policies which have become applicable to the Group in the current interim period as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2016.

Investments in associates

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of Hong Kong Accounting Standard 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

2. Principal Accounting Policies (Continued)

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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

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

3. Segment Information

Information regularly reviewed by the chief operating decision maker (the "**CODM**"), represented by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance focuses on the nature of the Group's business and operations. The Group's reportable and operating segments are therefore as follows:

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

(ii) Resource investment (trading of and investment in listed and unlisted securities, excluding interests in associates).

Segment results represent the profit (loss) earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, gain/loss on deemed disposal of partial interests in an associate, gains arising from derecognition of interests in associates, impairment loss on interests in associates, reversal of impairment loss on interests in an associate, adjustment to carrying amount of loans receivable, unallocated corporate income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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 2016

	Commodity business HK$'000	Resource investment HK$'000	Total HK$'000
Revenue	26,098	–	26,098
Gross sales proceeds from resource investment	–	226,210	226,210
Segment (loss) profit	(647)	25,277	24,630
Share of results of associates			40,085
Gains arising from derecognition of interests in associates			189,599
Loss on deemed disposal of partial interests in an associate			(3,164)
Reversal of impairment loss on interests in an associate			128,335
Adjustment to carrying amount of loans receivable			4,626
Unallocated corporate income			20,433
Unallocated corporate expenses			(16,150)
Profit before taxation			388,394

3. Segment Information (Continued)

Six months ended 31 December 2015

	Commodity business HK$'000	Resource investment HK$'000	Total HK$'000
Revenue	58,000	—	58,000
Gross sales proceeds from resource investment	—	65,799	65,799
Segment profit (loss)	11,267	(96,845)	(85,578)
Share of results of associates			(21,779)
Gain on deemed disposal of partial interests in an associate			20,811
Impairment loss on interests in associates			(65,365)
Unallocated corporate income			38,928
Unallocated corporate expenses			(14,970)
Finance costs			(135)
Loss before taxation			(128,088)

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

3. Segment Information (Continued)

An analysis of the Group's assets and liabilities by reportable and operating segments is set out below:

	31.12.2016 HK$'000 (unaudited)	30.6.2016 HK$'000 (audited)
Commodity business	197,785	203,880
Resource investment	1,122,345	372,127
Total segment assets	1,320,130	576,007
Interests in associates	671,536	1,145,649
Loan notes	194,980	345,465
Loans receivable	140,381	131,899
Unallocated	287,244	29,959
Consolidated assets	2,614,271	2,228,979
Commodity business	1,436	17,975
Resource investment	46,056	47
Total segment liabilities	47,492	18,022
Unallocated	1,852	2,591
Consolidated liabilities	49,344	20,613

3. Segment Information (Continued)

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.

4. Other Gains and Losses

	Six months ended	
	31.12.2016 HK$'000 (unaudited)	31.12.2015 HK$'000 (unaudited)
Fair value change of investments held for trading	**56,594**	(101,452)
Fair value change of derivative financial instruments	**—**	(1,939)
(Loss) gain on deemed disposal of partial interests in an associate	**(3,164)**	20,811
Adjustment to the carrying amount of loans receivable	**4,626**	—
Gains arising from derecognition of interests in associates *(Note 12)*	**189,599**	—
Impairment loss on interests in associates	**—**	(65,365)
Reversal of impairment loss on interests in an associate	**128,335**	—
Net foreign exchange (loss) gain	**(46,340)**	191
	329,650	(147,754)

5. Other Income

	Six months ended 31.12.2016 HK$'000 (unaudited)	Six months ended 31.12.2015 HK$'000 (unaudited)
Dividend income from investments held for trading	12,650	9,939
Interest income from bank deposits	2,041	978
Interest income from loan notes	5,612	12,981
Interest income from loans receivable	14,978	24,870
Others	439	607
	35,720	49,375

6. Finance Costs

	Six months ended 31.12.2016 HK$'000 (unaudited)	Six months ended 31.12.2015 HK$'000 (unaudited)
Interest on securities margin financing	–	135

7. Profit (Loss) Before Taxation

	Six months ended	
	31.12.2016	31.12.2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**209**	210
Cost of goods recognised as an expense	**24,876**	38,692

8. Income Tax Expense

	Six months ended	
	31.12.2016	31.12.2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	**–**	556
Enterprise Income Tax ("**EIT**") in the People's Republic of China (the "**PRC**")	**–**	–
Provision for Australian capital gain tax	**18,192**	–
Overprovision of EIT in the PRC in previous years	**(65)**	–
	18,127	556
Deferred tax charge for the period *(Note 20)*	**42,364**	–
	60,491	556

8. Income Tax Expense (Continued)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax was made for the six months ended 31 December 2016 as the companies of the Group operated in Hong Kong incurred tax losses.

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. No provision for EIT was made for both periods as the companies of the Group operated in the PRC incurred tax losses.

Provision for Australian capital gain tax was made at 30% on the capital gain derived from the sale of certain shares in an Australian company which may probably constitute taxable Australian property on information currently on hand but it cannot be determined at this stage.

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 (Loss) Per Share

The calculation of basic earnings (loss) per share is based on the profit attributable to owners of the Company of HK$327,903,000 (six months ended 31 December 2015: loss of HK$128,644,000) and the weighted average number of 9,191,651,985 (six months ended 31 December 2015: weighted average number of 8,991,833,464) ordinary shares in issue during the six months ended 31 December 2016.

For the periods ended 31 December 2016 and 31 December 2015, no separate diluted earnings (loss) per share information has been presented as there was no potential ordinary shares outstanding.

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 2016 and 2015.

12. Interests in Associates

	31.12.2016 HK$'000 (unaudited)	30.6.2016 HK$'000 (audited)
Cost of investment in associates		
Listed in Australia	**1,614,320**	2,269,736
Unlisted	**22,716**	54,708
Share of post-acquisition results and other comprehensive income, net of dividends received	**(518,605)**	(573,327)
Impairment losses recognised	**(446,895)**	(605,468)
	671,536	1,145,649
Fair value of listed investments	**636,310**	1,283,319

As at 31 December 2016, the Group has an interest in one (30 June 2016: two) associate, Mount Gibson Iron Limited ("**MGX**") (30 June 2016: MGX and Metals X Limited ("**MLX**")) whose shares are listed on Australian Stock Exchange. The Group's shareholdings in MGX is 29.53% (30 June 2016: 29.67%). The Group's shareholdings in MGX decreased from 29.67% to 29.53% as a result of the issuance of 5,283,081 new shares by MGX during the six months ended 31 December 2016. A loss on deemed disposal of partial interests of approximately HK$3,164,000 was recognised in profit or loss for the period.

Derecognition of interests in associates

MLX

On 15 July 2016, the Group disposed of 21,500,000 shares in MLX in the market for a cash consideration of approximately Australian dollars ("AUD") 31,820,000 (equivalent to approximately HK$185,491,000) and the direct costs in relation to this transaction is approximately HK$371,000. Immediate after the disposal, the Group's interest in MLX's issued share capital decreased from 20.72% to 16.24% and the Group ceased to have significant influence over MLX. The Group discontinued the use of the equity method to account for the entire interest in MLX as an associate and the Group's retained interest in MLX was subsequently accounted for as an available-for-sale investment at fair value.

12. Interests in Associates (Continued)

Derecognition of interests in associates (Continued)

MLX (Continued)

The gain arising from derecognition of interests in MLX as an associate is set out as follows:

	HK$'000
Net cash received	185,120
Fair value of retained interests in MLX *(note)*	682,053
Carrying amount of the interests in MLX derecognised as an associate	(624,580)
Reclassification of share of MLX's investment revaluation reserve previously included in the Group's other comprehensive income	28,695
Reclassification of share of MLX's exchange deficit previously included in the Group's other comprehensive income	(94,210)
	177,078

Note: The retained interests in MLX are determined based on 77,907,571 shares of MLX and the market price of AUD1.48 (equivalent to approximately HK$8.76) per MLX's share. The market price of MLX share is determined based on the transaction price at the date of disposal.

Upon the derecognition of the Group's interests in MLX as an associate, the difference between the fair value of the Group's retained interests in MLX and its historical cost results in a deferred tax charge of HK$42,364,000 recognised in profit or loss.

12. Interests in Associates (Continued)

Derecognition of interests in associates (Continued)

Alufer Mining Limited ("Alufer")

During the six months ended 31 December 2016, the Group's shareholdings in Alufer, which was an associate of the Group and its carrying amount was fully impaired in the past due to its insolvent financial position and uncertainty in raising new funds to continue with the exploration of its projects, decreased from 25.83% to 7.68% as a result of issuance of US$21,388,889 preference shares of US$0.145 each by Alufer which carry 75% of the total voting rights of Alufer and the Group subscribed for US$285,398 (equivalent to approximately HK$2,215,000) preference shares. The Group ceased to have significant influence over Alufer. The Group discontinued the use of the equity method to account for the entire interest in Alufer as an associate and the Group's retained interest in Alufer was accounted for as an available-for-sale investment at fair value of approximately HK$12,521,000.

Impairment assessment for the six months ended 31 December 2016

As at 31 December 2016, management of the Group carried out review on impairment on the carrying amount of its interest in MGX by comparing its recoverable amount (higher of the value in use and fair value less cost of disposal) with its carrying amount. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to arise from the operations of MGX and from the ultimate disposal of its interest in MGX, by using a discount rate of 10% (30 June 2016: 10%) to discount the cash flow projection to the net present value. The fair value of MGX was determined based on the closing price at the end of each reporting period. As at 31 December 2016, the recoverable amount of the Group's interest in MGX which represented the fair value less cost of disposal was higher than its carrying amount, accordingly, a reversal of impairment loss of HK$128,335,000 was recognised in profit or loss during the period.

13. Available-For-Sale Investments

	31.12.2016 HK$'000 (unaudited)	30.6.2016 HK$'000 (audited)
Equity securities:		
Unlisted, at cost *(note a)*	37,501	37,501
Less: impairment losses recognised	(35,214)	(35,214)
	2,287	2,287
Unlisted, at fair value *(note b)*	61,941	47,205
Listed in Australia, at fair value *(note c)*	605,870	—
	670,098	49,492

Notes:

(a) These unlisted equity investments represent investments in unlisted equity securities issued by five (30 June 2016: five) private entities incorporated in the British Virgin Islands (the "**BVI**"), the United Kingdom, the United States of America and Australia (30 June 2016: the BVI, the United Kingdom, the United States of America and Australia). 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 their fair values cannot be reliably measured. The Group has neither control nor significant influence on any of these private entities.

(b) These unlisted equity investments represent investments in unlisted equity securities issued by two (30 June 2016: one) private entities incorporated in Bailiwick of Guernsey and the BVI (30 June 2016: the BVI). These unlisted equity investments are measured at fair values and the details of the fair value measurement are set out in note 23.

(c) These listed equity investments represent 77,907,571 shares in MLX and 38,953,786 shares in Westgold Resources Limited ("**WGX**"). Both are available-for-sale investments listed on the Australian Stock Exchange. WGX demerged from MLX in November 2016 and details are set out in the Company's circular dated 15 December 2016.

14. Loan Notes

During the six months ended 31 December 2016, the material movements of loan notes are set out as follows:

On 26 November 2013, the Group subscribed loan notes from Mulpha SPV Limited ("**Mulpha**"), a limited liability company incorporated in Malaysia, with a nominal value of US$30,000,000 which bear 8.5% coupon interest per annum and would mature on 26 November 2016 (the "**Mulpha Notes 1**"). On 5 September 2014, the Group subscribed another loan notes from Mulpha with a nominal value of US$10,000,000 which bear 8.0% coupon interest per annum and would mature on 5 September 2016 (the "**Mulpha Notes 2**").

On 15 July 2016, the Mulpha Notes 1, together with the accrued unpaid interest, was early redeemed by Mulpha.

On 5 September 2016, the Mulpha Notes 2, together with the accrued unpaid interest, was redeemed by Mulpha.

On 6 September 2016, the Group subscribed loan notes from Mulpha with a nominal value of US$20,000,000 which bear 6% coupon interest per annum and will mature on 6 September 2019.

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 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.

On 24 May 2016, the Group subscribed loan notes with a nominal value of US$4,000,000 from Sun Hung Kai & Co. (BVI) Limited ("**SHK BVI**"), a limited liability company incorporated in the British Virgin Islands, which bear 4.75% coupon interest per annum and will mature on 31 May 2021.

These loan notes are guaranteed by Sun Hung Kai & Co. Limited, a limited liability company incorporated in Hong Kong whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. These loan notes can be early redeemed by SHK BVI 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 SHK BVI is closely related to the host debt and is therefore not separately accounted for.

14. Loan Notes (Continued)

The movement of loan notes during the period is set out as follows:

	HK$'000
At 1 July 2016 (audited)	345,465
Interest income	5,612
Interest received	(6,531)
Redemption of loan notes	(310,232)
Investment in loan notes	160,816
Exchange difference	(150)
At 31 December 2016 (unaudited)	194,980

	31.12.2016 HK$'000 (unaudited)	30.6.2016 HK$'000 (audited)
The carrying amount of loan notes is presented as:		
Current assets	–	314,304
Non-current assets	194,980	31,161
	194,980	345,465

15. Other Receivables and Deposits

	31.12.2016 HK$'000 (unaudited)	30.6.2016 HK$'000 (audited)
Other deposits and prepayment	4,097	5,030
Receivable from brokers	10,392	10,048
	14,489	15,078

16. Investments Held for Trading

	31.12.2016 HK$'000 (unaudited)	30.6.2016 HK$'000 (audited)
Listed securities:		
— Equity securities listed in Hong Kong	90,299	189,802
— Equity securities listed in United Kingdom	5,523	6,194
— Equity securities listed in Australia	94,406	82,700
— Equity securities listed in Canada	53,083	8,185
— Equity securities listed in United States of America	10,632	—
— Equity securities listed in Belgium	3,821	—
	257,764	286,881

17. Loans Receivable

	31.12.2016 HK$'000 (unaudited)	30.6.2016 HK$'000 (audited)
Carrying amount of fixed-rate loan	140,381	131,899

During the six months ended 31 December 2016, the Group recognised effective interest income of approximately HK$14,978,000 on the loans receivable based on the effective interest rate of 24% per annum. On 29 December 2016, the borrower through another entity (the "**Payer**") repaid RMB10,000,000 (equivalent to approximately HK$11,122,000) to the Group.

On 20 January 2017, a settlement agreement was entered into among the Group, the borrower and the guarantor with respect to the repayment arrangement of the loans receivable. Pursuant to the terms set out in settlement agreement, the interest rate on the principal of loans receivable would be reduced from 24% per annum to 20% per annum for interest income during the period from 28 May 2015 to 19 January 2017 if the principal of the loans receivable and the interest receivable could be settled on or before 23 January 2017.

On 22 January 2017, the borrower through the Payer has repaid the outstanding principal amount together with outstanding interest under the revised interest rate amounting to approximately RMB216,170,000 in total.

18. Share Capital

	2016 Number of shares	Share capital HK$'000	2015 Number of shares	Share capital HK$'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	**9,191,651,985**	**919,165**	6,127,767,990	612,777
Issue of shares	**—**	**—**	3,063,883,995	306,388
At end of the period	**9,191,651,985**	**919,165**	9,191,651,985	919,165

On 13 July 2015, the Company completed an open offer on the basis of one new share of the Company for every two existing shares of the Company held on 17 June 2015 at a subscription price of HK$0.10 per share and issued 3,063,883,995 new shares.

The transaction costs in relation to issue of shares of approximately HK$5,752,000 was debited to equity under share premium account during the six months ended 31 December 2015.

19. Trade and Other Payables

	31.12.2016 HK$'000 (unaudited)	30.6.2016 HK$'000 (audited)
Trade payables	**—**	16,425
Other payables	**4,028**	2,790
	4,028	19,215

20. Deferred Taxation

The following is the deferred tax asset and (liability) recognised and movements thereon during the current period:

	Fair value adjustment on available-for-sale investments HK$'000
At 1 July 2016 (audited)	—
Charge to profit or loss during the period	(42,364)
Credit to other comprehensive income during the period	19,883
At 31 December 2016 (unaudited)	(22,481)

For the purpose of presentation in the condensed consolidated statement of financial position, the deferred taxation on fair value adjustment on available-for-sale investments is presented as below:

	31.12.2016 HK$'000 (unaudited)	30.6.2016 HK$'000 (audited)
Deferred tax asset	**3,245**	—
Deferred tax liability	**(25,726)**	—
	(22,481)	—

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 and equipment, which fall due as follows:

	31.12.2016 HK$'000 (unaudited)	30.6.2016 HK$'000 (audited)
Within one year	2,762	3,608
After one year but within five years	1,578	279
	4,340	3,887

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	
	31.12.2016 HK$'000 (unaudited)	31.12.2015 HK$'000 (unaudited)
Subsidiaries of an associate, MGX		
— Purchase of commodities	—	38,692

22. Related Party Transactions (Continued)

(a) (Continued)

During the period, the Group had certain transactions with Allied Properties (H.K.) Limited ("**APL**"), the substantial shareholder of the Company, and Allied Group Limited ("**AGL**"), a parent of APL:

	Six months ended	
	31.12.2016	31.12.2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Reimbursement to AGL the actual costs incurred in respect of administrative and a portion of actual costs incurred in respect of management, consultancy, strategic and business advice services provided by senior management and selected staff of AGL to the Group in accordance with the relevant sharing of administrative services and management services agreement	**694**	—
Reimbursement to APL a portion of actual costs incurred in respect of management services provided by senior management and selected staff of APL to the Group in accordance with the relevant sharing of management services agreement	**156**	—

22. Related Party Transactions (Continued)

(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	
	31.12.2016 HK$'000 (unaudited)	31.12.2015 HK$'000 (unaudited)
Short-term employee benefits	**4,038**	4,324
Post-employment benefits	**143**	18
	4,181	4,342

Notes :

(1) The remuneration of HK$326,000 in relation to a key management personnel was included in note 22(a) as reimbursement to AGL a portion of actual costs incurred in respect of management services provided by AGL to the Group.

(2) The remuneration of HK$156,000 in relation to a key management personnel was included in note 22(a) as reimbursement to APL a portion of actual costs incurred in respect of management services provided by APL to the Group.

23. 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).

23. 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

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 and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31.12.2016 (unaudited)	30.6.2016 (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Investments held for trading	**Listed equity securities – HK$257,764,000**	Listed equity securities – HK$286,881,000	Level 1	Quoted bid prices in active markets
2) Available-for-sale investments	**Unlisted equity securities – HK$61,941,000**	Unlisted equity securities – HK$47,205,000	Level 3	Discounted cash flow and a discounted rate of 38% Black Scholes pricing model and an expected volatility of 18% Asset approach on financial position and residual approach for properties under development for sale and a discount rate of 20%
	Listed equity securities – HK$605,870,000	Nil	Level 1	Quoted bid prices in active markets

There was no transfer between Level 1 and 2 during both periods.

During the six months ended 31 December 2016, there are addition of approximately HK$14,736,000 on the fair value of the available-for-sale investments which are classified as Level 3 in the fair value hierarchy.

23. Fair Value Measurements of Financial Instruments (Continued)

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.

Fair value measurement and valuation process

The chief financial officer of the Company is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available or bases on the quotes by the financial institutions on derivative financial instruments.

24. Events After the End of the Reporting Period

On 5 January 2017, the shareholders of the Company passed a resolution in the special general meeting in relation to granting a disposal mandate to the directors of the Company for the disposal of a maximum of 77,907,571 shares in MLX and a maximum of 38,953,786 shares in WGX. On 16 February 2017, the Group disposed of 22,000,000 shares in MLX and 11,000,000 shares in WGX in the market for cash considerations of AUD18,700,000 and AUD27,500,000 respectively.

Subsequent to the end of the reporting period, the Group received in full the outstanding amount of the loans receivable from the borrower through the Payer. Details of the settlement are set out in note 17.

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 16 to 46, which comprise the condensed consolidated statement of financial position as of 31 December 2016 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 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

24 February 2017

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2016, 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 of 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 Directors	**Capacity in which interests are held**	**Interests in shares**	**Total interests**	**Approximate percentage of shareholding** *(Note 1)*
Mr. Andrew Ferguson	Beneficial owner	37,500,000	37,500,000	0.41%
Mr. Lee Seng Hui	Other interests	2,614,109,431 *(Note 2)*	2,614,109,431	28.44%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 9,191,651,985 shares as at 31 December 2016.

2. Mr. Lee Seng Hui together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controls approximately 74.49% of the total number of issued shares of Allied Group Limited ("**AGL**") (inclusive of Mr. Lee Seng Hui's personal interests) and were therefore deemed to be interested in 2,614,109,431 shares of the Company in which AGL was deemed to be interested through a wholly-owned subsidiary of Allied Properties (H.K.) Limited ("**APL**"), its 74.99%-owned subsidiary.

Save as disclosed above, as at 31 December 2016, 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.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2016.

Substantial Shareholders

As at 31 December 2016, the following persons, other than the directors or chief executive of the Company, were interested or had short positions in more than 5% of the shares or 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

		Number of shares/ underlying shares held		
Name of Shareholders	**Capacity in which interests are held**	**Interests in shares**	**Total interests**	**Approximate percentage of shareholding** *(Note 1)*
Shougang Fushan Resources Group Limited	Interest of a controlled corporation *(Note 2)*	1,434,000,000	1,434,000,000	15.60%
APL	Interest of controlled corporations *(Note 3)*	2,614,109,431	2,614,109,431	28.44%
AGL	Interest of controlled corporations *(Note 5)*	2,614,109,431	2,614,109,431 *(Note 4)*	28.44%
Lee and Lee Trust	Interest of controlled corporations *(Note 6)*	2,614,109,431	2,614,109,431 *(Note 4)*	28.44%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 9,191,651,985 shares as at 31 December 2016.

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 an interest in the shares in which Benefit Rich was interested.

3. The interests include 2,614,109,431 shares of the Company held by Allied Properties Investments (1) Company Limited ("**API(1)**"), a wholly-owned subsidiary of Allied Properties Overseas Limited ("**APOL**") which in turn is a wholly-owned subsidiary of APL. APL was therefore deemed to have an interest in the shares in which API(1) was interested.

Substantial Shareholders (Continued)

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

4. This represents the same interests of APL in 2,614,109,431 shares.

5. APL is a non wholly-owned subsidiary of AGL. AGL was therefore deemed to have an interest in the shares in which APL was interested.

6. Mr. Lee Seng Hui, Director, together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controls approximately 74.49% of the total number of issued shares of AGL (inclusive of Mr. Lee Seng Hui's personal interests) and were therefore deemed to have an interest in the shares in which AGL was interested.

Save as disclosed above and in the section headed "Directors' Interests in Shares, Underlying Shares and Debentures", as at 31 December 2016, the Company was not notified of any other persons 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 under section 336 of the SFO.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information on directors of the Company are as follows:

Positions held with the Company and other members of the Group

Mr. Arthur George Dew, Chairman and a Non-Executive Director of the Company, resigned as a member of the Executive Committee of the Company with effect from 1 January 2017.

Experience including other directorship held in the last three years and major appointments

Mr. Lee Seng Hui, Non-Executive Director of the Company, was appointed as a non-executive director and the chairman of Dan Form Holdings Company Limited, a company listed on the Main Board of the Stock Exchange, with effect from 18 November 2016 and 22 December 2016 respectively.

Changes in Directors' emoluments and the basis of determining Directors' emoluments

The remuneration of the Chairman and Non-Executive Director, namely Mr. Arthur George Dew, with effect from 1 January 2017, is directly paid by AGL (a substantial shareholder of the Company) by allocating and charging such remuneration to the Company pursuant to the sharing of administrative services and management services agreement entered into between AGL and the Company.

Changes in Information of Directors (Continued)

Changes in Directors' emoluments and the basis of determining Directors' emoluments (Continued)

Mr. Brett Robert Smith, the Deputy Chairman and Executive Director, with effect from the end of January 2017, was no longer required by the Company to perform his executive management function in Dragon Mining Limited and his annual salary has been reduced to HK$1,244,509.

Mr. Wong Tai Chun, Mark, alternate director to Mr. Arthur George Dew, with effect from 1 July 2016, is entitled to a service fee which is directly paid by AGL (a substantial shareholder of the Company) by allocating and charging such service fee to the Company pursuant to the sharing of administrative services and management services agreement entered into between AGL and the Company.

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 2016. 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 2016, the Company had fully complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules.

Compliance with the Model Code

The Company has adopted the Model Code as its code for securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, all directors of the Company have confirmed that they had complied with the required standard as set out in the Model Code for the six months ended 31 December 2016.

By Order of the Board
Arthur George Dew
Chairman

Hong Kong, 24 February 2017