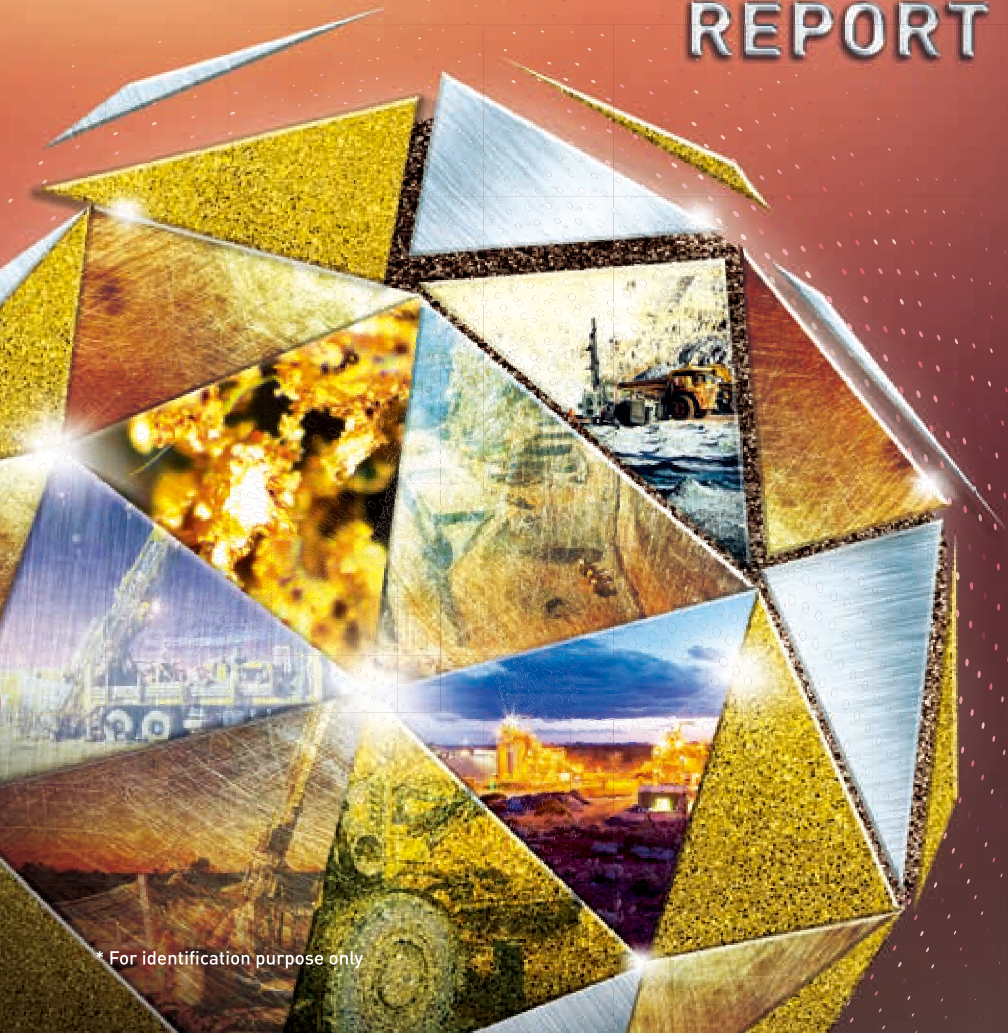
APAC RESOURCES

APAC Resources Limited
亞太資源有限公司*

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

2017 INTERIM REPORT



* 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.

PRINCIPAL BANKERS

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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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The Belvedere Building
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Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

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apac.quamir.com

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$477,619,000 in the six months ended 31 December 2017 ("**1H 2018**"). This was partly driven by gains arising from share of results of associates of HK$144,389,000, and a reversal of impairment loss on the carrying value of the Group's investment in Mount Gibson Iron Limited of HK$132,750,000. However, most importantly, our core business segments also contributed a profit of HK$213,593,000.

In July 2017, commodity prices (both metals and oil) started to rally on the back of a strong global growth outlook as evidenced by the steady increase in global PMIs over the last six months and December global manufacturing PMIs reaching a 7 year high. Commodities related to the Electric Vehicles thematic (metals used in batteries) have been particularly strong, and APAC Resources made material investments in companies with exposure to cobalt in anticipation of this.

In recent weeks, global stock markets and commodity prices have been roiled by a change in sentiment as the US started to exhibit signs of inflation and the US 10 Year Bond Yields reached multi year highs. Equity valuations prior to the correction were way above historical averages, so as long as the outlook for growth is on track, we are not overly concerned.

US December quarter GDP was tracking 3%, underpinned by consumer spending and the housing market. The US growth outlook received an additional boost after Donald Trump's recent tax cuts and the planned budget deficit in 2018–2019. On a relative basis, the other developed economies are exhibiting stronger growth outlooks, so we expect the US dollar will remain weak.

The Chinese economy and therefore commodity demand (particularly for metals and bulks) remains strong and at the time of writing, the market appears comfortable that reforms put in place to reduce debt levels and improve the environment will be gradual and will not cause growth to derail in the short term. PMI levels remain above 50, and the January manufacturing PMI was 51.5. However, as always, we remain somewhat cautious in our expectations for growth in Chinese commodity demand in the medium term.

The other major economies appear to be stable. The Eurozone is leading the pack delivering strong PMI, IP and business investment numbers, although we expect the market to shift its focus to ECB tightening at some point. While the impact of Brexit still lurks in the background, the British economy remains steady for now. The Japanese economy continues to improve, September quarter GDP was 2.1%, and the Bank of Japan maintains its target of keeping interest rates at zero.

Geopolitical uncertainty is likely to remain in 2018, including concerns over the potential NAFTA renegotiation, North Korea and US relations, and instability in the Middle East.

CEO'S MESSAGE (CONTINUED)

In 2016, we placed our investment in Metals X and Westgold Resources under strategic review. 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 ongoing commitment and investment in the Resource Investment segment.

It is our long held belief that Shareholders should receive a return. However given our forecast for a strong global economy this year, and the resulting opportunities in the market, we have not declared a dividend. We will continue to reassess our dividend policy based on our expectations of the economic outlook. As ever, I would like to thank you all for your continued faith and belief in APAC Resources.

Andrew Ferguson
Chief Executive Officer

27 February 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

APAC Resources Limited ("**APAC**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") reported a net profit attributable to shareholders of the Company of HK$477,619,000 for the six months ended 31 December 2017 ("**1H 2018**"), compared with a net profit attributable to shareholders of the Company of HK$327,903,000 for the six months ended 31 December 2016 ("**1H 2017**"). This is driven by a profit of HK$158,774,000 from our Resource Investment division, HK$144,389,000 from our share of results of associates, and HK$132,750,000 from a reversal of impairment loss on the carrying value of the Group's investment in Mount Gibson Iron Limited ("**Mount Gibson**").

PRIMARY STRATEGIC INVESTMENT

Our Primary Strategic Investment is in Mount Gibson, which is listed and operating in Australia. Metals X Limited ("**Metals X**") is no longer classified as a Strategic Investment after we sold 21.5 million shares in Metals X in July 2016 and 22 million shares in February 2017. The net attributable profit from our Primary Strategic Investment for 1H 2018 was HK$143,927,000 (1H 2017: Net profit of HK$39,416,000). Mount Gibson reported a 1H 2018 net profit after tax of A$80 million.

Mount Gibson

Mount Gibson is an Australian listed iron ore producer. Mining of Direct Shipping Ore from its Extension Hill mine has ended, and the Iron Hill mine has started production. Mount Gibson approved the Koolan Island Restart Project in April 2017.

Mining at Iron Hill commenced in March 2017 and first ore sales were achieved in July 2017. Life of mine sales is expected to total 5.5 to 6.0 million tonnes, with production to end in late 2018.

The Koolan Island Restart Project will reconstruct the seawall and dewater the Koolan Island pit for an estimated capex spend of A$97 million, and will allow Mount Gibson to access 12.8 million tonnes of 66% Fe reserves, which gives it a 3.5 year mine life. Site works started in June 2017. A potential pit extension is under evaluation, and could convert an additional 7 million tonnes of resources.

Mount Gibson was awarded a further A$64 million from the business interruption component of its insurance claim, in addition to the A$86 million received for the property damage component. The payment was received in July 2017. Negotiations continue with the last outstanding insurer who represents the remaining 7.5% of the business interruption coverage.

Mount Gibson sales guidance for the financial year ending 30 June 2018 is 3.5 million tonnes to 3.8 million tonnes.

Mount Gibson reported a net profit after tax of A$80 million for the six months ending 31 December 2017, boosted by A$64 million payment for the proceeds of the Koolan Island business interruption insurance settlement. Removing this one-off payment leaves an underlying net profit after tax of A$16 million from sales of 1.7 million tonnes.

Mount Gibson continued to focus on costs, and all in cash cost was A$46 per tonne in 1H 2018 compared to A$52 per tonne in 1H 2017. Importantly, Mount Gibson still boasts an impressive cash reserve, including term deposits and tradable investments, ending 1H 2018 with A$477 million or an equivalent of A$0.435 per share, despite development spending on Koolan Island and paying a dividend in October 2017.

The Platts IODEX 62% CFR China index has remained volatile, and during 1H 2018 it traded in the range of US$60/dry metric tonne ("**dmt**") to US$80/dmt and is currently around US$75/dmt. The iron ore price in late 2017 has been supported by stronger steel margins although in recent months the iron ore price has likely been buoyed by pre-holiday restocking ahead of Chinese New Year. The discount for low-grade ore remains wide as steel mills prefer medium and high grade ore during this period of reasonable mill profitability. Despite a generally strong global economy, we continue to expect average iron ore prices to remain capped in the short term given weak non-China steel demand and continuing supply growth in Brazil and Australia.

Metals X and Westgold Resources

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. Immediately after the disposal, the Group's interest in Metals X decreased to below 20%. Metals X ceased to be an associate of the Group and is now accounted for as an available-for-sale investment.

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 31 December 2017, the carrying value of available-for-sale investments was HK$688,179,000 (As at 30 June 2017: HK$551,813,000), which included primarily our investments in Metals X and Westgold Resources. The carrying values of Metals X and Westgold Resources as at 31 December 2017 amounted to HK$354,870,000 (As at 30 June 2017: HK$224,758,000) and HK$301,980,000 (As at 30 June 2017: HK$308,623,000) respectively and represented approximately 10.4% (As at 30 June 2017: 7.7%) and 8.9% (As at 30 June 2017: 10.6%) of the total assets of the Group. In 1H 2018, Metals X generated a fair value gain, net of tax, of approximately HK$91,079,000 (1H 2017: Loss of HK$13,252,000) and Westgold Resources reported a fair value loss of approximately HK$6,643,000 (1H 2017: Loss of HK$5,836,000) which were accounted for in other comprehensive income.

Westgold Resources produced 134,382 ounces in 1H 2018 down 4% year-on-year ("**YoY**") driven by a drop in production at the Higginsville (HGO) project and the end of the current phase of the Cannon open pit mine, although partly offset by a ramp up at the Fortnum Gold Project and improved production at the Central Murchison Gold Project (CMGP). Westgold Resources forecasts that production will reach 340,000 ounces in 2018, and increase to 380,000 ounces in 2019 as its growth projects continue to ramp up.

The gold price has generally been on an upward trend over the last 12 months. This is in response to a weaker US dollar and slower than expected US rate rises plus geopolitical tensions which continue to simmer in the background. While US yields have increased noticeably in the past few months which is typically negative for gold price, this has been driven by expectations for higher inflation, so the impact on real interest rates has been limited. The gold price is now trading above US$1,325 per ounce and we expect the gold price to remain linked to sentiment around the US dollar, the pace of Fed rate hikes, and retain its safe haven status.

At Metals X, Renison mine produced 1,798 tonnes of tin (net 50% basis) up 3% YoY, while the average realised tin price of A$25,905 per tonne was down 2% YoY. Metals X is currently expanding Renison mine by introducing an ore sorter, which is expected to increase production by 15-20% by removing waste feed before it enters the processing circuit.

After acquiring the Nifty mine in August 2016, Metals X set a target copper production rate of 40,000 tonnes per annum. However, the ramp up has been impacted by its ability to bring on additional stopes and in the most recent December 2017 quarter, production was running at an annualized rate of 19,000 tonnes per annum. Metals X has since deployed an additional drill rig, which is expected to lift production to a target rate of 40,000 tonnes per annum over the next 12–18 months.

Tin prices have been range bound over calendar year 2017, trading between US$19,000 per tonne and US$21,000 per tonne. However recently, in the lead up to Chinese New Year, tin prices have reached US$22,000 per tonne due to low inventory levels despite a rebound in Myanmar and Indonesian production. We remain bullish on the medium term outlook for tin due to the lack of significant supply growth. Copper prices continue to trend upwards, and reached multi-year highs of over US$7,100 per tonne. Prices have been driven by softer supply guidance and a strong Chinese economic outlook.

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, the United Kingdom and the US. Our investments focus on select 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$157,579,000 in 1H 2018 (1H 2017: Gain of HK$56,594,000), which after accounting for segment related dividend and other investment income and expenses, resulted in a segment profit of HK$158,774,000 (1H 2017: Profit of HK$25,277,000).

Investment by Commodity Segment

	Fair value gain 1H 2018 HK$'000	**Carrying value 31.12.2017 HK$'000**	**% of segment assets to total assets of the Group 31.12.2017 HK$'000**	Carrying value 30.06.2017 HK$'000	% of segment assets to total assets of the Group 30.06.2017 HK$'000
Precious	**13,128**	**82,437**	**2.4%**	66,744	2.3%
Bulk	**4,037**	**6,692**	**0.2%**	4,718	0.2%
Base Metals	**121,395**	**242,569**	**7.1%**	100,122	3.4%
Energy	**5,649**	**86,136**	**2.5%**	67,400	2.3%
Others	**13,370**	**67,918**	**2.0%**	36,743	1.3%
	157,579	**485,752**	**14.2%**	275,727	9.5%

Our Resource Investment division includes the results of the two new resource portfolios which were announced in August 2016. The resources sector has been strong in the last six months, namely in the mining space, as strong economic growth has finally given commodity prices a boost. From 1 July 2017 to 31 December 2017 the average performance from a number of small cap resources indices has averaged +18% (includes the ASX Small Resources Index and the TSX Venture Composite Index among others). Oil prices improved from September 2017 although US gas prices remained weak throughout 2017. The average performance of several small cap oil and gas indices has averaged +15% in 1H 2018 (includes the S&P TSX Small Cap Energy Index and S&P US Oil and Gas ETF among others).

Precious

The precious metals (majority gold exposure) generated a net fair value gain of HK$13,128,000 in 1H 2018 while the gold price was up 5%. As at 31 December 2017, the carrying value of the Precious segment was HK$82,437,000 (As at 30 June 2017: HK$66,744,000). Our largest gold investment is in ABM Resources (ASX: ABU) which generated a fair value loss of HK$433,000 with carrying value as at 31 December 2017 of HK$28,565,000. This was comfortably offset by gains in a number of smaller positions including Medusa Mining (ASX: MML) and Perseus Mining (ASX: PRU).

Bulk

Bulk commodities (predominantly iron ore) generated a fair value gain of HK$4,037,000 and iron ore prices increased 11% during 1H 2018. As at 31 December 2017, the carrying value was HK$6,692,000 (As at 30 June 2017: HK$4,718,000). Within this segment, our significant investments include Grange Resources (ASX: GRR), which generated a fair value gain of HK$2,870,000 in 1H 2018.

Base Metals

Base Metals segment (a mix of copper, nickel, aluminium and cobalt companies) delivered a fair value gain of HK$121,395,000 in 1H 2018 as the copper, aluminium and cobalt prices increased by 22%, 18% and 26%. The Base Metals segment includes our investment in Australian Mines (ASX: AUZ) which generated a fair value gain of HK$51,611,000 in 1H 2018 and had a carrying value as at 31 December 2017 of HK$81,212,000 (As at 30 June 2017: HK$3,964,000) and Katanga Mining (TSX: KAT) listed in Canada, which generated a fair value gain of HK$23,649,000 in 1H 2018 and had a carrying value as at 31 December 2017 of HK$33,988,000 (As at 30 June 2017: HK$14,426,000).

Energy

The Energy segment (mainly oil exposure) had a fair value gain of HK$5,649,000 in 1H 2018 driven by an oil price increase of 31%. Our significant Energy investments include Gran Tierra (TSX: GTE), which generated a fair value gain of HK$1,413,000 and had a carrying value as at 31 December 2017 of HK$7,645,000 (As at 30 June 2017: HK$6,232,000). Gains in smaller positions including Spartan Energy (TSX: SPE) and Beach Energy (ASX: BPT).

Others

We also have a fair value gain of HK$13,370,000 from the remaining commodity (diamonds and mineral sands) and non-commodity investments in 1H 2018 and had a carrying value as at 31 December 2017 of HK$67,918,000 (As at 30 June 2017: HK$36,743,000). This segment includes our investment in Mineral Deposits (ASX: MDL) listed in Australia, which generated a fair value gain of HK$9,224,000 and had a carrying value as at 31 December 2017 of HK$19,728,000 (As at 30 June 2017: HK$19,731,000).

COMMODITY BUSINESS

Our iron ore offtakes at Koolan Island and Tallering Peak have ceased to deliver shipments with both mines closed, so we are now looking for new offtake opportunities across a range of commodities. For 1H 2018, our Commodity Business generated a profit of HK$4,578,000 (1H 2017: Loss of HK$647,000).

PRINCIPAL INVESTMENT AND FINANCIAL SERVICES

The principal investment and financial services segment, which was established in March 2017, covered income generated from loans receivable including money lending, loan notes and other financial assets. For 1H 2018, this segment generated a profit of HK$50,241,000 (1H 2017: Nil).

MONEY LENDING

The Group engaged in money lending activities under the Money Lenders Ordinance of Hong Kong. For 1H 2018, the revenue and profits generated from money lending formed part of results of the principal investment and financial services segment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2017, our non-current assets amounted to HK$1,678,321,000 (As at 30 June 2017: HK$1,431,077,000) and net current assets amounted to HK$1,678,736,000 (As at 30 June 2017: HK$1,462,760,000) with a current ratio of 43.2 times (As at 30 June 2017: 65.1 times) calculated on the basis of its current assets over current liabilities. Included in non-current assets and current assets are convertible notes of HK$150,497,000 (As at 30 June 2017: HK$9,320,000), loan notes of HK$51,236,000 (As at 30 June 2017: HK$190,362,000) and loans receivable of HK$327,470,000 (As at 30 June 2017: HK$232,138,000) respectively.

As at 31 December 2017, we had borrowings of HK$35,000,000 (As at 30 June 2017: Nil) and had undrawn banking facilities amounting to HK$136,745,000 secured against certain term deposits of the Group. As at 31 December 2017, we had a gearing ratio of 0.01 (As at 30 June 2017: 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 Australian Dollars and Hong Kong Dollars. There would be no material immediate effect on the cash flows of the Group from adverse movements in foreign exchange for long term investments. In additions, the Group is required to maintain foreign currency exposure to cater for its present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. In light of this, the Group did not actively hedge for the risk arising from the Australian Dollars denominated assets. However, the Group will closely monitor this risk exposure as required.

Pledge of Assets

As at 31 December 2017, certain of the Group's bank deposits of HK$145,724,000 (As at 30 June 2017: HK$145,167,000) were pledged to banks to secure various trade and banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group ensured that its employees are remunerated according to the prevailing manpower market conditions and individual performance with its remuneration policies reviewed on a regular basis. All employees are entitled to participate in the Company's benefit plans including medical insurance and pension fund schemes including the 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 2017, the Group, including its subsidiaries but excluding associates, had 17 (As at 30 June 2017: 18) employees. Total emolument together with pension contributions incurred for the six months ended 31 December 2017 amounted to HK$5,703,000 (1H 2017: HK$5,013,000).

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 2017, 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 2017, the Group does not have plan for any other material investments or acquisition of material capital assets.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had no material capital commitments contracted but not provided for (As at 30 June 2017: Nil).

CONTINGENT LIABILITIES

As at the date of this report and as at 31 December 2017, the board of directors (the "**Board**") of the Company is not aware of any material contingent liabilities.

INTERIM DIVIDEND

An interim dividend of HK1.5 cents per share in an aggregate amount of approximately HK$13,787,000 were declared for the year ended 30 June 2017 and an amount of approximately HK$13,633,000 was paid during the six months ended 31 December 2017. No dividend has been proposed for the six months ended 31 December 2017 (Six months ended 31 December 2016: Nil).

During 1H 2018, the Company undertook a share buy back at HK$1.30 per share. This enabled shareholders who wished to dispose shares an opportunity to do so at a price which the Board considered appropriate and reasonable for the Company and all its shareholders. The Company will reassess its dividend policy at the year end.

SUBSEQUENT EVENTS

On 31 January 2018, the Group entered into a loan deed with an independent third party, which is a company incorporated in Australia with limited liability and is principally engaged in property development. Pursuant to the loan deed, the Group makes available to the borrower a loan facility of A$34,121,096 which will be matured in three months from the drawndown date. Details of the terms of the loan deed are set out in the Company's announcement dated 31 January 2018.

On 2 February 2018, the Group entered into a share sale agreement with Allied Properties Resources Limited (the "**Vendor**"), an indirect wholly-owned subsidiary of Allied Properties (H.K.) Limited. Pursuant to the share sale agreement, the Group agreed to purchase from the Vendor approximately 38.09% of the total issued share capital of Tanami Gold NL, an Australia listed gold exploration company, at a cash consideration of A$20,142,575. The acquisition is subject to certain conditions and approval by independent shareholders of the Company. Details of the acquisition are set out in the Company's announcement dated 2 February 2018.

FORWARD LOOKING OBSERVATIONS

Global economic growth remains robust, as seen in GDP and PMI numbers. While the US economic cycle is more mature than its peers, recent government policies are expected to boost GDP growth in the short term. Japan and Europe continues to strengthen, although the ECB is likely to tighten at some point. The Chinese economy looks strong for now, although we remain cautious given the Chinese government's desire to reduce high debt levels. Mount Gibson is underpinned by a large cash reserve, and is focused on its Koolan Island Restart Project, with the seawall under construction and production expected in early 2019. This is a timely development given the large disparity between low grade and high grade iron ore, and once in operations, Koolan Island will be the highest grade DSO mine in Australia. 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 2017

	Notes	Six months ended 31.12.2017 HK$'000 (unaudited)	31.12.2016 HK$'000 (unaudited)
Revenue	3	**49,887**	26,098
Cost of sales		**(37,353)**	(24,876)
Gross profit		**12,534**	1,222
Other gains and losses	5	**330,520**	329,650
Other income	6	**13,628**	35,720
Administrative expenses		**(23,207)**	(18,283)
Finance costs	7	**(188)**	—
Share of results of associates		**144,389**	40,085
Profit before taxation	8	**477,676**	388,394
Income tax expense	9	**(57)**	(60,491)
Profit for the period attributable to owners of the Company		**477,619**	327,903
			(restated)
Earnings per share (expressed in HK cents)			
— Basic	11	**52.11**	35.67

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**477,619**	327,903
Other comprehensive income (expense), net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of associates	**12,927**	(15,069)
Exchange difference arising from translation of other foreign operations	**11,421**	(2,980)
Reclassification adjustment upon deemed disposal of partial interests in associates	**—**	(144)
Reclassification adjustment upon derecognition of interest in an associate	**—**	65,515
Fair value change on available-for-sale investments, net of tax	**97,333**	(19,088)
Share of investment revaluation reserve of associates	**(272)**	424
	121,409	28,658
Total comprehensive income for the period attributable to owners of the Company	**599,028**	356,561

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	31.12.2017 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**896**	1,103
Interests in associates	*13*	**928,621**	678,479
Available-for-sale investments	*14*	**688,179**	551,813
Convertible notes	*15*	**9,389**	9,320
Loan notes	*16*	**51,236**	190,362
		1,678,321	1,431,077
Current assets			
Inventories	*17*	**19,205**	—
Convertible notes	*15*	**141,108**	—
Trade and other receivables	*18*	**44,681**	26,854
Investments held for trading	*19*	**485,752**	275,727
Loans receivable	*20*	**327,470**	232,138
Pledged bank deposits		**145,724**	145,167
Bank balances and cash		**554,576**	805,687
		1,718,516	1,485,573
Total assets		**3,396,837**	2,916,650

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2017

	Notes	**31.12.2017 HK$'000 (unaudited)**	30.6.2017 HK$'000 (audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*21*	**795,277**	919,165
Reserves		**507,507**	423,264
Accumulated profits		**2,009,753**	1,545,921
		3,312,537	2,888,350
Non-current liability			
Deferred tax liability	*24*	**44,520**	5,487
Current liabilities			
Trade and other payables	*22*	**4,703**	21,415
Other borrowing	*23*	**35,000**	—
Tax payable		**77**	1,398
		39,780	22,813
Total liabilities		**84,300**	28,300
Total equity and liabilities		**3,396,837**	2,916,650
Net current assets		**1,678,736**	1,462,760
Total assets less total liabilities		**3,312,537**	2,888,350

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	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 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
At 1 July 2017 (audited)	**919,165**	**209,248**	**(14,980)**	**58,250**	**91,310**	**79,436**	**1,545,921**	**2,888,350**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**477,619**	**477,619**
Other comprehensive income for the period	**—**	**—**	**—**	**97,061**	**24,348**	**—**	**—**	**121,409**
Total comprehensive income for the period	**—**	**—**	**—**	**97,061**	**24,348**	**—**	**477,619**	**599,028**
Repurchase of ordinary shares	**(123,888)**	**(37,166)**	**—**	**—**	**—**	**—**	**—**	**(161,054)**
Dividends recognised as distribution *(Note 10)*	**—**	**—**	**—**	**—**	**—**	**—**	**(13,787)**	**(13,787)**
At 31 December 2017 (unaudited)	**795,277**	**172,082**	**(14,980)**	**155,311**	**115,658**	**79,436**	**2,009,753**	**3,312,537**

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 2017

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit before taxation	**477,676**	388,394
Adjustments for:		
Reversal of impairment loss on interest in an associate	**(132,750)**	(128,335)
Fair value change of investments held for trading	**(157,579)**	(19,699)
Fair value change of convertible notes	**(31,108)**	—
Gains arising from derecognition of interests in associates	**—**	(189,599)
Interest income	**(19,339)**	(22,631)
Share of results of associates	**(144,389)**	(40,085)
Other non-cash items	**(10,015)**	35,818
Operating cash flows before movement in working capital	**(17,504)**	23,863
(Increase) decrease in investments held for trading	**(52,446)**	48,816
Increase in inventories	**(19,205)**	—
Increase in loan notes	**(19,516)**	—
Increase in convertible notes	**(110,000)**	—
Increase in loans receivable	**(85,353)**	—
Other working capital items	**(32,602)**	10,225
Cash (used in) from operations	**(336,626)**	82,904
Interest received	**8,778**	—
Income tax (paid) refunded	**(1,378)**	65
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(329,226)**	82,969
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**—**	(1,051)
Dividend received from an associate	**39,652**	—
Interest received	**10,990**	19,694
Purchase of available-for-sale investments	**—**	(2,215)
Net proceeds from disposal of an associate	**—**	185,120
Investment in loan notes	**—**	(160,816)
Redemption of loan notes	**156,209**	310,232
NET CASH FROM INVESTING ACTIVITIES	**206,851**	350,964

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Payments on repurchase of ordinary shares	**(161,054)**	—
New other borrowing raised	**35,000**	—
Dividend paid	**(13,633)**	—
Interest paid	**(188)**	—
NET CASH USED IN FINANCING ACTIVITIES	**(139,875)**	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(262,250)**	433,933
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	**11,139**	(2,829)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**805,687**	149,251
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**554,576**	580,355

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

During the six months ended 31 December 2017, the Group repurchased 123,887,883 shares of the Company from its shareholders with a total consideration of approximately HK$161,054,000 and the Group acquired convertible bonds at cash consideration of HK$110,000,000. These transactions resulted in significant impacts to the Group's current interim financial position. Details of these transactions are set out in notes 21 and 15 respectively.

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 preparation of condensed consolidated financial statements for the six months ended 31 December 2017 are the same as those applied in the preparation of the Group's annual financial statements for the year ended 30 June 2017.

Borrowing costs

The borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 above 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. REVENUE

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue from trading of commodities	**39,174**	26,098
Interest income from loans receivable	**8,904**	—
Interest income from loan notes	**290**	—
Interest income from convertible notes	**1,519**	—
	49,887	26,098

4. 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 operating and reportable segments are therefore as follows:

(i) Commodity business (trading of commodities);

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

(iii) Principal investment and financial services (investment in loan financing, loan notes and other financial assets).

On 1 March 2017, the Company announced to establish a new segment of principal investment and financial services and, since then, the CODM reviews the financial performance of principal investment and financial services operation. Accordingly, results from principal investment and financial services, which represents the loans receivable granted, loan notes invested and convertible notes acquired since 1 March 2017, are presented as an operating and reportable segment.

4. SEGMENT INFORMATION (CONTINUED)

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

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

Segment revenue and results

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

Six months ended 31 December 2017

	Commodity business HK$'000	Resource investment HK$'000	Principal investment and financial services HK$'000	Total HK$'000
Revenue	39,174	—	10,713	49,887
Gross sales proceeds from resource investment	—	232,286	—	232,286
Segment profit	4,578	158,774	50,241	213,593
Share of results of associates				144,389
Reversal of impairment loss on interest in an associate				132,750
Dividend income from available-for-sale investments				3,492
Unallocated corporate income				6,756
Unallocated corporate expenses				(23,116)
Finance costs				(188)
Profit before taxation				477,676

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

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 interest in an associate			(3,164)
Reversal of impairment loss on interest 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

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

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

	31.12.2017 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
Commodity business	366,016	286,310
Resource investment	605,895	488,524
Principal investment and financial services	471,450	238,812
Total segment assets	1,443,361	1,013,646
Interests in associates	928,621	678,479
Available-for-sale investments	656,850	533,381
Loan notes	31,401	190,362
Unallocated	336,604	500,782
Consolidated assets	3,396,837	2,916,650
Commodity business	1,931	16,899
Resource investment	44,520	8,845
Total segment liabilities	46,451	25,744
Unallocated	37,849	2,556
Consolidated liabilities	84,300	28,300

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

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

- all assets are allocated to operating and reportable segments other than interests in associates, property, plant and equipment, certain loan notes, certain convertible notes, certain available-for-sale investments, certain other receivables and certain bank balances and cash (30 June 2017: interests in associates, property, plant and equipment, loan notes, convertible notes, certain available-for-sale investments, certain other receivables and certain bank balances and cash).

- all liabilities are allocated to operating and reportable segments other than certain other payables and other borrowing and tax payable (30 June 2017: certain other payables and tax payable).

5. OTHER GAINS AND LOSSES

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Fair value change of investments held for trading	**157,579**	56,594
Fair value change of convertible notes	**31,108**	—
Loss on deemed disposal of partial interest in an associate	**—**	(3,164)
Adjustment to the carrying amount of loans receivable	**—**	4,626
Gains arising from derecognition of interests in associates	**—**	189,599
Reversal of impairment loss on interest in an associate	**132,750**	128,335
Net foreign exchange gain (loss)	**9,083**	(46,340)
	330,520	329,650

6. OTHER INCOME

	Six months ended 31.12.2017 HK$'000 (unaudited)	Six months ended 31.12.2016 HK$'000 (unaudited)
Interest income from bank deposits	**3,351**	2,041
Interest income from loan notes	**4,703**	5,612
Interest income from loans receivable	**—**	14,978
Interest income from convertible notes	**572**	—
Dividend income from investments held for trading	**1,011**	12,650
Dividend income from available-for-sale investments	**3,492**	—
Others	**499**	439
	13,628	35,720

7. FINANCE COSTS

	Six months ended 31.12.2017 HK$'000 (unaudited)	Six months ended 31.12.2016 HK$'000 (unaudited)
Interest on other borrowing	**188**	—

8. PROFIT BEFORE TAXATION

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**207**	209
Cost of goods recognised as an expense	**37,353**	24,876

9. INCOME TAX EXPENSE

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax		
— Hong Kong Profits Tax	**57**	—
— Provision for Australian capital gain tax	**—**	18,192
	57	18,192
Overprovision in prior years		
— Enterprise Income Tax ("**EIT**") in the People's Republic of China (the "**PRC**")	**—**	(65)
	57	18,127
Deferred tax charge for the period	**—**	42,364
	57	60,491

9. 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.

Under the Australian tax rule, the provision for Australian capital gain tax is calculated at 30% on the capital gain derived from sale of certain shares in Australian companies which may probably constitute taxable Australian property, by a non-resident company in Australia.

10. DIVIDENDS

Dividends recognised as distribution during the period:

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
2017 interim dividend declared — HK1.5 cents	**13,787**	—

An interim dividend of HK1.5 cents (Six months ended 31 December 2016: Nil) per ordinary share, in an aggregate amount of approximately HK$13,787,000 (Six months ended 31 December 2016: Nil), were declared for the year ended 30 June 2017 and an amount of approximately HK$13,633,000 was paid during the six months ended 31 December 2017 (Six months ended 31 December 2016: Nil). No dividend has been proposed for the six months ended 31 December 2017.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

Earnings

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings for the purposes of calculating basic earnings per share:		
Profit for the period attributable to owners of the Company	**477,619**	327,903

Number of shares

	Six months ended	
	31.12.2017	31.12.2016
	(unaudited)	(unaudited)
		(restated)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**916,471,983**	919,165,198

For the six months ended 31 December 2017 and 31 December 2016, no separated diluted earnings per share information has been presented as there were no potential ordinary shares of the Company outstanding.

The number of ordinary shares in issue for the purpose of basic earnings per share for the six months ended 31 December 2016 has been adjusted retrospectively to reflect the impact of the Company's share consolidation on 2 June 2017. Details of the share consolidation are set out in note 27 to the consolidated financial statements included in the Company's annual report dated 25 September 2017.

12. 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 2017 and 31 December 2016.

13. INTERESTS IN ASSOCIATES

	31.12.2017 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
Cost of investments in associates		
— Listed in Australia	**1,630,610**	1,630,610
— Unlisted	**22,716**	22,716
Share of post-acquisition results and other comprehensive income, net of dividends received	**(340,790)**	(466,906)
Impairment losses recognised	**(383,915)**	(507,941)
	928,621	678,479
Fair value of listed investments	**889,259**	641,113

Impairment assessment on the Group's interest in Mount Gibson Iron Limited ("MGX")

At the end of the reporting period, in view of increase in share price of MGX during the period, 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 value in use and fair value less costs of disposal) with its carrying amount. In determining the value in use of MGX, the Group estimated its share of the present value of the future cash flows expected to be generated by MGX based on the cash flows from the operations of MGX and the proceeds on the ultimate disposal of MGX taking into account the estimated future prices and estimated production volume of hematite iron ores of MGX and a discount rate of 10% (30 June 2017: 10%) which was reference to comparable companies. The fair value less costs of disposal of MGX was determined based on the closing price of the shares of MGX listed on the Australian Stock Exchange ("**ASX**") at the end of the reporting period. As at 31 December 2017, the recoverable amount of the Group's interest in MGX, which represented the fair value less costs of disposal of approximately HK$889,259,000, was higher than its carrying amount and, accordingly, a reversal of impairment loss of approximately HK$132,750,000 was recognised in profit or loss during the six months ended 31 December 2017.

14. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2017	30.6.2017
	HK$'000	HK$'000
	(unaudited)	(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)*	**29,042**	16,145
Listed in Australia, at fair value *(note c)*	**656,850**	533,381
	688,179	551,813

Notes:

(a) These unlisted equity investments are measured at cost less impairment at the end of the reporting period because 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 one private entity incorporated in Bailiwick of Guernsey. These unlisted equity investments are measured at fair values and the details of the fair value measurement are set out in note 28.

(c) The amounts represent the fair value of 55,907,571 (30 June 2017: 55,907,571) shares in Metals X Limited and 27,953,786 (30 June 2017: 27,953,786) shares in Westgold Resources Limited. Both entities are listed in ASX.

15. CONVERTIBLE NOTES

	31.12.2017 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
Convertible bonds issued by FDG Kinetic Limited ("**FDG**")	**141,108**	—
Convertible notes issued by a private entity	**9,389**	9,320
	150,497	9,320
The carrying amount of the convertible notes is presented as:		
— Current assets	**141,108**	—
— Non-current assets	**9,389**	9,320
	150,497	9,320

On 30 October 2017, the Group acquired the convertible bonds issued by FDG, which carry 8% coupon interest per annum with principal amount of HK$110,000,000 and will mature on 4 August 2018, from an independent third party (the "**Vendor**") at a cash consideration of HK$110,000,000. The convertible bonds are guaranteed by the ultimate holding company of the Vendor. The principal activities of FDG are research and development, manufacturing and trading of cathode materials for lithium-ion batteries, and direct investments, including securities trading, loan financing and asset investment. The Group is entitled to convert the convertible bonds into ordinary shares of FDG at a conversion price of HK$0.34 per conversion share and by paying an additional amount of HK$0.36 per conversion share to the Vendor's guarantor by way of cash at any time from the purchase date (i.e. 30 October 2017) to the maturity date. The Group designated these convertible bonds at fair value through profit or loss. As at 31 December 2017, the fair value of these convertible bonds was approximately HK$141,108,000.

16. LOAN NOTES

	31.12.2017 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
Loan notes issued by Mulpha SPV Limited ("**Mulpha**")	**—**	159,019
Loan notes issued by Sun Hung Kai & Co. (BVI) Limited ("**SHK BVI**")	**51,236**	31,343
	51,236	190,362

On 1 September 2017, the Group subscribed loan notes with a nominal value of US$2,500,000 from SHK BVI, a limited liability company incorporated in the British Virgin Islands (the "**BVI**"), which carry 4.65% coupon interest per annum and will mature on 8 September 2022.

On 1 December 2017, Mulpha early redeemed its loan notes at a cash consideration of HK$156,209,000 (inclusive of the principal and accrued interests of the loan notes).

During the six months ended 31 December 2017, the movements of loan notes are set out as follows:

	HK$'000
At 1 July 2017 (audited)	190,362
Interest income	4,993
Interest received	(7,639)
Investment in loan notes	19,516
Redemption of loan notes	(156,209)
Exchange difference	213
At 31 December 2017 (unaudited)	51,236

Loan notes issued by SHK BVI are guaranteed by Sun Hung Kai & Co. Limited, a limited liability company incorporated in Hong Kong whose shares are listed on The Stock Exchange of Hong Kong Limited.

17. INVENTORIES

	31.12.2017 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
Iron ores, at cost	**19,205**	—

18. TRADE AND OTHER RECEIVABLES

	31.12.2017 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
Trade receivables	**19,159**	16,069
Other deposits and prepayments *(note)*	**18,805**	4,208
Receivable from brokers	**6,717**	6,577
	44,681	26,854

Note: Included in other deposits and prepayments as at 31 December 2017, there was an amount of approximately HK$13,579,000 which represented a deposit placed to an escrow account held by a law firm in respect of a potential loan arrangement. Subsequent to the end of the reporting period, the loan arrangement was terminated and the deposit was refunded to the Group.

The Group allows an average credit period of 90 days to its trade customers from commodities trading business. The following is an ageing analysis of trade receivables presented based on the invoice date which approximates the revenue recognition date at the end of the reporting period:

	31.12.2017 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
0 to 30 days	**19,159**	16,069

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits to it. The credit limits attributed to customers are reviewed regularly.

As at 31 December 2017 and 30 June 2017, there were no trade receivables which were past due but not impaired.

19. INVESTMENTS HELD FOR TRADING

	31.12.2017 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
Listed securities:		
— Equity securities listed in Hong Kong	**14,415**	18,139
— Equity securities listed in the United Kingdom	**46,519**	9,331
— Equity securities listed in Australia	**229,707**	103,203
— Equity securities listed in Canada	**184,363**	122,553
— Equity securities listed in the United States of America	**10,748**	22,501
	485,752	275,727

20. LOANS RECEIVABLE

	31.12.2017 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
Fixed rate loans receivable	**327,470**	232,138

On 27 September 2017, the Group entered into a loan agreement with an independent third party, who is an individual, for a loan amount up to the limit of HK$60,000,000 with a term of 12 months from the first drawdown date. Subsequent to the date of the loan agreement, an aggregate amount of loans of HK$45,000,000 was drawn by the borrower. The loans carry a fixed interest rate of 14.5% per annum and will mature in September 2018. The loans are unsecured.

On 14 December 2017, the Group entered into a loan agreement with an independent third party, which is a company incorporated in the BVI with limited liability, for a loan amount up to the limit of HK$84,000,000 (or an amount equivalent to HK$84,000,000 in such alternative currency as acceptable to and agreed by the lender (the "**Lender**") which is a subsidiary of the Company). On 19 December 2017, a loan of Renminbi ("**RMB**") 35,000,000 (equivalent to approximately HK$41,549,000) was drawn by the borrower. The loan is denominated in RMB, which is foreign currency of the Lender, carries a fixed interest rate of 6% per annum and will mature on 20 December 2018. The loan is guaranteed by the immediate holding company of the borrower which is a company incorporated in Taiwan with limited liability and its shares are listed on the Taiwan Stock Exchange Corporation.

During the six months ended 31 December 2017, the movements of loans receivable are set out as follows:

	HK$'000
At 1 July 2017 (audited)	232,138
Interest income	8,904
Interest received	(8,778)
New grant of loans	86,549
Repayment of loan	(1,196)
Exchange difference	9,853
At 31 December 2017 (unaudited)	327,470

21. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised and issued share capital		
Ordinary shares of HK$1.00 each:		
Authorised:		
At 1 July 2017 (audited) and 31 December 2017 (unaudited)	2,000,000,000	2,000,000
Issued and fully paid:		
At 1 July 2017 (audited)	919,165,198	919,165
Repurchase of ordinary shares *(note)*	(123,887,883)	(123,888)
At 31 December 2017 (unaudited)	795,277,315	795,277

Note: On 4 December 2017, the Company passed an ordinary resolution on a cash offer to the shareholders of the Company to repurchase up to 183,833,040 shares of the Company at an offer price of HK$1.30 per share. On 28 December 2017, the Company completed the repurchase of 123,887,883 of its own shares at an aggregate amount of approximately HK$161,054,000. The repurchased shares were cancelled on 28 December 2017 and the issued share capital of the Company was reduced by the nominal value thereof.

22. TRADE AND OTHER PAYABLES

	31.12.2017 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
Trade payables	1,595	15,379
Other payables	3,108	6,036
	4,703	21,415

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

	31.12.2017 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
0 to 90 days	1,595	15,379

23. OTHER BORROWING

During the six months ended 31 December 2017, the Group obtained new other borrowing of HK$35,000,000 (30 June 2017: Nil) from a related company which is a subsidiary of Allied Properties (H.K.) Limited ("**APL**"), the substantial shareholder of the Company. As at 31 December 2017, the other borrowing carries variable interest at Hong Kong Interbank Offered Rate plus 3% per annum and is unsecured and repayable on 30 October 2018.

24. DEFERRED TAXATION

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

	Fair value adjustment on available-for-sale investments HK$'000
At 1 July 2017 (audited)	5,487
Charge to other comprehensive income during the period (unaudited)	39,033
At 31 December 2017 (unaudited)	44,520

25. 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:

	31.12.2017 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
Within one year	**2,806**	1,939
After one year but within five years	**869**	718
	3,675	2,657

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

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash charges. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's condensed consolidated statement of cash flows as cash flows from financing activities.

	Other borrowing HK$'000 (unaudited) *(Note 23)*
At 1 July 2017 (audited)	—
Financing cash flows *(note)*	34,812
Financing cost recognised *(Note 7)*	188
At 31 December 2017 (unaudited)	35,000

Note: The financing cash flows represented the net amount of proceed from other borrowing and interest paid.

27. RELATED PARTY TRANSACTIONS

(a) During the six months ended 31 December 2017, the Group entered into the following material related party transactions:

	Six months ended	
	31.12.2017 **HK$'000** **(unaudited)**	31.12.2016 HK$'000 (unaudited)
Subsidiaries of an associate, MGX — Purchase of commodities	**51,941**	—

	31.12.2017 **HK$'000** **(unaudited)**	30.6.2017 HK$'000 (audited)
Subsidiaries of an associate, MGX — Trade payables	**1,595**	15,379

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

During the six months ended 31 December 2017, the Group had certain transactions with APL and Allied Group Limited ("**AGL**"), the ultimate holding company of APL:

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Reimbursement to AGL the actual costs incurred in respect of administrative services 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 agreements	**1,200**	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 agreements	**165**	156

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

During the six months ended 31 December 2017, the Group had the following transactions with Art View Properties Limited, a joint venture of APL:

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Rental and building management expenses	**400**	339

During the six months ended 31 December 2017, the Group had the following transactions with SHK BVI, an indirectly owned subsidiary of APL:

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income from loan notes	**1,036**	741

During the six months ended 31 December 2017, the Group had the following transactions with AP Finance Limited, a wholly-owned subsidiary of APL:

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Finance costs	**188**	—

	31.12.2017	30.6.2017
	HK$'000	HK$'000
	(unaudited)	(audited)
Other borrowing *(Note 23)*	**35,000**	—

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of key management personnel

The remuneration of key management who are directors and members of the senior management of the Group during the period is set out as follows:

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term employee benefits	**4,424**	4,038
Post-employment benefits	**74**	143
	4,498	4,181

During both interim periods, certain key management of the Group received remuneration from AGL and APL which provided management services to the Group and charged the Group fees for services provided by these personnel. Details of management services and the related expenses are set out in note 27(a).

28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

- 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).

Financial assets	Fair value as at 31.12.2017 (unaudited)	Fair value as at 30.6.2017 (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Investments held for trading	Listed equity securities — HK$485,752,000	Listed equity securities — HK$275,727,000	Level 1	Quoted bid prices in active markets
2) Available-for-sale investments	Unlisted equity securities — HK$29,042,000	Unlisted equity securities — HK$16,145,000	Level 3	Discounted cash flow and a discounted rate of 38.9% (30 June 2017: 38%) Black Scholes pricing model and expected volatility of 16% (30 June 2017: 16%)
	Listed equity securities — HK$656,850,000	Listed equity securities — HK$533,381,000	Level 1	Quoted bid prices in active markets
3) Convertible notes	Issued by a private company — HK$9,389,000	Issued by a private company — HK$9,320,000	Level 3	Discounted cash flow and a discount rate of 24.5% (30 June 2017: 23.3%) Binomial option pricing model and an expected volatility of 16% (30 June 2017: 16%)
	Issued by a listed company — HK$141,108,000	—	Level 3	Discounted cash flow and a discount rate of 13.2% (30 June 2017: nil) Binomial option pricing model and an expected volatility of 36% (30 June 2017: nil)

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

28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

In the opinion of directors of the Company, there are no material change in fair value of financial assets classified as Level 3 in the fair value hierarchy during the six months ended 31 December 2017.

Of the total gains or losses for the six months ended 31 December 2017 included in profit or loss, HK$31,108,000 relates to financial assets designated at fair value through profit or loss held at the end of the current reporting period. The fair value gains on the financial assets designated through profit or loss and included in "other gains and losses". Included in other comprehensive income is an amount of HK$12,897,000 gain related to unlisted equity securities classified as available-for-sale investments at the end of the current reporting period and is reported as changes of "investment revaluation reserve".

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 condensed 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, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The chief financial officer of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

29. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 31 January 2018, the Group entered into a loan deed with an independent third party, which is a company incorporated in Australia with limited liability and is principally engaged in property development. Pursuant to the loan deed, the Group makes available to the borrower a loan facility of Australian Dollars ("**A$**") 34,121,096 which will mature in three months from the drawndown date. Details of the terms of the loan deed are set out in the Company's announcement dated 31 January 2018.

On 2 February 2018, the Group entered into a share sale agreement with a related company (the "**Vendor**"), which is a company incorporated in BVI with limited liability and is an indirect wholly-owned subsidiary of APL. Pursuant to the share sale agreement, the Group agreed to purchase and the Vendor agreed to sell certain issued share capital of a company incorporated in Australia whose shares are listed on ASX at a cash consideration of A$20,142,575. The acquisition is subject to certain conditions and independent shareholders approval of the Company. Details of the acquisition are set out in the Company's announcement dated 2 February 2018.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF APAC RESOURCES LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of APAC Resources Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 13 to 46, which comprise the condensed consolidated statement of financial position as of 31 December 2017 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 (CONTINUED)

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 2018

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, 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	3,750,000	3,750,000	0.47%
Mr. Lee Seng Hui	Other interests	269,718,943 *(Note 2)*	269,718,943	33.91%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 795,277,315 shares as at 31 December 2017.

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 controlled approximately 74.95% of the total number of issued shares of Allied Group Limited ("**AGL**") (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to be interested in 269,718,943 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 2017, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, 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

Name of Shareholders	Capacity in which interests are held	Number of shares/ underlying shares held: Interests in shares	Number of shares/ underlying shares held: Total interests	Approximate percentage of shareholding *(Note 1)*
Shougang Fushan Resources Group Limited	Interest of a controlled corporation *(Note 2)*	143,400,000	143,400,000	18.03%
APL	Interest of controlled corporations *(Note 3)*	269,718,943	269,718,943	33.91%
AGL	Interest of controlled corporations *(Note 5)*	269,718,943	269,718,943 *(Note 4)*	33.91%
Lee and Lee Trust	Interest of controlled corporations *(Note 6)*	269,718,943	269,718,943 *(Note 4)*	33.91%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 795,277,315 shares as at 31 December 2017.

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 was deemed to have an interest in the shares in which Benefit Rich was interested.

3. The interests include 269,718,943 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.

4. This represents the same interests of APL in 269,718,943 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 controlled approximately 74.95% of the total number of issued shares of AGL (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have an interest in the shares in which AGL was interested through APL.

Save as disclosed above and in the section headed "Directors' Interests in Shares, Underlying Shares and Debentures", as at 31 December 2017, 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2017, the Company has applied the principles of, and fully complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the directors of the Company. All directors of the Company have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

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:

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

Mr. Lee Seng Hui, Non-Executive Director of the Company, resigned as the chairman and the non-executive director of Asiasec Properties Limited, a company listed on the Main Board of the Stock Exchange, with effect from 4 January 2018.

Dr. Wong Wing Kuen, Albert, Independent Non-Executive Director of the Company, was appointed as an independent non-executive director of each of China Wan Tong Yuan (Holdings) Limited and Capital Finance Holdings Limited, both are companies listed on the Growth Enterprise Market of the Stock Exchange, with effect from 7 September 2017 and 1 January 2018 respectively.

Change in Director's emolument and the basis of determining Director's emolument

The monthly salary together with the accommodation of the Chief Executive Officer and Executive Director of the Company, namely Mr. Andrew Ferguson, was increased by approximately 3.5% with effect from 1 January 2017 as compared with 2016 and his bonus for the year ended 31 December 2016 was paid by the Company in the amount of HK$750,000.

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 2017. 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.

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

On 19 December 2017, the Company repurchased a total of 123,887,883 shares of the Company at an offer price of HK$1.30 per share for an aggregate consideration (before expenses) of approximately HK$161,054,000 pursuant to a conditional cash offer to repurchase shares of the Company as set out in the offer document dated 16 November 2017 which became unconditional on 4 December 2017 and completed on 28 December 2017, and all of which were cancelled on 28 December 2017.

Save as disclosed above, 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 2017.

By Order of the Board
Arthur George Dew
Chairman

Hong Kong, 27 February 2018