

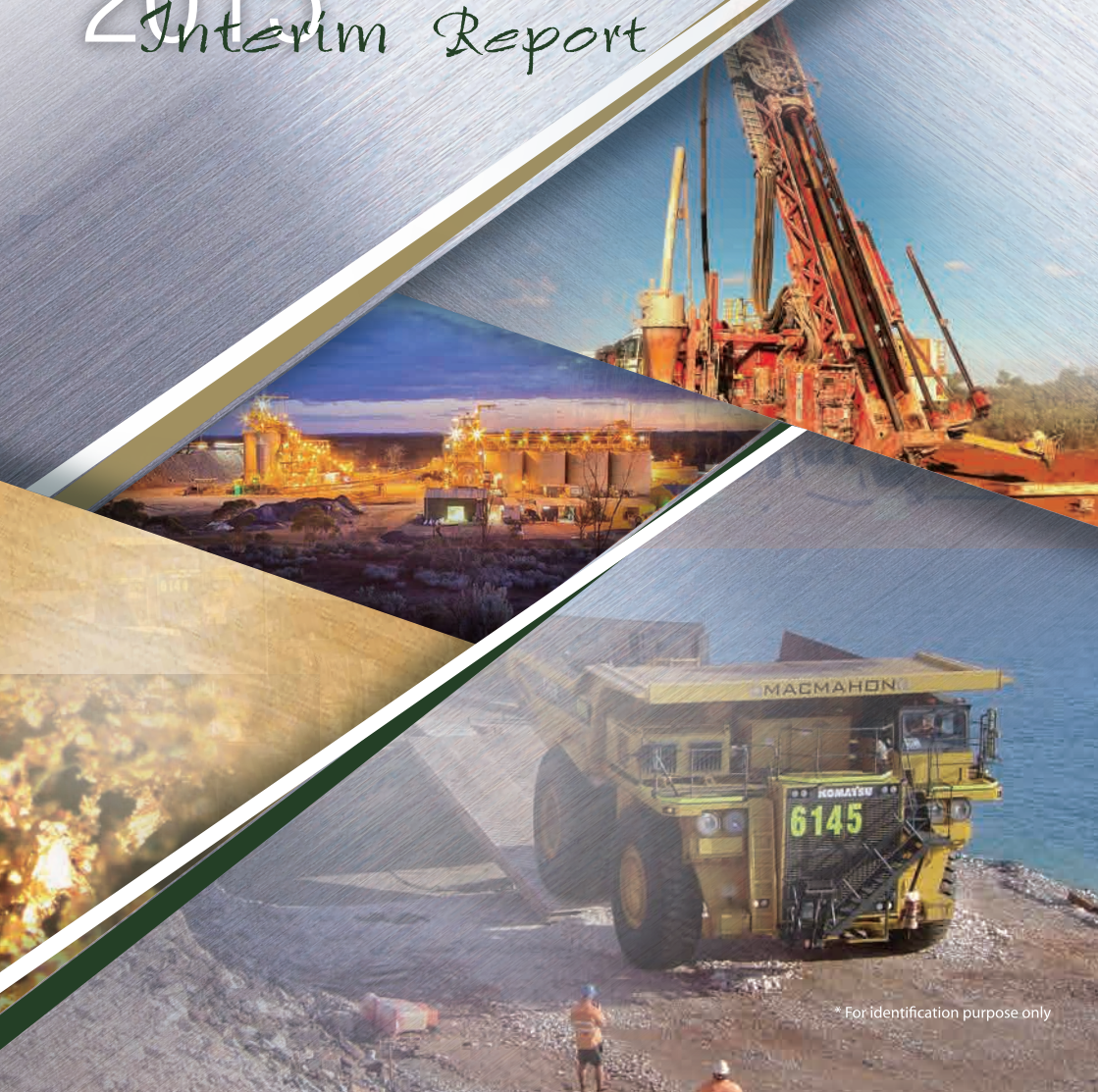


APAC RESOURCES

APAC Resources Limited
亞太資源有限公司*

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

2015 *Interim Report*



* For identification purpose only



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Board of Directors

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

Dr. Wong Wing Kuen, Albert
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Mr. Wong Wai Keung Frederick

Auditor

Deloitte Touche Tohmatsu

Stock Code

1104

Legal Advisers

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

Principal Bankers

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

Head Office and Principal Place of Business

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Website

www.apacresources.com
apac.quamir.com

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

(Shareholding as at 31 December 2015)



27.02%



Mount Gibson

Mount Gibson Iron Limited (ASX: MGX) is an established iron ore producer of direct shipping hematite iron ore and has two mines in Western Australia – Extension Hill and Koolan Island.



21.70%



Metals X

Metals X Limited (ASX: MLX) is an Australian diversified mining company. It has production from the Higginsville and South Kalgoorlie gold projects and the Renison tin mine. It is developing the Central Murchison Gold Project and Rover Gold Project and owns the world scale Wingellina Nickel Project.



14.83%



ABM

ABM Resources NL (ASX: ABU) is a gold production and exploration company. It has commenced operations at the Old Pirate Gold Mine and also owns the Buccaneer Porphyry Gold Deposit. ABM also holds the largest expanse of exploration licenses in the Central Desert region of the Northern Territory.



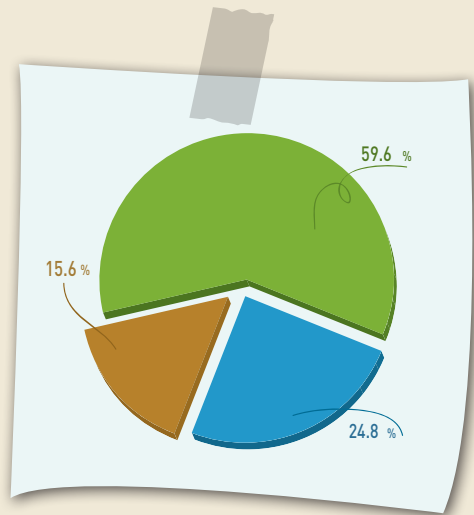
- Principal listing of investments
- Commodity off-takes to China

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

Shareholder Structure

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

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



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



*Identify China
Commodity Supply/
Demand Imbalance*

- Generated stock ideas
- Analysis of trend
- Initial screening

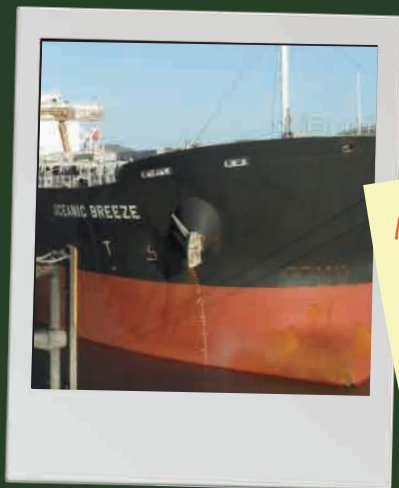


*Pin-point Potential
Companies*

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

Primary Strategic Investment

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



Investment Stage (Equity/Pre IPO/Debt)

- Maximize shareholders' return
- Active monitoring
- Position adjustment

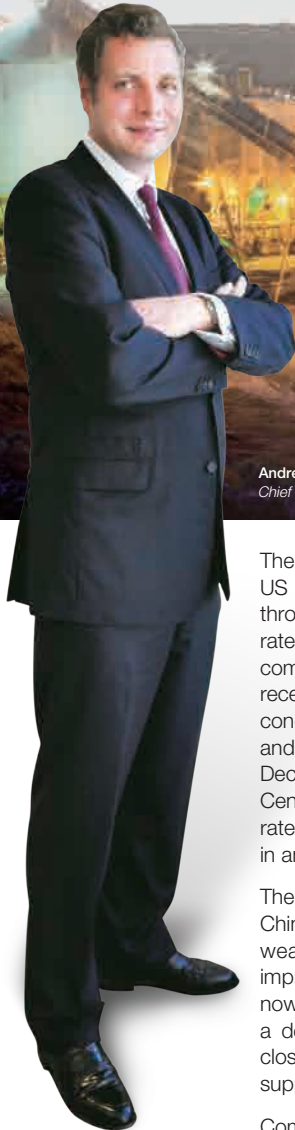
Commodity Trading

Off-takes for shipments
to the Chinese market

Resource Investment

Early positions
incubating

CEO's Message



Andrew Ferguson
Chief Executive Officer

The global economy is still struggling to improve. Although US economic data provided enough positive momentum through late 2014 for the US Federal Reserve to lift interest rates, recent data has been more subdued with major commentators now talking about a not insignificant risk of US recession this year. European stock markets have been hit by concerns over the level of bad debts held by European banks and Japan's economy contracted by 1.4% YoY in the December quarter. In unprecedented moves, the European Central Bank and Bank of Japan are running negative interest rates, and are expected to use additional stimulus measures in an attempt to offset the weakness.

The engine of global commodities demand growth has been China and, with the weakening Chinese Yuan and generally weak economic data, it is difficult to see significant improvement in world demand. Most commodity prices have now cut significantly into the cost curve and, after nearly half a decade of falling prices, we expect to start seeing mine closures, which will gradually rebalance the market from the supply side.

Commodity currencies remain weak, which helps to offset the weakness in commodity prices, and the resource sector's new-found religion on generating value rather than growth has created select opportunities in the resources sector. We remain diligent in our search for investment opportunities that benefit from these influences.

“ Dear Shareholder,

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

”

Our net loss of HK\$128,644,000 for the six months ended 31 December 2015 was predominantly driven by two items — a HK\$65,365,000 non-cash impairment related to Primary Strategic Investments to reflect current market valuations and a HK\$96,845,000 loss in Resource Investment driven by the drop in the ABM Resources share price after the company revealed that the Old Pirate mine was underperforming and would close early. This is clearly a very disappointing result.

In July 2015, when the Hong Kong and China markets were outperforming significantly, APAC Resources completed an oversubscribed open offer and raised net proceeds of HK\$300 million. The net proceeds coupled with no gearing and significant undrawn banking and loan facilities leave the company in a strong position to act countercyclically and to take advantage of investment opportunities in the natural resources sector as valuations continue to face downward pressure.

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

22 February 2016

Management Discussion and Analysis

Financial Results

APAC Resources Limited (“**APAC**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**”) reported a net loss attributable to owners of HK\$128,644,000 for the six months ended 31 December 2015 (“**1H 2016**”), compared with a net loss of HK\$897,234,000 reported for the six months ended 31 December 2014 (“**1H 2015**”). The loss includes an impairment on interest in associates of HK\$65,365,000 (1H 2015: Impairment of HK\$144,686,000) which reflects current market valuations, and a significant loss in resource investments of HK\$96,845,000, the majority of which is related to ABM Resources NL, discussed in more detail below. The net loss in 1H 2015 was driven by a one-off significant impairment related to the flooding of Mount Gibson’s Koolan Island Main Pit.

Primary Strategic Investment

Our two Primary Strategic Investments are Mount Gibson Iron Limited (“**Mount Gibson**”) and Metals X Limited (“**Metals X**”), both listed and operating in Australia. The net attributable loss from our Primary Strategic Investments for 1H 2016 was HK\$21,779,000 (1H 2015: Net loss of HK\$1,460,673,000). Mount Gibson reported a small operating profit which was offset by an impairment loss on Koolan Island, leading to an overall net loss. Metals X delivered a relatively muted operational net profit in 1H 2016.

Mount Gibson

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

In November 2014, the Main Pit at Koolan Island was flooded after a failure of the Main Pit seawall. As a result, all mining operations have been suspended at the Main Pit, while Mount Gibson completes a detailed evaluation of restart options. As part of the evaluation, Mount Gibson is in discussions with its insurers about their existing policies for property damage and business interruption. Mount Gibson sales guidance for the financial year ending 30 June 2016 (“**FY 2016**”) is 4.5 to 5.0 million tonnes, of which 2.6 million tonnes was sold in 1H 2016.

Mount Gibson reported a net loss after tax of A\$15 million which includes a pre-tax impairment of A\$21 million, related to a non-cash write down driven by the weak iron ore price. While the iron ore outlook remains weak, we expect there will only be minimal impairments going forward as Mount Gibson has already significantly reduced the carrying value of its assets.

Mount Gibson continues to focus on cutting costs in the weak iron ore environment, and reduced cost of sales from A\$62 per tonne in 1H 2015 to A\$44 per tonne in 1H 2016. Corporate costs also fell significantly, down 46% YoY in 1H 2016. Importantly, Mount Gibson still boasts an impressive cash balance, ending 1H 2016 with A\$345 million or A\$0.317 per share, significantly above its current share price given the market’s fear of further cash outflows.

The Iron Hill deposit at Extension Hill South remains a meaningful development opportunity for Mount Gibson. Iron Hill's mineral resource of 8.8 million tonnes at 58.3% Fe was released in August 2015, and the company is now working through the approvals process. Mount Gibson aims to commence mining at Iron Hill in early 2017, when mining at Extension Hill ends, subject to iron ore prices.

The Platts IODEX 62% CFR China index has steadily fallen throughout 1H 2016, ending the year at US\$43 per tonne but hitting a low of US\$38.50 per tonne in December. The weakness has been driven by ongoing supply growth and a weaker outlook for steel demand in China, which are likely to remain themes for the near-term foreseeable future. We remain cautious on the outlook for iron ore in FY 2016.

Metals X

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

The Higginsville and South Kalgoorlie Operations produced 84,172 ounces in the 1H 2016 up 15% YoY and generated A\$29 million of EBITDA, down 28% YoY, as a result of lower grades at Higginsville. Grades at the Trident mine in Higginsville will remain lower, however, Metals X is targeting production from the nearby Mt Henry open pits from the financial year ending 30 June 2017. Metals X commenced production from the Cannon open pit mine and ramped up the HBJ underground mine, both of which are delivering higher grade tonnes and cash flow to the South Kalgoorlie Operations in FY 2016.

Commissioning of the Central Murchison Gold Project (CMGP) commenced in October and both the underground and open pit mines are ramping up. The project is expected to reach full capacity of greater than 200,000 ounces per annum over a 5 year ramp up period.

In 1H 2016, Metals X has made several low cost acquisitions which are expected to underpin the next leg of growth for the company. Acquisitions include the Comet Gold Project, Mt Henry Gold Project, and Grosvenor Gold Project.

The gold price fell below US\$1,060 per ounce in November and December as the US raised interest rates for the first time since 2006. However in recent days, gold has rebounded and is currently trading around US\$1,200 per ounce, driven by weak global growth and the US Federal Reserve suggesting that the timing of US rate hikes could be slowed. Gold retains its safe haven status as the USD weakens. We expect the gold price to remain linked to sentiment around the US rate hikes (and the USD) and the Chinese economy. Of note, the Australian dollar gold price remains very strong, trading near historical highs around A\$1,700 per ounce, which is a boon for Metals X.

Management Discussion and Analysis

During 1H 2016, Renison produced 3,534 tonnes of tin in concentrate (100% basis), down 7% compared to the six months ended 30 June 2015. The drop in production was driven by lower grades, although partially offset by higher mine output. Average realised tin prices of A\$20,883 per tonne in 1H 2016 were down 11% compared to 1H 2015, driven by weaker tin demand. However, we remain bullish on the medium to long-term outlook for tin due to the lack of significant supply growth as most development projects require a minimum tin price of US\$30,000 to US\$40,000 per tonne to be economically viable.

In October 2015, Metals X announced a hostile off-market takeover for Australian copper producer Aditya Birla, which owns the Nifty copper mine. As at writing, the bid had been declared unconditional and Metals X had acquired over 25% of Aditya Birla.

Metals X reported a net profit of A\$0.8 million for 1H 2016.

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 loss of HK\$101,452,000 in 1H 2016 (1H 2015: Loss of HK\$63,056,000), which after accounted for segment related dividend and other investment income and expenses, resulted in a segment loss of HK\$96,845,000 (1H 2015: Loss of HK\$88,681,000).

Investment by Commodity Segment

	Fair value gain (loss) 31.12.2015 HK\$'000	Carrying value 31.12.2015 HK\$'000	% of segment assets to total assets of the Group 31.12.2015 HK\$'000	Carrying value 30.06.2015 HK\$'000	% of segment assets to total assets of the Group 30.06.2015 HK\$'000
Precious Metals	(54,706)	31,278	1.5%	97,447	4.8%
Bulk	(30,674)	98,899	4.8%	50,570	2.5%
Base Metals	(15,061)	20,006	1.0%	31,386	1.6%
Energy	(5,664)	37,365	1.8%	7,933	0.4%
Others	4,653	12,077	0.6%	7,424	0.4%
	(101,452)	199,625	9.7%	194,760	9.7%

Weak commodity prices have been the key driver for the resources sector. In 1H 2016, metal and energy commodity prices continued to drop significantly, and this was reflected in the ASX Small Resources Index which was down 20%; the FTSE AIM Basic Resources Index dropping 26%, and the TSX Venture Composite Index falling 22%.

Precious Metals

While a loss is always a disappointing result, the majority of the fair value loss came from one investment, ABM Resources NL, which accounted for HK\$64,351,000 of the loss in Resource Investment.

ABM Resources NL ("**ABM**") is an Australian listed gold company with assets located in the Northern Territory. It has a large acreage footprint in the Tanami-Arunta region, and is currently producing from the Old Pirate project. Carrying value of ABM was HK\$11,477,000 as at 31 December 2015 (As at 30 June 2015: HK\$75,830,000).

In the December quarter, ABM held an operational review at the Old Pirate mine. The mine suffered from a discrepancy in grade between the mining inventory model and the areas mined to date, and higher mining dilution. The review resulted in a reduction in final pit depths, and mining at Old Pirate is now scheduled to be complete by early April 2016, generating significantly less cash than originally forecast. Once mining is complete ABM is expected to return its focus on exploration in the Tanami Region. At the end of 31 December 2015, ABM had A\$7.5 million cash and no debt.

Management Discussion and Analysis

Excluding the fair value loss of ABM, the segment generated a net fair value gain of HK\$9,645,000 in 1H 2016 as gold only fell 9% and we were able to effectively leverage our fundamental analysis to focus on mispriced opportunities. As at 31 December 2015, the carrying value of the Precious Metals segment (excluding ABM) was HK\$19,801,000 (As at 30 June 2015: HK\$21,617,000). Aside from ABM our significant gold investments include Regis Resources (ASX: RRL) which generated a fair value gain of HK\$19,274,000 in 1H 2016 with carrying value as at 31 December 2015 of HK\$nil after we realized our gain by selling the investment (As at 30 June 2015: HK\$Nil) and Independence Group (ASX: IGO) which generated a fair value loss of HK\$1,944,000 in 1H 2016 and had a carrying value as at 31 December 2015 of HK\$9,455,000 (As at 30 June 2015: HK\$Nil), both companies are listed in Australia.

Bulk

Bulk commodities (predominantly coal exposure) suffered a fair value loss of HK\$30,674,000 in 1H 2016 and coking coal prices fell 14% during 1H 2016. Within this segment, our significant investments include Shougang Fushan Resources Group (Stock code: 639) listed in Hong Kong, which generated a fair value loss of HK\$19,269,000 in 1H 2016 and had a carrying value as at 31 December 2015 of HK\$60,215,000 (As at 30 June 2015: HK\$27,553,000) and China Shenhua Energy (Stock Code: 1088) also listed in Hong Kong, which generated a fair value loss of HK\$11,405,000 in 1H 2016 and had a carrying value as at 31 December 2015 of HK\$38,684,000 (As at 30 June 2015: HK\$23,017,000).

Base Metal

Base Metals segment (a mix of copper, nickel and aluminium companies) delivered a fair value loss of HK\$15,061,000 in 1H 2016 as the copper, aluminium and nickel prices fell by roughly 18%, 8% and 32% respectively. The Base Metal segment includes our investment in China Hongqiao Group (Stock code: 1378) listed in Hong Kong, which generated a fair value loss of HK\$7,618,000 in 1H 2016 and had a carrying value as at 31 December 2015 of HK\$15,180,000 (As at 30 June 2015: HK\$7,811,000).

Energy

The Energy segment (mainly oil exposure) had a fair value loss of HK\$5,664,000 in 1H 2016 driven by an oil price drop of 41%. Our significant Energy investments are Sinopec Corp (Stock code: 386) listed in Hong Kong, which generated a fair value loss of HK\$3,487,000 in 1H 2016 and had a carrying value as at 31 December 2015 of HK\$12,449,000 (As at 30 June 2015: HK\$2,007,000) and Santos (ASX: STO) listed in Australia, which generated a fair value loss of HK\$2,919,000 in 1H 2016 and had a carrying value as at 31 December 2015 of HK\$24,907,000 (As at 30 June 2015: HK\$Nil).

Others

We also have a minor fair value gain of HK\$4,653,000 from our non-commodity related investments in 1H 2016 and had a carrying value as at 31 December 2015 of HK\$12,077,000 (As at 30 June 2015: HK\$7,424,000). This segment includes our investment in Brainchip Holdings (ASX: BRN) listed in Australia, which generated a fair value gain of HK\$4,755,000 and had a carrying value as at 31 December 2015 of HK\$10,541,000 (As at 30 June 2015: HK\$5,786,000).

We maintain our defensive strategy with focus on producing companies with strong balance sheets and cash flows has minimised the quantum of loss. We remain confident that our high quality core positions, many of which are well capitalised, will weather the challenging market conditions and deliver superior returns in the long run.

Commodity Business

The Commodity Business mainly comprises two offtake agreements with Mount Gibson, and the shipments are sold on the spot market to steel mills and traders in China. We continue to look for new offtake opportunities across a range of commodities. For 1H 2016, Commodity Business generated a solid profit of HK\$11,267,000 (1H 2015: Profit of HK\$4,046,000), amid a steadily declining iron ore price and lower shipments as a result of the failure of the seawall at the Koolan Island mine.

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 Investments and Resource Investments which drives growth in the business. We aim to profit from the value curve of resources projects from exploration to production, though currently see good risk-reward in select mid-tier producers. Value and cash flow can be generated through capital appreciation, direct project ownership and securing offtake agreements.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 31 December 2015, our non-current assets amounted to HK\$951,149,000 (As at 30 June 2015: HK\$1,393,662,000) and net current assets amounted to HK\$1,093,962,000 (As at 30 June 2015: HK\$534,051,000) with a current ratio of 102.1 times (As at 30 June 2015: 7.8 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\$313,911,000 (As at 30 June 2015: HK\$313,976,000) and loans receivable of HK\$247,932,000 (As at 30 June 2015: HK\$223,062,000) respectively which form part of the on-going treasury management arrangements of the Group.

Management Discussion and Analysis

As at 31 December 2015, we had no borrowings (As at 30 June 2015: HK\$56,688,000) and had undrawn banking and loan facilities amounting to HK\$727,496,000 secured against certain of our interests in listed associates and term deposits and corporate guarantee of the Company. As at 31 December 2015, we had a gearing ratio of nil (As at 30 June 2015: 0.03), 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 2015, certain of the Group's interests in listed associates of HK\$529,237,000 (As at 30 June 2015: HK\$606,106,000) were pledged to a stock-broking firm to secure against securities margin loan facilities made available to the Group. The Group's bank deposits of HK\$79,715,000 (As at 30 June 2015: HK\$79,659,000) were pledged to a bank to secure various trade and banking facilities granted to the Group.

Employees and Remuneration Policy

The Group ensured that its employees are remunerated according to the prevailing manpower market conditions and individual performance with its remuneration policies reviewed on a regular basis. All employees are entitled to participate in the Company's benefit plans including medical insurance, share options scheme, where applicable and Mandatory Provident Fund Scheme (subject to the applicable laws and regulations of the People's Republic of China (the "PRC") for its employees in the PRC).

As at 31 December 2015, the Group, including its subsidiaries but excluding associates, had 19 (As at 30 June 2015: 19) employees. Total emolument together with pension contributions incurred for the six months ended 31 December 2015 amounted to HK\$5,350,000 (1H 2015: HK\$5,187,000).

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 2015, 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 2015, the Group does not have plan for any other material investments or acquisition of material capital assets.

Capital Commitments

As at 31 December 2015, the Group had no material capital commitments contracted but not provided for (As at 30 June 2015: HK\$ Nil).

Contingent Liabilities

As at the date of this report and as at 31 December 2015, the board of directors (the “**Board**”) of the Company is not aware of any material contingent liabilities.

Interim Dividend

No dividend was paid or proposed during the six months ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: HK\$ Nil).

Forward Looking Observations

In December 2015, the US Federal Reserve raised interest rates by 0.25% for the first time since 2006 on the back of a stronger US economy. At the time, the market expected gradual rate hikes to follow throughout 2016, however recent mixed economic data and weak global data has pushed out expectations for future US rate hikes. US GDP was weaker than expected in the December quarter 2015 and January nonfarm payrolls increased by less than expected but, on the flip side, wages continue to increase and the unemployment rate hit an eight year low.

China has had a very weak start to the year, January trade data was significantly weaker YoY, the Shanghai composite has fallen 22% since 1 January and the Chinese Yuan has been gradually weakening since August 2015. The European Central Bank is expected to cut interest rates further on the back of January PMI data which was uninspiring. The uncertainty around the global economy plus the weaker Chinese yuan will remain a challenge for the resources space given that a weaker yuan will make commodities more expensive for Chinese buyers and China remains the key market for most commodities. The obvious bright spot in the commodity complex is gold, which has outperformed, driven by recent moves in the US dollar and interest rate sentiment.

In general, commodity prices are likely to remain weak for the foreseeable future, with the industry needing a number of years to rationalise high cost production and companies to balance markets. Our Primary Strategic Investments remain focused on sensible low risk acquisitions and general cost cutting, leaving them well positioned for strong margin expansion when prices turn. Mount Gibson is focused on optimising and extending Extension Hill and its A\$345 million cash balance provides significant potential to grow via careful acquisition. Metals X cash generation should improve as it benefits from a Australian Dollar stronger gold price and as several new mines ramp up. We remain defensive and selective with our investments in the near term, and continue to look for deep value opportunities which will generate attractive returns over the long run.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 31 December 2015

	Notes	Six months ended	
		31.12.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (unaudited)
Revenue from sales of goods	3	58,000	193,785
Cost of sales		(46,939)	(189,332)
		11,061	4,453
Other gains and losses	4	(147,754)	537,902
Other income	5	49,375	41,920
Administrative expenses		(18,856)	(15,526)
Finance costs	6	(135)	(4,254)
Share of results of associates		(21,779)	(1,460,673)
Loss before taxation	7	(128,088)	(896,178)
Income tax expense	8	(556)	(1,056)
Loss for the period attributable to owners of the Company		(128,644)	(897,234)
Loss per share (expressed in HK cents)			
— Basic	10	(1.43)	(14.64)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2015

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(128,644)	(897,234)
Other comprehensive (expense) income, net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of associates	(57,927)	(327,000)
Exchange difference arising from translation of other foreign operations	(4,192)	(474)
Reclassification adjustment upon deemed disposal of partial interests in associates	1,734	(29)
Share of investment revaluation reserve of associates	5,791	(8,670)
	(54,594)	(336,173)
Total comprehensive expense for the period attributable to owners of the Company	(183,238)	(1,233,407)

Condensed Consolidated Statement of Financial Position

At 31 December 2015

	Notes	31.12.2015 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	694	907
Interests in associates	12	907,158	1,035,383
Available-for-sale investments	13	42,395	42,475
Loan notes	14	—	313,976
Deposits		902	921
		951,149	1,393,662
Current assets			
Trade receivables, other receivables and deposits	15	16,543	13,587
Investments held for trading	16	199,625	194,760
Loans receivable	17	247,932	223,062
Loan notes	14	313,911	—
Tax recoverable		639	725
Pledged bank deposits		79,715	79,659
Bank balances and cash		246,418	101,308
		1,104,783	613,101
Total assets		2,055,932	2,006,763

Condensed Consolidated Statement of Financial Position

At 31 December 2015

	Notes	31.12.2015 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	919,165	612,777
Reserves		240,419	300,765
Accumulated profits		885,527	1,014,171
		2,045,111	1,927,713
Current liabilities			
Trade and other payables	19	4,441	15,964
Derivative financial instruments		5,566	3,627
Borrowings	20	—	56,688
Tax payable		814	2,771
		10,821	79,050
Total equity and liabilities		2,055,932	2,006,763
Net current assets		1,093,962	534,051
Total assets less current liabilities		2,045,111	1,927,713

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2015

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

Note: On 30 October 2014, the directors of the Company proposed for the approval of the shareholders of the Company the reduction of the share premium of the Company amounting of HK\$2,500,000,000 and transfer such amount to contributed surplus reserve of the Company. On 3 December 2014, the reduction of share premium was approved by the shareholders at the Company's annual general meeting. On the same date, the directors of the Company resolved to transfer the amount of HK\$2,500,000,000 from the contributed surplus reserve to set off the accumulated losses of the Company.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2015

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(120,071)	25,235
INVESTING ACTIVITIES		
Dividend received from associates	15,995	78,933
Interest received	13,959	32,072
Placement of pledged bank deposits	(239,088)	(248,159)
Withdrawal of pledged bank deposits	239,032	248,084
Investment in an associate	(4,505)	(4,048)
Investment in loan notes	—	(77,509)
NET CASH FROM INVESTING ACTIVITIES	25,393	29,373
FINANCING ACTIVITIES		
Issue of shares	306,388	—
Transaction costs attributable to issue of new shares	(5,752)	—
Payments on repurchase of shares	—	(745)
Interest paid	(135)	(4,254)
New borrowings raised	42,602	253,814
Repayments of borrowings	(99,290)	(298,991)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	243,813	(50,176)
NET INCREASE IN CASH AND CASH EQUIVALENTS	149,135	4,432
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	(4,025)	(965)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	101,308	94,776
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	246,418	98,243

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2015.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are mandatorily effective for the current interim period. The application of these new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. Segment Information

Information regularly reviewed by the chief operating decision maker, represented by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance focuses on nature of the Group’s business and operations. The Group’s reportable and operating segments under HKFRS 8 are therefore as follows:

- (i) Commodity business (trading of commodities); and
- (ii) Resource investment (trading of and investment in listed and unlisted securities).

Segment results represent the profit (loss) earned by each segment without allocation of central administration costs and income, directors’ salaries, share of results of associates, gain or loss on deemed disposal of partial interests in associates, impairment loss on interests in associates, reversal of impairment losses on interests in associates and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

3. Segment Information (Continued)

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

Six months ended 31 December 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)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

3. Segment Information (Continued)

Six months ended 31 December 2014

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

3. Segment Information (Continued)

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

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Commodity business	191,164	153,055
Resource investment	333,656	261,855
Total segment assets	524,820	414,910
Interests in associates	907,158	1,035,383
Loan notes	313,911	313,976
Loans receivable	247,932	223,062
Unallocated	62,111	19,432
Consolidated assets	2,055,932	2,006,763
Commodity business	912	2,837
Resource investment	8,400	66,088
Total segment liabilities	9,312	68,925
Unallocated	1,509	10,125
Consolidated liabilities	10,821	79,050

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

4. Other Gains and Losses

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value change of investments held for trading	(101,452)	(63,056)
Fair value change of derivative financial instruments	(1,939)	(3,678)
Gain (loss) on deemed disposal of partial interests in associates	20,811	(463)
Impairment loss on available-for-sale investments	—	(24,000)
Impairment loss on loan receivable	—	(2,165)
Reversal of impairment losses on interests in an associate	—	777,114
Impairment loss on interests in associates	(65,365)	(144,686)
Net foreign exchange gain (loss)	191	(377)
Fair value change of financial assets designated at fair value through profit or loss	—	(787)
	(147,754)	537,902

5. Other Income

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividend income from investments held for trading	9,939	553
Interest income from bank deposits	978	532
Interest income from loan notes	12,981	11,973
Interest income from financial assets designated at fair value through profit or loss	—	2,436
Interest income from loans receivable	24,870	25,618
Others	607	808
	49,375	41,920

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

6. Finance Costs

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on borrowing wholly repayable within five years:		
– Bank borrowing	—	211
– Securities margin financing	135	4,043
	135	4,254

7. Loss before Taxation

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging:		
Staff costs, including directors' emoluments		
– salaries and allowances	8,133	8,005
– staff quarters	469	441
– retirement benefits schemes contributions	122	115
Total staff costs	8,724	8,561
Depreciation of property, plant and equipment	210	344
Cost of goods recognised as an expense	38,692	164,053

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

8. Income Tax Expense

	Six months ended	
	31.12.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (unaudited)
Current tax		
Hong Kong Profits Tax	556	490
Enterprise Income Tax ("EIT") in the People's Republic of China (the "PRC")	—	107
Underprovision in EIT in the PRC in previous years	—	459
	556	1,056

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

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

9. Dividends

No dividend was paid, declared or proposed during the period, nor has any dividend been proposed since the end of the reporting period.

10. Loss Per Share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$128,644,000 (six months ended 31 December 2014: HK\$897,234,000) and the weighted average number of 8,991,833,464 (six months ended 31 December 2014: weighted average number of 6,128,740,164) ordinary shares in issue during the six months ended 31 December 2015.

For the periods ended 31 December 2015 and 31 December 2014, no separate diluted loss per share information has been presented as there was no potential ordinary shares outstanding.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

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 2015 and 2014.

12. Interests in Associates

	31.12.2015 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (audited)
Cost of investment in associates		
Listed in Australia	2,227,844	2,223,339
Unlisted	54,708	54,708
Share of post-acquisition losses and other comprehensive income, net of dividends received	(504,102)	(436,737)
Impairment losses recognised	(871,292)	(805,927)
	907,158	1,035,383
Fair value of listed investments	871,085	1,161,014

During the six months ended 31 December 2015, the Group acquired additional 4,500,000 shares in Mount Gibson Iron Limited (“**MGX**”), one of the associates in Australia, at a consideration of HK\$4,505,000. The Group’s shareholding in MGX increased from 26.61% to 27.02%.

During the six months ended 31 December 2015, another associate listed in Australia, Metals X Limited (“**MLX**”), issued approximately 42 million new shares. As a result of this, the Group’s shareholding in MLX decreased from 23.89% to 21.70% and a gain on deemed disposal of HK\$20,811,000 is recognised in profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

12. Interests in Associates (Continued)

As 31 December 2015, management of the Group carried out review on impairment on the carrying amounts of its interests in listed associates individually as a single asset by comparing their recoverable amounts (higher of the value in use and fair value less cost of disposal (market value)) with their respective carrying amounts. In determining the value in use of the investments, the Group estimated the present value of the estimated future cash flows expected to arise from the operations of the investments and from the ultimate disposal, by using a discount rate of 11% to discount the cash flow projections to net present values. The respective market values of these two listed associates were determined based on the closing prices as at 31 December 2015. At 31 December 2015, the recoverable amounts of the Group's interests in MGX and MLX which represented the fair values less cost of disposal were lower than the carrying amounts, accordingly, impairment loss of HK\$65,365,000 is recognised in profit or loss during the six months ended 31 December 2015.

The fair values of the above listed associates referred to their respective closing prices as at 31 December 2015.

13. Available-for-sale Investments

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
<hr/>		
Unlisted investments:		
Unlisted equity securities, at cost (<i>Note a</i>)	37,551	37,551
Less: impairment losses recognised	(35,294)	(35,214)
	<hr/>	<hr/>
	2,257	2,337
Unlisted equity securities, at fair value (<i>Note b</i>)	40,138	40,138
	<hr/>	<hr/>
	42,395	42,475
	<hr/>	<hr/>

13. Available-for-sale Investments (Continued)

Notes:

- (a) These unlisted equity investments represent investments in unlisted equity securities issued by five (30 June 2015: five) private entities incorporated in the British Virgin Islands, the United Kingdom, the United States of America and Australia (30 June 2015: British Virgin Islands, 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.
- (b) The Group has 7% equity interest in an entity incorporated in the British Virgin Islands which is carried at fair value. Details of the fair value measurement of this investment are disclosed in note 24.

14. Loan Notes

The Group subscribed for two sets of loan notes with an aggregate nominal value of US\$40,000,000 from Mulpha SPV Limited ("**Mulpha**"), a limited liability company incorporated in Malaysia, at the nominal amount. The first set of loan notes with a nominal value of US\$30,000,000 bear 8.5% coupon interest per annum and will mature on 26 November 2016. The second set of loan notes with a nominal value of US\$10,000,000 bear 8.0% coupon interest per annum and will mature on 5 September 2016.

These loan notes are guaranteed by Mulpha International Bhd., the parent company of Mulpha and a company incorporated in Malaysia whose shares are listed on the Main Market of Bursa Malaysia Securities Berhad. These loan notes can be early redeemed by Mulpha before their respective maturity dates at the nominal amount of the loan notes plus accrued unpaid interest up to the date of redemption. The early redemption option by Mulpha is closely related to the host debt and is therefore not separately accounted for.

15. Trade Receivables, Other Receivables and Deposits

There was no trade receivables as at 31 December 2015 and 30 June 2015.

As at 31 December 2015, the Group deposited HK\$13,621,000 (30 June 2015: HK\$3,370,000) with a financial institution for the trading of derivative financial instruments.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

16. Investments Held for Trading

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Listed securities:		
– Equity securities listed in Hong Kong	126,528	60,388
– Equity securities listed in the United Kingdom	5,724	9,353
– Equity securities listed in Australia	62,538	121,262
– Equity securities listed in Canada	4,835	3,757
	199,625	194,760

17. Loans Receivable

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Fixed-rate loan	247,932	223,062

The loans receivable amounting to HK\$218,320,000 bears fixed-rate interests of 24% per annum, will mature on 28 January 2016 pursuant to the second supplemental agreement dated 30 April 2015 and is guaranteed by the sole shareholder of the borrower as well as is secured by a floating charge on the assets of the borrower, mortgage of shares of the borrower and one of the borrower's subsidiaries incorporated in the PRC ("**PRC CoA**"), mortgage of a parcel of land and properties held by the PRC CoA, assignment of loan due by a company incorporated in the PRC ("**PRC CoB**"), which the PRC CoA has a non-controlling interest in the PRC CoB, to the PRC CoA and the pre-sale agreement in relation to certain properties signed between the Group and the PRC CoB which will be cancelled upon repayment of the loans receivable.

The interest receivable from 28 May 2015 to 31 December 2015 have been overdue. In addition, the borrower did not settle the loan on 28 January 2016 and made notice to the Group that the overdue interest and loan will be repaid on or before 28 April 2016. The directors of the Company have assessed the value of the pledged properties provided by the borrower at 31 December 2015 and are satisfied that outstanding loan receivable and interest receivable is sufficiently covered in view of the value of the pledged assets as the security of this loan receivable, and accordingly, consider that no impairment is required on the loans receivable as at 31 December 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

18. Share Capital

	2015		2014	
	Number of shares	Share capital HK\$'000	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised	20,000,000,000	2,000,000	20,000,000,000	2,000,000
Issued and fully paid				
At beginning of the period	6,127,767,990	612,777	6,131,927,990	613,193
Shares repurchased and cancelled	—	—	(4,160,000)	(416)
Issue of shares	3,063,883,995	306,388	—	—
At end of the period	9,191,651,985	919,165	6,127,767,990	612,777

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.

19. Trade and Other Payables

There was no trade payables as at 31 December 2015 and 30 June 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

20. Borrowings

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Securities margin loans repayable on demand	—	56,688

These balances represented securities margin financing received from a stock broking, futures and options broking house. Additional funds or collateral are required if the balance of the borrowings exceeds the eligible margin value of securities pledged to the broking house. When the Group is unable to repay securities margin loans on demand, the collateral can be sold at the broking house's discretion to settle any outstanding borrowings owed by the Group. The entire loans were secured by the Group's assets as disclosed in note 23, repayable on demand and bore variable interest with an average of 6.25% per annum. The securities margin loans were denominated in HK\$.

21. Commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Within one year	4,367	3,274
After one year but within five years	1,427	2,457
	5,794	5,731

Operating lease payments represent rental payable by the Group for its office premises, car parking space, directors' quarters and a photocopying machine. Leases are negotiated for the terms of between six months to five years.

Apart from the above, the Group did not have any significant commitments as at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

22. Related Party Transactions

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

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Subsidiaries of an associate, MGX		
— Purchase of commodities	38,692	127,906
	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Other receivables	—	768

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

22. Related Party Transactions (Continued)

- (c) Compensation of key management personnel

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

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term employee benefits	4,324	4,324
Post-employment benefits	18	18
	4,342	4,342

23. Pledged of Assets

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

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Interests in associates	529,237	606,106
Pledged bank deposits	79,715	79,659
	608,952	685,765

24. Fair Value Measurements of Financial Instruments

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

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

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques
	31.12.2015 (unaudited)	30.6.2015 (audited)		
1) Investments held for trading	Listed equity securities — HK\$199,625,000	Listed equity securities — HK\$194,760,000	Level 1	Quoted bid prices in active markets
2) Available-for-sale investments	Unlisted equity securities — HK\$40,138,000	Unlisted equity securities — HK\$40,138,000	Level 3	Asset approach with key input of adjusted fair value of properties under development for sale (<i>Note</i>)
3) Derivative financial instruments	Liabilities — HK\$5,566,000	Liabilities — HK\$3,627,000	Level 3	Quoted from financial institutions

Note: The fair value of properties under development for sale is based on residual approach with key inputs of market unit prices with expected profit margin of 10%

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

24. Fair Value Measurements of Financial Instruments (Continued)

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

	Available- for-sale investments	Derivative financial instruments
	HK\$'000	HK\$'000
At 1 July 2014	—	873
Realised during the year	—	(873)
Unrealised loss in profit or loss	—	3,627
Acquisition	40,138	—
At 30 June 2015	40,138	3,627
Unrealised loss in profit or loss	—	1,939
At 31 December 2015	40,138	5,566

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.

Deloitte.

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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 38, which comprise the condensed consolidated statement of financial position as of 31 December 2015 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 February 2016

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2015, the interests and short positions held by the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, the “SFO”) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/ underlying shares held		Long or Short Position	Approximate percentage of shareholding (Note 1)
		Interests in shares	Total interests		
Ms. Chong Sok Un	Beneficial owner and interest of controlled corporation (Note 2)	2,279,641,273	2,279,641,273	Long	24.80%
		2,200,082,100	2,200,082,100	Short	23.93%
Mr. Andrew Ferguson	Beneficial owner	37,500,000	37,500,000	Long	0.41%
Mr. Lee Seng Hui	Interest of controlled corporation (Note 3)	2,200,082,100	2,200,082,100	Long	23.93%

Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

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

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 2015.
2. The long position shares are held by (i) Vigor Online Offshore Limited ("**Vigor Online**") as to 2,200,082,100 shares, a wholly-owned subsidiary of China Spirit Limited ("**China Spirit**") in which Ms. Chong Sok Un maintains a 100% beneficial interest; and (ii) Taskwell Limited as to 79,559,173 shares, a wholly-owned subsidiary of Besford International Limited which in turn is a wholly-owned subsidiary of COL Capital Limited ("**COL**"). As at 31 December 2015, COL was 53.61% owned by Vigor Online. Therefore, Ms. Chong Sok Un is deemed to have interest in the shares in which COL is interested through her 100% interest in China Spirit.

The short position shares are related to an acquisition agreement dated 16 December 2015 entered into between Vigor Online and Allied Properties Investments (1) Company Limited ("**API(1)**") whereby Vigor Online conditionally agreed to sell and API(1) conditionally agreed to buy the 2,200,082,100 shares (the "**Sale Shares**") held by Vigor Online with a long stop date of 29 February 2016 for completion (the "**Transaction**"). As at the date of this report, the Transaction has not yet been completed. Accordingly, API(1) is deemed to have interest in the Sale Shares under the SFO.

3. API(1) is a wholly-owned subsidiary of Allied Properties Overseas Limited ("**APOL**"). APOL is a wholly-owned subsidiary of Allied Properties (H.K.) Limited ("**APL**"). Accordingly, APL is deemed to have the same long position as API(1) under the SFO. APL is a non wholly-owned subsidiary of Allied Group Limited ("**AGL**"). Accordingly, AGL is deemed to have the same long position as APL under the SFO.

Lee and Lee Trust, a discretionary trust of which Mr. Lee Seng Hui is one of the trustees, owned approximately 73.90% interest in the total number of shares of AGL which in turn is deemed to be interested in 23.93% of the issued share capital of the Company as at 31 December 2015. Accordingly, Lee and Lee Trust is deemed to have the same long position as AGL under the SFO and Mr. Lee Seng Hui, being one of the trustees of Lee and Lee Trust, is therefore deemed to have interests in the shares of the Company in which Lee and Lee Trust is interested.

Save as disclosed above, as at 31 December 2015, none of the directors or chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Arrangements to Purchase Shares or Debentures

Save as disclosed under the section headed “**DIRECTORS’ INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES**”, at no time during the period under review was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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.

Save as disclosed above, during the six months ended 31 December 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

Substantial Shareholders

As at 31 December 2015, the following persons, other than a director or chief executive of the Company, were interested or had short positions in more than 5% of the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long and short positions in shares and underlying shares of the Company

Name of Shareholder	Capacity in which interests are held	Number of shares/ underlying shares held		Long or Short Position	Approximate percentage of shareholding <i>(Note 1)</i>
		Interests in shares	Total interests		
Benefit Rich Limited	Beneficial owner <i>(Note 2)</i>	1,434,000,000	1,434,000,000	Long	15.60%
Shougang Fushan Resources Group Limited	Interest of a controlled corporation <i>(Note 2)</i>	1,434,000,000	1,434,000,000	Long	15.60%
China Spirit Limited	Interest of a controlled corporation <i>(Note 3)</i>	2,279,641,273 2,200,082,100	2,279,641,273 2,200,082,100	Long Short	24.80% 23.93%

Other Information

Substantial Shareholders (Continued)

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

Name of Shareholder	Capacity in which interests are held	Number of shares/ underlying shares held		Long or Short Position	Approximate percentage of shareholding <i>(Note 1)</i>
		Interests in shares	Total interests		
Vigor Online Offshore Limited	Beneficial owner and interest of a controlled corporation <i>(Note 3)</i>	2,279,641,273 2,200,082,100	2,279,641,273 2,200,082,100	Long Short	24.80% 23.93%
Allied Properties Investments (1) Company Limited	Beneficial owner <i>(Note 3)</i>	2,200,082,100	2,200,082,100	Long	23.93%
Allied Properties (H.K.) Limited	Interest of a controlled corporation <i>(Note 4)</i>	2,200,082,100	2,200,082,100	Long	23.93%
Allied Group Limited	Interest of a controlled corporation <i>(Note 5)</i>	2,200,082,100	2,200,082,100	Long	23.93%
Mr. Lee Seng Hui	Interest of a controlled corporation <i>(Note 6)</i>	2,200,082,100	2,200,082,100	Long	23.93%
Mr. Lee Seng Huang	Interest of a controlled corporation <i>(Note 6)</i>	2,200,082,100	2,200,082,100	Long	23.93%
Ms. Lee Su Hwei	Interest of a controlled corporation <i>(Note 6)</i>	2,200,082,100	2,200,082,100	Long	23.93%

Substantial Shareholders (Continued)

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

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 2015.
2. These shares are held by Benefit Rich Limited ("**Benefit Rich**"), a wholly-owned subsidiary of Shougang Fushan Resources Group Limited ("**Shougang Fushan**"). Accordingly, Shougang Fushan is deemed to have the same long position as Benefit Rich under the SFO.
3. The long position shares are held by (i) Vigor Online Offshore Limited ("**Vigor Online**") as to 2,200,082,100 shares, a wholly-owned subsidiary of China Spirit Limited ("**China Spirit**") in which Ms. Chong Sok Un maintains a 100% beneficial interest; and (ii) Taskwell Limited as to 79,559,173 shares, a wholly-owned subsidiary of Besford International Limited which in turn is a wholly-owned subsidiary of COL Capital Limited ("**COL**"). As at 31 December 2015, COL was 53.61% owned by Vigor Online. Therefore, Ms. Chong Sok Un is deemed to have interest in the shares in which COL is interested through her 100% interest in China Spirit.

The short position shares are related to an acquisition agreement dated 16 December 2015 entered into between Vigor Online and Allied Properties Investments (1) Company Limited ("**API(1)**") whereby Vigor Online conditionally agreed to sell and API(1) conditionally agreed to buy the 2,200,082,100 shares (the "**Sale Shares**") held by Vigor Online with a long stop date of 29 February 2016 for completion (the "**Transaction**"). As at the date of this report, the Transaction has not yet been completed. Accordingly, API(1) is deemed to have interest in the Sale Shares under the SFO.

4. API(1) is a wholly-owned subsidiary of Allied Properties Overseas Limited ("**APOL**"). APOL is a wholly-owned subsidiary of Allied Properties (H.K.) Limited ("**APL**"). Accordingly, APL is deemed to have the same long position as API(1) under the SFO.
5. APL is a non wholly-owned subsidiary of Allied Group Limited ("**AGL**"). Accordingly, AGL is deemed to have the same long position as APL under the SFO.
6. Mr. Lee Seng Hui is one of the trustees ("**Trustees**") of Lee and Lee Trust, being a discretionary trust which owned 73.90% interest in the total number of issued shares of AGL as at 31 December 2015. Accordingly, Lee and Lee Trust and each of the Trustees are deemed to have the same long position as AGL under the SFO.

Save as disclosed above, as at 31 December 2015, the Company was not notified of any persons, other than the directors and the chief executive of the Company, having any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Other Information

Changes in Information of Directors

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors subsequent to the date of the 2015 Annual Report of the Company are set out below:

Mr. Kong Muk Yin is a non-executive director and company secretary of Manfield Chemical Holdings Limited (Stock Code: 1561), a company which is listed on the Main Board of the Stock Exchange from 1 December 2015.

Ms. Chong Sok Un, an executive director of COL Capital Limited (Stock Code: 383) (“**COL**”) has stepped down as chairman and has been redesigned as deputy chairman of COL with effect from 16 December 2015.

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 2015. 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 2015, the Company had fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the directors of the Company. Having made specific enquiry of all directors of the Company, the Company confirmed that all directors had complied with the required standard set out in the Model Code for the six months ended 31 December 2015.

By Order of the Board

Chong Sok Un

Chairman

Hong Kong, 22 February 2016