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APAC RESOURCES LIMITED

亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

The board of directors (the “**Board**”) of APAC Resources Limited (the “**Company**” or “**APAC**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 December 2011, which has been reviewed by the auditor of the Group and the audit committee of the Company (the “**Audit Committee**”). This interim results announcement is prepared due to the change of financial year end date of the Company from 31 December to 30 June, details of which are disclosed in the announcement of the Company dated 11 February 2011.

RESULTS HIGHLIGHTS

The six months ended 31 December 2011 was a challenging period for APAC, as financial markets sold off on European sovereign debt concerns and Chinese growth fears. Both of the Primary Strategic and Resource Investments were impacted by lower realised prices, while large falls in equity markets, and the prices of resources stocks in particular, impacted the Resource Investment division. The Commodity Business posted a small profit despite the large drop in iron ore prices in October 2011.

Period on Period Comparison

(compared to the six months ended 31 December 2010)

- Attributable profits from Primary Strategic Investment at HK\$211.0 million (2010: HK\$362.5 million)
- Commodity Business reported revenue at HK\$680.5 million (2010: HK\$470.5 million), with a profit of HK\$3.3 million (2010: HK\$46.2 million)
- Net profit attributable to owners at HK\$12.3 million (2010: HK\$961.1 million), with earnings per share at HK0.18 cents (2010: HK13.89 cents)

INTERIM DIVIDEND

For the six months ended 31 December 2011, the Board has resolved not to declare an interim dividend (2010: Nil). However, it was resolved to reassess the potential dividend payment at year end. This would obviously take into consideration overall market conditions, sustainability, financial performance and the dividend flow from the Company's Primary Strategic Investments.

SHARE BUYBACK PROGRAMME

The Board announces its intention to commence a share buyback programme to purchase up to 5% of the issued share capital of the Company as at the date of this announcement.

OTHER HIGHLIGHTS

- Mount Gibson, one of APAC's Primary Strategic Investments, announced a maiden franked interim dividend of A\$0.02 per share payable in April 2012 (maiden franked final dividend of A\$0.04 per share paid in September 2011)
- APAC disposed of its entire interest in AIM listed Kalahari through on market sales and the acceptance of the cash offer by CGNPC. Proceeds of GBP88.3 million (HK\$1,073 million) were received by 16 February 2012
- APAC acquired a 19.99% interest in the ASX listed gold exploration company, ABM Resources in February 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

In a much more difficult economic environment, APAC reported a modest net profit after tax of HK\$12,298,000 (2010: HK\$961,065,000), with all three operating divisions registering significantly weaker results.

PRIMARY STRATEGIC INVESTMENT

APAC's two Primary Strategic Investments remain a circa 26% interest in Mount Gibson Iron Limited ("**Mount Gibson**") and 30% interest in Metals X Limited ("**Metals X**"), both with their core assets and listing in Australia. Both holdings have increased slightly, due to on-market buying of Mount Gibson towards the end of the half and the ongoing share buyback by Metals X. The attributable profit from our Primary Strategic Investments for the period was HK\$211,007,000 (2010: HK\$362,516,000), down 42% period on period, mainly due to the outsized currency impact in the previous period.

Mount Gibson

Mount Gibson is a leading West Australian "pure-play" hematite iron ore producer listed on the Australian Stock Exchange ("**ASX**"). The company has three mines in production with annual capacity of 10 million tonnes per annum of Direct Ship Ore. JORC reserves are 52 million tonnes at 62.5% iron, within a resource base of 103 million tonnes at 61.6% iron. As well as optimising the existing asset

base, the company has a strategy of growth via sensible acquisition, and is targeting iron ore projects, as well as coking coal and copper, that are longer life, lower cost and have larger production potential than the existing asset portfolio.

Operationally, Mount Gibson reported production of 3.55 million tonnes and sales of 2.84 million tonnes, which underpinned a strong first half net profit of A\$121 million, a maiden A\$0.02 per share interim dividend, and a healthy cash position of A\$421 million, up from A\$387 million in June 2011. The company also achieved a number of significant milestones during the period. These included the completion of the sea wall at Koolan Island and recommencement of mining in the Main Pit, first shipments from the new Extension Hill mine, and ongoing upgrade work to Geraldton port infrastructure to enable loading up to 6 million tonnes of iron ore per year from the Midwest operations. Iron ore prices have stabilised in a range of US\$130 to US\$150 per dry metric tonne after the collapse in prices in October 2011. Looking forward, the continuing expansion tie-ins will likely constrain sales in the first half of 2012 and the company continues to await details of the proposed Minerals Resource Rent Tax (MRRT) which is currently before the Australian Parliament.

The company is going through a significant renewal programme following the departure of Managing Director Mr. Luke Tonkin in December 2011 plus a number of outgoing directors. A new Chairman, Mr. Geoffrey Hill, has been appointed, as well as three new independent directors, Mr. Russell Barwick, Mr. Paul Douglas and Mr. Simon Bird, with strong industry and international finance experience. New Chief Operating Officer, Mr. Jim Beyer, is acting in the position of Chief Executive Officer while the board considers options for a permanent appointment.

Metals X

Metals X is an Australian-based emerging diversified resource group with a primary focus on tin, via its 50% interest in the producing Renison mine in Tasmania, and nickel, via its world scale Wingellina development project. The company also boasts a portfolio of strategic investments in other commodities, including copper, gold, nickel, zinc and bauxite. Current holdings are 2.8% of Independence Group, 25.0% of Westgold, 17.0% of Mongolian Resource Corporation and 25.0% of Aziana.

The Renison mine produced 2,437 tonnes of tin in concentrate (100% basis) during the half, which was lower than expectations due to delayed access to high grade stopes. Low production was compounded by lower tin prices, which averaged US\$22,800 in the half after peaking at US\$33,600 per metric tonne earlier in the year, however, the mine was still EBITDA positive in both quarters. Operations are expected to show significant improvement this calendar year, based on investments in mining fleet upgrades, additional flexibility as new mining areas are opened up and mine throughput is increased, and higher grades including first ore from the high grade Area 4 deposit in April 2011. Additionally, the tin price has also rebounded strongly and is currently around US\$25,000 per metric tonne, though somewhat offset by the stronger Australian Dollar.

Metals X continues to progress Wingellina to a development-ready scenario including bore field water studies and advancing discussions with several international entities for funding and development. The previously announced deal, to swap Jinchuan's 13% shareholding in Metals X into a direct 20% interest in Wingellina, was dropped after Chinese regulatory approvals were not forthcoming.

The company has purchased approximately 44 million shares under the current buyback. The company remains strongly capitalised with cash of A\$75 million (including working capital), circa A\$53 million in investments, and no corporate debt.

RESOURCE INVESTMENT

The Resource Investment portfolio is dominated by the Kalahari Minerals plc ("**Kalahari**") position, with the remaining investments comprising holdings in various emerging natural resource companies. The vast majority are listed on the major stock exchanges in Australia, Canada, Hong Kong, the United Kingdom and the United States, but a handful of investments are unlisted.

For the period, this division reported a loss of HK\$148,080,000 (2010 profit: HK\$459,685,000), which was an unsatisfactory reversal from the strong result a year prior. The main driver of this weak performance was the dramatic sell-off in equity markets globally, with major fears about European sovereign debt issues and a potential slowdown in Chinese growth. During the half, the S&P 500 performed relatively well, only off 5%, while the Euro Stoxx 50 plunged 19% and the Hang Seng dropped 18%. Resources stocks, being a very cyclical industry, fared even worse, with the HSBC Global Mining index down 25%. Shares in many junior exploration and development companies, where APAC has a number of positions, were hit extremely hard as investors pushed down prices down to find liquidity.

While disappointing, we remain confident in the quality of our investments and have seen good rebounds in the share prices of many of the holdings so far in 2012.

Kalahari

Kalahari's key investment is its 42.7% interest in ASX-listed Extract Resources, which owns 100% of the world class Husab Uranium Project in Namibia. With over 500 million pounds in JORC resources, Husab is targeting annual production of 15 million pounds, which would make it one of the three largest uranium mines in the world. The project benefits from straightforward open pit mining and a proven process flow sheet, with scope for further upside through the Mine Optimisation and Resource Extension programme and exploration for additional high grade mineralisation.

During the period, Extract Resources continued to make substantial progress on moving Husab into production. Significant announcements included the award of a Mining Licence by the Ministry of Mines and Energy and increasing JORC reserves to 320 million pounds at improved grade and stripping ratios.

Discussions recommenced with China Guangdong Nuclear Power Holding Corporation (“CGNPC”) late in the half regarding a potential takeover offer for Kalahari, following two aborted bids during the first half of 2011. These resulted in a recommended cash bid by CGNPC at GBP2.4355 per share in December 2011, which valued Kalahari at GBP632 million. The offer was subsequently declared unconditional on 3 February 2012 when CGNPC announced acceptances had reached 89.5%.

Following the nuclear disaster at the Fukushima Dai-ichi plant in March 2011, investor sentiment towards the uranium sector continued to be very weak. Shares in the world’s largest uranium producer, Cameco Corp, for example, traded off 28%, while uranium prices were modestly softer, with spot prices range bound between US\$50 and US\$55 and term prices weakening from US\$68 to US\$62 per pound. CGNPC’s takeover offer for Kalahari validates APAC’s policy of focusing on world class assets which have strong economics and substantial strategic value under a variety of bull and bear case scenarios. APAC accepted the CGNPC offer for its holding subsequent to the period and, with proceeds of circa HK\$990 million now received from CGNPC plus HK\$83 million from on-market sales, realised a substantial profit of HK\$268 million on the investment overall.

COMMODITY BUSINESS

The Commodity Business is currently based on two long-term offtake agreements with Mount Gibson, for iron ore from their Koolan Island and Talling Peak mines. These shipments are sold to small and mid-sized steelmills and traders in China. Additional offtake opportunities in iron ore, as well as other commodities, are continuously being assessed.

For the half year, the division posted a profit of HK\$3,310,000 (2010: HK\$46,154,000). This drop in profit was very disappointing after a series of strong results in previous half year period. The main driver was the collapse in iron ore prices in October 2011, with the Platts 62% index falling from US\$171 to US\$118 per dry metric tonne within a month, which caused Chinese steelmills to defer spot iron ore purchases. Consequently, we were unable to sell an October lump shipment and were forced to warehouse the cargo until a buyer could be found at a suitable price around US\$140 per dry metric tonne, which occurred in January 2012 and consequently eroded much of the accumulated profits for the period. This business has a policy of not speculating on the direction of iron ore prices and aims to sell cargos as and when they become available, however, this was simply not possible in this instance. While an exceptional case, management has taken steps to mitigate the possibility of a similar loss going forward and APAC is in the process of setting up facilities that will allow us to fix the price of a cargo in the paper market, where a physical sale is not possible.

During the half, APAC increased its share of Koolan Island offtake after Mount Gibson could not agree to revised offtake agreements with CITIC and Marubeni. However, we were unable to reach agreement with Mount Gibson on commercial terms for the sale and purchase of 20% of life of mine production from their Extension Hill hematite iron ore mine.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 31 December 2011, our non-current assets amounted to HK\$3,970,967,000 (As at 30 June 2011: HK\$3,889,336,000) and net current assets amounted to HK\$1,288,230,000 (As at 30 June 2011: HK\$1,509,264,000) with a current ratio of 2.9 times (As at 30 June 2011: 3.1 times) calculated on the basis of its current assets over current liabilities.

As at 31 December 2011, we had borrowings of HK\$646,016,000 (As at 30 June 2011: HK\$689,530,000) and had undrawn banking and loan facilities amounting to HK\$351,416,000 secured against certain of our investments in listed associates and available-for-sale investments, term deposits and corporate guarantee of the Company. As at 31 December 2011, we had a gearing ratio of 0.12 (As at 30 June 2011: 0.13), 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, British Pounds and Hong Kong Dollars while the liabilities were mainly denominated in Hong Kong Dollars. As a substantial portion of the assets is held as long-term investments, there would be no material immediate effect on the cash flows of the Group from adverse movements in foreign exchange. In light of this, the Group did not actively hedge for the risk arising from the Australian Dollars and the British Pounds denominated assets.

Pledge of Assets

As at 31 December 2011, certain of the Group's investment in listed associates and available-for-sale investments of HK\$2,248,052,000 (As at 30 June 2011: HK\$2,744,285,000) were pledged to a stock-broking firm to secure margin loan facilities made available to the Group. The Group's bank deposits of HK\$345,783,000 (As at 30 June 2011: HK\$339,158,000) were pledged to banks to secure various trade and banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICY

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

As at 31 December 2011, the Group, including its subsidiaries but excluding associates, had 21 (As at 31 December 2010: 21) employees. Total remuneration together with pension contributions incurred for the six months ended 31 December 2011 amounted to HK\$14,687,000 (2010: HK\$26,362,000).

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 announcement, during the six months ended 31 December 2011, 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 announcement, as at 31 December 2011, the Group does not have plan for any other material investments or acquisition of material capital assets.

CAPITAL COMMITMENTS

As at 31 December 2011, the Group had no material capital commitments contracted but not provided for (2010: Nil).

CONTINGENT LIABILITIES

As at the date of this announcement and as at 31 December 2011, the Board is not aware of any material contingent liabilities.

INTERIM DIVIDEND

For the six months ended 31 December 2011, the Board has resolved not to declare an interim dividend (2010: Nil). However, it was resolved to reassess the potential dividend payment at year end. This would obviously take into consideration overall market conditions, sustainability, financial performance and the dividend flow from the Company's Primary Strategic Investments.

SHARE BUYBACK PROGRAMME

The Board announces its intention to commence a share buyback programme to purchase up to 5% of the issued share capital of the Company as at the date of this announcement. The buyback will be made pursuant to the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 28 September 2011. The implementation of the buyback will depend on the market conditions and only proceed in circumstances where the Board considers it to be in the best interests of the Company and its shareholders as a whole.

FORWARD LOOKING OBSERVATIONS

Equity and commodity markets have started 2012 positively, driven by a number of factors: valuations are relatively attractive after the large sell-offs in the second half of 2011, there is substantially greater liquidity including the ECB's Long Term Refinancing Operations, likely to be followed by QE3 in the United States, as well as falling inflation expectations in China, which could lead to policy easing later in the year.

A Greek debt default has been avoided for now, but other European sovereigns need to refinance in coming months and a number of European nations could slip into recession this year. Economic data in the United States has been surprising to the upside, while leading economic indicators indicate that

growth in Asia may be bottoming in the first quarter. This could lead to improved demand for commodities in the short-term, particularly as China enters its normal restocking period post Chinese New Year. A key data point to watch will be Chinese steel production which, at the time of writing, remains at depressed levels.

In Resource Investment, we have been deploying some of the Kalahari proceeds, but will generally remain patient in order to find the right investments at the right valuations. We expect the Commodity Business to report a better half after the challenges of last October, and continue to seek new offtake opportunities but it is a competitive market with industry giants like Glencore aggressively bidding for contracts and building market share. In terms of our Primary Strategic Investment, we look forward to continued management and board renewal at Mount Gibson, although sales could remain constrained until the first half of 2012 given Geraldton tie-ins and cyclone season in the north. We expect Metals X should post improved financial results given a strong rebound in tin prices and access to higher grade ore at Renison.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2011

		Six months ended	
		31.12.2011	31.12.2010
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue from sales of goods	2	680,524	470,480
Cost of sales		<u>(674,835)</u>	<u>(419,782)</u>
		5,689	50,698
Other gains and losses	3	(153,896)	617,386
Other income		5,642	3,275
Administrative expenses			
— General administrative expenses		(22,793)	(18,981)
— Equity-settled share option expenses		(14,747)	(39,979)
Finance costs	4	(16,188)	(1,515)
Share of results of associates		<u>211,007</u>	<u>362,516</u>
Profit before taxation	5	14,714	973,400
Income tax expenses	6	<u>(2,416)</u>	<u>(12,335)</u>
Profit for the period attributable to owners of the Company		<u>12,298</u>	<u>961,065</u>
Earnings per share (expressed in HK cents)	8		
— Basic and diluted		<u>0.18</u>	<u>13.89</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2011

	Six months ended	
	31.12.2011	31.12.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	<u>12,298</u>	<u>961,065</u>
Other comprehensive (expense) income, net of tax		
Exchange difference arising from translation of associates	(165,790)	396,032
Exchange difference arising from translation of other foreign operations	6,916	8,255
Fair value change of available-for-sale investments	(10,912)	71,235
Impairment loss on available-for-sale investments	10,912	—
Reclassification adjustment of cumulative gain upon partial disposal of investment in an associate	(311)	(5,017)
Share of other comprehensive (expense) income of associates	<u>(2,581)</u>	<u>64,873</u>
	<u>(161,766)</u>	<u>535,378</u>
Total comprehensive (expense) income for the period attributable to owners of the Company	<u><u>(149,468)</u></u>	<u><u>1,496,443</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	31.12.2011 HK\$'000 (unaudited)	30.6.2011 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		1,888	1,370
Interests in associates	9	3,887,715	3,835,439
Available-for-sale investments		<u>81,364</u>	<u>52,527</u>
		<u>3,970,967</u>	<u>3,889,336</u>
Current assets			
Inventories	10	64,686	—
Trade and other receivables and loan receivable	11	75,783	54,641
Investments held for trading	12	1,297,103	1,440,946
Pledged bank deposits		345,783	339,158
Bank balances and cash		<u>168,770</u>	<u>384,090</u>
		<u>1,952,125</u>	<u>2,218,835</u>
Total assets		<u><u>5,923,092</u></u>	<u><u>6,108,171</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	684,905	686,329
Reserves		3,372,613	3,554,350
Accumulated profits		<u>1,201,679</u>	<u>1,157,921</u>
		<u>5,259,197</u>	<u>5,398,600</u>
Current liabilities			
Trade and other payables	13	13,343	6,773
Borrowings		646,016	689,530
Tax payable		<u>4,536</u>	<u>13,268</u>
		<u>663,895</u>	<u>709,571</u>
Total equity and liabilities		<u><u>5,923,092</u></u>	<u><u>6,108,171</u></u>
Net current assets		<u><u>1,288,230</u></u>	<u><u>1,509,264</u></u>
Total assets less current liabilities		<u><u>5,259,197</u></u>	<u><u>5,398,600</u></u>

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company changed its financial year end date from 31 December to 30 June in the last financial period. Accordingly, the financial period under review covers the period from 1 July 2011 to 31 December 2011. The corresponding interim period, which cover the period from 1 July 2010 to 31 December 2010, for the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes are presented as the comparative information.

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2011 are the same as those followed in the preparation of the Group’s consolidated financial statements for the eighteen months ended 30 June 2011.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 July 2011.

HKAS 24 (Revised 2009)	Related party disclosures
HKAS 32 (Amendments)	Classification of rights issues
HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 7 (Amendments)	Disclosures — Transfer of financial assets
HK(IFRIC)-INT 14 (Amendments)	Prepayments of a minimum funding requirement
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments

The application of the new or revised standards, amendments and interpretation in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements.

The Group has not early applied new or revised standards, amendments or interpretations that have been issued but are not yet effective. The following new or revised standards and interpretations have been issued after the date the consolidated financial statements for the eighteen months ended 30 June 2011 were authorised for issuance and are not yet effective:

Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities ¹
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures ²
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ³
HK(IFRIC)-INT 20	Stripping costs in the production phase of a surface mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2015.

³ Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures — Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required. Based on the Group’s financial assets and financial liabilities as at 31 December 2011, in the opinion of the Directors of the Company, the application of these amendments is not expected to have material impact to the presentation and disclosures of financial information of the Group.

HK(IFRIC)-INT 20 Stripping costs in the production phase of a surface mine

HK(IFRIC)-INT 20 “Stripping costs in the production phase of a surface mine” applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”). Under the Interpretation, the costs from this waste removal activity (“stripping”) which provide improved access to ore is recognised as a non-current asset (“stripping activity asset”) when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with HKAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

HK(IFRIC) - INT 20 is effective for annual periods beginning on or after 1 January 2013 with transitional provisions. The Directors of the Company anticipate that the Interpretation will be applied in the Group’s associates’ consolidated financial statements for the annual period beginning 1 July 2013. In the opinion of the Directors of the Company, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Other than disclosed in the consolidated financial statements for eighteen months ended 30 June 2011 and as above, the Directors of the Company anticipate that the application of the new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

Segment information is presented based on the internal reports about components of the Group that are 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. The Group's reportable 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 profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, reversal of impairment loss on interest in an associate, deemed loss on partial disposal of interest in an associate, gain on disposal of interest in an associate 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 segments is presented below.

Segment revenue and result

The following is an analysis of the Group's revenue and results by reportable segment for the period under review.

Six months ended 31 December 2011

	Commodity business HK\$'000	Resource investment HK\$'000	Total HK\$'000
Revenue	680,524	—	680,524
Gross sales proceeds from resource investment	—	144,947	144,947
Segment profit (loss)	3,310	(148,080)	(144,770)
Share of results of associates			211,007
Deemed loss on partial disposal of interest in an associate			(3,941)
Gain on partial disposal of interest in an associate			812
Unallocated corporate income			50
Unallocated corporate expenses			(32,256)
Finance costs			(16,188)
Profit before taxation			14,714

Six months ended 31 December 2010

	Commodity business HK\$'000	Resource investment HK\$'000	Total HK\$'000
Revenue	<u>470,480</u>	<u>—</u>	<u>470,480</u>
Gross sales proceeds from resource investment	<u>—</u>	<u>82,942</u>	<u>82,942</u>
Segment profit	46,154	459,685	505,839
Share of results of associates			362,516
Reversal of impairment loss on interest in an associate			109,592
Deemed loss on partial disposal of interest in an associate			(1,434)
Gain on partial disposal of interest in an associate			50,183
Unallocated corporate income			1,894
Unallocated corporate expenses			(53,675)
Finance costs			<u>(1,515)</u>
Profit before taxation			<u>973,400</u>

Revenue reported above represents revenue generated from external customers. There were no intersegment sales during the current period and prior period.

Segment assets

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

	31.12.2011 HK\$'000 (unaudited)	30.6.2011 HK\$'000 (audited)
Commodity business	508,111	656,271
Resource investment	<u>1,470,390</u>	<u>1,553,930</u>
Total segment assets	<u>1,978,501</u>	<u>2,210,201</u>
Interests in associates	3,887,715	3,835,439
Unallocated	<u>56,876</u>	<u>62,531</u>
Consolidated assets	<u>5,923,092</u>	<u>6,108,171</u>

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, other receivables and certain bank balances and cash.

3. OTHER GAINS AND LOSSES

	Six months ended	
	31.12.2011	31.12.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Change in fair value of investments held for trading	(131,865)	449,181
Deemed loss on partial disposal of interest in an associate	(3,941)	(1,434)
Gain on partial disposal of interest in an associate	812	50,183
Impairment loss on available-for-sale investments	(10,912)	—
Reversal of impairment loss on interest in an associate	—	109,592
Net foreign exchange (loss) gain	(7,990)	9,864
	<u>(153,896)</u>	<u>617,386</u>

4. FINANCE COSTS

	Six months ended	
	31.12.2011	31.12.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on borrowing wholly repayable within five years:		
Bank borrowings	2,009	1,307
Securities margin financing	14,179	208
	<u>16,188</u>	<u>1,515</u>

5. PROFIT BEFORE TAXATION

	Six months ended	
	31.12.2011	31.12.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Staff costs, including directors' emoluments		
— salaries and allowances	9,191	6,951
— equity-settled share option expenses (included in administrative expenses)	14,747	39,979
— staff quarter	390	640
— retirement benefits schemes contributions	108	352
Total staff costs	24,436	47,922
Depreciation of property, plant and equipment	332	291
Write-down of inventories	21,945	—

6. INCOME TAX EXPENSES

	Six months ended	
	31.12.2011	31.12.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	1,040	11,693
Enterprise Income Tax in the People's Republic of China ("PRC")	<u>1,376</u>	<u>642</u>
	<u>2,416</u>	<u>12,335</u>

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

Enterprise Income Tax in the PRC is calculated at 25% of estimated assessable profit for both periods.

7. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors of the Company do not recommend the payment of an interim dividend.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to owners of the Company of HK\$12,298,000 (six months ended 31 December 2010: HK\$961,065,000) and weighted average number of 6,858,486,023 (six months ended 31 December 2010: 6,920,681,214) ordinary shares in issue during the six months ended 31 December 2011.

The calculation of the diluted earnings per share did not assume the exercise of the Company's outstanding share options as their exercise prices were higher than the average market price of the Company's shares for both periods.

9. INTERESTS IN ASSOCIATES

	31.12.2011 HK\$'000 (unaudited)	30.6.2011 HK\$'000 (audited)
Cost of investment in associates		
Listed in Australia	2,187,816	2,082,850
Unlisted	22,716	22,716
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>1,677,183</u>	<u>1,729,873</u>
	<u>3,887,715</u>	<u>3,835,439</u>
Fair value of listed investments	<u>3,269,554</u>	<u>5,102,095</u>

At 31 December 2011, the carrying amount of the Group's interests in listed associates was more than their fair value. The management of the Group carried out impairment review on the entire carrying amount of its interests in listed associates as a single asset of each associate by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its respective carrying amount. 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 11% to 13% to discount the cash flow projections to net present values. Based on the assessments, the recoverable amount of the Group's interests in listed associates exceeded their entire carrying amount. Hence, no impairment against the Group's interests in the listed associates is considered necessary.

During the six months ended 31 December 2011, the Group acquired an additional total number of 10,982,990 shares at an aggregate consideration of approximately HK\$106,273,000 with an increase in equity interest in Mount Gibson Iron Limited by 1.00% and acquired an additional total number of 500,000 shares at an aggregate consideration of approximately HK\$833,000 with an increase in equity interest in Metals X Limited by 0.04%. At 31 December 2011, the Group's equity interests in Mount Gibson Iron Limited and Metals X Limited were 26.46% and 29.99% respectively.

10. INVENTORIES

	31.12.2011 HK\$'000 (unaudited)	30.6.2011 HK\$'000 (audited)
Trading goods — Iron ore	<u>64,686</u>	<u>—</u>

11. TRADE AND OTHER RECEIVABLES AND LOAN RECEIVABLE

The Group allows an average credit period of 90 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	31.12.2011 HK\$'000 (unaudited)	30.6.2011 HK\$'000 (audited)
0 to 90 days	<u>14,787</u>	<u>1,828</u>

The trade receivables disclosed above are neither past due nor impaired at the end of the reporting period.

At 31 December 2011 and 30 June 2011, there was a loan receivable of HK\$42,296,000 in form of shareholder's loan to an unlisted company ("Borrower"), which was one of the Group's available-for-sale investments. The loan receivable had no fixed repayment term and was expected to be repaid within the six months (30 June 2011: twelve months) from the end of the reporting period and interest bearing at market rate. Taking into the consideration of the financial information of the Borrower, the management was of the view that the loan was recoverable and no impairment loss was recognised.

12. INVESTMENTS HELD FOR TRADING

	31.12.2011 HK\$'000 (unaudited)	30.6.2011 HK\$'000 (audited)
Listed securities:		
— Equity securities listed in United Kingdom	999,138	1,082,368
— Equity securities listed in United States of America	3,260	4,967
— Equity securities listed in Australia	226,616	260,167
— Equity securities listed in Canada	<u>68,089</u>	<u>93,444</u>
	<u>1,297,103</u>	<u>1,440,946</u>

13. TRADE AND OTHER PAYABLES

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

	31.12.2011 HK\$'000 (unaudited)	30.6.2011 HK\$'000 (audited)
0 to 90 days	<u>10,786</u>	<u>4,144</u>

14. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised	<u>20,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid		
At 1 July 2010	6,922,127,990	692,213
Cancellation of shares repurchased	<u>(11,560,000)</u>	<u>(1,156)</u>
At 31 December 2010	6,910,567,990	691,057
Cancellation of shares repurchased	<u>(47,280,000)</u>	<u>(4,728)</u>
At 1 July 2011	6,863,287,990	686,329
Cancellation of shares repurchased	<u>(14,240,000)</u>	<u>(1,424)</u>
At 31 December 2011	<u>6,849,047,990</u>	<u>684,905</u>

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

During the six months ended 31 December 2011, the Company purchased 11,240,000 shares of HK\$0.1 each in the capital of the Company at prices ranging from HK\$0.295 to HK\$0.33 per share on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Particulars of the purchase of shares are as follows:

Month	Number of shares repurchased	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Aggregate consideration paid (excluding expenses) (HK\$)
November 2011	<u>11,240,000</u>	0.33	0.295	<u>3,465,684</u>
Total	<u>11,240,000</u>			<u>3,465,684</u>

The repurchased shares were cancelled and accordingly, the Company's issued share capital was diminished by the nominal value thereof. The premium payable on repurchases was charged against the Company's share premium account.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2011.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 31 December 2011. 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 CG CODE

During the six months ended 31 December 2011, the Company has complied with the code provisions of The Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for the deviation in respect of the specific term of non-executive directors' appointment under code provision A.4.1 of the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**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 2011.

By Order of the Board
APAC RESOURCES LIMITED
Chong Sok Un
Chairman

Hong Kong, 27 February 2012

As at the date of this announcement, the directors of the Company are:

Executive Directors

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

Non-Executive Directors

Mr. Lee Seng Hui, Mr. So Kwok Hoo, Mr. Liu Yongshun and Mr. Peter Anthony Curry

Independent Non-Executive Directors

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

* *For identification purpose only*