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APAC RESOURCES
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 2013**

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 2013, which has been reviewed by the auditor of the Group and the audit committee of the Company (the “**Audit Committee**”).

RESULTS HIGHLIGHTS

Both the Primary Strategic Investments and Commodity Business recorded significantly higher profits because of strong realised iron ore prices. Our Resource Investment division posted only a modest loss, minimised by our defensive strategy in an otherwise very difficult market.

Period on Period Comparison (Compared to the six months ended 31 December 2012)

- Attributable profits from Primary Strategic Investments of HK\$162.5 million (2012 Profit: HK\$109.7 million)
- Resource Investment posted a loss of HK\$9.5 million (2012 Loss: HK\$4.6 million)
- Commodity Business reported revenue of HK\$540.0 million (2012: HK\$442.2 million), with a profit of HK\$42.6 million (2012 Profit: HK\$5.1 million)
- Partial release of HK\$1,179.5 million of the impairment loss on interests in associates brought forward from 30 June 2013 (2012: Nil)
- Net profit attributable to owners before the partial release of impairment loss on interests in associates of HK\$136.5 million (2012: HK\$81.6 million)
- Net profit attributable to owners of HK\$1,316.0 million (2012 Net profit: HK\$81.6 million), with earnings per share at HK19.32 cents (2012: HK1.20 cents)

OTHER HIGHLIGHTS

- In January 2014, the Company announced the conditional cash offer to repurchase for cancellation up to 680,000,000 shares of the Company at a proposed price of HK\$0.18 each
- As part of its on-going treasury management arrangements, the Group applied certain of its available funds to acquire certain loan notes in November 2013 and granted a loan in January 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 31 December 2013 (“**1H 2014**”), against a challenging economic environment, the Group reported a net profit attributable to owners of HK\$1,316,017,000 for 1H 2014 compared with a net profit of HK\$81,567,000 reported for the six months ended 31 December 2012 (“**1H 2013**”). The profit includes a reversal of impairment losses of HK\$1,179,487,000 (1H 2013: Nil) against the carrying value of the Group’s two principal listed associates. Before taking into account the reversal of impairment losses, the Group generated an operating profit of HK\$136,530,000, an improvement in profitability when compared with the profit reported in 1H 2013.

The reversal of impairment losses is related to the performance of the Mount Gibson Iron Limited (“**Mount Gibson**”) and Metals X Limited (“**Metals X**”) share prices. This equates to a 1H 2014 gain of HK\$1,179,487,000 (1H 2013: no reversal of impairment losses/impairment losses provided). At the date of this announcement, the share prices of both Mount Gibson and Metals X had recovered to A\$0.930 and A\$0.225 respectively.

Primary Strategic Investment

Our two Primary Strategic Investments are Mount Gibson and Metals X, both listed and operating in Australia. The net attributable profit from our Primary Strategic Investments for the 1H 2014 was HK\$162,503,000 (1H 2013: HK\$109,704,000). Mount Gibson and Metals X delivered very strong operational results.

Mount Gibson

Mount Gibson is an Australian listed iron ore producer. Annual production capacity is 10 million tonnes from its Koolan Island, Talling Peak and Extension Hill mines. All three projects are located in Western Australia and are Direct Shipping Ore (DSO) operations, which have a substantial cost advantage over mines that require beneficiation prior to sale.

In 1H 2014, Mount Gibson increased total ore sales by 15% to a record 5.1 million tonnes, and it is comfortably on track to meet its financial year sales guidance of 9.0 million tonnes to 9.5 million tonnes. Koolan Island is still ramping up to 4 million tonnes per annum despite the impact of Cyclone Christine and Mid West operations are steady. Mount Gibson’s net profit after tax more than doubled compared to the previous corresponding period, increasing from A\$37.1 million in 1H 2013 to A\$78.3 million in 1H 2014. The solid result was driven by record sales volume of 5.1 million tonnes in 1H 2014 (up from 4.4 million tonnes in 1H 2013), higher realized iron ore price and lower costs on a per unit basis. Importantly, Mount Gibson ended the period with an impressive cash balance of A\$483.9 million, implying a cash build of A\$107.9 million in 1H 2014 even after a dividend payment of A\$21.8 million.

Initial exploration at Extension Hill South appears positive, as Mount Gibson has indicated its plans for a second round of exploration, and could add to mine life at Extension Hill. Additionally, the recent acquisition of the Shine DSO project for A\$15 million has the potential to be brought into production quickly to partially offset the closure of Tallering Peak in the June quarter 2014.

In 1H 2014, iron ore prices outperformed market expectations and generally traded around the US\$130 to US\$135 per tonne range, as Chinese steel production growth of 8% in 2013 outperformed market expectations. However significant new iron ore supply over the next 12 to 24 months, combined with slowing Chinese demand (due to overcapacity, a shift from infrastructure to consumption based growth and increasing focus on air pollution), remains a concern for the market, and we have seen a softening in the iron ore price in recent weeks.

Metals X

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

During 1H 2014, Renison produced 3,120 tonnes of tin in concentrate (100% basis), up 3% compared to the six months ended 30 June 2013. Mine productivity was impacted by a power failure during the December quarter which constrained mine output. In the coming quarters, Metals X will be accessing higher grade areas at Renison which is expected to increase production and reduce costs in the second half of the 2014 financial year.

The Higginsville and South Kalgoorlie Operations were acquired as of 1 October 2013 and produced 51,300 ounces in the December quarter, adding an impressive A\$28 million pre-tax free cash flow compared to an acquisition cost of only A\$44 million. During the quarter, the South Kalgoorlie Operations transitioned to toll treating third party ore but Metals X is evaluating the potential to restart mining operations later in 2014. As a result, the company reported a solid net profit of A\$9.2 million for 1H 2014, compared to A\$4.9 million for 1H 2013 after stripping out an one-off income tax benefit of A\$10.6 million from the Westgold Resources Limited merger in October 2012.

Metals X received an average realised tin price of A\$24,034 per tonne in 1H 2014, up 22% compared to 1H 2013 (A\$19,705 per tonne). Tin prices recovered in 1H 2014 as the Indonesians sought to support prices with new regulations forcing local exchange trading of tin prior to export. We remain bullish on the medium to long-term outlook for tin due to the lack of 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 addition, existing resources in China, Indonesia, and Peru continue to be depleted, while market expectations are for stronger tin demand in 2014, based on a rebound in semiconductor shipments.

Resource Investment

The investments in this division comprise mostly minor holdings in various natural resource companies listed on major stock exchanges including Australia, Canada, Hong Kong, and the United Kingdom. Some of our positions are exploration or development stage companies and this section of the market is particularly sensitive to risk aversion, lower commodity prices, and the difficult financing markets.

Commodity prices remained weak throughout 1H 2014 with the ASX Small Resources Index down 24%; the FTSE AIM Basic Resources Index dropping 22%, and the TSX Venture Composite Index falling 13%. However, US and European economic data continue to improve and, in December 2013, the US announced that it is tapering its monthly bond purchases. The World Bank recently raised its 2014 global growth forecast from 3.0% to 3.2%, and up from 2.4% in 2013. However, markets remain concerned about a potential credit crisis in China, as well as a slowdown in emerging market economies, which will continue to keep commodity prices volatile.

We have maintained a high cash position throughout 1H 2014 and also increased the defensiveness of the portfolio, increasing our weighting in producing companies with strong balance sheets and cash flows, and generally avoiding earlier stage, unfunded explorers. Resource Investment posted a loss of HK\$9,545,000 in 1H 2014 (1H 2013: loss of HK\$4,641,000). While a loss is always a disappointing result, we feel that our defensive strategy minimised the quantum of the loss in an otherwise very difficult market. We remain confident that our high quality core positions, many of which are well capitalised, will weather the challenging market conditions and deliver superior returns in the long run.

ABM

ABM Resources NL (“**ABM**”) is an Australian listed gold company with assets located in the Northern Territory. It has a large acreage footprint in the Tanami-Arunta region, and is currently focused on the Old Pirate and Buccaneer projects, both of which sit inside the Twin Bonanza Gold Camp. Old Pirate is one of Australia’s highest grade open-pit mine projects, with a resource of 723,800 ounces of gold at 11.96g/t.

ABM completed its trial mine at Old Pirate, where the initial target was to extract and process 10,000 tonnes of ore at an average recovered grade of 10g/t, extracting roughly 3,000 ounces of gold in total. With final results imminent, the exercise looks relatively successful, with over 4,000 ounces of gold expected to be produced (after the final mill clean out), and broadly confirming the resource model and the amenability of ore to gravity recovery.

Looking forward, approval of the Environmental Impact Statement (EIS) is expected in the first quarter 2014, after which ABM have the option of submitting a Mine Management Plan for stage 2 to expand capacity. The key benefit of this staged approach is minimising upfront capital expenditure and “self-funding” future growth, to maximise shareholder value.

The gold price generally trended downwards during 1H 2014, bottoming just below US\$1,200 per ounce in late December as the US announced its plans to taper bond purchases. While gold prices have recovered in recent days and currently trades around US\$1,300 per ounce, the key variables, going forward, will be ongoing Chinese demand, an easing in Exchange Traded Fund (ETF) outflows and potential US Dollar strength on the back of tapering.

ABM should be well insulated given the high grade nature of the project which is expected to generate robust margins even in a lower gold price environment.

Commodity Business

The Commodity Business mainly comprises two offtake agreements with Mount Gibson, and the shipments are sold on the spot market to steel mills and traders in China. For 1H 2014, Commodity Business generated a strong profit of HK\$42,600,000 (1H 2013: HK\$5,119,000). The Platts IODEX 62% CFR China index started 1H 2014 at US\$117 per tonne, but had increased to over US\$140 per tonne by mid-August due to aggressive re-stocking by steel mills. Iron ore then traded in a tight range throughout the remainder of the period, but has drifted lower in early 2014. The data seems to indicate that the traditional restocking by Chinese steel mills in the first quarter is mostly complete, especially given tighter credit conditions, and port stockpiles are currently over 100 million tonnes. Given a number of large mine expansions this year, we are cautious on the outlook for iron ore prices heading into 2014.

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 2013, our non-current assets amounted to HK\$2,913,030,000 (As at 30 June 2013: HK\$1,428,755,000) and net current assets amounted to HK\$635,934,000 (As at 30 June 2013: HK\$829,878,000) with a current ratio of 3.4 times (As at 30 June 2013: 4.1 times) calculated on the basis of its current assets over current liabilities.

As at 31 December 2013, we had borrowings of HK\$184,500,000 (As at 30 June 2013: HK\$242,500,000) and had undrawn banking and loan facilities amounting to HK\$553,000,000 (As at 30 June 2013: HK\$656,592,000) secured against certain of our interests in listed associates and investments held for trading, term deposits and corporate guarantee of the Company. As at 31 December 2013, we had a gearing ratio of 0.05 (As at 30 June 2013: 0.11), calculated on the basis of total borrowings over equity attributable to owners of the Company.

As part of the Group's on-going treasury management arrangements, in November 2013, the Group applied certain of its available funds to subscribe for loan notes of US\$30,000,000 (Equivalent to approximately HK\$232,599,000). Details of this are set out in the announcement of the Company dated 26 November 2013.

Foreign Exchange Exposure

For the period under review, the Group's assets were mainly denominated in Australian Dollars and Hong Kong Dollars while the liabilities were mainly denominated in Hong Kong Dollars. As a substantial portion of the assets is held as long-term investments, there would be no material immediate effect on the cash flows of the Group from adverse movements in foreign exchange. In light of this, the Group did not actively hedge for the risk arising from the Australian Dollars denominated assets.

Pledge of Assets

As at 31 December 2013, certain of the Group's interests in listed associates of HK\$1,381,391,000 (As at 30 June 2013: HK\$862,277,000) 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\$308,314,000 (As at 30 June 2013: HK\$345,502,000) 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 People's Republic of China (the "PRC") for its employees in the PRC).

As at 31 December 2013, the Group, including its subsidiaries but excluding associates, had 25 (As at 30 June 2013: 25) employees. Total emolument together with pension contributions incurred for the six months ended 31 December 2013 amounted to HK\$8,410,000 (2012: HK\$15,093,000).

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 2013, 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 2013, the Group does not have plan for any other material investments or acquisition of material capital assets.

CAPITAL COMMITMENTS

As at 31 December 2013, the Group had no material capital commitments contracted but not provided for (As at 30 June 2013: Nil).

CONTINGENT LIABILITIES

As at the date of this announcement and as at 31 December 2013, the Board is not aware of any material contingent liabilities.

SUBSEQUENT EVENT

On 23 January 2014, the Company announced a conditional cash offer (the “Offer”) to repurchase for cancellation up to a maximum of 680,000,000 shares of the Company, representing approximately 10% of the total issued share capital of the Company as at 23 January 2014, at the offer price of HK\$0.18 per share. There is no minimum number of shares proposed to be repurchased under the Offer. If the Offer is fully accepted, the amount payable by the Company under the Offer, before expenses, is HK\$122,400,000. Details of the Offer are set out in the Company’s announcement dated 23 January 2014.

On 26 January 2014, as part of the Group’s on-going treasury management arrangements, the Group entered into a loan agreement with a third party as borrower, pursuant to which the Group has agreed to make available to the borrower a secured loan of HK\$218,320,000 with interest rate of 24% per annum. The repayment date of the loan is 28 July 2014. Details of this transaction are set out in the Company’s announcement dated 28 January 2014.

INTERIM DIVIDEND

No dividend was paid or proposed during the six months ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil) as the Company has negative distributable reserves.

FORWARD LOOKING OBSERVATIONS

In December 2013, markets responded positively to the US decision to start tapering its bond purchases, illustrating consensus belief that the US economy is close to reaching “escape velocity”. Europe also appears to be stabilising, and consensus forecast is for 1% growth in 2014. China remains an area of concern for markets, given expectations for slower growth (in part due to the government’s focus on “quality growth”), the lack of overwhelming stimulus as in previous years, and shadow banking risk which could trigger a credit event.

Looking at the supply-demand fundamentals for most commodities, it is hard to see a strong rebound in prices. However, given expectations for increased global growth in 2014 and many commodity prices starting to bite into the top end of cost curves, we see a case where the commodity complex remains broadly steady this year. The market is still underweight on resource equities, so even a flat commodity complex could see investors returning to resources equities given cheap valuations, more focused management teams, cost pressures subsiding and a return to significant sector free cash flow in 2014 and 2015.

Our Primary Strategic Investments are still focused on sensible low risk acquisitions and reducing costs, leaving them well positioned for a time when the investment community returns to the resources sector. Over the past six months, Mount Gibson has added over A\$100 million to its cash balance despite a A\$21.8 million dividend, completely replaced reserves depletion at its three operations, reduced costs significantly at its Koolan Island operations and identified a number of near-mine exploration and development opportunities to extend mine life. Our positive view for tin prices remains unchanged, and Metals X has recently acquired Alacer Gold Corp.'s Higginsville and South Kalgoorlie gold operations in Australia, which has already begun to generate significant free cash flow, particularly at Higginsville where cash costs averaged A\$825 per ounce in the December 2013 quarter. To date, ABM has delivered a pleasing result at its trial mining programme, and we look forward to the company further progressing to a full production scenario.

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 2013

		Six months ended	
		31.12.2013	31.12.2012
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue from sales of goods	2	540,038	442,201
Cost of sales		<u>(496,320)</u>	<u>(439,669)</u>
		43,718	2,532
Other gains and losses	3	1,138,001	(1,840)
Other income		9,860	7,234
Administrative expenses			
— General administrative expenses		(27,859)	(19,219)
— Equity-settled share option expenses		—	(14,021)
Finance costs	4	(3,457)	(2,791)
Share of results of associates		<u>162,503</u>	<u>109,704</u>
Profit before taxation	5	1,322,766	81,599
Income tax expense	6	<u>(6,749)</u>	<u>(32)</u>
Profit for the period attributable to owners of the Company		<u>1,316,017</u>	<u>81,567</u>
Earnings per share (expressed in HK cents)			
— Basic and diluted	8	<u>19.32</u>	<u>1.20</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2013

	Six months ended	
	31.12.2013	31.12.2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	<u>1,316,017</u>	<u>81,567</u>
Other comprehensive (expense) income, net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of associates	(32,513)	36,947
Exchange difference arising from translation of other foreign operations	3,477	5,361
Fair value change of available-for-sale investments	327	241
Reclassification adjustment upon disposal of available-for-sale investments	6	—
Reclassification adjustment upon deemed disposal of partial interests in associates	(23)	(7,359)
Share of investment revaluation reserve of associates	<u>3,040</u>	<u>(11,879)</u>
	<u>(25,686)</u>	<u>23,311</u>
Total comprehensive income for the period attributable to owners of the Company	<u><u>1,290,331</u></u>	<u><u>104,878</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	31.12.2013 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		2,878	2,011
Interests in associates	9	2,545,776	1,301,491
Available-for-sale investments		30,073	18,686
Financial assets designated at fair value through profit or loss		74,156	77,953
Loan receivable		27,548	28,614
Loan notes	10	232,599	—
		<u>2,913,030</u>	<u>1,428,755</u>
Current assets			
Trade and other receivables	11	89,509	27,178
Investments held for trading	12	201,372	233,091
Pledged bank deposits		308,314	345,502
Bank balances and cash		303,131	492,785
		<u>902,326</u>	<u>1,098,556</u>
Total assets		<u>3,815,356</u>	<u>2,527,311</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	681,193	681,193
Reserves		3,028,501	3,054,187
Accumulated losses		(160,730)	(1,476,747)
		<u>3,548,964</u>	<u>2,258,633</u>
Current liabilities			
Trade and other payables	13	76,439	25,381
Bank borrowing		184,500	242,500
Tax payable		5,453	797
		<u>266,392</u>	<u>268,678</u>
Total equity and liabilities		<u>3,815,356</u>	<u>2,527,311</u>
Net current assets		<u>635,934</u>	<u>829,878</u>
Total assets less current liabilities		<u>3,548,964</u>	<u>2,258,633</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**”) 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.

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

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 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2013.

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.

Except as described below, the application of the other 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.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for “fair value” and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 34 Interim financial reporting (as part of the annual improvements to HKFRSs 2009–2011 cycle)

The Group has applied the amendments to HKAS 34 “Interim financial reporting” as part of the annual improvements to HKFRSs 2009–2011 cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (“**CODM**”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

CODM reviews assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, thus the Group included total assets and total liabilities information as part of segment information.

2. SEGMENT INFORMATION

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

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

Segment results represent the profit (loss) earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, loss on deemed disposal of partial interest in an associate, impairment loss on interest in an associate, reversal of impairment losses on interests in associates and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

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

Six months ended 31 December 2013

	Commodity business HK\$'000	Resource investment HK\$'000	Total HK\$'000
Revenue	<u>540,038</u>	<u>—</u>	<u>540,038</u>
Gross sales proceeds from resource investment	<u>—</u>	<u>81,405</u>	<u>81,405</u>
Segment profit (loss)	42,600	(9,545)	33,055
Share of results of associates			162,503
Loss on deemed disposal of partial interest in an associate			(108)
Reversal of impairment losses on interests in associates			1,179,487
Impairment loss on interest in an associate			(26,190)
Unallocated corporate income			2,050
Unallocated corporate expenses			(24,574)
Finance costs			<u>(3,457)</u>
Profit before taxation			<u>1,322,766</u>

Six months ended 31 December 2012

	Commodity business HK\$'000	Resource investment HK\$'000	Total HK\$'000
Revenue	<u>442,201</u>	<u>—</u>	<u>442,201</u>
Gross sales proceeds from resource investment	<u>—</u>	<u>125,311</u>	<u>125,311</u>
Segment profit (loss)	5,119	(4,641)	478
Share of results of associates			109,704
Net gain on deemed disposal of partial interests in associates			3,359
Unallocated corporate income			177
Unallocated corporate expenses			(29,328)
Finance costs			<u>(2,791)</u>
Profit before taxation			<u>81,599</u>

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

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

	31.12.2013 HK\$'000 (unaudited)	30.6.2013 <i>HK\$'000</i> (audited)
Commodity business	535,248	772,078
Resource investment	<u>454,157</u>	<u>400,686</u>
Total segment assets	<u>989,405</u>	<u>1,172,764</u>
Interests in associates	2,545,776	1,301,491
Loan notes	232,599	—
Unallocated	<u>47,576</u>	<u>53,056</u>
Consolidated assets	<u>3,815,356</u>	<u>2,527,311</u>
Commodity business	258,156	265,529
Resource investment	<u>235</u>	<u>117</u>
Total segment liabilities	258,391	265,646
Unallocated	<u>8,001</u>	<u>3,032</u>
Consolidated liabilities	<u>266,392</u>	<u>268,678</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, loan notes, property, plant and equipment, other receivables and certain bank balances and cash.
- all liabilities are allocated to reportable segments other than certain other payables and tax payable.
- bank borrowing is allocated while the finance costs are not allocated to respective reportable segments.

3. OTHER GAINS AND LOSSES

	Six months ended	
	31.12.2013	31.12.2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value change of investments held for trading	5,145	(6,521)
(Loss) net gain on deemed disposal of partial interests in associates	(108)	3,359
Impairment loss on available-for-sale investment	(11,214)	—
Impairment loss on financial asset designated at fair value through profit or loss	(2,636)	—
Impairment loss on loan receivable	(1,066)	—
Reversal of impairment losses on interests in associates	1,179,487	—
Impairment loss on interest in an associate	(26,190)	—
Net foreign exchange (loss) gain	(3,799)	1,928
(Loss) gain on disposal of available-for-sale investments	(6)	285
Fair value change of financial assets designated at fair value through profit or loss	<u>(1,612)</u>	<u>(891)</u>
	<u>1,138,001</u>	<u>(1,840)</u>

4. FINANCE COSTS

	Six months ended	
	31.12.2013	31.12.2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on borrowing wholly repayable within five years:		
— Bank borrowing	<u>3,457</u>	<u>2,791</u>

5. PROFIT BEFORE TAXATION

Six months ended	
31.12.2013	31.12.2012
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Profit before taxation has been arrived at after charging (crediting):

Staff costs, including directors' emoluments

— salaries and allowances	11,107	7,622
— equity-settled share option expenses (included in administrative expenses)	—	14,021
— staff quarters	441	432
— retirement benefits schemes contributions	97	120
	<u>11,645</u>	<u>22,195</u>
Total staff costs	11,645	22,195
Depreciation of property, plant and equipment	434	326
Reversal of allowance for trade receivables	—	(3,317)
Cost of goods recognised as an expense	420,967	398,429
Reversal of allowance for inventories (included in cost of sales)	<u>—</u>	<u>(5,867)</u>

6. INCOME TAX EXPENSE

Six months ended	
31.12.2013	31.12.2012
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Current tax

Hong Kong Profits Tax	5,842	(820)
Enterprise Income Tax in the People's Republic of China (the "PRC")	907	852
	<u>6,749</u>	<u>32</u>

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.

7. DIVIDENDS

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

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\$1,316,017,000 (six months ended 31 December 2012: HK\$81,567,000) and the number of 6,811,927,990 (six months ended 31 December 2012: weighted average number of 6,812,062,635) ordinary shares in issue during the six months ended 31 December 2013.

For the period ended 31 December 2012, 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 the period.

9. INTERESTS IN ASSOCIATES

	31.12.2013 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (audited)
Cost of investment in associates		
Listed in Australia	2,223,339	2,223,339
Unlisted	50,687	50,687
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,303,115	1,212,127
Impairment losses recognised	<u>(1,031,365)</u>	<u>(2,184,662)</u>
	<u>2,545,776</u>	<u>1,301,491</u>
Fair value of listed investments	<u>2,508,707</u>	<u>1,237,392</u>

During the period ended 31 December 2013, the recoverable amounts of the Group's listed associates which represented the fair value less cost of disposal were higher than their carrying amounts, accordingly, impairment losses of HK\$1,179,487,000 (six months ended 31 December 2012: nil) recognised in prior years were reversed in profit or loss. The fair value of the Group's listed associates referred to their respective closing prices as at 31 December 2013.

One of the Group's unlisted associates engages in mineral exploration. However, the exploration license has not yet been granted by the relevant government authority to the associate. Due to the uncertainty in obtaining the exploration license and the insolvent financial position of the associate, the directors of the Company determined to recognise an impairment loss of HK\$26,190,000 against the full carrying value of the associate during the period ended 31 December 2013.

10. LOAN NOTES

The Group subscribed for loan notes with a nominal value of US\$30,000,000 from Mulpha SPV Limited (“Mulpha”), a limited liability company incorporated in Malaysia, at the nominal amount in November 2013. The loan notes bear 8.5% coupon interest per annum and it will mature on 26 November 2016. The loan notes are guaranteed by Mulpha International Bhd., a company incorporated in Malaysia whose shares are listed on the Main Market of Bursa Malaysia Securities Berhad. The loan notes can be early redeemed by Mulpha before the maturity date at the nominal amount of the loan notes plus accrued unpaid interest up to the date of redemption. The early redemption option by Mulpha is closely related to the host debt and is therefore not separately accounted for.

11. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition dates:

	31.12.2013 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (audited)
0 to 90 days	<u>70,982</u>	<u>4,919</u>

As at 31 December 2013 and 30 June 2013, the trade receivables disclosed above are neither past due nor impaired.

12. INVESTMENTS HELD FOR TRADING

	31.12.2013 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (audited)
Listed securities:		
— Equity securities listed in United Kingdom	18,814	44,233
— Equity securities listed in United States of America	—	1,622
— Equity securities listed in Australia	146,738	152,797
— Equity securities listed in Canada	<u>35,820</u>	<u>34,439</u>
	<u>201,372</u>	<u>233,091</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:

	31.12.2013 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (audited)
0 to 90 days	<u>62,866</u>	<u>20,407</u>

14. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised	<u>20,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid		
At 1 July 2012	6,813,047,990	681,305
Cancellation of shares repurchased	<u>(1,120,000)</u>	<u>(112)</u>
At 31 December 2012, 1 July 2013 and 31 December 2013	<u>6,811,927,990</u>	<u>681,193</u>

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

During the six months ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2013. 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 2013, the Company had fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2013.

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

Hong Kong, 25 February 2014

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*) and Mr. Kong Muk Yin

Non-executive Directors

Mr. Lee Seng Hui, Mr. So Kwok Hoo 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*