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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 2014**

The board of directors (the “**Board**”) of APAC Resources Limited (the “**Company**” or “**APAC**”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 December 2014, which has been reviewed by the auditor of the Group and the audit committee of the Company (the “**Audit Committee**”).

#### **RESULTS HIGHLIGHTS**

Our results have been driven by our Primary Strategic Investments where we recorded a significant loss as a result of the flooding at Mount Gibson’s Koolan Island mine after a seawall failure and lower iron ore prices.

#### **Period on Period Comparison (Compared to the six months ended 31 December 2013)**

- Attributable loss from Primary Strategic Investments of HK\$1,460.7 million (2013 Profit: HK\$162.5 million)
- Resource Investment posted a loss of HK\$88.7 million (2013 Loss: HK\$9.5 million)
- Commodity Business reported revenue of HK\$193.8 million (2013: HK\$540.0 million), with a profit of HK\$4.0 million (2013 Profit: HK\$42.6 million)
- Release of impairment loss on interests in associates of HK\$777.1 million (2013: HK\$1,179.5 million)
- Impairment loss on interests in associates of HK\$144.7 million (2013: HK\$26.2 million)
- Net loss attributable to owners of HK\$897.2 million (2013 Net profit: HK\$1,316.0 million), with loss per share at HK14.64 cents (2013: Earnings per share of HK19.32 cents)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

The Group reported a net loss attributable to owners of HK\$897,234,000 for the six months ended 31 December 2014 (“**1H 2015**”), compared with a net profit of HK\$1,316,017,000 reported for the six months ended 31 December 2013 (“**1H 2014**”). The loss includes principally the share of net loss of associates of HK\$1,460,673,000 (1H 2014: Net profit of HK\$162,503,000), which is partially offset by the net reversal of impairment losses of HK\$632,428,000 (1H 2014: HK\$1,153,297,000) against the carrying value of the Group’s two principal listed associates which are marked to their respective share prices as of 31 December 2014.

### 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 2015 was HK\$1,460,673,000 (1H 2014: Net profit of HK\$162,503,000). Mount Gibson reported an operating loss and a very significant impairment loss on its Koolan Island mine as a result of the flooding of the Main Pit after a seawall failure and lower iron ore prices. In contrast, Metals X delivered very strong operational results.

#### *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 last six months 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 has revised its financial year ending 30 June 2015 (“**FY 2015**”) sales guidance to 5.0 to 5.4 million tonnes, after 3.1 million tonnes in 1H 2015.

Mount Gibson’s results were impacted by significant non-cash write downs related to Koolan Island, the weak iron ore price and the repeal of the Mineral Resources Rent Tax. Mount Gibson continues to focus on cutting costs in the weak iron ore environment, and reduced total cost of sales from A\$78/t in 1H 2014 to A\$62/t in 1H 2015. Importantly, Mount Gibson still boasts an impressive cash balance, ending 1H 2015 with of A\$354 million or A\$0.32 per share compared to share price at the date of this announcement of A\$0.25 per share.

Extension Hill South remains a high priority near-mine exploration target. Mount Gibson completed an infill and extensional drilling program in 1H 2015 following an initial drilling program in December 2013 and is awaiting assay results.

The Platts IODEX 62% CFR China index has steadily fallen throughout 1H 2015, ending the year at US\$71 per tonne but drifting down to around US\$60 per tonne since. The weakness has been driven by ongoing supply growth and a weaker outlook for steel demand in China. We remain cautious on the outlook for iron ore in FY 2015.

### *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 72,884 ounces in the 1H 2015 and generated A\$40m of EBITDA despite the closure of the Chalice mine, with the current focus on redeveloping the HBJ underground mine.

The gold price hit a low of US\$1,131 per ounce in November before rebounding well above US\$1,200 per ounce, driven by shifts in expectations of the timing of US rate hikes. While a stronger US Dollar has been a headwind, Chinese, Indian and net central bank buying have been supportive. Importantly, the Australian dollar gold price is up around A\$200 per ounce, in Australian dollar terms, the gold price is trading near 2-year highs around A\$1,600 per ounce.

During 1H 2015, Renison produced 3,791 tonnes of tin in concentrate (100% basis), up 21% compared to the six months ended 30 June 2014. The production increase was driven by both higher grade and higher mine output. Average realised tin prices of A\$23,394 per tonne in 1H 2015 were down 3% compared to 1H 2014 given strong Myanmar ore production growth. 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.

Metals X reported a solid net profit of A\$15.9 million for 1H 2015, compared to A\$9.2 million for 1H 2014. During the half Metals X also underwent a 1-for-4 share consolidation and announced its inaugural dividend of approximately 2.7 Australian cents per share (post consolidation) and a dividend policy of at least 30% of the company's annual net profit after tax.

In February 2015, Metals X acquired a 75% interest in the Central Tanami Project which has a resource of 2.6 million ounces of gold at 3g/t. The project includes a processing plant and associated infrastructure which is expected to require only modest refurbishment. Initial mining will focus on the Groundrush underground mine and production is expected to commence at the end of 2015.

Share price of Metals X has rebounded strongly from A\$0.785 per share at 31 December 2014 to A\$1.235 per share at the date of this announcement.

## **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 2015 with the ASX Small Resources Index down 29%; the FTSE AIM Basic Resources Index dropping 27%, and the TSX Venture Composite Index falling 33%.

Resource Investment posted a loss of HK\$88,681,000 in 1H 2015 (1H 2014: Loss of HK\$9,545,000). While a loss is always a disappointing result, we feel that 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.

### ***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 project. Old Pirate is Australia’s highest grade open-pittable mine development, with a resource of 640,000 ounces of gold at 11.7g/t.

ABM is moving forward with the staged development of its Old Pirate project. In December it received approval of the Mine Management Plan which was the last major approval required before beginning site works. ABM has selected a mining contractor who will be mobilised in early 2015 to upgrade the access road and commence clearing over planned mining areas. Recommissioning of the Coyote Plant is expected to commence shortly.

In July 2014, Pacific Road Capital became a strategic investor after subscribing to A\$20 million of new equity. ABM launched a rights issue and share placement to raise a total of A\$15 million in February 2015. The proceeds will be used to cover working capital requirements until the mine reaches steady state. At period end, ABM had A\$11 million cash and no debt.

## **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 2015, Commodity Business generated a modest profit of HK\$4,046,000 (1H 2014: HK\$42,600,000), amid a steadily declining iron ore price.

## **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 2014, our non-current assets amounted to HK\$1,327,246,000 (As at 30 June 2014: HK\$2,531,023,000) and net current assets amounted to HK\$567,803,000 (As at 30 June 2014: HK\$598,178,000) with a current ratio of 6.4 times (As at 30 June 2014: 3.9 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\$315,962,000 (As at 30 June 2014: HK\$235,934,000) and loans receivable of HK\$240,925,000 (As at 30 June 2014: HK\$238,754,000) which form part of the on-going treasury management arrangements of the Group.

As at 31 December 2014, we had borrowings of HK\$81,040,000 (As at 30 June 2014: HK\$126,217,000) and had undrawn banking and loan facilities amounting to HK\$625,148,000 (As at 30 June 2014: HK\$501,183,000) 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 2014, we had a gearing ratio of 0.04 (As at 30 June 2014: 0.04), 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 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 2014, certain of the Group's interests in listed associates of HK\$561,028,000 (As at 30 June 2014: HK\$1,253,610,000) 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\$80,085,000 (As at 30 June 2014: HK\$80,010,000) 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 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 2014, the Group, including its subsidiaries but excluding associates, had 18 (As at 30 June 2014: 18) employees. Total emolument together with pension contributions incurred for the six months ended 31 December 2014 amounted to HK\$5,187,000 (2013: HK\$8,410,000).

## **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 2014, 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 2014, the Group does not have plan for any other material investments or acquisition of material capital assets.

## **CAPITAL COMMITMENTS**

As at 31 December 2014, the Group had no material capital commitments contracted but not provided for (As at 30 June 2014: Nil).

## **CONTINGENT LIABILITIES**

As at the date of this announcement and as at 31 December 2014, the Board is not aware of any material contingent liabilities.

## **INTERIM DIVIDEND**

No dividend was paid or proposed during the six months ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

## **FORWARD LOOKING OBSERVATIONS**

US economic data continues to strengthen as illustrated by consistently robust employment data, showing increasing wages and job growth. Although the outlook for Europe and China remains uncertain, both regions have demonstrated their willingness to support the economy. In early 2015, the European Central Bank announced that it will inject €1.1 trillion into the economy through quantitative easing and maintain interest rates at record low levels. China has similarly moved to stimulate the economy by reducing the reserve requirement ratio by 0.5% and lowering interest rates.

We expect commodity prices to remain volatile. While a stronger US economy will improve sentiment, it is likely to result in a stronger US dollar which makes commodities more expensive for global consumers. Furthermore, the uncertainty around China's economy will remain a challenge for the resources space given that it is the key buyer for most commodities.

While headline commodity prices are likely to remain weak, we see an opportunity for significant margin expansion for specific producers, given lower commodity currencies, a halving in oil prices and general industry cost deflation. 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\$354 million cash balance provides significant potential to grow via careful acquisition. Metals X continues to generate free cash flow, and has prudently acquired two other gold projects with plans to commence development in the coming year. ABM is progressing to a full production scenario and will start production later in the year.

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 2014*

|                                                                    | <i>Notes</i> | <b>Six months ended</b>        |                         |
|--------------------------------------------------------------------|--------------|--------------------------------|-------------------------|
|                                                                    |              | <b>31.12.2014</b>              | 31.12.2013              |
|                                                                    |              | <b><i>HK\$'000</i></b>         | <i>HK\$'000</i>         |
|                                                                    |              | <b>(unaudited)</b>             | (unaudited)             |
| Revenue from sales of goods                                        | 2            | <b>193,785</b>                 | 540,038                 |
| Cost of sales                                                      |              | <u><b>(189,332)</b></u>        | <u>(496,320)</u>        |
|                                                                    |              | <b>4,453</b>                   | 43,718                  |
| Other gains and losses                                             | 3            | <b>537,902</b>                 | 1,138,001               |
| Other income                                                       |              | <b>41,920</b>                  | 9,860                   |
| Administrative expenses                                            |              | <b>(15,526)</b>                | (27,859)                |
| Finance costs                                                      | 4            | <b>(4,254)</b>                 | (3,457)                 |
| Share of results of associates                                     |              | <u><b>(1,460,673)</b></u>      | <u>162,503</u>          |
| (Loss) profit before taxation                                      | 5            | <b>(896,178)</b>               | 1,322,766               |
| Income tax expense                                                 | 6            | <u><b>(1,056)</b></u>          | <u>(6,749)</u>          |
| (Loss) profit for the period attributable to owners of the Company |              | <u><u><b>(897,234)</b></u></u> | <u><u>1,316,017</u></u> |
| (Loss) earnings per share (expressed in HK cents)                  |              |                                |                         |
| — Basic and diluted                                                | 8            | <u><u><b>(14.64)</b></u></u>   | <u><u>19.32</u></u>     |



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the six months ended 31 December 2014*

|                                                                                              | <b>Six months ended</b>          |                         |
|----------------------------------------------------------------------------------------------|----------------------------------|-------------------------|
|                                                                                              | <b>31.12.2014</b>                | 31.12.2013              |
|                                                                                              | <b>HK\$'000</b>                  | HK\$'000                |
|                                                                                              | <b>(unaudited)</b>               | (unaudited)             |
| (Loss) profit for the period                                                                 | <u><b>(897,234)</b></u>          | <u>1,316,017</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                                   | <b>(327,000)</b>                 | (32,513)                |
| Exchange difference arising from translation of<br>other foreign operations                  | <b>(474)</b>                     | 3,477                   |
| Fair value change of available-for-sale investments                                          | —                                | 327                     |
| Reclassification adjustment upon disposal of<br>available-for-sale investments               | —                                | 6                       |
| Reclassification adjustment upon deemed disposal<br>of partial interests in associates       | <b>(29)</b>                      | (23)                    |
| Share of investment revaluation reserve of associates                                        | <u><b>(8,670)</b></u>            | <u>3,040</u>            |
|                                                                                              | <u><b>(336,173)</b></u>          | <u>(25,686)</u>         |
| Total comprehensive (expense) income for the period<br>attributable to owners of the Company | <u><u><b>(1,233,407)</b></u></u> | <u><u>1,290,331</u></u> |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

|                                                                     | Notes | 31.12.2014<br>HK\$'000<br>(unaudited) | 30.6.2014<br>HK\$'000<br>(audited) |
|---------------------------------------------------------------------|-------|---------------------------------------|------------------------------------|
| <b>ASSETS</b>                                                       |       |                                       |                                    |
| <b>Non-current assets</b>                                           |       |                                       |                                    |
| Property, plant and equipment                                       |       | 2,051                                 | 2,395                              |
| Interests in associates                                             | 9     | 984,514                               | 2,241,023                          |
| Available-for-sale investments                                      |       | 2,794                                 | 26,794                             |
| Financial assets designated at fair value<br>through profit or loss |       | 2,735                                 | 3,522                              |
| Loans receivable                                                    |       | 18,269                                | 20,434                             |
| Loan notes                                                          | 10    | 315,962                               | 235,934                            |
| Deposits                                                            |       | 921                                   | 921                                |
|                                                                     |       | <u>1,327,246</u>                      | <u>2,531,023</u>                   |
| <b>Current assets</b>                                               |       |                                       |                                    |
| Inventories                                                         |       | —                                     | 39,798                             |
| Trade, other receivables and deposits                               | 11    | 35,761                                | 77,017                             |
| Financial assets designated at fair value<br>through profit or loss |       | 70,200                                | 70,200                             |
| Investments held for trading                                        | 12    | 165,849                               | 225,199                            |
| Loans receivable                                                    |       | 222,656                               | 218,320                            |
| Tax recoverable                                                     |       | 787                                   | 693                                |
| Pledged bank deposits                                               |       | 80,085                                | 80,010                             |
| Bank balances and cash                                              |       | 98,243                                | 94,776                             |
|                                                                     |       | <u>673,581</u>                        | <u>806,013</u>                     |
| <b>Total assets</b>                                                 |       | <u><u>2,000,827</u></u>               | <u><u>3,337,036</u></u>            |

|                                       | <i>Notes</i> | <b>31.12.2014</b><br><b><i>HK\$'000</i></b><br><b>(unaudited)</b> | 30.6.2014<br><i>HK\$'000</i><br>(audited) |
|---------------------------------------|--------------|-------------------------------------------------------------------|-------------------------------------------|
| <b>EQUITY AND LIABILITIES</b>         |              |                                                                   |                                           |
| <b>Capital and reserves</b>           |              |                                                                   |                                           |
| Share capital                         | 14           | <b>612,777</b>                                                    | 613,193                                   |
| Reserves                              |              | <b>317,409</b>                                                    | 3,153,495                                 |
| Accumulated profits (losses)          |              | <u><b>964,863</b></u>                                             | <u>(637,487)</u>                          |
|                                       |              | <u><b>1,895,049</b></u>                                           | <u>3,129,201</u>                          |
| <b>Current liabilities</b>            |              |                                                                   |                                           |
| Trade and other payables              | 13           | <b>13,906</b>                                                     | 74,984                                    |
| Derivative financial instruments      |              | <b>4,551</b>                                                      | 873                                       |
| Borrowings                            |              | <b>81,040</b>                                                     | 126,217                                   |
| Tax payable                           |              | <u><b>6,281</b></u>                                               | <u>5,761</u>                              |
|                                       |              | <u><b>105,778</b></u>                                             | <u>207,835</u>                            |
| <b>Total equity and liabilities</b>   |              | <u><u><b>2,000,827</b></u></u>                                    | <u><u>3,337,036</u></u>                   |
| Net current assets                    |              | <u><u><b>567,803</b></u></u>                                      | <u><u>598,178</u></u>                     |
| Total assets less current liabilities |              | <u><u><b>1,895,049</b></u></u>                                    | <u><u>3,129,201</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**”) 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.

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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2014.

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.

## **2. 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, directors’ salaries, share of results of associates, loss on deemed disposal of partial interest 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.

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

**Six months ended 31 December 2014**

|                                                           | <b>Commodity<br/>business<br/>HK\$'000</b> | <b>Resource<br/>investment<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|-----------------------------------------------------------|--------------------------------------------|---------------------------------------------|---------------------------|
| Revenue                                                   | <u>193,785</u>                             | <u>—</u>                                    | <u>193,785</u>            |
| Gross sales proceeds from resource investment             | <u>—</u>                                   | <u>47,926</u>                               | <u>47,926</u>             |
| Segment profit (loss)                                     | 4,046                                      | (88,681)                                    | (84,635)                  |
| Share of results of associates                            |                                            |                                             | (1,460,673)               |
| Loss on deemed disposal of partial interest in associates |                                            |                                             | (463)                     |
| Reversal of impairment loss on interest 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                                             |                                            |                                             | <u>(4,254)</u>            |
| Loss before taxation                                      |                                            |                                             | <u>(896,178)</u>          |

**Six months ended 31 December 2013**

|                                                             | <b>Commodity<br/>business<br/>HK\$'000</b> | <b>Resource<br/>investment<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|-------------------------------------------------------------|--------------------------------------------|---------------------------------------------|---------------------------|
| 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>          |

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:

|                               | <b>31.12.2014</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 30.6.2014<br><i>HK\$'000</i><br>(audited) |
|-------------------------------|------------------------------------------------------------|-------------------------------------------|
| Commodity business            | <b>160,709</b>                                             | 262,064                                   |
| Resource investment           | <u><b>278,169</b></u>                                      | <u>342,687</u>                            |
| <br>Total segment assets      | <br><b>438,878</b>                                         | <br>604,751                               |
| Interests in associates       | <b>984,514</b>                                             | 2,241,023                                 |
| Loan notes                    | <b>315,962</b>                                             | 235,934                                   |
| Loans receivable              | <b>240,925</b>                                             | 238,754                                   |
| Unallocated                   | <u><b>20,548</b></u>                                       | <u>16,574</u>                             |
| <br>Consolidated assets       | <br><u><b>2,000,827</b></u>                                | <br><u>3,337,036</u>                      |
| <br>Commodity business        | <br><b>5,634</b>                                           | <br>128,425                               |
| Resource investment           | <u><b>90,983</b></u>                                       | <u>73,764</u>                             |
| <br>Total segment liabilities | <br><b>96,617</b>                                          | <br>202,189                               |
| Unallocated                   | <u><b>9,161</b></u>                                        | <u>5,646</u>                              |
| <br>Consolidated liabilities  | <br><u><b>105,778</b></u>                                  | <br><u>207,835</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, 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.

### 3. OTHER GAINS AND LOSSES

|                                                                                       | Six months ended |                  |
|---------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                       | 31.12.2014       | 31.12.2013       |
|                                                                                       | HK\$'000         | HK\$'000         |
|                                                                                       | (unaudited)      | (unaudited)      |
| Fair value change of investments held for trading                                     | (63,056)         | 5,145            |
| Fair value change of derivative financial instruments                                 | (3,678)          | —                |
| Loss on deemed disposal of partial interests in associates                            | (463)            | (108)            |
| Impairment loss on available-for-sale investments                                     | (24,000)         | (11,214)         |
| Impairment loss on financial assets designated at fair value through profit or loss   | —                | (2,636)          |
| Impairment loss on loan receivable                                                    | (2,165)          | (1,066)          |
| Reversal of impairment losses on interests in associates                              | 777,114          | 1,179,487        |
| Impairment loss on interests in associates                                            | (144,686)        | (26,190)         |
| Net foreign exchange losses                                                           | (377)            | (3,799)          |
| Loss on disposal of available-for-sale investments                                    | —                | (6)              |
| Fair value change of financial assets designated at fair value through profit or loss | (787)            | (1,612)          |
|                                                                                       | <u>537,902</u>   | <u>1,138,001</u> |

### 4. FINANCE COSTS

|                                                           | Six months ended |              |
|-----------------------------------------------------------|------------------|--------------|
|                                                           | 31.12.2014       | 31.12.2013   |
|                                                           | HK\$'000         | HK\$'000     |
|                                                           | (unaudited)      | (unaudited)  |
| Interest on borrowing wholly repayable within five years: |                  |              |
| — Bank borrowing                                          | 211              | 3,457        |
| — Securities margin financing                             | 4,043            | —            |
|                                                           | <u>4,254</u>     | <u>3,457</u> |



## 5. (LOSS) PROFIT BEFORE TAXATION

| Six months ended |             |
|------------------|-------------|
| 31.12.2014       | 31.12.2013  |
| HK\$'000         | HK\$'000    |
| (unaudited)      | (unaudited) |

(Loss) profit before taxation has been arrived at after charging:

Staff costs, including directors' emoluments

|                                             |       |        |
|---------------------------------------------|-------|--------|
| — salaries and allowances                   | 8,005 | 11,107 |
| — staff quarters                            | 441   | 441    |
| — retirement benefits schemes contributions | 115   | 97     |

|                                               |         |         |
|-----------------------------------------------|---------|---------|
| Total staff costs                             | 8,561   | 11,645  |
| Depreciation of property, plant and equipment | 344     | 434     |
| Cost of goods recognised as an expense        | 164,053 | 420,967 |

## 6. INCOME TAX EXPENSE

| Six months ended |             |
|------------------|-------------|
| 31.12.2014       | 31.12.2013  |
| HK\$'000         | HK\$'000    |
| (unaudited)      | (unaudited) |

Current tax

|                                                                             |       |       |
|-----------------------------------------------------------------------------|-------|-------|
| Hong Kong Profits Tax                                                       | 490   | 5,842 |
| Enterprise Income Tax (“EIT”) in the People’s Republic of China (the “PRC”) | 107   | 907   |
| Underprovision in EIT in the PRC in the previous years                      | 459   | —     |
|                                                                             | 1,056 | 6,749 |

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. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss attributable to owners of the Company of HK\$897,234,000 (six months ended 31 December 2013: profit of HK\$1,316,017,000) and weighted average number of 6,128,740,164 (six months ended 31 December 2013: weighted average number of 6,811,927,990) ordinary shares in issue during the six months ended 31 December 2014.

## 9. INTERESTS IN ASSOCIATES

|                                                                                                         | <b>31.12.2014</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 30.6.2014<br>HK\$'000<br>(audited) |
|---------------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------|
| Cost of investment in associates                                                                        |                                                            |                                    |
| Listed in Australia                                                                                     | 2,223,339                                                  | 2,223,339                          |
| Unlisted                                                                                                | 54,735                                                     | 50,687                             |
| Share of post-acquisition (losses) profits and other comprehensive income,<br>net of dividends received | (388,783)                                                  | 1,504,202                          |
| Impairment losses recognised                                                                            | <u>(904,777)</u>                                           | <u>(1,537,205)</u>                 |
|                                                                                                         | <u><b>984,514</b></u>                                      | <u><b>2,241,023</b></u>            |
| Fair value of listed investments                                                                        | <u><b>947,566</b></u>                                      | <u><b>2,217,823</b></u>            |

As 31 December 2014, 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 (market value) less cost of disposal) with their respective carrying amounts. In determining the value of 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 2014. At 31 December 2014, the recoverable amount of the Group's interest in Mount Gibson Iron Limited which represented the fair value less cost of disposal were higher than the carrying amount, accordingly, impairment loss of HK\$777,114,000 recognised in prior years were reversed in profit or loss during the six months ended 31 December 2014. On the other hand, as the carrying amount of the Group's interest in Metals X Limited was higher than the recoverable amount, accordingly, impairment loss of HK\$140,638,000 was recognised in profit or loss during the six months ended 31 December 2014.

One of the Group's unlisted associates engages in mineral exploration. Due to the insolvent financial position and uncertainty of the associate in raising new funds to continue with the exploration of its projects, the directors of the Company determined to recognise an impairment loss of HK\$4,048,000 (six months ended 31 December 2013: HK\$26,190,000) of the investment during the period ended 31 December 2014.

## 10. LOAN NOTES

The Group subscribed 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 will mature on 26 November 2016. The Group subscribed additional loan notes with a nominal value of US\$10,000,000 from Mulpha at the nominal amount in September 2014. These loan notes bear 8.0% coupon interest per annum and will mature on 5 September 2016.

These loan notes are guaranteed by Mulpha International Bhd., a company incorporated in Malaysia whose shares are listed on the Main Market of Bursa Malaysia Securities Berhad. These loan notes can be early redeemed by Mulpha before 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.

## 11. TRADE, OTHER RECEIVABLES AND DEPOSITS

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:

|              | <b>31.12.2014</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 30.6.2014<br><b>HK\$'000</b><br><b>(audited)</b> |
|--------------|------------------------------------------------------------|--------------------------------------------------|
| 0 to 90 days | <b><u>563</u></b>                                          | <b><u>65,787</u></b>                             |

As at 31 December 2014 and 30 June 2014, the trade receivables disclosed above are neither past due nor impaired.

## 12. INVESTMENTS HELD FOR TRADING

|                                              | <b>31.12.2014</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 30.6.2014<br><b>HK\$'000</b><br><b>(audited)</b> |
|----------------------------------------------|------------------------------------------------------------|--------------------------------------------------|
| Listed securities:                           |                                                            |                                                  |
| — Equity securities listed in Hong Kong      | <b>21,562</b>                                              | 504                                              |
| — Equity securities listed in United Kingdom | <b>10,976</b>                                              | 16,840                                           |
| — Equity securities listed in Australia      | <b>126,139</b>                                             | 184,674                                          |
| — Equity securities listed in Canada         | <b><u>7,172</u></b>                                        | <b><u>23,181</u></b>                             |
|                                              | <b><u>165,849</u></b>                                      | <b><u>225,199</u></b>                            |

### 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:

|              | 31.12.2014<br><i>HK\$'000</i><br>(unaudited) | 30.6.2014<br><i>HK\$'000</i><br>(audited) |
|--------------|----------------------------------------------|-------------------------------------------|
| 0 to 90 days | <u>5,475</u>                                 | <u>58,839</u>                             |

### 14. SHARE CAPITAL

|                                  | 2014                  |                                     | 2013                 |                                     |
|----------------------------------|-----------------------|-------------------------------------|----------------------|-------------------------------------|
|                                  | Number<br>of shares   | Share<br>capital<br><i>HK\$'000</i> | Number<br>of shares  | Share<br>capital<br><i>HK\$'000</i> |
| Ordinary shares of HK\$0.10 each |                       |                                     |                      |                                     |
| Authorised                       | <u>20,000,000,000</u> | <u>2,000,000</u>                    | 20,000,000,000       | <u>2,000,000</u>                    |
| Issued and fully paid            |                       |                                     |                      |                                     |
| At beginning of the period       | 6,131,927,990         | 613,193                             | 6,811,927,990        | 681,193                             |
| Shares repurchased and cancelled | <u>(4,160,000)</u>    | <u>(416)</u>                        | <u>—</u>             | <u>—</u>                            |
| At end of the period             | <u>6,127,767,990</u>  | <u>612,777</u>                      | <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 2014, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as follows:

| Month     | Number of shares<br>repurchased | Purchase Price    |                  | Aggregate<br>consideration<br>(before expenses)<br>(HK\$) |
|-----------|---------------------------------|-------------------|------------------|-----------------------------------------------------------|
|           |                                 | Highest<br>(HK\$) | Lowest<br>(HK\$) |                                                           |
| July 2014 | 4,160,000                       | 0.180             | 0.173            | 742,960                                                   |

All the repurchased shares were subsequently cancelled.

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

Save as disclosed above in Note 14, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the period.

## 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 results for the six months ended 31 December 2014. 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 2014, 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 2014.

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

Hong Kong, 27 February 2015

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. Peter Anthony Curry as his alternate*) and Mr. So Kwok Hoo

### Independent Non-Executive Directors

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

\* *For identification purpose only*