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ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

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 2018, which has been reviewed by the auditor of the Group and the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2018

		Six months ended 31.12.2018 <i>HK\$'000</i> (unaudited)	31.12.2017 <i>HK\$'000</i> (unaudited)
	<i>Notes</i>		
Revenue			
Trading of goods		48,292	39,174
Interest income		<u>25,971</u>	<u>10,713</u>
Total revenue	2	74,263	49,887
Cost of sales		<u>(44,520)</u>	<u>(37,353)</u>
Gross profit		29,743	12,534
Other gains and losses	4	(313,506)	330,520
Other income		5,821	13,628
Administrative expenses		(20,773)	(23,207)
Finance costs		(654)	(188)
Share of results of associates		<u>114,501</u>	<u>144,389</u>
(Loss) profit before taxation	5	(184,868)	477,676
Income tax expense	6	<u>(719)</u>	<u>(57)</u>
(Loss) profit for the period attributable to owners of the Company		<u>(185,587)</u>	<u>477,619</u>
(Loss) earnings per share (expressed in HK cents)			
— Basic and diluted	8	<u>(23.29)</u>	<u>52.11</u>

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

For the six months ended 31 December 2018

	Six months ended	
	31.12.2018	31.12.2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period	<u>(185,587)</u>	<u>477,619</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	(45,682)	12,927
Exchange difference arising from translation of other foreign operations	(1,336)	11,421
Gain from changes in fair value of available-for-sale investments, net of tax	—	97,333
Share of other comprehensive expense of an associate	<u>(146)</u>	<u>(272)</u>
	(47,164)	121,409
Item that will not be reclassified to profit or loss:		
Share of other comprehensive income of an associate	<u>2,748</u>	<u>—</u>
	<u>(44,416)</u>	<u>121,409</u>
Total comprehensive (expense) income for the period attributable to owners of the Company	<u><u>(230,003)</u></u>	<u><u>599,028</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

		31.12.2018	30.6.2018
	Notes	HK\$'000	HK\$'000
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment		618	767
Interests in associates	9	1,243,380	1,023,743
Available-for-sale investments		—	598,049
Financial assets at fair value through profit or loss		329,317	—
Convertible notes		—	11,263
Loan notes		51,328	51,420
Loans receivable		<u>226,415</u>	<u>236,312</u>
		<u>1,851,058</u>	<u>1,921,554</u>
Current assets			
Convertible notes		—	104,986
Trade and other receivables	10	40,945	28,120
Financial assets at fair value through profit or loss		367,490	—
Equity investments at fair value through profit or loss		—	455,863
Loans receivable		332,197	162,964
Pledged bank deposits		81,671	29,325
Bank balances and cash		<u>233,225</u>	<u>408,683</u>
		<u>1,055,528</u>	<u>1,189,941</u>
Total assets		<u><u>2,906,586</u></u>	<u><u>3,111,495</u></u>

	<i>Notes</i>	31.12.2018 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	812,596	795,277
Other reserves		266,233	396,798
Accumulated profits		<u>1,714,343</u>	<u>1,860,249</u>
		<u>2,793,172</u>	<u>3,052,324</u>
Current liabilities			
Trade and other payables	11	29,695	15,671
Bank and other borrowings		83,000	43,500
Tax payable		<u>719</u>	<u>—</u>
Total liabilities		<u>113,414</u>	<u>59,171</u>
Total equity and liabilities		<u><u>2,906,586</u></u>	<u><u>3,111,495</u></u>
Net current assets		<u><u>942,114</u></u>	<u><u>1,130,770</u></u>
Total assets less total liabilities		<u><u>2,793,172</u></u>	<u><u>3,052,324</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2018.

Application of new and amendments to HKFRSs

During the six months ended 31 December 2018, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures.

Accounting policies resulting from the application of HKFRS 9 and HKFRS 15 are disclosed in the condensed consolidated financial statements which will be published together with the Company’s interim report for the current interim period.

1.1 Impacts of application on HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the following major sources:

- Trading of commodities; and

- Provision of loan financing and investments in loan notes, convertible notes and other financial assets and receiving interest income from these financial assets.

Among the above revenue stream of the Group, interest income from loan financing, loan notes, convertible notes and other financial assets are not applied within the scope of HKFRS 15 and interest income from these financial assets are within scope of HKFRS 9 “Financial Instruments”.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

The application of HKFRS 15 has no material impact on the amounts recognised in the condensed consolidated financial statements and classification of items in the condensed consolidated statement of financial position for the six months ended 31 December 2018 and accumulated profits as at 1 July 2018.

1.2 Impacts of application on HKFRS 9 “Financial Instruments”

During the six months ended 31 December 2018, the Group has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 July 2018.

	Equity investments at FVTPL HK\$'000	Available -for-sale investments HK\$'000	Convertible notes HK\$'000	Financial assets at FVTPL required by HKFRS 9 HK\$'000	Trade receivables at amortised cost (previously classified as loans and receivables) HK\$'000	Loans receivables at amortised cost (previously classified as loans and receivables) required by HKFRS 9 HK\$'000	Trade receivables at FVTPL required by HKFRS 9 HK\$'000	Investment revaluation reserve HK\$'000	Accumulated profits HK\$'000
Closing balance at 30 June 2018									
— HKAS 39	455,863	598,049	116,249	—	21,432	399,276	—	103,375	1,860,249
Effect arising from initial application of HKFRS 9:									
Reclassification:									
From equity investments at fair value through profit or loss ("FVTPL")	(455,863)	—	—	455,863	—	—	—	—	—
From available-for-sale investments	—	(598,049)	—	598,049	—	—	—	(88,475)	88,475
From convertible notes	—	—	(116,249)	116,249	—	—	—	—	—
From loans and receivables	—	—	—	—	(21,432)	—	21,432	—	—
Remeasurement:									
Impairment under ECL model	—	—	—	—	—	(1,160)	—	—	(1,160)
From cost less impairment to fair value	—	—	—	83	—	—	—	—	83
Opening balance at 1 July 2018	—	—	—	1,170,244	—	398,116	21,432	14,900	1,947,647

Except as described above, the application of other amendments to HKFRSs for the six months ended 31 December 2018 has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

2. REVENUE

Disaggregation of revenue

Six months
ended
31.12.2018
HK\$'000
(unaudited)

Recognised at a point in time under HKFRS 15:

Trading of goods

— Commodities (iron ore)

48,292

Recognised under other HKFRSs:

Interest income

— Loans receivable

24,307

— Loan notes

458

— Convertible notes

1,206

25,971

Total revenue

74,263

Geographical locations of the Group's revenue from external customers are presented below:

Six months ended 31.12.2018

Trading of

goods

Interest income

Total

HK\$'000

HK\$'000

HK\$'000

(unaudited)

(unaudited)

(unaudited)

Hong Kong

—

7,143

7,143

The People's Republic of China

48,292

11,535

59,827

Southeast Asia Region

—

7,293

7,293

Total revenue

48,292

25,971

74,263

Six months
ended
31.12.2017
HK\$'000
(unaudited)

Recognised under HKAS 18:

Trading of goods

— Commodities (iron ore)	39,174
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Interest income

— Loans receivable	8,904
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— Loan notes	290
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— Convertible notes	1,519
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	10,713
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Total revenue

	49,887
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3. SEGMENT INFORMATION

Information reported to and reviewed by the executive directors of the Company, being the chief operating decision maker (“**CODM**”), 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 operating and reportable segments under HKFRS 8 are therefore as follows:

- (i) Commodity business (trading of commodities);
- (ii) Resource investment (trading of and investment in listed and unlisted securities of energy and natural resources companies); and
- (iii) Principal investment and financial services (provision of loan financing and investments in loan notes, convertible notes and other financial assets and receiving interest income from these financial assets).

Segment results represent the profit (loss) by each segment without allocation of share of results of associates, dividend income from available-for-sale investments, net reversal of impairment losses on interests in associates (six months ended 31 December 2017: reversal of impairment loss on interest in an associate), loss on deemed disposal of partial interest in an associate, finance costs, net loss from changes in fair value of certain financial assets at FVTPL, unallocated corporate income and unallocated corporate expenses which include central administration costs and directors’ salaries. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

Segment revenue and results

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

Six months ended 31 December 2018

	Commodity business <i>HK\$'000</i>	Resource investment <i>HK\$'000</i>	Principal investment and financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers	48,292	—	—	48,292
Interest income	<u>—</u>	<u>—</u>	<u>25,971</u>	<u>25,971</u>
Total revenue	<u>48,292</u>	<u>—</u>	<u>25,971</u>	<u>74,263</u>
Gross sales proceeds from resource investment	<u>—</u>	<u>172,167</u>	<u>—</u>	<u>172,167</u>
Segment results	1,128	(141,080)	13,715	(126,237)
Share of results of associates				114,501
Reversal of impairment losses on interests in associates, net				146,401
Loss on deemed disposal of partial interest in an associate				(2,414)
Loss from changes in fair value of certain financial assets at FVTPL, net				(297,611)
Unallocated corporate income				1,579
Unallocated corporate expenses				(20,433)
Finance costs				<u>(654)</u>
Loss before taxation				<u>(184,868)</u>

Six months ended 31 December 2017

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

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

Segment assets and liabilities

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

	31.12.2018 <i>HK\$'000</i> (unaudited)	30.6.2018 <i>HK\$'000</i> (audited)
Commodity business	163,314	280,443
Resource investment	519,711	600,711
Principal investment and financial services	581,361	524,244
Total segment assets	1,264,386	1,405,398
Interests in associates	1,243,380	1,023,743
Financial assets at FVTPL	329,317	—
Available-for-sale investments	—	559,539
Loan notes	31,460	31,515
Unallocated	38,043	91,300
Consolidated assets	2,906,586	3,111,495
Commodity business	27,258	2,237
Resource investment	—	9,801
Principal investment and financial services	245	—
Total segment liabilities	27,503	12,038
Unallocated	85,911	47,133
Consolidated liabilities	113,414	59,171

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

- all assets are allocated to operating and reportable segments other than interests in associates, certain property, plant and equipment, loan notes and certain financial assets at FVTPL (i.e. convertible notes) not managed under principal investment and financial services segment, certain financial assets at FVTPL (i.e. unlisted equity investments and listed equity securities not held within trading portfolio) not managed under resource investment segment, certain other receivables and certain bank balances and cash (30 June 2018: interests in associates, certain property, plant and equipment, loan notes and convertible notes not managed under principal investment and financial services segment, available-for-sale investments not managed under resource investment segment, certain other receivables and certain bank balances and cash).
- all liabilities are allocated to operating and reportable segments other than certain other payables and bank and other borrowings (30 June 2018: certain other payables and other borrowings).

4. OTHER GAINS AND LOSSES

Six months ended	
31.12.2018	31.12.2017
HK\$'000	HK\$'000
(unaudited)	(unaudited)

(Loss) gain from changes in fair value of financial assets mandatorily measured at FVTPL, net:

— Listed equity securities held-for-trading	(137,445)	—
— Listed equity securities not held within trading portfolio	(298,400)	—
— Convertible notes	533	—
— Unlisted equity investments	789	—
Gain from changes in fair value of equity investments at FVTPL	—	157,579
Gain from changes in fair value of convertible notes	—	31,108
Loss on deemed disposal of partial interest in an associate	(2,414)	—
Reversal of impairment losses on interests in associates, net	146,401	132,750
Gain from changes in fair value of provisional pricing arrangements in relation to trading of commodities, net	1,979	—
Reversal of impairment loss on loans receivable	107	—
Net foreign exchange (loss) gain	(23,708)	9,083
Others	(1,348)	—
	<u>(313,506)</u>	<u>330,520</u>

5. (LOSS) PROFIT BEFORE TAXATION

Six months ended	
31.12.2018	31.12.2017
HK\$'000	HK\$'000
(unaudited)	(unaudited)

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

Depreciation of property, plant and equipment	149	207
Cost of goods recognised as an expense	<u>44,520</u>	<u>37,353</u>

6. INCOME TAX EXPENSE

	Six months ended	
	31.12.2018	31.12.2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
— Hong Kong Profits Tax	134	57
Underprovision in prior years:		
— Enterprise Income Tax in the People's Republic of China	<u>585</u>	<u>—</u>
	<u>719</u>	<u>57</u>

7. DIVIDENDS

Dividends recognised as distribution during the period:

	Six months ended	
	31.12.2018	31.12.2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
2018 interim dividend declared — HK6 cents with a scrip dividend option (2017: interim dividend of HK1.5 cents)	<u>47,717</u>	<u>13,787</u>

An interim dividend of HK6 cents (six months ended 31 December 2017: HK1.5 cents) per ordinary share, in an aggregate amount of HK\$47,717,000 (six months ended 31 December 2017: HK\$13,787,000), were declared for the year ended 30 June 2018 and an amount of HK\$28,072,000 was paid in cash during the six months ended 31 December 2018 (six months ended 31 December 2017: HK\$13,633,000) and the remaining amount of HK\$19,645,000 was settled by 17,318,628 new ordinary shares of the Company.

No dividend has been proposed for the six months ended 31 December 2018.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

(Loss) earnings

Six months ended	
31.12.2018	31.12.2017
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

(Loss) earnings for the purpose of calculating basic and diluted (loss) earnings per share:

(Loss) profit for the period attributable to owners of the Company	<u>(185,587)</u>	<u>477,619</u>
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Number of shares

Six months ended	
31.12.2018	31.12.2017
(unaudited)	(unaudited)

Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share

<u>796,689,159</u>	<u>916,471,983</u>
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For the six months ended 31 December 2018 and 31 December 2017, no separate diluted (loss) earnings per share information has been presented as there were no potential ordinary shares of the Company outstanding and the impact to the Group's (loss) earnings arising from the share of result of an associate upon conversion of potential ordinary shares of the associate was insignificant.

9. INTERESTS IN ASSOCIATES

31.12.2018	30.6.2018
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(audited)

Interests in associates before impairment	1,770,818	1,697,582
Impairment losses recognised	<u>(527,438)</u>	<u>(673,839)</u>
	<u>1,243,380</u>	<u>1,023,743</u>

10. TRADE AND OTHER RECEIVABLES

	31.12.2018 HK\$'000 (unaudited)	30.6.2018 <i>HK\$'000</i> (audited)
Trade receivables at amortised cost	—	21,432
Trade receivables at FVTPL	26,248	—
Other deposits, other receivables and prepayments	5,186	3,842
Receivable from securities brokers	<u>9,511</u>	<u>2,846</u>
	<u>40,945</u>	<u>28,120</u>

The Group allows an average credit period of 90 days to its trade customers from commodity business. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits to it. The credit limits attributed to customers are reviewed regularly.

The following is an ageing analysis of trade receivables at FVTPL presented based on the invoice date which approximates the revenue recognition date at the end of the reporting period:

	31.12.2018 HK\$'000 (unaudited)
0 to 30 days	<u>26,248</u>

As at 31 December 2018, no trade receivables at FVTPL were past due.

The following is an ageing analysis of trade receivables at amortised cost presented based on the invoice date which approximates the revenue recognition date at the end of the reporting period:

	30.6.2018 <i>HK\$'000</i> (audited)
0 to 30 days	<u>21,432</u>

As at 30 June 2018, no trade receivables at amortised cost were past due but not impaired.

11. TRADE AND OTHER PAYABLES

	31.12.2018 HK\$'000 (unaudited)	30.6.2018 <i>HK\$'000</i> (audited)
Trade payables at amortised cost	—	953
Trade payables designated at FVTPL	26,564	—
Other payables	<u>3,131</u>	<u>14,718</u>
	<u>29,695</u>	<u>15,671</u>

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

	31.12.2018 HK\$'000 (unaudited)
0 to 90 days	<u>26,564</u>

The Group purchases iron ore commodities under provisional pricing arrangements where final prices are based on prevailing spot prices over quotational period after shipment by the supplier, Mount Gibson Mining Limited. These trade payables are designated at FVTPL on contract by contract basis.

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

	30.6.2018 <i>HK\$'000</i> (audited)
0 to 90 days	<u><u>953</u></u>

12. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised and issued share capital		
Ordinary shares of HK\$1.00 each:		
Authorised:		
At 1 July 2018 (audited) and 31 December 2018 (unaudited)	<u>2,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
At 1 July 2018 (audited)	795,277,315	795,277
Issue of shares in lieu of cash dividend (<i>note</i>)	<u>17,318,628</u>	<u>17,319</u>
At 31 December 2018 (unaudited)	<u>812,595,943</u>	<u>812,596</u>

Note: On 17 December 2018, the Company issued and allotted a total of 17,318,628 new ordinary shares at an issue price of HK\$1.1343 per ordinary share in lieu of cash for the 2018 interim dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

APAC Resources Limited (“**APAC**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**”) reported a net loss attributable to shareholders of the Company of HK\$185,587,000 for the six months ended 31 December 2018 (“**1H 2019**”), compared with a net profit attributable to shareholders of the Company of HK\$477,619,000 for the six months ended 31 December 2017 (“**1H 2018**”). This is driven by an unrealised loss of HK\$120,860,000 from our Resource Investment division, an unrealised loss of HK\$298,400,000 from fair value changes on investments related to our investments in Metals X Limited (“**Metals X**”) and Westgold Resources Limited (“**Westgold Resources**”), which is partially offset by a HK\$180,644,000 reversal of impairment loss on the carrying value of the Group’s investment in Mount Gibson Iron Limited (“**Mount Gibson**”).

Primary Strategic Investment

Our Primary Strategic Investment is in Mount Gibson which is listed and operating in Australia. In the financial year ended 30 June 2018 we also acquired an investment in Tanami Gold NL (“**Tanami Gold**”). Metals X is no longer classified as a Strategic Investment after we sold 21.5 million shares in Metals X in July 2016 and 22 million shares in February 2017. The net attributable profit from our Primary Strategic Investment for 1H 2019 was HK\$113,525,000 (1H 2018: Net profit of HK\$143,927,000). Mount Gibson reported a 1H 2019 net profit after tax of A\$45 million.

Mount Gibson

Mount Gibson is an Australian listed iron ore producer. Mining of Direct Shipping Ore from its Iron Hill mine ended recently and development of the Koolan Island Restart Project is underway with first sales expected in April 2019.

The Koolan Island Restart Project has reconstructed the seawall and is in the process of dewatering the Koolan Island pit, with reserves increased to 21 million tonnes of 65.5% Fe reserves from 12.8 million tonnes of 66% Fe reserves after extension of the pit. The net present value of the project is A\$252 million assuming Platts 62% Fe of US\$55/dmt and A\$ of 0.75.

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

Mount Gibson reported a net profit after tax of A\$45 million for the six months ending 31 December 2018 from sales of 2.2 million tonnes.

Mount Gibson continued to focus on costs, and all in cash cost was A\$40 per tonne in 1H 2019 compared to A\$46 per tonne in 1H 2018, although this is forecast to increase in the second half of 2019 due to the ramp up at Koolan Island. Importantly, Mount Gibson still boasts an impressive cash reserve, including term deposits and tradable investments, ending 1H 2019 with A\$431 million or an equivalent of A\$0.38 per share, despite development spending on Koolan Island and paying a dividend in October 2018.

The Platts IODEX 62% CFR China index has remained volatile, and during 1H 2019 it traded in the range of US\$60/dry metric tonne (“**dmt**”) to US\$75/dmt, although it has recently spiked above US\$85/dmt after Vale was ordered to halt 40Mtpa of production after a tailings dam collapse. The iron ore price throughout most of 1H 2019 was supported by robust economic data which drove steel demand growth in both Europe and the US before a sharp selloff in November after a change in economic and commodity sentiment. Prices recovered due to the usual pre-holiday restocking ahead of Chinese New Year, although the winter slow down for construction has resulted in a drop in steel margins, which has led to a narrowing of the low-grade ore discount and a reduction in the high-grade ore premium as mills focus on costs rather than productivity. We continue to expect average iron ore prices to remain capped in the medium term given weak non-China steel demand and continuing supply growth in Brazil and Australia.

Tanami Gold

In June 2018 we acquired 38.09% of Tanami Gold for a consideration of A\$20,143,000 (equivalent to approximately HK\$126,495,000), and in September 2018 we acquired an additional 30 million shares in Tanami Gold, and now own 40.6% of Tanami Gold. Tanami Gold’s principal business activity is gold exploration. It holds 60% of the Central Tanami Project and has a cash balance of A\$28 million, after it exercised its first put option in July 2018 to sell 15% of the Project to Northern Star Resources Limited (“**Northern Star**”) for A\$20 million cash. The remaining 40% is owned by Northern Star. Under the terms of the joint venture, Northern Star will sole fund all expenditure until commercial production is achieved at the Central Tanami Project. After commercial production is reached, Northern Star can earn an additional 35% of the Central Tanami Project and Tanami Gold has a second put option to sell its remaining 25% of the project to Northern Star for A\$32 million. In August 2018, Northern Star completed a drilling program in the Central Tanami Project targeting an extension to the existing Hurricane-Repulse system. Best results include 17m at 6g/t gold from 17m and 19m at 4.6g/t from 136m.

Other Significant Investments

Name of investee company	Number of shares held	Investment cost <i>HK\$'000</i>	Dividend received <i>HK\$'000</i>	Realised loss <i>HK\$'000</i>	Unrealised loss <i>HK\$'000</i>	Fair value loss <i>HK\$'000</i>	For the six months ended 31 December 2018		As at 31 December 2018	
							Carrying value <i>HK\$'000</i>	% of carrying value to the Group's total assets		
Metals X and Westgold Resources										
Metals X Limited	60,407,571	258,665	—	—	(134,437)	(134,437)	142,019		4.9%	
Westgold Resources Limited	27,953,786	247,747	—	—	(163,963)	(163,963)	136,079		4.7%	
		<u>506,412</u>	<u>—</u>	<u>—</u>	<u>(298,400)</u>	<u>(298,400)</u>	<u>278,098</u>			
Other Resource Investment										
Shougang Fushan Resources Group Limited	30,000,000	48,760	166	—	(1,307)	(1,307)	47,700		1.6%	
China Molybdenum Co., Ltd.	10,494,000	34,384	—	—	(4,161)	(4,161)	30,223		1.0%	
Prodigy Gold NL (formerly ABM Resources NL)	59,067,914	285,389	—	—	(7,597)	(7,597)	22,220		0.8%	
		<u>368,533</u>	<u>166</u>	<u>—</u>	<u>(13,065)</u>	<u>(13,065)</u>	<u>100,143</u>			

Brief description of principal business of the respective investee companies of the significant investments held by the Group:

<u>Name of investee company</u>	<u>Principal business</u>
Metals X Limited	Operation of tin and copper mines; exploration and development of base metals
Westgold Resources Limited	Exploration, development and operation of gold mines
Shougang Fushan Resources Group Limited	Operation of coking coal mines
China Molybdenum Co., Ltd.	Operation of molybdenum, tungsten, copper, cobalt, niobium and phosphate mines
Prodigy Gold NL	Exploration of gold

Metals X and Westgold Resources

In July 2016, APAC disposed of 21.5 million shares in Metals X through an on-market transaction. The disposal ties in with APAC's decision to place Metals X under strategic review. Immediately after the disposal, the Group's interest in Metals X decreased to below 20%. Metals X ceased to be an associate of the Group and was accounted for as an available-for-sale investment. In February 2017 we sold a further 22 million shares in Metals X and 11 million shares in Westgold Resources for an aggregate consideration of A\$46.2 million.

Following the first application of the HKFRS 9: Financial Instruments in 1H 2019, the Group's equity investments in Metals X and Westgold Resources were reclassified from available-for-sale investments at fair value through other comprehensive income to financial assets at fair value through profit or loss. The carrying values of Metals X and Westgold Resources as at 31 December 2018 amounted to HK\$142,019,000 (As at 30 June 2018: HK\$259,497,000) and HK\$136,079,000 (As at 30 June 2018: HK\$300,042,000) respectively and represented approximately 4.9% (As at 30 June 2018: 8.3%) and 4.7% (As at 30 June 2018: 9.6%) of the total assets of the Group. In 1H 2019, our investment in Metals X generated an unrealised loss of approximately HK\$134,437,000 (1H 2018: Gain of HK\$91,079,000) and our investment in Westgold Resources reported an unrealised loss of approximately HK\$163,963,000 (1H 2018: Loss of HK\$6,643,000) which were accounted for in profit or loss.

Westgold Resources produced 121,101 ounces in 1H 2019 down 10% year-on-year (“YoY”) driven by the sale of the South Kalgoorlie Project and lower production at Higginsville which was partially offset by a ramp up at the Fortnum Gold Project and improved production at Meekatharra and Cue projects. Westgold Resources targets gold production to reach 300,000 to 320,000 ounces in the financial year 2019, and increase to 350,000 ounces in the financial year 2020 as its projects ramp up.

The gold price weakened through the middle of 2018 as the US dollar was supported by interest rate increases with expectations for ongoing Fed tightening. However gold price started to rebound in October as concerns around the US-China trade war led to expectations that the Fed would slow future tightening. The gold price is now trading above US\$1,300 per ounce and we expect the gold price to remain linked to sentiment around the US dollar, the pace of Fed rate hikes, although geopolitical tensions remain in the background which could elevate its safe haven status.

At Metals X, in 1H 2019 Renison mine produced 1,707 tonnes of tin (net 50% basis) down 5% YoY, while the average realised tin price of A\$24,011 per tonne was down 7% YoY. Metals X is in the process of ramping up production due to the installation of the ore sorter, which is expected to ultimately increase annual production to roughly 4,000 tonnes of tin (net 50% basis).

After acquiring the Nifty mine in August 2016, Metals X set a target copper production rate of 40,000 tonnes per annum. However, the ramp up has been impacted by its ability to bring on additional stopes and in the most recent December 2018 quarter, production was running at an annualized rate of 21,000 tonnes per annum. Metals X has appointed a new managing director who is focused on improving mine development rates efficiently and putting in place a clear mine plan.

Tin prices were range bound over 1H 2019, trading between US\$19,000 per tonne and US\$21,000 per tonne. However recently, tin prices have traded above US\$21,000 per tonne due to low inventory levels and delays in Indonesian supply, as trade of tin verified by PT Surveyor Indonesia remains suspended. We remain bullish on the medium term outlook for tin due to the lack of significant supply growth. Copper prices sold off at the start of 1H 2019 as concerns about a US-China trade war ramped up and have remained around the US\$6,000 per tonne level.

Resource Investment

The investments in this division comprise of mostly minor holdings in various natural resource companies listed on major stock exchanges including Australia, Canada, Hong Kong, the United Kingdom and the US. Our investments focus on select commodities within several commodity segments, namely energy, bulk commodities, base metals, and precious metals. Some of our positions are exploration or development stage companies and this section of the market is particularly sensitive to risk aversion, lower commodity prices, and the difficult financing markets. Resource Investment posted a fair value loss of HK\$137,445,000 in 1H 2019 (1H 2018: Gain of HK\$157,579,000), of which the majority is unrealised across all segments. After segment related dividends and foreign exchange movements, the segment loss was HK\$141,080,000 (1H 2018: Profit of HK\$158,774,000).

Our Resource Investment division includes the results of the two resource portfolios, announced in August 2016. The resources sector has struggled in the last six months as concerns about the US-China trade war accelerated, leading to a sharp selloff across equity markets, and particularly in commodities. From 1 July 2018 to 31 December 2018 the average performance from a number of small cap resources indices has averaged -16% (includes the ASX Small Resources Index and the TSX Venture Composite Index among others). Oil prices improved until October 2018, but then sold off heavily on a combination of Saudi Arabia ramping up production in anticipation of Iran sanctions which the US subsequently provided waivers for, and general market weakness, falling 30% from early October to end of December. The average performance of several small cap oil and gas indices has averaged -36% in 1H 2019 (includes the S&P TSX Small Cap Energy Index and S&P US Oil and Gas ETF among others).

Precious

The precious metals (majority gold exposure) generated a net fair value loss of HK\$19,766,000 in 1H 2019. As at 31 December 2018, the carrying value of the Precious segment was HK\$63,377,000 (As at 30 June 2018: HK\$73,130,000). One investment highlight was Bellevue Gold, which has refocused on the historic high grade Bellevue mine in Western Australia and recently reported a JORC resource of 1.53moz at 11.8gpt including the new Viago discovery. Our largest gold investment is in Prodigy Gold NL (“**Prodigy Gold**”) (ASX: PRX) which generated an unrealised loss of HK\$7,597,000 with carrying value as at 31 December 2018 of HK\$22,220,000 (As at 30 June 2018: HK\$29,815,000).

Prodigy Gold is a gold exploration company listed on the Australian Securities Exchange. Its exploration portfolio is located in the Tanami Gold district in Northern Territory with resource of 15.7Mt at 2g/t. It is focused on drilling out several prospective areas including Bluebush and Suplejack and has farmed out acreage to Independence Group, Newcrest and Thunderbird Metals. Its major shareholders include two reputable ASX listed gold companies, St Barbara and Independence Group. At 31 December 2018 Prodigy Gold has A\$6.6 million cash and no debt, which will be used to fund its ongoing exploration program.

Bulk

Bulk commodities (predominantly iron ore) generated a fair value gain of HK\$37,000 as iron ore prices increased 19% during 1H 2019. As at 31 December 2018, the carrying value was HK\$50,355,000 (As at 30 June 2018: HK\$11,010,000). Within this segment, our largest investment is Shougang Fushan (HKEX: 639), which generated an unrealised loss of HK\$1,307,000 in 1H 2019 and had a carrying value as at 31 December 2018 of HK\$47,700,000. We also made investments in Ferrexpo and Grange Resources, which both make high grade pellets for use in steelmaking and benefitted from strength in iron ore prices, strong grade differentials and pellet premiums.

Shougang Fushan is a coking coal producer listed on the Hong Kong Stock Exchange. It produces coking coal from three mines in Shanxi Province, including the Jinjiazhuang mine which it was expanding in late 2018. During the six months ending 30 June 2018, production of raw coking coal was 2.35Mt and clean coking coal was 1.17Mt and the company generated net profit after tax of HK\$638,045,000. At 30 June 2018 Shougang Fushan has working capital of HK\$4,809,764,000 which includes cash and time deposits of HK\$4,518,684,000.

Base Metals

Base Metals segment (a mix of copper, nickel, aluminium and cobalt companies) delivered a fair value loss of HK\$92,970,000 in 1H 2019 as the copper, aluminium and cobalt prices fell by 10%, 12% and 26%. Of note, following the US sanctions on RUSAL — which saw the share price tank circa 60% — we purchased shares at bombed out levels, looking for a rebound as the company worked through a lengthy process to get removed from the sanctions list, which ultimately happened in January 2019. The Base Metals segment includes our investment in China Molybdenum (HKEX: 3993) which generated an unrealised loss of HK\$4,161,000 in 1H 2019, and a carrying value as at 31 December 2018 of HK\$30,223,000.

China Molybdenum is a producer of molybdenum, tungsten from several mines in China and cobalt, copper, niobium and phosphate which are produced from mines located in Democratic Republic of the Congo, Australia and Brazil. The copper-cobalt and molybdenum-tungsten divisions are the main drivers for its earnings. In six months to 30 June 2018 it generated net profit after tax of RMB3,122,510.

Energy

The Energy segment (mainly oil and uranium exposure) had a fair value loss of HK\$20,042,000 in 1H 2019. Although oil markets were challenging, and the oil price dropped 31%, we benefitted from our investment in Carnarvon Petroleum (ASX: CVN) which made one of the largest offshore Australian oil discoveries in recent years.

Following meeting with industry experts, we identified the potential for an extended shutdown at the world's largest mine, McArthur River, early and bought a basket of high quality uranium names including Yellow Cake, NexGen Energy and KazAtomProm, which have all benefitted from a rebound in the uranium price which was up 25% in 1H 2019. Our investments in Yellow Cake (LSE: YCA) which generated a fair value gain of HK\$1,310,000 and had a carrying value as at 31 December 2018 of HK\$10,265,000.

Others

We also have a fair value loss of HK\$4,704,000 from the remaining commodity (diamonds and mineral sands) and non-commodity investments in 1H 2019 and had a carrying value as at 31 December 2018 of HK\$29,953,000 (As at 30 June 2018: HK\$67,786,000). This segment includes our investment in Alibaba Pictures (HKEX: 1060) listed in Hong Kong, which generated a fair value gain of HK\$4,600,000 and had a carrying value as at 31 December 2018 of HK\$13,200,000.

Another standout was our investment in Mineral Deposits, which we purchased at depressed prices and made strong gains as the company rectified issues at both key projects, Grande Cote and Tyssedal, benefitted from rebounding mineral sands prices, and was ultimately acquired by joint venture partner, ERAMET.

Commodity Business

Our iron ore offtake at Koolan Island will resume once the mine is operational in early 2019. At the same time, we are now looking for new offtake opportunities across a range of commodities. For 1H 2019, our Commodity Business generated a profit of HK\$1,128,000 (1H 2018: Profit of HK\$4,578,000).

Principal Investment and Financial Services

The Principal Investment and Financial Services segment, which covers the income generated from loans receivable, loan notes, convertible notes and other financial assets. For 1H 2019, this segment generated a profit of HK\$13,715,000 (1H 2018: Profit of HK\$50,241,000).

Money Lending

The Group engaged in money lending activities under the Money Lenders Ordinance of Hong Kong. For 1H 2019, the revenue and profits generated from money lending formed part of results of the Principal Investment and Financial Services segment.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2018, our non-current assets amounted to HK\$1,851,058,000 (As at 30 June 2018: HK\$1,921,554,000) and net current assets amounted to HK\$942,114,000 (As at 30 June 2018: HK\$1,130,770,000) with a current ratio of 9.3 times (As at 30 June 2018: 20.1 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\$51,328,000 (As at 30 June 2018: HK\$51,420,000) and loans receivable of HK\$558,612,000 (As at 30 June 2018: HK\$399,276,000).

As at 31 December 2018, we had borrowings of HK\$83,000,000 (As at 30 June 2018: HK\$43,500,000) and had undrawn banking facilities amounting to HK\$156,785,000 secured against certain term deposits of the Group. As at 31 December 2018, we had a gearing ratio of 0.03 (As at 30 June 2018: 0.01), calculated on the basis of total borrowings over equity attributable to owners of the Company.

Foreign Exchange Exposure

For the period under review, the Group's assets were mainly denominated in Australian Dollars while the liabilities were mainly denominated in United States Dollars and Hong Kong Dollars. There would be no material immediate effect on the cash flows of the Group from adverse movements in foreign exchange for long term investments. In additions, the Group is required to maintain foreign currency exposure to cater for its present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. In light of this, the Group did not actively hedge for the risk arising from the Australian Dollars denominated assets. However, the Group will closely monitor this risk exposure as required.

Pledge of Assets

As at 31 December 2018, the Group's bank deposits of HK\$81,671,000 (As at 30 June 2018: HK\$29,325,000) were pledged to banks to secure various trade and banking facilities granted to the Group.

Employees and Emolument Policy

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

As at 31 December 2018, the Group, including its subsidiaries but excluding associates, had 14 (As at 30 June 2018: 14) employees. Total remuneration together with pension contributions incurred for the six months ended 31 December 2018 amounted to HK\$6,170,000 (1H 2018: HK\$5,703,000).

Principal Risks

The Group adopts a comprehensive risk management framework. Policies and procedures are developed, regularly reviewed and updated to enhance risk management and react to changes in market conditions and the Group's business strategy. The Audit Committee reviews the Group's policies and scrutinises that management has performed its duty to have effective risk management and internal control systems necessary for monitoring and controlling major risks arising from the Group's business activities, changing external risks and the regulatory environment, and reports to the Board on the above.

Financial Risk

Financial risk includes market risk, credit risk and liquidity risk. Market risk concerns that the value of an investment will change due to movements in market factors and which can be further divided into foreign currency risk, interest rate risk and other price risk. Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Liquidity risk concerns that a given security or asset cannot be traded readily in the market to prevent a loss or make the required profit.

Operational Risk

The Group faces various operational risks which are concerned with possible losses caused by human factors, inadequate or failed internal processes, systems or external events. Operational risk is mitigated and controlled through establishing robust internal controls, proper segregation of duties and effective internal reporting.

The business and operating line management are responsible for managing the operational risks of their business units on a day-to-day basis. Each department head has to identify risks, evaluate the effectiveness of key controls in place and assess whether the risks are effectively managed. Independent monitoring and reviews are conducted by the internal audit team which reports regularly to the respective senior management and the Audit Committee.

Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Ventures, and Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, during the six months ended 31 December 2018, the Group did not have any material acquisitions or disposals of subsidiaries, associated companies and joint ventures. Save as disclosed in this announcement, as at 31 December 2018, the Group did not have any plans for material investments or capital assets.

Capital Commitments

As at 31 December 2018, the Group had no material capital commitments contracted but not provided for.

Contingent Liabilities

As at the date of this announcement and as at 31 December 2018, the Board is not aware of any material contingent liabilities.

Interim Dividend

An interim dividend of HK6 cents per share in an aggregate amount of approximately HK\$47,717,000 were declared for the year ended 30 June 2018 and an amount of approximately HK\$28,072,000 was paid in cash and 17,318,628 shares were issued in respect of shareholders elected for scrip dividend during the six months ended 31 December 2018. No dividend has been proposed for the six months ended 31 December 2018 (Six months ended 31 December 2017: Nil).

Company Strategy

The commodity market has been volatile during the reporting periods. Looking forward, the Board believes that the performance of the equity investments at fair value through profit or loss will be dependent on market sentiment which is affected by factors such as commodity prices, interest rate movements, geo-political conditions and performance of the macro economy. In order to mitigate the associated risks, the Group will review its investment strategy regularly and take appropriate actions whenever necessary in response to changes in market situation. In addition, the Group will also seek potential investment opportunities with an aim to maximize value for the shareholders.

Forward Looking Observations

Global economic outlook has deteriorated over the last six months, with the impact of the US-China trade war showing up in weaker trade data in all regions including Europe. The Chinese economy has cooled, and the market is now expecting the PBOC to step in with monetary stimulus measures, even though this runs contrary to its longer term deleveraging strategy. The US Fed has also signaled it will pause on rate hikes in response to an uncertain economic outlook. Mount Gibson remains our largest investment. It is underpinned by a large cash reserve, and is focused on its Koolan Island Restart Project, with production expected in early 2019. This is a timely development as high grade iron ore remains at a notable premium, and once in operation, Koolan Island will be the highest grade DSO mine in Australia. Our new investment portfolios are the platform for future mining and energy investments. We remain defensive and selective with our investments in the near term, and continue to look for high quality opportunities which will generate attractive returns over the long run.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2018, the Company has applied the principles of, and fully complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2018. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants as well as obtaining reports from management. The Audit Committee has not undertaken independent audit checks.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2018.

By Order of the Board
APAC Resources Limited
Arthur George Dew
Chairman

Hong Kong, 28 February 2019

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

Executive Directors

Mr. Brett Robert Smith (*Deputy Chairman*) and Mr. Andrew Ferguson (*Chief Executive Officer*)

Non-Executive Directors

Mr. Arthur George Dew (*Chairman*) (*Mr. Wong Tai Chun, Mark as his alternate*), Mr. Lee Seng Hui 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*