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APAC RESOURCES

APAC RESOURCES LIMITED

亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

(Warrant Code: 1074)

**INSIDE INFORMATION
AND
PROFIT WARNING**

This announcement is made by APAC Resources Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “**SFO**”).

Reference is made to the profit attributable to the shareholders of the Company (the “**Shareholders**”) for the six months ended 31 December 2020 (“**1H FY2021**”) of approximately HK\$1,177 million which includes share of results of associates of approximately HK\$152 million and a reversal of impairment loss on interest in an associate of approximately HK\$580 million.

The board of directors of the Company (the “**Board**”) wishes to inform the Shareholders and potential investors of the Company that, the financial results of the Group for the six months ended 31 December 2021 (“**1H FY2022**”) will be adversely affected when compared with the financial results of the Group for 1H FY2021 due to the followings:

- (i) a reversal of impairment loss on interest in an associate of approximately HK\$580 million recorded in 1H FY2021 relating to the Group’s principal associate listed on the Australian Securities Exchange, Mount Gibson Iron Limited (“**MGX**”) which will not recur in 1H FY2022; and
- (ii) a decline in the share price of MGX which may lead to an impairment loss in respect of the Group’s investment in MGX.

Due to the decrease in share price of MGX to A\$0.425 as at 31 December 2021 (the “**Closing Price**”), the market capitalisation of the Group’s investment in MGX as at the same date amounts to approximately HK\$1,088 million, which is substantially less than its carrying amount of approximately HK\$2,195 million (before sharing of the results of MGX for 1H FY2022) as at the same date. In accordance with *Hong Kong Accounting Standard 36: Impairment of Assets* issued by the Hong Kong Institute of Certified Public Accountants (“**HKAS 36**”), it is an indication that the Group’s investments in MGX may be impaired.

The Board would like to remind the Shareholders that based on HKAS 36 and the Group’s accounting policies on Associates and Impairment of non-financial assets as disclosed in Note 2 of the Notes to the Consolidated Financial Statements in the 2021 Annual Report of the Company, the Group will undertake an impairment assessment to determine the recoverable amount on its investments in MGX, being the higher of (i) its value in use (through an estimation of the present value of future cash flows expected to arise from the dividends of MGX and the proceeds on the ultimate disposal of MGX); and (ii) fair value less costs of disposal (determined by reference to the Closing Price), and compare it with its carrying amount. As at the date of this announcement, the Company has not yet determined the recoverable amount and impairment loss (if any) of its investment in MGX. However, based on the Closing Price and depending on the interim results of MGX for 1H FY2022, the Group may record an impairment loss in the amount of as much as approximately HK\$1,107 million in its upcoming interim results, and accordingly, a substantial reduction in profit for 1H FY2022 when compared with 1H FY2021, or even a net loss. Nevertheless, this potential impairment loss is a non-cash item that has not materially affected the cash position and the liquidity of the Group for 1H FY2022.

The information contained in this announcement is only based on a preliminary review of the information currently available to the Board, and is not based on any figures or information which has been audited or reviewed by the independent auditor of the Company nor approved by the audit committee of the Company. Such information may also be subject to adjustment after further review and finalisation of the consolidated accounts of 1H FY2022, and the Company will publish further announcement(s) to update its Shareholders and potential investors in compliance with the Listing Rules and the SFO as and when appropriate.

The interim results announcement of the Company for 1H FY2022 will be published by the Company within the timeframe stipulated under the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
APAC Resources Limited
Andrew Ferguson
Executive Director

Hong Kong, 4 January 2022

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 Ms. Lam Lin Chu

Independent Non-Executive Directors

Dr. Wong Wing Kuen, Albert, Mr. Chang Chu Fai, Johnson Francis and Mr. Wang Hongqian

** For identification purpose only*