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APAC RESOURCES
APAC RESOURCES LIMITED
亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

ANNOUNCEMENT OF THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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 2022, 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 2022

	Notes	Six months ended	
		31 December 2022	2021
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue			
Trading of goods		98,260	61,835
Interest income		10,673	21,082
Total revenue	2	<u>108,933</u>	82,917
Cost of sales		<u>(103,731)</u>	(25,803)
Gross profit		5,202	57,114
Other gains and losses	4	63,793	557,791
Other income		82,954	30,978
Impairment losses on interests in associates	9	(166,477)	(759,867)
Administrative expenses		(34,237)	(45,354)
Exploration expenses		(2,691)	–
Finance costs	5(a)	(4,215)	(1,203)
Share of results of associates		(465)	(105,439)
Share of results of a joint venture		1,249	–
LOSS BEFORE TAXATION	5	<u>(54,887)</u>	(265,980)
Income tax credit/(expense)	6	9,636	(9,349)
LOSS FOR THE PERIOD		<u>(45,251)</u>	(275,329)
Attributable to:			
Owners of the Company		(43,424)	(275,329)
Non-controlling interests		(1,827)	–
LOSS FOR THE PERIOD		<u>(45,251)</u>	(275,329)
LOSS PER SHARE (EXPRESSED IN HK CENTS)			
– Basic	8(a)	<u>(3.3)</u>	(22.6)
– Diluted	8(b)	<u>(3.3)</u>	(22.6)

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

For the six months ended 31 December 2022

	Six months ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(45,251)	(275,329)
Other comprehensive (expense)/income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of associates	(34,148)	(59,543)
Exchange differences on translation of a joint venture	(4,200)	–
Exchange differences on translation of other foreign operations	4,962	6,165
Share of other comprehensive income/(expense) of associates, net of related income tax	442	(558)
	(32,944)	(53,936)
Item that will not be reclassified to profit or loss:		
Share of other comprehensive income/(expense) of an associate, net of related income tax	3,466	(340)
Other comprehensive expense for the period, net of income tax	(29,478)	(54,276)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(74,729)	(329,605)
Attributable to:		
Owners of the Company	(75,897)	(329,605)
Non-controlling interests	1,168	–
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(74,729)	(329,605)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		31 December 2022	30 June 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		3,864	4,172
Interests in associates	9	1,423,044	1,618,763
Interest in a joint venture	10	92,291	95,242
Goodwill		5,227	–
Financial assets at fair value through profit or loss (“FVTPL”)		370,395	330,724
Loan receivables		338,906	337,540
Exploration and evaluation expenditure		7,556	–
Rental deposits	11	288	288
Term deposits		13,043	–
		2,254,614	2,386,729
Current assets			
Inventories		168,682	90,649
Trade and other receivables	11	48,612	83,959
Financial assets at FVTPL		1,331,242	1,320,936
Loan receivables		52,462	25,158
Loan note		–	3,965
Pledged bank deposits		11,605	111,452
Bank balances and cash		468,934	449,069
		2,081,537	2,085,188
Assets held for sale		29,697	–
		2,111,234	2,085,188
TOTAL ASSETS		4,365,848	4,471,917

		31 December 2022	30 June 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	1,302,486	1,302,130
Other reserves		240,054	272,456
Accumulated profits		2,301,972	2,475,645
		<hr/>	<hr/>
Total equity attributable to owners of the Company		3,844,512	4,050,231
Non-controlling interests		49,073	–
		<hr/>	<hr/>
		3,893,585	4,050,231
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities		542	1,050
Deferred tax liability		8,015	21,234
Provisions		8,009	–
		<hr/>	<hr/>
		16,566	22,284
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	12	87,243	99,173
Dividend payable		130,249	–
Bank and other loans		226,814	289,617
Tax payable		10,036	8,513
Lease liabilities		1,355	2,099
		<hr/>	<hr/>
		455,697	399,402
		<hr/>	<hr/>
TOTAL LIABILITIES		472,263	421,686
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		4,365,848	4,471,917
		<hr/>	<hr/>
NET CURRENT ASSETS		1,655,537	1,685,786
		<hr/>	<hr/>
TOTAL ASSETS LESS TOTAL LIABILITIES		3,893,585	4,050,231
		<hr/>	<hr/>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 31 December 2022

1. BASIS OF PREPARATION

The interim condensed consolidated financial information have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The interim condensed consolidated financial information have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements as set out below.

Application of New and Revised Hong Kong Financial Reporting Standards (“**HKFRSs**”)

In the current reporting period, 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 July 2022 for the preparation of the Group’s interim condensed consolidated financial information:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

Except as described below, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current reporting period.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 July 2022. The amendments update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “**Conceptual Framework**”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current period has had no impact on the Group’s interim condensed consolidated financial information.

2. REVENUE

- (a) Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Trading of goods		
– Commodities (Iron ore)	98,260	61,835
Revenue from other sources		
Interest income under effective interest method		
– Loan receivables	10,639	20,991
– Loan note	34	91
	10,673	21,082
Total revenue	108,933	82,917

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in notes 3(a) and 3(b) respectively.

- (b) All sales contracts with customers within the scope of HKFRS 15 are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

3. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Company's executive directors (the chief operating decision maker) for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (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 note, other financial assets and receiving interest income from these financial assets).

In addition to the above reportable segments, other segment mainly include the exploration of mine resources as a result of the acquisition of subsidiaries during the six months ended 31 December 2022. The operation does not meet the quantitative thresholds for reporting separately during the six months ended 31 December 2022.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Company's executive directors monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit/(loss) is earnings and loss of each segment without allocation of share of results of associates and a joint venture, (impairment loss)/reversal of impairment loss on interests in associates, gain arising from acquisitions of associates, gain arising from deemed increasing of shareholding in an associate, loss arising from deemed disposal of partial interest in an associate net gain arising from changes in fair value of financial assets at FVTPL not held within the trading portfolios, unallocated other corporate income and gains, unallocated central administrative expenses and other corporate losses, and unallocated central finance costs.

Segment assets include all assets of operating and reportable segments other than interests in associates and a joint venture, certain property, plant and equipment, loan note and financial assets at FVTPL not held within the trading portfolios neither managed under principal investment and financial services segment nor managed under resource investment segment, certain other receivables and certain bank balances and cash not managed under segments and other unallocated corporate assets.

Segment liabilities include provisions, trade and other payables, deferred tax liability and lease liabilities attributable to the activities of the individual segments and borrowings managed directly by the segments.

The accounting policies of the operating segments are the same as the Group's accounting policies.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's executive directors for the purposes of resource allocation and assessment of segment performance for the six months ended 31 December 2022 and 2021 is set out below.

	Six months ended 31 December 2022					
	Commodity	Resource	Principal	Total	Others	Total
	business	investment	investment	reportable		
	HK\$'000	HK\$'000	and financial	segments	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	services	(Unaudited)	(Unaudited)	(Unaudited)
			HK\$'000	HK\$'000		HK\$'000
			(Unaudited)	(Unaudited)		(Unaudited)
Segment revenue:						
Disaggregated by timing of revenue recognition						
– Point in time	98,260	–	–	98,260	–	98,260
– Revenue from other sources:						
Interest income	–	–	10,673	10,673	–	10,673
Revenue from external customers	98,260	–	10,673	108,933	–	108,933
Gross sales proceeds from resource investment	–	961,756	–	961,756	–	961,756
Segment results	6,993	114,919	(15,957)	105,955	(3,631)	102,324
Share of results of associates						(465)
Share of results of a joint venture						1,249
Impairment losses on interests in associates						(166,477)
Loss arising from deemed disposal of partial interest in an associate						(3,391)
Gain arising from deemed increase of shareholding in an associate						5
Gain arising from changes in fair value of financial assets at FVTPL not held within the trading portfolios, net						39,671
Unallocated other corporate income and gains						385
Unallocated central administrative expenses and other corporate losses						(24,080)
Unallocated central finance costs						(4,108)
Consolidated loss before taxation						(54,887)

	At 31 December 2022					
	Commodity	Resource	Principal	Total	Others	Total
	business	investment	and financial	reportable		
	HK\$'000	HK\$'000	services	segments	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment assets	327,612	1,574,843	392,252	2,294,707	100,618	2,395,325
Interests in associates						1,423,044
Interest in a joint venture						92,291
Unallocated head office and corporate assets						
– Financial assets at FVTPL not held within the trading portfolios						370,395
– Bank balances and cash						78,026
– Other unallocated corporate assets						6,767
Consolidated total assets						<u>4,365,848</u>
Segment liabilities	104,324	132,485	2,087	238,896	12,271	251,167
Unallocated head office and corporate liabilities						
– Bank and other loans						77,292
– Dividend payable						130,249
– Other unallocated corporate liabilities						13,555
Consolidated total liabilities						<u>472,263</u>

Six months ended 31 December 2021

	Commodity business <i>HK\$'000</i> (Unaudited)	Resource investment <i>HK\$'000</i> (Unaudited)	Principal investment and financial services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue:				
Disaggregated by timing of revenue recognition				
– Point in time	61,835	–	–	61,835
– Revenue from other sources:				
Interest income	–	–	21,082	21,082
Revenue from external customers	<u>61,835</u>	<u>–</u>	<u>21,082</u>	<u>82,917</u>
Gross sales proceeds from resource investment	<u>–</u>	<u>1,872,906</u>	<u>–</u>	<u>1,872,906</u>
Segment results	50,192	212,830	24,843	287,865
Share of results of associates				(105,439)
Impairment losses on interests in associates				(759,867)
Gain arising from acquisition of additional interests in an associate				5,457
Loss arising from deemed disposal of partial interest in an associate				(2,390)
Gain arising from changes in fair value of financial assets at FVTPL not held within the trading portfolios, net				341,728
Unallocated other corporate income and gains				329
Unallocated central administrative expenses and other corporate losses				(32,488)
Unallocated central finance costs				<u>(1,175)</u>
Consolidated loss before taxation				<u><u>(265,980)</u></u>

	At 30 June 2022			
	Commodity	Resource	Principal	Total
	business	investment	investment	
	HK\$'000	HK\$'000	and financial	HK\$'000
	(Audited)	(Audited)	services	(Audited)
			HK\$'000	
			(Audited)	
Segment assets	401,265	1,538,617	368,031	2,307,913
Interests in associates				1,618,763
Interest in a joint venture				95,242
Unallocated head office and corporate assets				
– Financial assets at FVTPL not held within the trading portfolios				330,724
– Bank balances and cash				94,504
– Other unallocated corporate assets				24,771
				<u>4,471,917</u>
Consolidated total assets				
Segment liabilities	89,509	144,453	1,243	235,205
Unallocated head office and corporate liabilities				
– Other loans				169,617
– Other unallocated corporate liabilities				16,864
				<u>421,686</u>
Consolidated total liabilities				

There are no inter-segment revenue during the six months ended 31 December 2022 and 2021.

(b) **Geographical information**

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, exploration and evaluation expenditure, goodwill and interests in associates and a joint venture. The geographical location of customers is based on the location of goods delivered; the Group's interest income derived from loan receivables in respect of principal investment and financial services is analysed by the location where the loan financing is provided; and the Group's interest income derived from loan notes in respect of principal investment and financial services is analysed by the location where these investments are managed by the Group. In the case of non-current assets (excluding financial assets and deferred tax assets) which is presented based on geographical location of assets in case of the property, plant and equipment, the locations of operations to which they are allocated in the case of exploration and evaluation expenditure and goodwill, and where the associates and the joint venture are incorporated/listed.

	Revenue from external customers		Non-current assets	
	Six months ended 31 December		At 31 December	At 30 June
	2022	2021	2022	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong (place of domicile)	397	8,615	712	1,538
The PRC	107,978	71,914	139,275	143,914
Australia	558	2,388	1,380,693	1,557,140
Philippines	–	–	11,302	15,585
	<u>108,933</u>	<u>82,917</u>	<u>1,531,982</u>	<u>1,718,177</u>

4. **OTHER GAINS AND LOSSES**

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain/(loss) arising from changes in fair value of financial assets mandatorily measured at FVTPL, net:		
– listed equity securities held-for-trading	54,447	172,283
– listed equity securities not held within the trading portfolios	39,671	341,090
– unlisted equity investments	–	22,374
– derivative financial instruments – warrants	(3,888)	4,829
(Impairment loss)/reversal of impairment loss on loan receivables, net	(8,676)	404
Gain arising from deemed increasing of shareholding in an associate	5	–
Gain arising from acquisition of additional interest in an associate	–	5,457
Loss arising from deemed disposal of partial interest in an associate	(3,391)	(2,390)
Gain/(loss) arising from changes in fair value of provisional pricing arrangements in relation to trading of commodities:		
– fair value loss on trade receivables designated at FVTPL	–	(32,545)
– fair value gain on trade payables designated at FVTPL	16,497	49,552
(Loss)/gain arising from modification of loan receivables	(847)	1,985
Gain arising from assignment of a loan receivable	–	2,855
Net foreign exchange loss	(30,025)	(8,103)
	<u>63,793</u>	<u>557,791</u>

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

	Six months ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Interest on lease liabilities	66	93
Interest on bank and other loans	4,149	1,110
	<u>4,215</u>	<u>1,203</u>
Total interest expense on financial liabilities not at FVTPL	<u>4,215</u>	<u>1,203</u>
(b) Staff costs (including directors' emoluments) (notes (i) and (iii)):		
Salaries and allowance	16,142	24,950
Contributions to defined contribution retirement plans	225	177
Equity-settled share-based payment expenses	13	–
	<u>16,380</u>	<u>25,127</u>
(c) Other items:		
Cost of goods recognised as expenses (note (ii))	101,639	23,521
Depreciation charges (notes (i) and (iii))		
– owned property, plant and equipment	366	242
– right-of-use assets	1,109	1,790
Exploration expenses (note (iii))	2,691	–
Short-term lease expense	18	20
	<u>101,639</u>	<u>23,521</u>

Notes:

- (i) Included in staff costs there are HK\$15,619,000 (2021: HK\$25,127,000) being classified under administrative expenses in the condensed consolidated statement of profit or loss. Included in depreciation charges there are HK\$1,415,000 (2021: HK\$2,032,000) being classified under administrative expenses. Other major components of administrative expenses include brokerage and custodian fees for investments of HK\$3,977,000 (2021: HK\$6,517,000) and legal, professional and consultancy fees of HK\$2,009,000 (2021: HK\$4,900,000).
- (ii) Cost of inventories includes reversal of write-down of inventories of HK\$1,590,000 (2021: Nil).
- The reversal of write-down of inventories during the current period is due to an increase in the estimated net realisable value of iron ores as a result of increase in prevailing selling price.
- (iii) Exploration expenses in the condensed consolidated statement of profit or loss includes staff cost of HK\$748,000 (2021: Not applicable) and depreciation of HK\$60,000 (2021: Not applicable), which are also included in the respective total amounts disclosed separately above.

6. INCOME TAX CREDIT/(EXPENSE)

Amounts recognised in profit or loss:

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax for the period	(1,301)	(6,915)
– Over-provision of Hong Kong Profits Tax for prior year	–	30
– PRC Enterprise Income Tax for the period	(95)	(849)
Deferred tax:		
– Origination and reversal of temporary differences	11,032	(1,615)
Income tax credit/(expense)	9,636	(9,349)

7. DIVIDENDS

Dividends recognised as distribution to owners of the Company during the period:

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
2022 final dividend declared – HK10 cents (2021: 2021 final dividend declared – HK10 cents and 2021 special dividend declared – HK10 cents)	130,249	260,425

During the six months ended 31 December 2022, a final dividend of HK10 cents (six months ended 31 December 2021: a final dividend of HK10 cents and a special dividend of HK10 cents) per ordinary share, in an aggregate amount of HK\$130,249,000 (six months ended 31 December 2021: HK\$260,425,000), was declared in respect of the year ended 30 June 2022 (six months ended 31 December 2021: year ended 30 June 2021), which is paid or payable in cash.

No dividend has been proposed for the six months ended 31 December 2022 (six months ended 31 December 2021: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to the owners of the Company of HK\$43,424,000 (2021: HK\$275,329,000) and the weighted average number of 1,302,427,503 (2021: 1,220,812,165) ordinary shares in issue during the six months ended 31 December 2022.

(b) **Diluted loss per share**

During the six months ended 31 December 2022, the computation of diluted loss per share does not assume the exercise of the Company's warrants because the exercise price of the warrants was higher than the average market price for shares for the period (2021: assumed exercise would result in a decrease in loss per share).

9. INTERESTS IN ASSOCIATES

	At 31 December 2022 HK\$'000 (Unaudited)	At 30 June 2022 HK\$'000 (Audited)
Interests in associates before impairment	2,054,890	2,084,132
Impairment losses recognised	(631,846)	(465,369)
	<u>1,423,044</u>	<u>1,618,763</u>
Fair value of listed investments	<u>1,320,774</u>	<u>1,514,367</u>

At the end of the reporting period, the management of the Group carried out impairment review on the carrying amounts of its interest in Mount Gibson Iron Limited (“MGX”), Tanami Gold NL (“TAM”), Dragon Mining Limited (“**Dragon Mining**”) and Mabuhay Holdings Corporation (“MHC”) by comparing their recoverable amounts (higher of value in use and fair value less costs of disposal) with their respective carrying amounts. Recoverable amounts of the Group's interest in MGX, TAM and MHC are determined to be their fair value less costs of disposal which are based on the closing prices of their shares listed on the ASX for MGX and TAM and on the Philippine Stock Exchange, Inc for MHC at the end of the reporting period.

As at 31 December 2022, recoverable amounts of MGX, TAM and MHC are lower than their carrying amounts. Accordingly, impairment losses of HK\$152,007,000 (At 30 June 2022: an impairment loss of HK\$405,751,000), HK\$11,962,000 (At 30 June 2022: an impairment loss of HK\$50,109,000) and HK\$2,508,000 (At 30 June 2022: an impairment loss of HK\$9,509,000) are recognised for MGX, TAM and MHC respectively in profit or loss during the six months ended 31 December 2022.

	For the six months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
MGX	(152,007)	(752,976)
TAM	(11,962)	–
MHC	(2,508)	(6,891)
	<u>(166,477)</u>	<u>(759,867)</u>

10. INTEREST IN A JOINT VENTURE

	At 31 December 2022 HK\$'000 (Unaudited)	At 30 June 2022 HK\$'000 (Audited)
Interest in a joint venture with nil impairment	<u>92,291</u>	<u>95,242</u>

11. TRADE AND OTHER RECEIVABLES AND RENTAL DEPOSITS

	At 31 December 2022 HK\$'000 (Unaudited)	At 30 June 2022 HK\$'000 (Audited)
Other receivables and deposits	27,176	35,644
Dividend receivable	–	22,343
Rental deposits (<i>note (i)</i>)	288	288
Receivable from securities brokers	19,775	24,384
Prepayments	<u>1,661</u>	<u>1,588</u>
	<u>48,900</u>	<u>84,247</u>
Representing:		
– Non-current assets	288	288
– Current assets	<u>48,612</u>	<u>83,959</u>
	<u>48,900</u>	<u>84,247</u>

Except for the non-current rental deposits, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Note:

- (i) Rental deposits are typically paid for leased properties, which are refundable after the expiry of the leases.

12. TRADE AND OTHER PAYABLES

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Trade payables designated at FVTPL (<i>note (i)</i>)	14,964	64,926
Other payables measured at amortised cost	48,339	34,247
Contract liabilities – sales deposits received in advance	23,940	–
	<u>87,243</u>	<u>99,173</u>

Note:

(i) Aging analysis

As of the end of the reporting period, the aging analysis of trade payables designated at FVTPL based on the invoice date is as follows:

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
0-30 days	<u>14,964</u>	<u>64,926</u>

The Group purchases iron ore commodities under provisional pricing arrangements where final prices are based on prevailing spot prices over a quotation period after shipment by the supplier, which is a subsidiary of MGX. These trade payables are designated at FVTPL on contract by contract basis.

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

13. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
At 1 July 2022 (audited) and 31 December 2022 (unaudited), ordinary shares of HK\$1.00 each	<u>3,000,000,000</u>	<u>3,000,000</u>
Issued and fully paid,		
ordinary shares of HK\$1.00 each		
At 1 July 2022 (audited)	1,302,130,149	1,302,130
Exercise of warrants subscription rights	<u>355,372</u>	<u>356</u>
At 31 December 2022 (unaudited)	<u>1,302,485,521</u>	<u>1,302,486</u>

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\$43,424,000 for the six months ended 31 December 2022 (“1H FY2023”), compared with a net loss attributable to shareholders of the Company of HK\$275,329,000 for the six months ended 31 December 2021 (“1H FY2022”). Our 1H FY2023 loss was primarily driven by a HK\$152,007,000 impairment loss on our interest in an associate, Mount Gibson Iron Limited (“Mount Gibson”). In 1H FY2023, the Group reported underlying segment profit of HK\$102,324,000 driven by our Resource Investment division which generated a segment profit of HK\$114,919,000.

Primary Strategic Investments

Our Primary Strategic Investments are in Mount Gibson (ASX: MGX) which is listed and operating in Australia and in the year ended 30 June 2018, we also acquired investments in Tanami Gold NL (“Tanami Gold”) (ASX: TAM). The net attributable profit from these Primary Strategic Investments for 1H FY2023 was HK\$2,057,000 (1H FY2022: Net loss of HK\$105,467,000).

In October 2022, APAC participated as a sub-underwriter of the rights issue of Prodigy Gold NL (“Prodigy Gold”) (ASX: PRX), a gold exploration company listed on the ASX. After completion of Prodigy Gold’s rights issue, the Group’s shareholding in Prodigy Gold increased from below 20% to 49.9%. In accordance with Hong Kong Financial Reporting Standards, APAC is considered to have control over it and commence accounting for it as a subsidiary. In 1H FY2023, the post-acquisition loss from Prodigy Gold attributable to shareholders of the Company amounted to HK\$1,804,000.

Mount Gibson

Mount Gibson is an Australian producer of direct shipping grade iron ore products. Mount Gibson owns the Koolan Island mine off the Kimberley coast in the remote north-west of Western Australia. Mount Gibson developed the Shine Iron Ore Project, located 85km north of Extension Hill, but suspended operations in November 2021 due to the drop in iron ore price and the high freight costs.

Ore sales at the Koolan Island Restart Project restarted in April 2019, and achieved commercial production in the June quarter 2019. The restart project had 21 million tonnes of 65.5% Fe reserves. Mount Gibson is almost through a planned elevated waste mining phase, and as a result we have seen increased production in the recent December 2022 quarter.

Mount Gibson reported a net profit after tax of A\$7 million for 1H FY2023 from sales of 1.1 million tonnes. Operating costs were high in 1H FY2023 as Mount Gibson used interim crushing arrangements while the processing plant was being repaired and waste mining is not yet fully complete. The repairs will be completed in March 2023 quarter and costs will improve through the 2023 calendar year.

Sales guidance for the year ending 30 June 2023 (“FY 2023”) is 3.2 - 3.7 million tonnes.

Mount Gibson cash and cash equivalents including subordinated notes and financial assets held for trading at end 1H FY2023 was A\$41 million and the company has drawn A\$25 million on its revolving credit facility.

The Platts IODEX 62% CFR China index fell steadily through most of 1H FY2023, from roughly US\$110 per dry metric tonne (“dmt”) in July 2022 down to US\$75 per dmt in early November 2022 but then rebounded to end the year back at US\$110 per dmt. The price is currently around US\$120 per dmt. The fall in iron ore price was driven by weak economic activity in China due to the Zero Covid Policy, but rebounded as China reopened faster than expected, although some uncertainty remains over the level of infrastructure related stimulus and the trajectory of the property market.

Tanami Gold

We currently own 46.3% of Tanami Gold.

Tanami Gold’s principal business activity is gold exploration. It holds 50% of the Central Tanami Project and has a cash balance of A\$32 million. In May 2021, Tanami Gold entered into a binding agreement with Northern Star Resources Limited (“Northern Star”) (ASX: NST) to establish a new 50-50 Joint Venture covering the Central Tanami Project. Northern Star agreed to pay A\$15 million cash to increase its ownership in the project from 40% to 50%, and going forward both parties will be jointly responsible for funding exploration and development activities. This agreement was completed and Tanami Gold paid A\$5 million cash to fund its share of the joint venture activity.

Prodigy Gold

APAC owns 49.9% of Prodigy Gold.

Prodigy Gold is a gold exploration company listed on the ASX. It holds a large footprint of exploration tenements in the Tanami region in the Northern Territory, Australia. Some of its tenements are held in joint venture with partners such as Newmont Corporation and IGO Limited. Prodigy Gold restarted its exploration activities in 2022 after several years of restrictions related to the COVID-19 pandemic. Prodigy Gold reported a net loss after tax of A\$2.2 million for 1H FY2023. At the end of December 2022, Prodigy Gold has a cash balance of A\$8.1 million.

The focus of Prodigy Gold for 2023 will be exploration on the Northern Tanami project area and continue with its strategy to divest non-core assets.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss comprise mainly the Group’s investments in Metals X Limited (“Metals X”) and Resource Investment. As at 31 December 2022, APAC had significant investments representing 5% or more of the Group’s total assets in Shougang Fushan Resources Group Limited (“Shougang Fushan”) (HKEX: 639) and Metals X (ASX: MLX).

Significant Investments

Name of investee company	Number of shares held at 31 December 2022	% of shares held at 31 December 2022	For the period ended 31 December 2022				At 31 December 2022		
			Investment cost HK\$'000	Dividend income HK\$'000	Realised gain HK\$'000	Unrealised gain (loss) HK\$'000	Fair value gain (loss) HK\$'000	Carrying value HK\$'000	% of carrying value to the Group's total assets
Metals X	179,596,319	19.8%	398,796	-	-	39,671	39,671	365,120	8.4%
Shougang Fushan	125,640,000	2.5%	212,630	54,743	-	(88,783)	(88,783)	312,844	7.2%

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

Name of investee company	Principal business
Metals X	Exploration and development of base metals
Shougang Fushan	Coking coal mining, production and sales of coking coal products

Our investment in Shougang Fushan generated a fair value loss of HK\$88,783,000 with carrying value as at 31 December 2022 of HK\$312,844,000.

Shougang Fushan is a coking coal producer listed on The Stock Exchange of Hong Kong Limited. Its principal businesses are coking coal mining, production and sales of coking coal products in China. It has 3 mines located in China with reserves of 69 million tonnes of raw coking coal at 31 December 2021 and during six months ended 30 June 2022 Shougang Fushan produced 2.7 million tonnes raw coking coal. 2022 guidance is for 5.3 million tonnes of raw coking coal, in line with the production rate achieved in the first half of calendar year 2022.

At the time of writing its results for the year ending 31 December 2022 are not yet available. The market capitalisation of Shougang Fushan in February 2023 is around HK\$13.7 billion, while its working capital reported at 30 June 2022 is HK\$6.7 billion and it generated EBITDA of HK\$3.3 billion in six months ended 30 June 2022.

Chinese steel demand has been relatively muted as the construction industry has been slower to rebound. Even though coking coal inventories in China are low, steel mill margins are also low which is limiting their desire to restock.

Our other notable investment is in Metals X. The carrying value of Metals X as at 31 December 2022 amounted to HK\$365,120,000 (As at 30 June 2022: HK\$325,449,000) represented approximately 8.4% (As at 30 June 2022: 7.3%) of the total assets of the Group. In 1H FY2023, our investment in Metals X generated an unrealised gain of HK\$39,671,000 (1H FY2022: Gain of HK\$342,584,000) which was accounted for in profit or loss.

Metals X is focused on implementing its life of mine plan at Renison mine, and development of the high grade Area 5 deposit is nearly complete. During 1H FY2023, the Renison mine produced 1,887 tonnes of tin (net 50% basis) down 22% year-on-year (“YoY”), and the average realised tin price of A\$29,428 per tonne was down 37% YoY.

Tin prices steadily weakened through most of 1H FY2023, but then started to rebound in early November 2022 again because of sentiment around China’s reopening. During the period, tin price fell from above US\$27,000 per tonne to US\$18,000 per tonne, and then rebounded and the current price at time of writing is US\$27,500 per tonne. Demand for semiconductors and solar PV remains strong. We remain comfortable with the medium term outlook for tin due to the lack of significant supply growth and new demand for tin from the growing electrical vehicle and energy storage industries.

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, the United Kingdom and the United States. Our investments focus on select commodities within several commodity segments, namely energy, bulk commodities, base metals and precious metals.

Resource Investment posted a fair value gain of HK\$54,447,000 in 1H FY2023 (1H FY2022: HK\$172,283,000), which after accounting for segment related dividend and other investment income and expenses, resulted in a segment profit of HK\$114,919,000 (1H FY2022: HK\$212,830,000).

Our Resource Investment division includes, among other investing strategies, the two resource portfolios announced in August 2016, with additional natural resource focused strategies subsequently established and focused on large caps and specialist opportunities. The aim of the portfolios is to produce a positive return using Company funds as well as to create a track record to attract potential third-party investments in the future. These various portfolios are managed under the Resource Investment segment of the Company, which is separate to the Company’s large strategic stakes. Our portfolios have a global long-only mandate (cannot short stocks) and strict parameters on market capitalisation, liquidity, development stage (exploration through to production) and jurisdiction to manage risk.

The Mining Portfolio focuses on investments in small and mid-cap companies involved in battery metals, base metals, precious metals, uranium, bulks and other hard rock commodities. Since its inception on 1 October 2016, the Mining Portfolio has delivered a return on investment of 423.0% to 31 December 2022, which is an outperformance of 418.1% against its benchmark (currency adjusted equal weighting of ASX 200 Smallcap Resources, FTSE AIM All Share Basic Resources and TSX Venture Composite) return of 4.9%. A full breakdown of the Mining Portfolio's periodic performance against its benchmark is presented in the table below.

Period	Start of Financial Period	End of Financial Period	Mining Portfolio Period Performance	Benchmark Period Performance	Period Outperformance	Mining Portfolio Cumulative	Benchmark Cumulative	Cumulative Outperformance
FY16-17	01-Oct-16	30-Sep-17	8.7%	4.0%	4.7%	8.7%	4.0%	4.7%
FY17-18	01-Oct-17	30-Sep-18	9.6%	-4.3%	13.9%	19.1%	-0.4%	19.5%
FY18-19	01-Oct-18	30-Sep-19	18.8%	-15.4%	34.2%	41.4%	-15.7%	57.1%
FY19-20	01-Oct-19	30-Sep-20	59.8%	29.9%	29.9%	126.0%	9.5%	116.5%
FY20-21 (9 months)	01-Oct-20	30-Jun-21	87.0%	33.2%	53.8%	322.6%	45.8%	276.8%
FY21-22	01-Jul-21	30-Jun-22	14.2%	-27.1%	41.3%	382.7%	6.3%	376.4%
1H/FY23	01-Jul-22	31-Dec-22	8.4%	-1.3%	9.7%	423.0%	4.9%	418.1%

The Energy Portfolio is primarily focused on the oil, gas and renewables sectors. From inception until end of 2019, the portfolio was focused on oil and gas sectors only, but at the end of 2019, the mandate for this portfolio was expanded to include investments in renewables, and with a broadened sector of investments, from February 2020 (before the full impact of the COVID-19 Pandemic) to December 2022, the Energy Portfolio has generated a return on investment of 118%.

Precious

Precious metals (majority gold exposure) generated a net fair value profit of HK\$35,331,000 in 1H FY2023. As at 31 December 2022, the carrying value of the Precious segment was HK\$376,387,000 (As at 30 June 2022: HK\$319,354,000). Our largest gold investment in the Resource Investment division is in Northern Star (ASX: NST) which generated a fair value gain of HK\$32,824,000 with carrying value as at 31 December 2022 of HK\$90,736,000. We also own Wheaton Precious Metals Corp. (NYSE: WPM) which generated a fair value gain of HK\$2,786,000 with carrying value as at 31 December 2022 of HK\$27,426,000.

Northern Star is the second largest gold company in Australia and owns high grade underground mines in Western Australian and Alaska. In 1H FY2023 its production was 764,000 ounces of gold, and it generated net mine cash flow of A\$244 million. In FY 2023 its production target is 1,560,000 - 1,680,000 ounces of gold.

The gold price weakened through 1H FY2023, falling to a low of in US\$1,620 per ounce in early November 2022 but as the United States Dollars came off its peak and central banks buying ramped up, gold price rebounded and is currently around US\$1,860 per ounce.

Bulk

Bulk commodities segment generated a fair value gain of HK\$5,568,000 in 1H FY2023 despite variable iron ore and coal prices. As at 31 December 2022, the carrying value was HK\$566,858,000 (As at 30 June 2022: HK\$552,081,000). Our largest investment in this segment during 1H FY2023 is in Shougang Fushan (HKEX: 639), which generated a fair value loss of HK\$88,783,000 and had a carrying value as at 31 December 2022 of HK\$312,844,000.

Base Metals

Base Metals segment (a mix of copper, nickel and zinc companies) delivered a fair value loss of HK\$10,146,000 in 1H FY2023. The copper and nickel prices increased by 5% and 41% respectively while zinc price fell 3%. The Base Metals segment includes our investment in China Hongqiao Group Limited (HKEX: 1378) which had a carrying value as at 31 December 2022 of HK\$12,529,000.

Energy

The Energy segment (mix of oil and gas, uranium and renewables) had a fair value gain of HK\$9,817,000 in 1H FY2023. Our significant Energy investments include National Atomic Company Kazatomprom JSC (LSE: KAP), which generated a fair value gain of HK\$980,000 and had a carrying value as at 31 December 2022 of HK\$51,565,000.

Others

We also have a fair value gain of HK\$10,529,000 from the remaining commodity (diamonds, manganese, rare earths, lithium and mineral sands among others) and non-commodity investments in 1H FY2023 and had a carrying value as at 31 December 2022 of HK\$171,619,000 (As at 30 June 2022: HK\$177,578,000). This includes our investment in Pilbara Minerals Limited (ASX: PLS), which generated a fair value gain of HK\$15,071,000.

Commodity Business

Our iron ore offtake at Koolan Island recommenced as the mine restarted operations, and we continue to look for new offtake opportunities across a range of commodities. For 1H FY2023, our Commodity Business generated a segment profit of HK\$6,993,000 (1H FY2022: HK\$50,192,000).

Principal Investment and Financial Services

The Principal Investment and Financial Services segment, which covers the income generated from loan receivables, loan notes and other financial assets. For 1H FY2023, this segment reported a loss of HK\$15,957,000 (1H FY2022: Profit of HK\$24,843,000).

Money Lending

The Group engaged in money lending activities under the Money Lenders Ordinance of Hong Kong. For 1H FY2023, the revenue and profits generated from money lending formed part of results of the Principal Investment and Financial Services segment.

Outstanding loan receivables net of loss allowances as at 31 December 2022 amounted to approximately HK\$391,368,000 (As at 30 June 2022: HK\$362,698,000). During the period, the Group has provided for impairment losses on its loan receivables of approximately HK\$8,676,000 (1H FY2022: Reversal of impairment loss of HK\$404,000).

Liquidity, Financial Resources and Capital Structure

As at 31 December 2022, our non-current assets amounted to HK\$2,254,614,000 (As at 30 June 2022: HK\$2,386,729,000) and net current assets amounted to HK\$1,655,537,000 (As at 30 June 2022: HK\$1,685,786,000) with a current ratio of 4.6 times (As at 30 June 2022: 5.2 times) calculated on the basis of its current assets over current liabilities. Included in non-current assets and current assets are loan note of nil (As at 30 June 2022: HK\$3,965,000) and loan receivables of HK\$391,368,000 (As at 30 June 2022: HK\$362,698,000).

As at 31 December 2022, we had borrowings of HK\$226,814,000 (excluding lease liabilities) (As at 30 June 2022: HK\$289,617,000) and had undrawn letter of credit, bank and other loan facilities amounting to HK\$719,982,000. As at 31 December 2022, we had a gearing ratio of nil (As at 30 June 2022: Nil), calculated on the basis of net debt over equity attributable to owners of the Company. For this purpose, net debt is defined as borrowings (excluding lease liabilities) less cash and cash equivalents.

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 Australian Dollars, 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 addition, 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 2022, the Group's bank deposits of HK\$24,648,000 (As at 30 June 2022: bank deposits of HK\$111,452,000) and listed securities held-for-trading with a fair value of HK\$290,020,000 (As at 30 June 2022: HK\$379,705,000) were pledged.

Employees and Emolument Policy

The Group ensures that its employees are remunerated according to the prevailing manpower market conditions and individual performance with its remuneration policies reviewed on a regular basis. Eligible employees are entitled to participate in the Group's benefit plans including medical and personal accident insurances, pension fund schemes and other retirement benefits including the Mandatory Provident Fund Scheme and superannuation guarantee contribution pursuant to the applicable laws and regulations.

As at 31 December 2022, the Group, including its subsidiaries but excluding associates, had 23 (As at 30 June 2022: 15) employees. The increase in headcount is mainly a result of newly added Prodigy Gold, which has become the Group's subsidiary since October 2022. Total remuneration together with pension contributions incurred for 1H FY2023 amounted to HK\$12,835,000 (1H FY2022: HK\$22,161,000).

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.

Bonus Issue of Warrants

As disclosed in the announcement of the Company dated 29 June 2021 (the “**Announcement**”) and the circular of the Company dated 27 July 2021 (the “**Circular**”), on 29 June 2021, the Board proposed to make a bonus issue of warrants to qualifying shareholders of the Company on the basis of one warrant for every five shares held on the record date. Each warrant entitles the holder to subscribe in cash for one new share of the Company at an initial subscription price of HK\$1.20 (subject to adjustment) at any time during the period from the date of issue to 6 October 2022 (both days inclusive). The warrants are listed on The Stock Exchange of Hong Kong Limited (Warrant code: 1074) and traded in board lots of 12,000 units each.

On 7 September 2021, a total of 243,778,782 units of warrants were issued by the Company to qualifying shareholders of the Company. During the period from 1 July 2022 to 6 October 2022, a total of 355,372 units of warrants were exercised. Up to 6 October 2022 (the last day for subscription of warrants), a total of 83,591,607 units of warrants were exercised and 160,187,175 units of outstanding warrants were lapsed thereafter. All of subscription monies received of approximately HK\$100,310,000 have been utilised for investment in companies involved in the natural resources sector as its intent disclosed in the Announcement and the Circular.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates 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 2022, the Group did not hold any other significant investments nor have any material acquisitions or disposals of subsidiaries, associates and joint ventures. Save as disclosed in this announcement, as at 31 December 2022, the Group did not have any plans for material investments or capital assets.

Capital Commitments

As at 31 December 2022, the Group had no material capital commitments contracted but not provided for.

Contingent Liabilities

Prodigy Gold provides for all known environmental liabilities. In opinion of its directors, based upon current information, its current provisions for the environmental rehabilitation are adequate there can be no assurance that material new provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

Environmental guarantees totaling A\$2,357,498 (equivalent to approximately HK\$12,449,000) (At 30 June 2022: not applicable) have been provided. Term deposits of A\$2,275,504 (equivalent to approximately HK\$12,016,000) (At 30 June 2022: not applicable) and cash deposits of A\$81,994 (equivalent to approximately HK\$433,000) (At 30 June 2022: not applicable) with the Department of Industry, Tourism and Trade-NT Government (DITT) secure these guarantees. Restoration provisions of A\$1,516,760 (equivalent to approximately HK\$8,009,000) (At 30 June 2022: not applicable) have been recognised for all known required restoration cost.

Save as disclosed in this announcement, the Board is not aware of any material contingent liabilities as at the date of this announcement and as at 31 December 2022.

Impact of Novel Coronavirus Outbreak to the Group

The COVID-19 has spreaded globally since 2020. When COVID-19 spread to major western economies, the global economy was once on the brink of paralysis in March 2020. During 1H FY2023, the world has largely recovered from the economic impact of the COVID-19 pandemic but Hong Kong and Mainland China were still impacted by COVID-19 related lockdowns and its dynamic zero covid strategy. In November 2022, China opened including removal of strict border controls and lockdowns in cities with rising COVID-19 infections.

In preparing the consolidated financial statements, the Group applies fair value to measure its financial assets at fair value through profit or loss and, if applicable, to estimate impairment loss of the Group's interests in associates and loan receivables. Since 2020, provision of impairment loss of the Group's interests in associates and the fair values of the Group's financial instruments are subject to fluctuations due to the COVID-19 outbreak as well as other global economic and geopolitical factors. The Group will keep monitoring the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group, in particular the impact of the fair value of its financial instruments and the recoverable amount of the interests in associates and loan receivables. Save as disclosed in this announcement, the COVID-19 outbreak did not have material impacts on our Commodity Business, liquidity positions, working capital sufficiency and capital commitments for 1H FY2023.

COVID-19 Pandemic Response

The Group has implemented certain protocols below to minimise the associated risks to employees while ensuring a safe environment for operations to continue as usual:

- measures to maximise social distancing and staff protection within the offices;
- meetings are held off-site or by conference calls as far as possible;
- cancellation of all non-essential travel;
- flexible and remote working plans for employees;
- self-isolation following outbound travel, development of symptoms, or interaction with a confirmed case of COVID-19 and do coronavirus test as and when necessary at the Company's cost;
- increased inventory of face mask, hand sanitiser and hygiene supplies; and
- increased focus on cleaning and sanitation.

The Group continues to monitor the COVID-19 situation and ensures staff and contractors comply with all government and other regulatory directions.

Important Events Affecting the Group after the End of the Financial Period

There are no important events affecting the Group after the end of the financial period for the six months ended 31 December 2022 and up to the date of this announcement.

Interim Dividend

A final dividend of HK10 cents per share for the year ended 30 June 2022 was declared during the six months ended 31 December 2022 and an aggregate amount of approximately HK\$130,248,552 was paid in cash on 20 February 2023. No dividend has been proposed for the six months ended 31 December 2022 (Six months ended 31 December 2021: Nil).

Company Strategy

The Board believes that the performance of the equity investments 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 maximise value for the shareholders.

Forward Looking Observations

We are cautiously optimistic on the outlook for commodities in 2023 given China is still in the early stages of its reopening, with a potential for further stimulus measures to get the economy back on track after a tricky 2022 where activity was impacted by lockdowns. However the equity market is likely to remain volatile, and we are concerned that the US Federal Reserve will have to keep rates higher for longer than the market expects, leading to overall economic weakness.

We remain 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. Our mining and energy investment portfolios are the platform for future mining and energy investments. Our largest investment is in Mount Gibson which is focused on ramping up production at the Koolan Island mine as it completes its large waste stripping program in the coming year, which will position it for strong free cash flow generation in coming years.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2022, the Company has applied the principles of, and fully complied with, the applicable code provisions set out in the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of the Corporate Governance Code under 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 2022. 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 2022.

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

Hong Kong, 27 February 2023

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*