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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 2023**

The board of directors (the “**Board**”) of APAC Resources Limited (the “**Company**” or “**APAC**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 December 2023, 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 2023

| | | Six months ended | |
|--|--------------|-------------------------|--------------------|
| | | 31 December | |
| | | 2023 | 2022 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | | | |
| Trading of goods | | 930,478 | 98,260 |
| Interest income | | 10,956 | 10,673 |
| Total revenue | 2 | 941,434 | 108,933 |
| Cost of sales | | (864,379) | (103,731) |
| Gross profit | | 77,055 | 5,202 |
| Other gains and losses | 4 | 227,069 | 63,793 |
| Other income | | 31,228 | 82,954 |
| Impairment on interests in associates, net | 9 | (885) | (166,477) |
| Administrative expenses | | (29,110) | (34,237) |
| Exploration expenses | | (14,574) | (2,691) |
| Finance costs | 5(a) | (3,966) | (4,215) |
| Share of results of associates | | 304,946 | (465) |
| Share of results of a joint venture | | 145 | 1,249 |
| PROFIT/(LOSS) BEFORE TAXATION | 5 | 591,908 | (54,887) |
| Income tax (expense)/credit | 6 | (19,496) | 9,636 |
| PROFIT/(LOSS) FOR THE PERIOD | | 572,412 | (45,251) |
| Attributable to: | | | |
| Owners of the Company | | 593,272 | (43,424) |
| Non-controlling interests | | (20,860) | (1,827) |
| PROFIT/(LOSS) FOR THE PERIOD | | 572,412 | (45,251) |
| EARNINGS/(LOSS) PER SHARE (EXPRESSED IN HK CENTS) | | | |
| – Basic | 8(a) | 45.5 | (3.3) |
| – Diluted | 8(b) | 45.5 | (3.3) |

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

For the six months ended 31 December 2023

| | Six months ended | |
|---|-------------------------|--------------------|
| | 31 December | |
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| PROFIT/(LOSS) FOR THE PERIOD | <u>572,412</u> | <u>(45,251)</u> |
| Other comprehensive income, net of tax | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of associates | 59,063 | (34,148) |
| Exchange differences on translation of a joint venture | 1,765 | (4,200) |
| Exchange differences on translation of other foreign operations | (663) | 4,962 |
| Share of other comprehensive income of associates, net of related income tax | <u>(6,317)</u> | <u>442</u> |
| | 53,848 | (32,944) |
| Item that will not be reclassified to profit or loss: | | |
| Share of other comprehensive income of an associate, net of related income tax | <u>1,600</u> | <u>3,466</u> |
| Other comprehensive income for the period, net of income tax | <u>55,448</u> | <u>(29,478)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u>627,860</u> | <u>(74,729)</u> |
| Attributable to: | | |
| Owners of the Company | 648,251 | (75,897) |
| Non-controlling interests | <u>(20,391)</u> | <u>1,168</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u>627,860</u> | <u>(74,729)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

| | | 31 December 2023 | 30 June 2023 |
|--|--------------|--------------------------------|------------------------------|
| | <i>Notes</i> | <i>HK\$'000</i> (Unaudited) | <i>HK\$'000</i> (Audited) |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 6,258 | 6,968 |
| Interests in associates | 9 | 1,915,039 | 1,565,530 |
| Interest in a joint venture | 10 | 90,494 | 88,584 |
| Goodwill | | 5,227 | 5,227 |
| Financial assets at fair value through profit or loss (“FVTPL”) | | 6,533 | 5,279 |
| Loan receivables | | – | 327,628 |
| Exploration and evaluation expenditure | | 4,673 | 4,541 |
| Rental deposit | | – | 265 |
| Term deposits | | 13,318 | 12,883 |
| Deferred tax assets | | – | 8,994 |
| | | 2,041,542 | 2,025,899 |
| Current assets | | | |
| Inventories | | 5,937 | 291,568 |
| Trade receivables | 11 | 109,232 | – |
| Prepayments, deposits and other receivables | | 20,448 | 95,522 |
| Financial assets at FVTPL | | 1,239,316 | 886,384 |
| Loan receivables | | 193,885 | 18,446 |
| Bank balances and cash | | 883,895 | 555,169 |
| | | 2,452,713 | 1,847,089 |
| Assets held for sale | | 3,688 | 29,202 |
| | | 2,456,401 | 1,876,291 |
| TOTAL ASSETS | | 4,497,943 | 3,902,190 |

| | | 31 December | 30 June |
|--|--------------|--------------------|------------------|
| | | 2023 | 2023 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Unaudited) | (Audited) |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | <i>13</i> | 1,302,486 | 1,302,486 |
| Other reserves | | 270,883 | 215,904 |
| Accumulated profits | | 2,489,872 | 2,026,849 |
| | | <hr/> | <hr/> |
| Total equity attributable to owners of the Company | | 4,063,241 | 3,545,239 |
| Non-controlling interests | | 19,658 | 40,049 |
| | | <hr/> | <hr/> |
| | | 4,082,899 | 3,585,288 |
| | | <hr/> | <hr/> |
| Non-current liabilities | | | |
| Lease liabilities | | 589 | 1,514 |
| Deferred tax liabilities | | 5,815 | 523 |
| Provisions | | 8,189 | 7,913 |
| | | <hr/> | <hr/> |
| | | 14,593 | 9,950 |
| | | <hr/> | <hr/> |
| Current liabilities | | | |
| Trade payables | <i>12</i> | 106,597 | 9,866 |
| Other payables | | 201,967 | 103,439 |
| Bank and other loans | | 88,000 | 183,240 |
| Tax payable | | 1,524 | 7,685 |
| Lease liabilities | | 2,363 | 2,722 |
| | | <hr/> | <hr/> |
| | | 400,451 | 306,952 |
| | | <hr/> | <hr/> |
| TOTAL LIABILITIES | | 415,044 | 316,902 |
| | | <hr/> | <hr/> |
| TOTAL EQUITY AND LIABILITIES | | 4,497,943 | 3,902,190 |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 2,055,950 | 1,569,339 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS TOTAL LIABILITIES | | 4,082,899 | 3,585,288 |
| | | <hr/> | <hr/> |

NOTES

For the six months ended 31 December 2023

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 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 Group’s annual consolidated financial statements for the year ended 30 June 2023 except for the changes in accounting policy disclosures that are expected to be reflected in the Group’s annual consolidated financial statements for the year ending 30 June 2024 which are set out below:

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

In the current reporting period, the Group has applied, for the first time, the following new and amended to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 July 2023 for the preparation of the Group’s interim condensed consolidated financial information:

| | |
|--|---|
| HKFRS 17 | Insurance Contracts and the related Amendments |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

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 condensed consolidated financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current reporting period.

HKFRS 17, Insurance Contracts and the related Amendments

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on this interim condensed consolidated financial information as the Group does not have contracts within the scope of HKFRS 17.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on this interim condensed consolidated financial information as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

2. REVENUE

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

| | Six months ended | |
|--|-------------------------|----------------|
| | 31 December | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Trading of goods | | |
| – Commodities (Iron ore) | <u>930,478</u> | <u>98,260</u> |
| Revenue from other sources | | |
| Interest income under effective interest method | | |
| – Loan receivables | <u>10,956</u> | 10,639 |
| – Loan note | <u>–</u> | <u>34</u> |
| | <u>10,956</u> | <u>10,673</u> |
| Total revenue | <u>941,434</u> | <u>108,933</u> |

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographical 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 and other financial assets and receiving interest income from these financial assets).

(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 on interests in associates, 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 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.

In addition to receiving segment information concerning segment profit/(loss), the Board is provided with segment information concerning revenue, interest income (included in other income), depreciation, dividend income from financial assets at FVTPL, gain/(loss) arising from changes in fair value of financial assets measured at FVTPL, net, (impairment loss)/reversal of impairment loss on loan receivables, net, (loss)/gain arising from changes in fair value of provisional pricing arrangements in relation to trading of commodities, net, finance costs, net foreign exchange gain/(loss), income tax and additions to non-current segment assets (other than financial instruments and deferred tax assets) used by the segments in their operations.

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 2023 and 2022 is set out below.

Six months ended 31 December 2023

| | 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 reportable segments <i>HK\$'000</i> (Unaudited) | Others <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
|---|---|--|--|---|--|---|
| Segment revenue: | | | | | | |
| Disaggregated by timing of revenue recognition | | | | | | |
| – Point in time | 930,478 | – | – | 930,478 | – | 930,478 |
| – Revenue from other sources: | | | | | | |
| Interest income | – | – | 10,956 | 10,956 | – | 10,956 |
| Revenue from external customers | 930,478 | – | 10,956 | 941,434 | – | 941,434 |
| Gross sales proceeds from resource investment | – | 595,614 | – | 595,614 | – | 595,614 |
| Segment results | 69,373 | 237,951 | 35,856 | 343,180 | (41,422) | 301,758 |
| Share of results of associates | | | | | | 304,946 |
| Share of results of a joint venture | | | | | | 145 |
| Impairment on interests in associates, net | | | | | | (885) |
| Loss arising from deemed disposal of partial interest in an associate | | | | | | (492) |
| Unallocated other corporate income and gains | | | | | | 6,551 |
| Unallocated central administrative expenses and other corporate losses | | | | | | (17,008) |
| Unallocated central finance costs | | | | | | (3,107) |
| Consolidated profit before taxation | | | | | | 591,908 |

| | At 31 December 2023 | | | | | |
|--|---|---------------------|------------------------|---------------------------|-------------|------------------|
| | Principal investment and financial services | | | Total reportable segments | Others | Total |
| | Commodity business | Resource investment | and financial services | Total reportable segments | Others | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Segment assets | 653,639 | 1,365,641 | 194,447 | 2,213,727 | 46,011 | 2,259,738 |
| Interests in associates | | | | | | 1,915,039 |
| Interest in a joint venture | | | | | | 90,494 |
| Unallocated head office and corporate assets | | | | | | |
| – Financial assets at FVTPL not held within the trading portfolios | | | | | | 6,533 |
| – Bank balances and cash | | | | | | 222,653 |
| – Other corporate assets | | | | | | 3,486 |
| Consolidated total assets | | | | | | <u>4,497,943</u> |
| Segment liabilities | 129,368 | 128,478 | 6,569 | 264,415 | 10,490 | 274,905 |
| Unallocated head office and corporate liabilities | | | | | | |
| – Dividend payable | | | | | | 135,107 |
| – Other corporate liabilities | | | | | | 5,032 |
| Consolidated total liabilities | | | | | | <u>415,044</u> |

Six months ended 31 December 2022

| | Commodity business HK\$'000 (Unaudited) | Resource investment HK\$'000 (Unaudited) | Principal investment and financial services HK\$'000 (Unaudited) | Total reportable segments HK\$'000 (Unaudited) | Others HK\$'000 (Unaudited) | Total HK\$'000 (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 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 30 June 2023 | | | | | |
|---|---|--|--|---------------------------------|------------------------------|------------------------------|
| | | | Principal investment and financial services | Total reportable segments | Others | Total |
| | Commodity business <i>HK\$'000</i> (Audited) | Resource investment <i>HK\$'000</i> (Audited) | <i>HK\$'000</i> (Audited) | <i>HK\$'000</i> (Audited) | <i>HK\$'000</i> (Audited) | <i>HK\$'000</i> (Audited) |
| Segment assets | 420,875 | 1,067,132 | 346,829 | 1,834,836 | 89,037 | 1,923,873 |
| Interests in associates | | | | | | 1,565,530 |
| Interest in a joint venture | | | | | | 88,584 |
| Unallocated head office and corporate assets | | | | | | |
| – Financial assets at FVTPL not held within the trading portfolios | | | | | | 5,279 |
| – Bank balances and cash | | | | | | 314,710 |
| – Other corporate assets | | | | | | 4,214 |
| Consolidated total assets | | | | | | <u>3,902,190</u> |
| Segment liabilities | 147,731 | 106,498 | 6,376 | 260,605 | 12,666 | 273,271 |
| Unallocated head office and corporate liabilities | | | | | | |
| – Other loan | | | | | | 20,500 |
| – Dividend payable | | | | | | 4,858 |
| – Other corporate liabilities | | | | | | 18,273 |
| Consolidated total liabilities | | | | | | <u>316,902</u> |

(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, interests in associates and a joint venture, goodwill and exploration and evaluation expenditure. 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 note 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) which is presented based on geographical location of assets (where the property, plant and equipment and exploration and evaluation expenditures are located/incurred and where the associates, the joint venture and the subsidiary to which the goodwill relates are incorporated/listed).

| | Revenue from external customers | | Non-current assets | |
|-------------------------------|--|---------------------------------|--|--|
| | Six months ended 31 December 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | At 31 December 2023 HK\$'000 (Unaudited) | At 30 June 2023 HK\$'000 (Audited) |
| Hong Kong (place of domicile) | 3,024 | 397 | 2,430 | 3,425 |
| The PRC | 938,410 | 107,978 | 138,499 | 135,035 |
| Australia | – | 558 | 1,875,129 | 1,523,286 |
| Philippines | – | – | 5,633 | 9,104 |
| | 941,434 | 108,933 | 2,021,691 | 1,670,850 |

4. OTHER GAINS AND LOSSES

| | Six months ended | |
|---|-------------------------|-------------|
| | 31 December | |
| | 2023 | 2022 |
| | 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 | 214,274 | 54,447 |
| – listed equity securities not held within the trading portfolios | – | 39,671 |
| – unlisted equity investments | 3,491 | – |
| – derivative financial instruments | | |
| – warrants | 2,924 | (3,888) |
| Reversal of impairment loss/(impairment loss) on loan receivables, net | 24,110 | (8,676) |
| Impairment loss on assets held for sale | (25,368) | – |
| Gain arising from deemed increase of shareholding in an associate | – | 5 |
| Loss arising from deemed disposal of partial interest in an associate | (492) | (3,391) |
| 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 | (3,520) | – |
| – fair value gain on trade payables designated at FVTPL | 3,619 | 16,497 |
| Loss arising from modification of loan receivables | – | (847) |
| Net foreign exchange gain/(loss) | 10,178 | (30,025) |
| Others | (2,147) | – |
| | 227,069 | 63,793 |

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging the following:

| | Six months ended | |
|---|-------------------------|-----------------|
| | 31 December | |
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| (a) Finance costs: | | |
| Interest on lease liabilities | 105 | 66 |
| Interest on bank and other loans | 3,861 | 4,149 |
| | <hr/> | <hr/> |
| Total interest expenses on financial liabilities not at FVTPL | 3,966 | 4,215 |
| | <hr/> | <hr/> |
| (b) Staff costs (including directors' emoluments) (notes (i) and (iii)): | | |
| Salaries and allowance | 16,127 | 16,142 |
| Contributions to defined contribution retirement plans | 582 | 225 |
| | <hr/> | <hr/> |
| | 16,709 | 16,367 |
| | <hr/> | <hr/> |
| (c) Other items: | | |
| Costs of goods recognised as expenses (note (ii)) | 885,195 | 101,639 |
| Depreciation charges (notes (i) and (iii)) | | |
| – owned property, plant and equipment | 505 | 366 |
| – right-of-use assets | 1,265 | 1,109 |
| Exploration expenses (note (iii)) | 14,574 | 2,691 |
| Short-term lease expense | 100 | 18 |
| | <hr/> | <hr/> |

Notes:

(i) Included in staff costs there are HK\$13,449,000 (2022: HK\$15,619,000) being classified under administrative expenses in the condensed consolidated statement of profit or loss. Included in depreciation charges there are HK\$1,566,000 (2022: HK\$1,415,000) being classified under depreciation charges. Other major components of administrative expenses include brokerage and custodian fees for investments of HK\$2,637,000 (2022: HK\$3,977,000) and legal, professional and consultancy fees of HK\$2,731,000 (2022: HK\$2,009,000).

(ii) Cost of inventories includes reversal of write-down of inventories of HK\$38,212,000 (2022: reversal of write-down of inventories of HK\$1,590,000).

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\$3,260,000 (2022: HK\$748,000) and depreciation of HK\$204,000 (2022: HK\$60,000), which are also included in the respective total amounts disclosed separately above.

6. INCOME TAX (EXPENSE)/CREDIT

Amounts recognised in profit or loss:

| | Six months ended 31 December | |
|---|---------------------------------|---------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current tax: | | |
| – Hong Kong Profits Tax for the period | (182) | (1,301) |
| – PRC Enterprise Income Tax for the period | (5,028) | (95) |
| Deferred tax: | | |
| – Origination and reversal of temporary differences | <u>(14,286)</u> | <u>11,032</u> |
| Income tax (expense)/credit | <u>(19,496)</u> | <u>9,636</u> |

7. DIVIDENDS

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

| | Six months ended 31 December | |
|--|---------------------------------|----------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| 2023 interim dividend declared | | |
| – HK10 cents (2022: 2022 final dividend declared HK10 cents) | <u>130,249</u> | <u>130,249</u> |

During the six months ended 31 December 2023, an interim dividend of HK10 cents (six months ended 31 December 2022: a final dividend of HK10 cents) per ordinary share, in an aggregate amount of HK\$130,249,000 (six months ended 31 December 2022: HK\$130,249,000), was declared in respect of the year ended 30 June 2023 (six months ended 31 December 2022: year ended 30 June 2022), which is paid or payable in cash with an option to receive the interim dividend (in lieu of a final dividend) wholly or partly in the form of new fully paid shares in lieu of cash.

No dividend has been proposed for the six months ended 31 December 2023 (six months ended 31 December 2022: Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/loss per share is based on the profit attributable to the owners of the Company of HK\$593,272,000 (2022: loss attributable to the owners of the Company of HK\$43,424,000) and the weighted average number of 1,302,485,521 (2022:HK\$1,302,427,503) ordinary shares in issue during the six months ended 31 December 2023.

(b) Diluted earnings/(loss) per share

During the six months ended 31 December 2023, diluted earnings per share is equal to the basic earnings per share as there was no dilutive potential shares outstanding during the six months ended 31 December 2023.

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.

9. INTERESTS IN ASSOCIATES

| | At 31 December 2023 <i>HK\$'000</i> (Unaudited) | At 30 June 2023 <i>HK\$'000</i> (Audited) |
|---|--|--|
| Interests in associates before impairment | 2,658,144 | 2,307,750 |
| Impairment losses recognised | <u>(743,105)</u> | <u>(742,220)</u> |
| | <u>1,915,039</u> | <u>1,565,530</u> |
| Fair value of listed investments | <u>1,833,121</u> | <u>1,484,315</u> |

At the end of the reporting period, the management of the Group carried out review on impairment loss on the carrying amounts of its interests in associates by comparing their recoverable amounts (higher of value in use and fair value less costs of disposal) with its respective carrying amounts when there is impairment or reversal of impairment indication. The impairment loss on respective associates determined based on their fair values less costs of disposal, net recognised in the consolidated statement of profit or loss for the six months ended 31 December 2023 are as follows:

| | For the six months ended 31 December | |
|--------------------------------------|---|--|
| | 2023 <i>HK\$'000</i> (Unaudited) | 2022 <i>HK\$'000</i> (Unaudited) |
| Mount Gibson Iron Limited (“MGX”) | 9,314 | (152,007) |
| Tanami Gold NL (“TAM”) | (8,369) | (11,962) |
| Mabuhay Holdings Corporation (“MHC”) | <u>(1,830)</u> | <u>(2,508)</u> |
| | <u>(885)</u> | <u>(166,477)</u> |

10. INTEREST IN A JOINT VENTURE

| | At 31 December 2023 HK\$'000 (Unaudited) | At 30 June 2023 HK\$'000 (Audited) |
|---|---|---|
| Interest in a joint venture with nil impairment | <u>90,494</u> | <u>88,584</u> |

11. TRADE RECEIVABLES

| | At 31 December 2023 HK\$'000 (Unaudited) | At 30 June 2023 HK\$'000 (Audited) |
|---|---|---|
| Trade receivables designated at FVTPL (<i>note</i>) | <u>109,232</u> | <u>–</u> |

Note:

Aging analysis

As of the end of the reporting period, the aging analysis of trade receivables designated at FVTPL based on invoice date which approximates the revenue recognition date, is as follows:

| | At 31 December 2023 HK\$'000 (Unaudited) |
|-------------|---|
| 0 – 30 days | <u>109,232</u> |

The Group sells iron ore commodities under provisional pricing arrangements where final prices are based on prevailing spot prices over a quotation period after shipment to the customers. These trade receivables are designated at FVTPL on contract by contract basis.

12. TRADE PAYABLES

| | At 31 December 2023 HK\$'000 (Unaudited) | At 30 June 2023 HK\$'000 (Audited) |
|--|---|---|
| Trade payables designated at FVTPL (<i>note</i>) | <u>106,597</u> | <u>9,866</u> |

Note:

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 2023 HK\$'000 (Unaudited) | At 30 June 2023 HK\$'000 (Audited) |
|-----------|---|---|
| 0-30 days | <u>106,597</u> | <u>9,866</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, MGX. These trade payables are designated at FVTPL on contract by contract basis.

13. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|--|-----------------------------|----------------------------|
| Authorised: | | |
| At 1 July 2023 (audited) and 31 December 2023 (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 2023 (audited) and 31 December 2023 (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 profit attributable to shareholders of the Company of HK\$593,272,000 for the six months ended 31 December 2023 (“1H FY2024”), compared with a net loss attributable to shareholders of the Company of HK\$43,424,000 for the six months ended 31 December 2022 (“1H FY2023”). In 1H FY2024, the Group reported underlying segment profit of HK\$301,758,000, driven by our Resource Investment and Commodity Business divisions, which generated segment profits of HK\$237,951,000 and HK\$69,373,000 respectively.

Primary Strategic Investments

Our Primary Strategic Investments are in Mount Gibson Iron Limited (“Mount Gibson”) (ASX: MGX), Tanami Gold NL (“Tanami Gold”) (ASX: TAM), Metals X Limited (“Metals X”) (ASX: MLX) and Prodigy Gold NL (“Prodigy Gold”) (ASX: PRX), which are operating in Australia and listed on the Australian Securities Exchange (“ASX”). During the period, APAC has increased its shareholding in Metals X to approximately 22.7% as at 31 December 2023. The net attributable profit shared from Mount Gibson, Tanami Gold and Metals X which are accounted for as the Group’s associates for 1H FY2024 was HK\$298,065,000 (1H FY2023: Net attributable profit of HK\$2,057,000).

In October 2022, our shareholding in Prodigy Gold, a gold exploration company listed on ASX increased to approximately 49.9%. In accordance with Hong Kong Financial Reporting Standards, APAC is deemed to have control over it and commence accounting for it as a subsidiary. APAC owns approximately 49.8% of Prodigy Gold at 31 December 2023. In 1H FY2024, the post-acquisition attributable loss from Prodigy Gold amounted to HK\$20,562,000.

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 widening discount for low-grade iron ore and the high freight costs.

Ore sales at the Koolan Island Restart Project started in April 2019 and achieved commercial production in the June quarter of 2019. The restart project had 21 million tonnes of 65.5% Fe reserves. Mount Gibson has completed a planned waste mining phase, enabling increased production from 2023 onwards.

Mount Gibson reported a net profit after tax of A\$139 million for 1H FY2024 from sales of 2.5 million tonnes of iron ore. Operating costs improved in 1H FY2024 after the completion of its elevated stripping phase at Koolan Island and are on track with the company's FY2024 guidance during the period.

Sales guidance for the year ending 30 June 2024 (“**FY2024**”) is 3.8 million to 4.2 million tonnes.

Mount Gibson's cash reserve including term deposits was A\$354 million at the end of 1H FY2024.

The Platts IODEX 62% CFR China index has risen in 1H FY2024 generally, from lows near US\$105 per dry metric tonne (“**dmt**”) in August and ending the year near US\$140 per dmt. The price is currently around US\$130 per dmt. Iron ore prices have generally fluctuated with sentiment related to China's economy. China's stimulus measures drove recent improvement in market expectations.

Tanami Gold

APAC owns approximately 46.3% of Tanami Gold at 31 December 2023.

Tanami Gold's principal business activity is gold exploration. It holds 50% of the Central Tanami Project and has a cash balance of A\$26 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.

Metals X

APAC owns approximately 22.7% of Metals X at 31 December 2023.

Metals X is focused on implementing its life of mine plan at Renison mine, including the development of the high-grade Area 5 deposit. During 1H FY2024, the Renison mine produced 2,630 tonnes of tin (net 50% basis), up 39% year-on-year.

Tin prices have moderated slightly in 1H FY2024 due to softer demand expectations and China tin production remaining robust despite continued supply concerns in Myanmar. At the time of writing, the tin price was around US\$26,000 per tonne. We remain comfortable with the medium 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.

For the six months ended 30 June 2023, Metals X generated a net profit after tax of A\$12 million with net assets of approximately A\$332 million at 30 June 2023.

Prodigy Gold

APAC owns approximately 49.8% of Prodigy Gold at 31 December 2023.

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\$8.1 million for 1H FY2024. At the end of December 2023, Prodigy Gold has a cash balance of A\$2.8 million.

The focus of Prodigy Gold for 2024 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 Resource Investment. As at 31 December 2023, APAC had significant investment representing 5% or more of the Group's total assets in Shougang Fushan Resources Group Limited ("**Shougang Fushan**") (HKEX: 639).

Significant Investment

| Name of investee company | Number of shares held at 31 December 2023 | % of shares held at 31 December 2023 | For the period ended 31 December 2023 | | | | | As at 31 December 2023 | |
|--------------------------|---|--------------------------------------|---------------------------------------|------------------------------------|----------------------------------|------------------------------------|------------------------------------|-----------------------------------|---|
| | | | Investment cost <i>HK\$'000</i> | Dividend income <i>HK\$'000</i> | Realised gain <i>HK\$'000</i> | Unrealised gain <i>HK\$'000</i> | Fair value gain <i>HK\$'000</i> | Carrying value <i>HK\$'000</i> | % of carrying value to the Group's total assets |
| Shougang Fushan | 134,836,000 | 2.7% | 232,962 | 13,484 | - | 122,686 | 122,686 | 388,328 | 8.6% |

Our investment in Shougang Fushan generated a fair value gain of HK\$122,686,000 with carry value as at 31 December 2023 of HK\$388,328,000.

Shougang Fushan is a coking coal producer listed on The Stock Exchange of Hong Kong Limited. Its principal businesses are coking coal mining and the production and sales of coking coal products in China. It has three mines located in China with reserves of 64 million tonnes of raw coking coal at 31 December 2022 and during six months ended 30 June 2023 Shougang Fushan produced 2.7 million tonnes of raw coking coal, which is consistent with its 2023 guidance of 5.25 million tonnes of raw coking coal.

Its results for the year ended 31 December 2023 are not yet available at the time of writing. The market capitalisation of Shougang Fushan in February 2024 is around HK\$15.1 billion. The company generated EBITDA of HK\$2,372,560,000 and net profit after tax of HK\$1,519,093,000 while its working capital reported at 30 June 2023 is HK\$7.4 billion.

Coking coal prices rebounded in 1H FY2024 due to better sentiment around China's stimulus measures, incremental supply tightness and restocking activities on the back of low inventories.

Resource Investment

The investments in this division comprise mostly minor and liquid 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: energy, bulk commodities, base metals and precious metals.

Resource Investment posted a fair value gain of HK\$214,274,000 in 1H FY2024 (1H FY2023: HK\$54,447,000), which, after accounting for segment-related dividends and other investment income and expenses, resulted in a segment profit of HK\$237,951,000 (1H FY2023: HK\$114,919,000).

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 the Company's 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 from 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 Small and Midcap Mining Portfolio (P1) focuses on investments in junior and intermediate 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 508.4% to 31 December 2023, which is an outperformance of 508.2% against its benchmark (currency-adjusted equal weighting of ASX 200 Smallcap Resources, FTSE AIM All Share Basic Resources and TSX Venture Composite) return of 0.2%. A full breakdown of the Mining Portfolio's (P1) periodic performance against its benchmark is presented in the table below.

| From | To | P1 % | Benchmark % | Alpha % | Cumul P1 % | Cumul Benchmark % | Cumul Alpha % |
|----------------|-------------------|-------|-------------|--------------|------------|-------------------|---------------|
| 1 October 2016 | 30 September 2017 | 8.7% | 4.0% | 4.7% | 8.7% | 4.0% | 4.7% |
| 1 October 2017 | 30 September 2018 | 9.6% | -4.3% | 13.9% | 19.1% | -0.4% | 19.5% |
| 1 October 2018 | 30 September 2019 | 18.8% | -15.4% | 34.2% | 41.4% | -15.7% | 57.1% |
| 1 October 2019 | 30 September 2020 | 59.8% | 29.4% | 30.4% | 126.0% | 9.0% | 117.0% |
| 1 October 2020 | 30 June 2021 | 87.0% | 33.5% | 53.5% | 322.6% | 45.5% | 277.1% |
| 1 July 2021 | 30 June 2022 | 14.2% | -27.6% | 41.8% | 382.7% | 5.4% | 377.3% |
| 1 July 2022 | 30 June 2023 | 16.3% | -3.2% | 19.5% | 461.2% | 2.0% | 459.2% |
| 1 July 2023 | 31 December 2023 | 8.4% | -1.7% | 10.2% | 508.4% | 0.2% | 508.2% |

For the half year ended 31 December 2023, the Mining Portfolio generated a return of 8.4%, which was 10.2% above the benchmark return of -1.7%. Despite the Magnificent 7 dragging the S&P 500 higher late in the half, it was another tricky period for resources investors, with most commodities dragged lower on increasing concerns around the Chinese economy particularly the ongoing property crisis. Portfolio outperformance was generated by a) a very large overweight in uranium names like National Atomic Company Kazatomprom JSC, Boss Energy Limited, Paladin Energy Limited, Denison Mines Corp. and Peninsula Energy Limited, with spot uranium prices increasing from US\$56/lb to US\$91/lb and propelling the sector higher, b) reducing lithium exposure during the first half of 2024 and largely avoiding the big sell-offs in the sector, and c) a number of significant stock-specific wins, including Azure Minerals Limited (takeover), Galiano Gold Inc. (acquisition rerate) and Founders Metals Inc. (gold discovery). The portfolio remains tight and focused with 36 names and continues to prioritise investments in cashflow and production over earlier stage companies. The largest detractor to performance continued to be the large cash position, which averaged 52% of the portfolio during the period.

The Energy Portfolio is primarily focused on the oil, gas and renewables sectors. At the end of 2019, the mandate for this portfolio was expanded to include investments in renewables, and with a broaden sector of investments, in the last four years from February 2020 (before the full impact of the Covid-19 Pandemic) to February 2024, the Energy Portfolio has generated a return on investment of 113%.

The investment choices in the Energy Portfolio are selected through a combination of fundamental bottom up valuation and analysis of the prospects for different sectors. For instance, during the early days of the COVID-19 pandemic, the investments were focused in companies in the green energy sector given that the low interest rate environment was supportive of stocks with significant growth potential. More recently investments have focused on energy companies given the impact of high interest rates on the green energy sector, plus robust oil prices supported by OPEC+ production cuts. We remain cautious on the outlook for both sub-segments, the potential weaker economic outlook globally is likely to put pressure on energy prices. While energy transition continues, the market's appetite for non-profitable companies has waned significantly and sentiment about what happens to the proposed IRA funding in the US given the potential changes from the election, will weigh on the sector as well.

Precious

Precious Metals (majority gold exposure) generated a net fair value gain of HK\$53,315,000 in 1H FY2024. As at 31 December 2023, the carrying value of the Precious Metals segment was HK\$382,712,000 (As at 30 June 2023: HK\$267,232,000). Our largest gold investment in the Resource Investment division is in Northern Star (ASX: NST) which generated a fair value gain of HK\$12,520,000 with a carrying value as at 31 December 2023 of HK\$89,357,000. We also own Westgold Resources Limited (ASX: WGX) which generated a fair value gain of HK\$16,606,000 with a carrying value as at 31 December 2023 of HK\$37,861,000.

Northern Star is the second-largest gold company in Australia and owns high-grade underground mines in Western Australia and Alaska. In 1H FY2024, its production was 797,000 ounces of gold, and it generated a net mine cash flow of A\$237 million. In FY2024, its production target is 1,600,000 - 1,750,000 ounces.

Gold price range bounded between US\$1,800 - US\$2,050 per ounce in 1H FY2024 and ended the calendar year above US\$2,000 per ounce after the US Federal Reserve took a more dovish stance on the outlook for interest rates in December. Gold price has recently hovered around US\$2,000 to US\$2,050 per ounce.

Bulk

Bulk commodities segment generated a fair value gain of HK\$129,376,000 in 1H FY2024. As at 31 December 2023, the carrying value was HK\$487,151,000 (As at 30 June 2023: HK\$324,588,000). Our largest investment in this segment during 1H FY2024 is in Shougang Fushan (HKEX: 639), which generated a fair value gain of HK\$122,686,000 and had a carrying value as at 31 December 2023 of HK\$388,328,000.

Base Metals

Base Metals segment (a mix of copper, nickel and zinc companies) delivered a fair value loss of HK\$8,309,000 in 1H FY2024. During the period, copper prices stayed mostly flat; nickel prices fell 19%, while zinc prices rose 12%. The Base Metals segment includes our investment in China Hongqiao Group Limited (HKEX: 1378) which had a carrying value as at 31 December 2023 of HK\$10,863,000.

Energy

The Energy segment (mix of oil and gas, uranium and renewables) had a fair value gain of HK\$36,298,000 in 1H FY2024. Our significant Energy investments include National Atomic Company Kazatomprom JSC (LSE: KAP), which generated a fair value gain of HK\$17,825,000 and had a carrying value as at 31 December 2023 of HK\$71,905,000.

Others

We also have a fair value gain of HK\$7,147,000 from the remaining commodity (diamonds, manganese, rare earths, lithium and mineral sands among others) and non-commodity investments in 1H FY2024 and had a carrying value as at 31 December 2023 of HK\$120,520,000 (As at 30 June 2023: HK\$113,025,000).

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 FY2024, our Commodity Business generated a segment profit of HK\$69,373,000 (1H FY2023: HK\$6,993,000).

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 FY2024, this segment reported a profit of HK\$35,856,000 (1H FY2023: Loss of HK\$15,957,000).

Money Lending

Business Model and Customer Profile

The Group provides both secured and unsecured term loans to its customers under its principal investment and financial services segment. Money lending activities diversifies the income stream and business risks of the Group, and generates a stable return with the Group's available financial resources on hand from time to time. The Group mainly financed its money lending business by its internal resources.

The Group does not set a specific target for the industry, business or level of annual revenue to corporate borrowers. The customers of the Group's lending business were referred to the Group through its corporate or business networks. For 1H FY2024, customers of the Group's lending business include subsidiaries of Hong Kong listed companies for unsecured loans, and private companies for secured loans.

Outstanding loan receivables net of loss allowances as at 31 December 2023 amounted to approximately HK\$193,885,000 (As at 30 June 2023: HK\$346,074,000). During the period, the Group has reversal of impairment losses on its loan receivables of approximately HK\$24,110,000 (1H FY2023: Impairment loss of HK\$8,676,000).

Risk Management Policies

The Group adopts a thorough credit assessment and approval process, and will assess and approve each loan transaction on a case-by-case basis. The finance department of the Group (the "**Finance Department**") is responsible for conducting a background check on the prospective borrower in compliance with the applicable laws and regulations, reviewing the background and financial strength of such borrower and where applicable, the guarantor, and enquiring the prospective borrower about the purpose of the loan and the expected source of funds for loan repayment. To support its analysis, the Group will obtain corporate documents, financial statements and search reports of the borrower and/or the guarantor, and thereafter, assess the credit risk of the loan and negotiate the terms thereof after considering (i) the background and financial position of the borrower or the guarantor (if applicable), including net asset value and gearing; and (ii) the value of the securities, if any.

Each loan transaction will be approved by either the Board or if the loan principal does not exceed the threshold set by the Board, by the executive committee of the Board.

The Finance Department monitors the loan and interest repayment regularly and reviews the annual financial statements of the borrowers and guarantors (if applicable). It would promptly report to the chief executive or chief financial officer of the Group for any delay or default in repayment upon maturity, who would then formulate plans for loan collection, including but not limited to requesting for additional securities or initiating legal actions.

Loan Impairment Policies

The Company adopts estimated credit loss allowances (“**ECLs**”) according to the requirements of Hong Kong Financial Reporting Standard 9 issued by the Hong Kong Institute of Certified Public Accountants. Accordingly, it shall review the recoverable amount of each loan at the end of each reporting period to ensure that adequate impairment losses are made. The Group applies a general approach on loan receivables to assess for the ECLs. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the borrower. In order to measure the ECLs of loan receivables, the Group will apply a credit rating for each of its borrowers by reference to each borrower’s past default records, current past due exposure, an analysis of its current financial position, likelihood or risk of a default, an assessment on any significant increase in credit risk, and fair value of collaterals (if any), and adjust for forward-looking information that is available without undue cost or effort, such as the current and forecasted global economy and the general economic conditions of the industry in which the borrower operates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying any significant increase in credit risk before the loan amount becomes past due.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2023, our non-current assets amounted to HK\$2,041,542,000 (As at 30 June 2023: HK\$2,025,899,000) and net current assets amounted to HK\$2,055,950,000 (As at 30 June 2023: HK\$1,569,339,000) with a current ratio of 6.1 times (As at 30 June 2023: 6.1 times) calculated on the basis of its current assets over current liabilities. Included in non-current assets and current assets are loan receivables of HK\$193,885,000 (As at 30 June 2023: HK\$346,074,000).

As at 31 December 2023, we had borrowings of HK\$88,000,000 (excluding lease liabilities) (As at 30 June 2023: HK\$183,240,000) and had undrawn letter of credit, bank and other loan facilities amounting to HK\$517,909,000. As at 31 December 2023, we had a gearing ratio of nil (As at 30 June 2023: 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 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 2023, the Group's listed securities held-for-trading with fair value of HK\$374,400,000 (As at 30 June 2023: HK\$256,100,000) were pledged to a bank to secure banking facilities granted to the Group.

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. Employees are entitled to participate in the Group'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).

The executive directors, key management personnel and employees of Prodigy Gold receive the superannuation guarantee contribution required by the Australian government. Other benefits include personal accident (working directors) insurance and other fringe benefits.

As at 31 December 2023, the Group, including its subsidiaries but excluding associates, had 25 (As at 30 June 2023: 28) employees. Total remuneration together with pension contributions incurred for 1H FY2024 amounted to HK\$13,234,000 (1H FY2023: HK\$12,835,000).

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.

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 2023, 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 2023, the Group did not have any plans for material investments or capital assets.

Capital Commitments

As at 31 December 2023, 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 2023, the Board is not aware of any material contingent liabilities.

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 2023 and up to the date of this announcement.

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, geopolitical 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

We have a moderate near-term outlook for the global economy and commodities. The US economy has seen continued resilience but is nonetheless entering a soft patch. The market continues to seek confirmation of an economic soft landing and will primarily focus on the pace of potential interest rate cuts in 2024. Meanwhile, structural issues continue to affect China's economy. However, we have seen an acceleration of stimulus rollouts recently, which will be positive for commodities and provide support from a cyclical perspective. We see opportunities in select commodities that are positively exposed to the changing macro environment or are long-term beneficiaries of secular trends such as energy transition. We remain selective with our investments in the near term and continue to look for high-quality opportunities that 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 has successfully ramped up production at the Koolan Island mine after completing its large waste stripping program and is now in a position to generate free cash flow in the coming years and take advantage of a surprisingly resilient iron ore price.

Interim Dividend

An interim dividend of HK10 cents per share in an aggregate amount of approximately HK\$130,249,000 was declared for the year ended 30 June 2023 and an amount of approximately HK\$80,039,000 was paid in cash and 54,151,441 shares were issued in respect of shareholders elected for scrip dividend on 15 January 2024. No dividend has been proposed for the six months ended 31 December 2023 (Six months ended 31 December 2022: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2023, 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 (restructured as Appendix C1 since 31 December 2023) 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 2023. 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 2023.

On behalf of the Board
APAC Resources Limited
Andrew Ferguson
Executive Director

Hong Kong, 23 February 2024

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

Executive Director

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. Wang Hongqian and Mr. Kelvin Chau Kwok Wing

* *For identification purpose only*