

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## 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 2012

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 2012 (the “**2012 Interim**”), which has been reviewed by the auditor of the Group and the audit committee of the Company.

#### RESULTS HIGHLIGHTS

The six months ended 31 December 2012 was a challenging period for APAC as financial markets experienced intense price volatility amid a moderate turnaround in the global economy. The Primary Strategic Investments recorded lower profits due to falling realised commodity prices but the Resource Investment division narrowed its losses significantly as a result of the rebound in equity markets. The Commodity Business continued to post a small profit despite severe volatility in iron ore prices.

#### Period on Period Comparison (Compared to the six months ended 31 December 2011 — as restated)

To align with the early adoption of the new accounting standard on the treatment of mine waste stripping costs by Mount Gibson, one of APAC’s Primary Strategic Investments, and the Group, having consulted with its auditor, considered it appropriate to early adopt the equivalent accounting standard on the treatment of mine waste stripping costs issued by the Hong Kong Institute of Certified Public Accountants. The early adoption of the new accounting standard by the Group resulted in the restatement of its previously reported results for the six months ended 31 December 2011 and the consolidated statement of financial position as at 30 June 2012.

- Attributable profits from Primary Strategic Investments at HK\$109.7 million (2011 Profit: HK\$228.7 million)
- Resource Investment posted a loss of HK\$4.6 million (2011 Loss: HK\$148.1 million)
- Commodity Business reported revenue at HK\$442.2 million (2011: HK\$680.5 million), with a profit of HK\$5.1 million (2011 Profit: HK\$3.3 million)
- Net profit attributable to owners at HK\$81.6 million (2011 Net Profit: HK\$30.0 million), with earnings per share at HK1.20 cents (2011: HK0.44 cents)

#### OTHER HIGHLIGHTS

Mount Gibson announced a franked interim dividend of A\$0.02 per share payable in April 2013 (franked final dividend of A\$0.02 per share paid in October 2012).

## MANAGEMENT DISCUSSION AND ANALYSIS

To align with the early adoption of the new accounting standard on the treatment of mine waste stripping costs by Mount Gibson, one of APAC's Primary Strategic Investments, and having consulted with its auditor, the Group considered it appropriate to early adopt the equivalent accounting standard on the treatment of mine waste stripping costs issued by the Hong Kong Institute of Certified Public Accountants. The early adoption of the new accounting standard by the Group resulted in the restatement of its previously reported results for the six months ended 31 December 2011 and the consolidated statement of financial position as at 30 June 2012. Further details are set out in note 1 of the condensed consolidated financial statements of this announcement.

For comparison purposes, current period results are compared with that of the prior period — as restated.

### Financial Results

In a challenging economic environment, APAC Resources Limited (“APAC” or the “**Company**”), together with its subsidiaries (the “**Group**”) reported a net profit after tax of HK\$81,567,000 for the six months ended 31 December 2012 (2011 Net profit: HK\$29,959,000). Our Primary Strategic Investments reported an overall profit of HK\$109,704,000 (2011 Profit: HK\$228,668,000), and our Resource Investment portfolio posted a loss of HK\$4,641,000 (2011 Loss: HK\$148,080,000). Our Commodity Business achieved a profit of HK\$5,119,000 (2011 Profit: HK\$3,310,000).

### PRIMARY STRATEGIC INVESTMENT

Our two Primary Strategic Investments are a circa 27% interest in Mount Gibson Iron Limited (“**Mount Gibson**”) and a circa 24% interest in Metals X Limited (“**Metals X**”), both with core assets and listings in Australia. The attributable profit from our Primary Strategic Investments for the period was HK\$109,704,000 (2011 Profit: HK\$228,668,000).

#### *Mount Gibson*

Mount Gibson is a leading West Australian “pure-play” Direct Shipping Ore (DSO) hematite iron ore producer listed on the Australian Stock Exchange (“**ASX**”). The company has three mines in production with annual capacity of 10 million tonnes per annum of Direct Shipping Ore.

For the latest December quarter, tonnage mined was up 11% year-on-year, and tonnage sold was up 121% year-on-year, as a result of the successful commissioning of rail and port facilities in the Mid West and the catch-up of the shipments from Koolan Island. As for the first half of financial year ending 30 June 2013 (“**FY2013**”), Mount Gibson reported production of 3.6 million tonnes and sales of 4.4 million tonnes including low grade ore sales of 0.3 million tonnes, on track to meet FY2013 sales guidance of 8.0 to 8.5 million tonnes. However, net profit after tax fell to A\$37.1 million, primarily driven by lower prevailing iron ore prices and broader product mix during the period under review. The company also declared an interim dividend of A\$0.02 per share. We believe Mount Gibson

is well positioned to maximise cash flow generation by continuing to draw down existing stockpiles throughout the rest of FY2013. As at 31 December 2012, the company is strongly capitalised with A\$279 million in cash and term deposits.

Iron ore prices have been incredibly volatile during the period, ranging from US\$88 per dry metric tonne in September 2012 to almost US\$160 per dry metric tonne in early January 2013. Recent price action has been caused by an over-reaction to destocking and restocking events in China. Faced with extreme market volatility, in October 2012, Mount Gibson announced cost saving initiatives of A\$40 million to A\$50 million in operating expenditure from the original internal budget for FY2013.

The company has renewed and strengthened its management team after the appointment of Mr. Peter Kerr as the new CFO and Mr. Andrew Thomson as the new COO in September 2012. In addition, FIRB decreed in July 2012 that it is satisfied that the structure of Mount Gibson's Board is consistent with ASX Corporate Governance Principles.

### *Metals X*

Metals X is an Australian-based emerging diversified resource group with a primary focus on tin via its 50% interest in the producing Renison mine in Tasmania, nickel via its world-scale Wingellina nickel project, and gold via the Central Murchison gold project and the Rover gold and copper project after the recent merger with Westgold Resources Limited. Metals X also has indirect exposure to copper and bauxite through its portfolio of strategic investments, namely Reed Resources Limited, Mongolian Resource Corporation, and Aziana Limited.

During the first half, Renison produced 3,285 tonnes of tin in concentrate (all 100% basis), up 35% year-on-year as Metals X have now opened up the northern mining area, which contains higher grade ore. The mine was EBITDA positive in both quarters and the tin price rebounded to US\$25,000 per metric tonne in early February.

Significant progress continued at Wingellina. Metals X signed a Memorandum of Understanding ("MOU") with Samsung C&T in September 2012 to accelerate project development. Under the MOU, Samsung C&T will provide its technical expertise in engineering, feasibility studies and construction to assist Metals X in completing the Definitive Feasibility Study for the project. Samsung C&T will also use its financial reputation and capacity to assist Metals X with financing and development proposals.

Metals X completed the merger with Westgold by a scheme of arrangement in October 2012. As a result, Metals X has added two new gold projects, which have a total resource of 6.2 million ounces of gold.

The company is strongly capitalised with A\$85 million in cash and working capital, and A\$8.8 million in ASX-listed investments as of 31 December 2012. The results of Metals X for the six months ended 31 December 2012 have not been released. Accordingly, results of Metals X for the six months ended 31 December 2012 have been included based on management accounts of Metals X.

## RESOURCE INVESTMENT

Resource Investment posted a loss of HK\$4,641,000 in the last six months (2011 Loss: HK\$148,080,000). The investments in this division comprise mostly holdings in various emerging natural resource companies listed on major stock exchanges including Australia, Canada, United Kingdom, United States, and Hong Kong. Despite many of the junior companies in our portfolio reporting positive newsflow in advancing projects, lack of investor appetite and concerns with the global economy have weighed on share prices.

Tail risks such as a Chinese economic hard landing, contagion of the Eurozone crisis, and U.S. fiscal cliff have caused uncertainty in equity markets over the last six months. However, we saw signs of stabilisation from all fronts towards the end of 2012. During the half, the S&P 500 was up 8%, the Euro Stoxx 50 rose 16%, and the Hang Seng Index increased 17%. However, small-mid cap resource sector benchmarks like the ASX Small Resources Index were up 2%, the FTSE AIM Basic Resources Index down 5%, and the TSX-V Composite Index 3% higher. The loss is a disappointing result, but we recognise the cyclical nature of our industry and remain confident in the underlying fundamentals and the long-term prospects of our investments.

## ABM

ABM Resources NL (“**ABM**”), in which the Company holds a 19.7% interest, is a gold exploration company listed on the ASX with assets located in Northern Territory. It has a large acreage footprint in the Tanami-Arunta region, and is currently focused on the Old Pirate and Buccaneer projects, both of which sit inside the Twin Bonanza Gold Camp.

ABM has a total resource of 3.5 million ounces of gold, including a high grade resource of 723,800 ounces of gold at 11.96g/t at Old Pirate, one of Australia’s highest grade open-pittable gold projects. The Buccaneer deposit contains 2.67 million ounces of gold resource at 0.65g/t. There is potential for high grade zones within the project, as evidenced in the drilling of the Caribbean and Cypress zones. There are 30 additional targets identified in the Twin Bonanza, most notably Hyperion, which has a resource of 202,200 ounces of gold at 2.1g/t, located 18km from Tanami Gold’s Groundrush gold project.

During the period, ABM continued to make substantial progress on exploration at Old Pirate. New discoveries have been made, such as the Golden Hind Prospect, which returned a longitudinal trenching result of 60m at 103.2gpt gold and a best drilling result of 42m at 44.0g/t gold from surface. Surface sampling has identified additional new high grade veins and extensions including “East Side” vein, “Heartland” vein, and the “Western Limb” extension, where drilling results from the Western Limb also demonstrated increased widths at depth including 17m at 7.66g/t gold from 189m. The latest metallurgical test-work on samples from Old Pirate indicates high gravity recovery of gold and ABM is planning a trial mining and processing exercise in 2013, which will further de-risk the Old Pirate project.

Gold prices have been firm over the last 6 months, starting the half at US\$1,558/oz and ending 2012 at US\$1,664/oz. In September 2012, the Federal Reserve announced open-ended purchases of US\$40 billion of mortgage-backed securities a month and the ECB unveiled its unlimited bond buying program. Latest comments from the FOMC indicated rising division within the Committee in relation to quantitative easing and this has negatively impacted the gold price. However, given that accommodative monetary policies and low real interest rates are likely to continue in the foreseeable future, we remain bullish on gold prices in the long term.

## **COMMODITY BUSINESS**

The Commodity Business is dominated by two offtake agreements with Mount Gibson and the shipments are sold on the spot market to steel mills and traders in China.

For the period, Commodity Business posted a profit of HK\$5,119,000 (2011 Profit: HK\$3,310,000). Despite extreme price volatility, we believe the modest profit is a reflection of our robust trading discipline. The Platts IODEX 62% CFR China index fell sharply from US\$135/t in the start of July 2012 to the lowest of US\$88/t in September 2012. Since the end of the reporting period, iron ore prices have continued its rally to almost US\$160/t in early January 2013, due to seasonal restocking and very tight supply of spot material. We expect a short term correction in iron prices in the second quarter of 2013 due to the completion of restocking, seasonality factors, and increased Chinese domestic iron ore supply in response to higher prices. However, we believe additional policy stimulus and a pickup in construction after winter in China will improve end-user demand and lend support to iron ore prices in the medium term.

### **Company Strategy**

APAC leverages its in-house resources expertise to identify and manage both Primary Strategic Investments and Resource Investments which drives growth in the business. We aim to profit from the value curve of resources projects from exploration to production, though currently see good risk-reward in select mid-tier producers. Value and cashflow can be generated through capital appreciation, direct project ownership and securing offtake agreements.

### **Financial Review**

#### *Liquidity, Financial Resources and Capital Structure*

As at 31 December 2012, our non-current assets amounted to HK\$3,719,690,000 (As at 30 June 2012: HK\$3,651,523,000) and net current assets amounted to HK\$1,040,701,000 (As at 30 June 2012: HK\$990,292,000) with a current ratio of 4.5 times (As at 30 June 2012: 9.4 times) calculated on the basis of its current assets over current liabilities.

As at 31 December 2012, we had borrowings of HK\$278,757,000 (As at 30 June 2012: Nil) and had undrawn banking and loan facilities amounting to HK\$553,000,000 (As at 30 June 2012: HK\$578,115,000) secured against certain of our interests in listed associates and available-for-sale

investments, term deposits and corporate guarantee of the Company. As at 31 December 2012, we had a gearing ratio of 0.06 (As at 30 June 2012: Nil), calculated on the basis of total borrowings over equity attributable to owners of the Company.

#### *Foreign Exchange Exposure*

For the period under review, the Group's assets were mainly denominated in Australian Dollars and Hong Kong Dollars while the liabilities were mainly denominated in Hong Kong Dollars. As a substantial portion of the assets is held as long-term investments, there would be no material immediate effect on the cash flows of the Group from adverse movements in foreign exchange. In light of this, the Group did not actively hedge for the risk arising from the Australian Dollars denominated assets.

#### *Pledge of Assets*

As at 31 December 2012, certain of the Group's interests in listed associates of HK\$2,453,105,000 (Interests in listed associates and available-for-sale investments as at 30 June 2012: HK\$2,414,648,000) were pledged to a stock-broking firm to secure against securities margin loan facilities made available to the Group. The Group's bank deposits of HK\$328,763,000 (As at 30 June 2012: HK\$79,748,000) were pledged to banks to secure various trade and banking facilities granted to the Group.

### **EMPLOYEES AND REMUNERATION POLICY**

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

As at 31 December 2012, the Group, including its subsidiaries but excluding associates, had 21 (As at 30 June 2012: 21) employees. Total remuneration together with pension contributions incurred for the six months ended 31 December 2012 amounted to HK\$15,093,000 (2011: HK\$14,687,000).

### **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in this announcement, during the six months ended 31 December 2012, the Group had not held any significant investments nor made any material acquisitions or disposals of subsidiaries or associated companies. Save as disclosed in this announcement, as at 31 December 2012, the Group does not have plan for any other material investments or acquisition of material capital assets.

### **CAPITAL COMMITMENTS**

As at 31 December 2012, the Group had no material capital commitments contracted but not provided for (As at 30 June 2012: Nil).

## **CONTINGENT LIABILITIES**

As at the date of this announcement and as at 31 December 2012, the Board is not aware of any material contingent liabilities.

## **INTERIM DIVIDEND**

For the six month ended 31 December 2012, the Board has resolved not to declare an interim dividend (2011: Nil). We have decided to preserve our flexibility for investments with the intention to deliver superior medium to long term returns to shareholders. We will reassess a potential dividend at year end if the business environment and our financial performance continue to improve.

## **FORWARD LOOKING OBSERVATIONS**

Equities and commodities started 2013 with strong gains after the United States avoided the “fiscal cliff” as a result of a bipartisan deal. For China, positive manufacturing, fixed asset investment, and trade data have provided optimism that the economy might have bottomed in the second half of last year. The European debt crisis has taken a back seat for now and we feel that global markets have already priced in the impact of austerity and stagnant economic growth in the Eurozone.

The last six months have been dominated by political change with major elections being held in China, United States, and Japan. With increased political clarity, renewed momentum for additional economic stimulus and greater risk appetite, we believe the macro backdrop provides a strong medium term outlook for commodities and resource equities. Valuations remain attractive and we think certain areas of the resource sector, such as mid-cap producers, are particularly “under-owned”.

For our Primary Strategic Investments, Mount Gibson and Metals X, we expect higher iron ore and tin prices will result in better financial performance over the next few quarters. Operationally, Mount Gibson will benefit from the full ramp-up at Geraldton, the drawdown of existing stockpiles and various cost-cutting measures. Metals X should continue to ramp up its mining and processing throughput at Renison, which is expected to drive production growth and a reduction in unit cash costs, as well as progressing Wingellina and Central Murchison. For Resource Investment, we remain confident that our existing positions, in a more “risk-on” environment, will deliver solid performance given attractive valuations and sound fundamentals.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2012

		Six months ended	
	Notes	31.12.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (unaudited) (restated)
Revenue from sales of goods	2	442,201	680,524
Cost of sales		<u>(439,669)</u>	<u>(674,835)</u>
		2,532	5,689
Other gains and losses	3	(1,840)	(153,896)
Other income		7,234	5,642
Administrative expenses			
— General administrative expenses		(19,219)	(22,793)
— Equity-settled share option expenses		(14,021)	(14,747)
Finance costs	4	(2,791)	(16,188)
Share of results of associates		<u>109,704</u>	<u>228,668</u>
Profit before taxation	5	81,599	32,375
Income tax expenses	6	<u>(32)</u>	<u>(2,416)</u>
Profit for the period attributable to owners of the Company		<u><u>81,567</u></u>	<u><u>29,959</u></u>
Earnings per share (expressed in HK cents)			
— Basic and diluted	8	<u><u>1.20</u></u>	<u><u>0.44</u></u>

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

*For the six months ended 31 December 2012*

	<b>Six months ended</b>	
	<b>31.12.2012</b>	31.12.2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited) (restated)
Profit for the period	<u><b>81,567</b></u>	<u>29,959</u>
Other comprehensive income (expense), net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of associates	<b>36,947</b>	(142,623)
Exchange difference arising from translation of other foreign operations	<b>5,361</b>	6,916
Fair value change of available-for-sale investments	<b>241</b>	(10,912)
Impairment loss on available-for-sale investments	—	10,912
Reclassification adjustment of investment revaluation reserve upon deemed disposal of partial interest in associates	<b>(1,161)</b>	20
Reclassification adjustment of exchange reserve upon deemed disposal of partial interest in associates	<b>(6,198)</b>	(331)
Share of investment revaluation reserve of associates	<u><b>(11,879)</b></u>	<u>(2,581)</u>
	<u><b>23,311</b></u>	<u>(138,599)</u>
Total comprehensive income (expense) for the period attributable to owners of the Company	<u><b>104,878</b></u>	<u>(108,640)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	<i>Notes</i>	<b>31.12.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2012 <b>HK\$'000</b> (audited) (restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,287	1,589
Interests in associates	9	3,544,605	3,459,522
Available-for-sale investments		55,742	71,465
Financial assets at fair value through profit or loss		<u>118,056</u>	<u>118,947</u>
		<b><u>3,719,690</u></b>	<b><u>3,651,523</u></b>
<b>Current assets</b>			
Inventories	10	69,691	61,932
Trade and other receivables and loan receivable	11	66,442	183,237
Investments held for trading	12	454,563	410,611
Pledged bank deposits		328,763	79,748
Bank balances and cash		<u>420,602</u>	<u>372,642</u>
		<b><u>1,340,061</u></b>	<b><u>1,108,170</u></b>
<b>Total assets</b>		<b><u><u>5,059,751</u></u></b>	<b><u><u>4,759,693</u></u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	14	681,193	681,305
Reserves		3,394,691	3,428,398
Accumulated profits		<u>684,507</u>	<u>532,112</u>
		<b><u>4,760,391</u></b>	<b><u>4,641,815</u></b>
<b>Current liabilities</b>			
Trade and other payables	13	19,845	115,572
Bank loans		278,757	—
Tax payable		<u>758</u>	<u>2,306</u>
		<b><u>299,360</u></b>	<b><u>117,878</u></b>
<b>Total equity and liabilities</b>		<b><u><u>5,059,751</u></u></b>	<b><u><u>4,759,693</u></u></b>
Net current assets		<b><u><u>1,040,701</u></u></b>	<b><u><u>990,292</u></u></b>
Total assets less current liabilities		<b><u><u>4,760,391</u></u></b>	<b><u><u>4,641,815</u></u></b>

Notes:

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2012.

In the current interim period, the Group has applied, for the first time, the following amendments and interpretation to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKFRS 7	Financial instruments: Disclosures — Transfers of financial assets;
Amendments to HKAS 1	Presentation of items of other comprehensive income;
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets; and
HK(IFRIC)-INT 20	Stripping costs in the production phase of a surface mine.

Except as described below, the application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### **Amendments to HKAS 1 Presentation of items of other comprehensive income**

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

## Early adoption of HK(IFRIC)-INT 20 “Stripping costs in the production phase of a surface mine”

During the current period, the Group has early adopted HK(IFRIC)-INT 20, as one of its associates has early adopted this interpretation. HK(IFRIC)-INT 20 has no impact to other associates and group entities.

HK(IFRIC)-INT 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (“**production stripping costs**”). Under the interpretation, the costs from this waste removal activity (“**stripping**”) which provide improved access to ore is recognised as a non-current asset (“**stripping activity asset**”) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with HKAS 2 “Inventories”. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

Prior to the issuance of HK(IFRIC)-INT 20, the relevant associate adopted a life-of-mine approach and deferred all costs attributable to waste stripping and recognised as an expense the amortisation of capitalised waste stripping costs over the remaining ore reserves of the relevant mine. Amortisation was provided on the units-of-production method, with separate calculations being made for each mineral resource. Estimated future capital and waste development costs to be incurred in accessing the reserves and measured resources were taken into account in determining amortisation charges. The units-of-production method resulted in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

The requirements in accordance with HK(IFRIC)-INT 20 differs from the associate’s previous policies in that only waste stripping costs which provide improved access to ore can be capitalised when certain criteria are met, and the capitalisation and amortisation of waste stripping costs is undertaken at the level of individual deposits or components thereof rather than on a whole-of-mine basis. In addition, specific transitional rules are provided to deal with any opening deferred stripping balances recognised under the previous accounting policies.

HK(IFRIC)-INT 20 has been applied by the associate prospectively to production stripping costs incurred on or after the beginning of the earliest period presented, which is 1 July 2011. Such early adoption has affected the amounts reported in the Group’s condensed consolidated financial statements (see the tables below). Any previously recognised asset balance that resulted from stripping activity undertaken during the production phase (predecessor stripping asset) is reclassified as a part of an existing asset to which the stripping activity related, to the extent that there remains an identifiable component of the orebody with which the predecessor stripping asset can be associated. Such balances are then amortised over the remaining expected useful life of the identified component of the orebody to which each predecessor stripping asset balance relates. If there is no identifiable component of the orebody to which the predecessor asset relates, it has been written off through opening retained earnings at the beginning of the earliest period presented, being 1 July 2011.

Given the nature of the associate’s mining operations and the way the associate plans to mine the remaining components of the orebodies, it has been determined that part of the associate’s predecessor stripping asset relates to components of the orebodies where the associated ore has already been extracted. Accordingly, an amount of HK\$434,415,000 (net of tax) has been derecognised through the Group’s accumulated profits as at 30 June 2012 with an increase in share of results of associates and profit of HK\$17,661,000 (net of tax) for the period ended 31 December 2011.

## Summary of the effects

The effects of the above early adoption in accounting policy on the financial positions of the Group as at 1 July 2011 and 30 June 2012 is as follows:

	<b>As at 1.7.2011 (originally stated)</b> <i>HK\$'000</i>	<b>Adjustments</b> <i>HK\$'000</i>	<b>As at 1.7.2011 (restated)</b> <i>HK\$'000</i>	<b>As at 30.6.2012 (originally stated)</b> <i>HK\$'000</i>	<b>Adjustments</b> <i>HK\$'000</i> <i>(note)</i>	<b>As at 30.6.2012 (restated)</b> <i>HK\$'000</i>
Interests in associates	<u>3,835,439</u>	<u>(416,585)</u>	<u>3,418,854</u>	<u>3,569,070</u>	<u>(109,548)</u>	<u>3,459,522</u>
Accumulated profits	1,157,921	(411,041)	746,880	658,601	(126,489)	532,112
Exchange reserve	<u>693,045</u>	<u>(5,544)</u>	<u>687,501</u>	<u>550,970</u>	<u>16,941</u>	<u>567,911</u>
Total effects on equity	<u>1,850,966</u>	<u>(416,585)</u>	<u>1,434,381</u>	<u>1,209,571</u>	<u>(109,548)</u>	<u>1,100,023</u>

*Note:* The accumulated impact on early adoption of HK(IFRIC)-INT 20 resulted in reduction in interests in associates of HK\$417,474,000 and accumulated profits of HK\$434,415,000 respectively as at 30 June 2012, while such effect is reduced by the adjustment of impairment loss recognised in respect of interest in an associate of HK\$307,926,000 due to the reduction in the carrying value of the associate.

## 2. SEGMENT INFORMATION

Segment information is presented based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the Executive Directors of the Company, for the purpose of allocating resources to segments and assessing their performance. The Group's reportable segments under HKFRS 8 are therefore as follows:

- (i) Commodity business — (trading of commodities); and
- (ii) Resource investment — (trading of and investment in listed and unlisted securities).

Segment results represent the profit (loss) earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, gain (loss) on deemed disposal of partial interest in associates, gain on disposal of partial interest in an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Information regarding the Group's reportable segments is presented below.

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

**Six months ended 31 December 2012**

	<b>Commodity business HK\$'000</b>	<b>Resource investment HK\$'000</b>	<b>Total HK\$'000</b>
Revenue	<u>442,201</u>	<u>—</u>	<u>442,201</u>
Gross sales proceeds from resource investment	<u>—</u>	<u>125,311</u>	<u>125,311</u>
Segment profit (loss)	5,119	(4,641)	478
Share of results of associates			109,704
Gain on deemed disposal of partial interest in associates			3,359
Unallocated corporate income			177
Unallocated corporate expenses			(29,328)
Finance costs			<u>(2,791)</u>
Profit before taxation			<u>81,599</u>

**Six months ended 31 December 2011, as restated**

	<b>Commodity business HK\$'000</b>	<b>Resource investment HK\$'000</b>	<b>Total HK\$'000</b>
Revenue	<u>680,524</u>	<u>—</u>	<u>680,524</u>
Gross sales proceeds from resource investment	<u>—</u>	<u>144,947</u>	<u>144,947</u>
Segment profit (loss)	3,310	(148,080)	(144,770)
Share of results of associates			228,668
Loss on deemed disposal of partial interest in an associate			(3,941)
Gain on disposal of partial interest in an associate			812
Unallocated corporate income			50
Unallocated corporate expenses			(32,256)
Finance costs			<u>(16,188)</u>
Profit before taxation			<u>32,375</u>

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

The following is an analysis of the Group's assets by reportable segments:

	<b>31.12.2012</b> <i>HK\$'000</i> <b>(unaudited)</b>	30.6.2012 <i>HK\$'000</i> (audited) (restated)
Commodity business	<b>745,418</b>	593,939
Resource investment	<b>704,176</b>	<u>651,198</u>
Total segment assets	<b><u>1,449,594</u></b>	<u>1,245,137</u>
Interests in associates	<b>3,544,605</b>	3,459,522
Unallocated	<b>65,552</b>	<u>55,034</u>
Consolidated assets	<b><u>5,059,751</u></b>	<u>4,759,693</u>

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than interests in associates, property, plant and equipment, other receivables and certain bank balances and cash.

### 3. OTHER GAINS AND LOSSES

	<b>Six months ended</b>	
	<b>31.12.2012</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2011 <i>HK\$'000</i> (unaudited)
Fair value change of investments held for trading	<b>(6,521)</b>	(131,865)
Gain (loss) on deemed disposal of partial interest in associates	<b>3,359</b>	(3,941)
Gain on disposal of partial interest in an associate	—	812
Impairment loss on available-for-sale investments	—	(10,912)
Net foreign exchange gain (loss)	<b>1,928</b>	(7,990)
Gain on disposal of available-for-sale investments	<b>285</b>	—
Fair value change of financial assets at fair value through profit or loss	<b>(891)</b>	<u>—</u>
	<b><u>(1,840)</u></b>	<u>(153,896)</u>

#### 4. FINANCE COSTS

	Six months ended	
	31.12.2012	31.12.2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on borrowing wholly repayable within five years:		
— Bank borrowings	2,791	2,009
— Securities margin financing	—	14,179
	<u>2,791</u>	<u>16,188</u>

#### 5. PROFIT BEFORE TAXATION

	Six months ended	
	31.12.2012	31.12.2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments		
— salaries and allowances	7,622	9,191
— equity-settled share option expenses (included in administrative expenses)	14,021	14,747
— staff quarters	432	390
— retirement benefits schemes contributions	120	108
Total staff costs	22,195	24,436
Depreciation of property, plant and equipment	326	332
Reversal of allowance for trade receivables	(3,317)	—
Cost of goods recognised as an expense included a reversal of allowance for inventories of HK\$5,867,000 (six months ended 31 December 2011: allowance for inventories of HK\$21,945,000)	392,562	602,712

#### 6. INCOME TAX EXPENSES

	Six months ended	
	31.12.2012	31.12.2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	(820)	1,040
Enterprise Income Tax in the People's Republic of China (the "PRC")	852	1,376
	<u>32</u>	<u>2,416</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

## 7. DIVIDENDS

No dividend was paid, declared or proposed during the period, nor has any dividend been proposed since the end of the reporting period. The directors of the Company do not recommend the payment of an interim dividend.

## 8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to owners of the Company of HK\$81,567,000 (six months ended 31 December 2011: HK\$29,959,000) and the weighted average number of 6,812,062,635 (six months ended 31 December 2011: 6,858,486,023) ordinary shares in issue during the six months ended 31 December 2012.

For the periods ended 31 December 2012 and 2011, the calculation of the diluted earnings per share did not assume the exercise of the Company's outstanding share options as their exercise prices were higher than the average market price of the Company's shares for the period.

## 9. INTERESTS IN ASSOCIATES

	<b>31.12.2012</b>	30.6.2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
		(restated)
Cost of investment in associates		
Listed in Australia	<b>2,223,339</b>	2,223,339
Unlisted	<b>22,716</b>	22,716
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>1,371,853</b>	1,286,770
Impairment loss recognised	<b>(73,303)</b>	(73,303)
	<b><u>3,544,605</u></b>	<u>3,459,522</u>
Fair value of listed investments	<b><u>2,413,859</u></b>	<u>2,439,826</u>

At 31 December 2012, the carrying amounts of the Group's interests in listed associates were higher than their respective market values determined based on the closing prices as at 31 December 2012. The management of the Group carried out impairment review on the carrying amounts of its interests in listed associates individually as a single asset by comparing their recoverable amounts (higher of value in use and fair value less costs to sell) with their respective carrying amounts. In determining the value in use of the investments, the Group estimated the present value of the estimated future cash flows expected to arise from the operations of the investments and from the ultimate disposal, by using discount rates ranging from 11% to 12.5% to discount the cash flow projections to net present values. Based on the assessments, the recoverable amounts of the Group's interests in listed associates approximated their carrying amounts. Hence, no further impairment against the Group's interests in the listed associates is considered necessary during current period.

## 10. INVENTORIES

	<b>31.12.2012</b> <i>HK\$'000</i> (unaudited)	30.6.2012 <i>HK\$'000</i> (audited)
Iron ores at net realisable value	<u><b>69,691</b></u>	<u>61,932</u>

## 11. TRADE AND OTHER RECEIVABLES AND LOAN RECEIVABLE

The Group allows an average credit period of 90 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition dates:

	<b>31.12.2012</b> <i>HK\$'000</i> (unaudited)	30.6.2012 <i>HK\$'000</i> (audited)
0 to 90 days	<b>2,996</b>	125,649
91 days to 180 days	—	—
Over 180 days	<u><b>8,170</b></u>	<u>4,853</u>
	<u><b>11,166</b></u>	<u>130,502</u>

Included in the Group's trade receivable balance were debtors with aggregate carrying amount of HK\$8,170,000 (30 June 2012: HK\$4,853,000) which were past due as at the end of the reporting period. The Group considered that no provision for impairment loss against this receivable was required. The average age of these receivables was 180 days.

## 12. INVESTMENTS HELD FOR TRADING

	<b>31.12.2012</b> <i>HK\$'000</i> (unaudited)	30.6.2012 <i>HK\$'000</i> (audited)
Listed securities:		
— Equity securities listed in Hong Kong	<b>745</b>	871
— Equity securities listed in United Kingdom	<b>62,802</b>	19,269
— Equity securities listed in United States of America	<b>2,802</b>	2,882
— Equity securities listed in Australia	<b>320,147</b>	321,504
— Equity securities listed in Canada	<u><b>68,067</b></u>	<u>66,085</u>
	<u><b>454,563</b></u>	<u>410,611</u>

### 13. TRADE AND OTHER PAYABLES

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

	<b>31.12.2012</b> <i>HK\$'000</i> (unaudited)	30.6.2012 <i>HK\$'000</i> (audited)
0 to 90 days	<u><b>14,251</b></u>	<u>112,485</u>

### 14. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital</b> <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each		
Authorised	<u>20,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid		
At 1 July 2011	6,863,287,990	686,329
Cancellation of shares repurchased	<u>(14,240,000)</u>	<u>(1,424)</u>
At 31 December 2011	6,849,047,990	684,905
Cancellation of shares repurchased	<u>(36,000,000)</u>	<u>(3,600)</u>
At 1 July 2012	6,813,047,990	681,305
Cancellation of shares repurchased	<u>(1,120,000)</u>	<u>(112)</u>
At 31 December 2012	<u><b>6,811,927,990</b></u>	<u><b>681,193</b></u>

The Company repurchased its own shares through The Stock Exchange of Hong Kong Limited, and cancelled ordinary shares during the six months ended 31 December 2012 as follows:

<b>Month of cancellation</b>	<b>Number of ordinary share of HK\$0.10 each</b>	<b>Price per share</b>		<b>Aggregate amount paid</b> <i>HK\$'000</i>
		<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>	
July 2012	<u>1,120,000</u>	<u>0.290</u>	<u>0.285</u>	<u>323</u>

The repurchased shares were cancelled during the period and the issued share capital of the Company was reduced by the nominal value thereof.

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

During the six months ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE REVIEW**

The audit committee of the Company (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 announcement for the six months ended 31 December 2012. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants as well as obtaining reports from management. The Audit Committee has not undertaken independent audit checks.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the six months ended 31 December 2012, the Company had fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the directors of the Company. Having made specific enquiry of all directors of the Company, the Company confirmed that all directors had complied with the required standard set out in the Model Code for the six months ended 31 December 2012.

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

Hong Kong, 27 February 2013

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

### Executive Directors

Ms. Chong Sok Un (*Chairman*), Mr. Andrew Ferguson (*Chief Executive Officer*) and Mr. Kong Muk Yin

### Non-Executive Directors

Mr. Lee Seng Hui, Mr. So Kwok Hoo and Mr. Peter Anthony Curry

### Independent Non-Executive Directors

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

\* *For identification purpose only*