

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 2015

The board of directors (the “**Board**”) of APAC Resources Limited (the “**Company**” or “**APAC**”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 December 2015, which has been reviewed by the auditor of the Group and the audit committee of the Company (the “**Audit Committee**”).

RESULTS HIGHLIGHTS

Our results were driven by a significant impairment in interests in associates and the early closure of ABM Resources’ Old Pirate Mine.

Period on Period Comparison (Compared to the six months ended 31 December 2014)

- Attributable loss from Primary Strategic Investments of HK\$21.8 million (2014 Loss: HK\$1,460.7 million)
- Resource Investment posted a loss of HK\$96.8 million (2014 Loss: HK\$88.7 million)
- Commodity Business reported revenue of HK\$58.0 million (2014: HK\$193.8 million), with a profit of HK\$11.3 million (2014 Profit: HK\$4.0 million)
- Release of impairment loss on interests in associates of HK\$nil (2014: HK\$777.1 million)
- Impairment loss on interests in associates of HK\$65.4 million (2014: HK\$144.7 million)
- Net loss attributable to owners of HK\$128.6 million (2014 Net Loss: HK\$897.2 million), with loss per share at HK1.43 cents (2014: Loss per share HK14.64 cents)

OTHER HIGHLIGHT

Completed the open offer and raised net proceeds of approximately HK\$300 million in July 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

APAC Resources Limited (“**APAC**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**”) reported a net loss attributable to owners of HK\$128,644,000 for the six months ended 31 December 2015 (“**1H 2016**”), compared with a net loss of HK\$897,234,000 reported for the six months ended 31 December 2014 (“**1H 2015**”). The loss includes an impairment on interest in associates of HK\$65,365,000 (1H 2015: Impairment of HK\$144,686,000) which reflects current market valuations, and a significant loss in resource investments of HK\$96,845,000, the majority of which is related to ABM Resources NL, discussed in more detail below. The net loss in 1H 2015 was driven by a one-off significant impairment related to the flooding of Mount Gibson’s Koolan Island Main Pit.

Primary Strategic Investment

Our two Primary Strategic Investments are Mount Gibson Iron Limited (“**Mount Gibson**”) and Metals X Limited (“**Metals X**”), both listed and operating in Australia. The net attributable loss from our Primary Strategic Investments for 1H 2016 was HK\$21,779,000 (1H 2015: Net loss of HK\$1,460,673,000). Mount Gibson reported a small operating profit which was offset by an impairment loss on Koolan Island, leading to an overall net loss. Metals X delivered a relatively muted operational net profit in 1H 2016.

Mount Gibson

Mount Gibson is an Australian listed iron ore producer. Annual production capacity is 3 to 4 million tonnes of Direct Shipping Ore from its Extension Hill mine, which provides it with a substantial cost advantage over mines that require beneficiation prior to sale. Mount Gibson has undergone significant changes in the past year following the unfortunate incident at the Koolan Island mine.

In November 2014, the Main Pit at Koolan Island was flooded after a failure of the Main Pit seawall. As a result, all mining operations have been suspended at the Main Pit, while Mount Gibson completes a detailed evaluation of restart options. As part of the evaluation, Mount Gibson is in discussions with its insurers about their existing policies for property damage and business interruption. Mount Gibson sales guidance for the financial year ending 30 June 2016 (“**FY 2016**”) is 4.5 to 5.0 million tonnes, of which 2.6 million tonnes was sold in 1H 2016.

Mount Gibson reported a net loss after tax of A\$15 million which includes a pre-tax impairment of A\$21 million, related to a non-cash write down driven by the weak iron ore price. While the iron ore outlook remains weak, we expect there will only be minimal impairments going forward as Mount Gibson has already significantly reduced the carrying value of its assets.

Mount Gibson continues to focus on cutting costs in the weak iron ore environment, and reduced cost of sales from A\$62 per tonne in 1H 2015 to A\$44 per tonne in 1H 2016. Corporate costs also fell significantly, down 46% YoY in 1H 2016. Importantly, Mount Gibson still boasts an impressive cash balance, ending 1H 2016 with A\$345 million or A\$0.317 per share, significantly above its current share price given the market's fear of further cash outflows.

The Iron Hill deposit at Extension Hill South remains a meaningful development opportunity for Mount Gibson. Iron Hill's mineral resource of 8.8 million tonnes at 58.3% Fe was released in August 2015, and the company is now working through the approvals process. Mount Gibson aims to commence mining at Iron Hill in early 2017, when mining at Extension Hill ends, subject to iron ore prices.

The Platts IODEX 62% CFR China index has steadily fallen throughout 1H 2016, ending the year at US\$43 per tonne but hitting a low of US\$38.50 per tonne in December. The weakness has been driven by ongoing supply growth and a weaker outlook for steel demand in China, which are likely to remain themes for the near-term foreseeable future. We remain cautious on the outlook for iron ore in FY 2016.

Metals X

Metals X is an Australian based and listed emerging diversified resource group with exposure to gold with the Higginsville, South Kalgoorlie and Central Murchison projects, tin via its 50% interest in the producing Renison mine in Tasmania, and nickel through its world scale Wingellina nickel development project.

The Higginsville and South Kalgoorlie Operations produced 84,172 ounces in the 1H 2016 up 15% YoY and generated A\$29 million of EBITDA, down 28% YoY, as a result of lower grades at Higginsville. Grades at the Trident mine in Higginsville will remain lower, however, Metals X is targeting production from the nearby Mt Henry open pits from the financial year ending 30 June 2017. Metals X commenced production from the Cannon open pit mine and ramped up the HBJ underground mine, both of which are delivering higher grade tonnes and cash flow to the South Kalgoorlie Operations in FY 2016.

Commissioning of the Central Murchison Gold Project (CMGP) commenced in October and both the underground and open pit mines are ramping up. The project is expected to reach full capacity of greater than 200,000 ounces per annum over a 5 year ramp up period.

In 1H 2016, Metals X has made several low cost acquisitions which are expected to underpin the next leg of growth for the company. Acquisitions include the Comet Gold Project, Mt Henry Gold Project, and Grosvenor Gold Project.

The gold price fell below US\$1,060 per ounce in November and December as the US raised interest rates for the first time since 2006. However in recent days, gold has rebounded and is currently trading around US\$1,200 per ounce, driven by weak global growth and the US Federal Reserve suggesting that the timing of US rate hikes could be slowed. Gold retains its safe haven status as the USD weakens.

We expect the gold price to remain linked to sentiment around the US rate hikes (and the USD) and the Chinese economy. Of note, the Australian dollar gold price remains very strong, trading near historical highs around A\$1,700 per ounce, which is a boon for Metals X.

During 1H 2016, Renison produced 3,534 tonnes of tin in concentrate (100% basis), down 7% compared to the six months ended 30 June 2015. The drop in production was driven by lower grades, although partially offset by higher mine output. Average realised tin prices of A\$20,883 per tonne in 1H 2016 were down 11% compared to 1H 2015, driven by weaker tin demand. However, we remain bullish on the medium to long-term outlook for tin due to the lack of significant supply growth as most development projects require a minimum tin price of US\$30,000 to US\$40,000 per tonne to be economically viable.

In October 2015, Metals X announced a hostile off-market takeover for Australian copper producer Aditya Birla, which owns the Nifty copper mine. As at writing, the bid had been declared unconditional and Metals X had acquired over 25% of Aditya Birla.

Metals X reported a net profit of A\$0.8 million for 1H 2016.

Resource Investment

The investments in this division comprise mostly minor holdings in various natural resource companies listed on major stock exchanges including Australia, Canada, Hong Kong, and the United Kingdom. Some of our positions are exploration or development stage companies and this section of the market is particularly sensitive to risk aversion, lower commodity prices, and the difficult financing markets.

Commodity prices remained weak throughout 1H 2016 with the ASX Small Resources Index down 20%; the FTSE AIM Basic Resources Index dropping 26%, and the TSX Venture Composite Index falling 22%.

Resource Investment posted a loss of HK\$96,845,000 in 1H 2016 (1H 2015: Loss of HK\$88,681,000). While a loss is always a disappointing result, the majority of the loss came from one company, ABM Resources NL. We maintain our defensive strategy with focus on producing companies with strong balance sheets and cash flows has minimised the quantum of loss. We remain confident that our high quality core positions, many of which are well capitalised, will weather the challenging market conditions and deliver superior returns in the long run.

ABM

ABM Resources NL (“**ABM**”) is an Australian listed gold company with assets located in the Northern Territory. It has a large acreage footprint in the Tanami-Arunta region, and is currently producing from the Old Pirate project.

In the December quarter, ABM held an operational review at the Old Pirate mine. The mine suffered from a discrepancy in grade between the mining inventory model and the areas mined to date, and higher mining dilution. The review resulted in a reduction in final pit depths, and mining at Old Pirate

is now scheduled to be complete by early April 2016, generating significantly less cash than originally forecast. Once mining is complete ABM is expected to return its focus on exploration in the Tanami Region.

At the end of 31 December 2015, ABM had A\$7.5 million cash and no debt.

Commodity Business

The Commodity Business mainly comprises two offtake agreements with Mount Gibson, and the shipments are sold on the spot market to steel mills and traders in China. We continue to look for new offtake opportunities across a range of commodities. For 1H 2016, Commodity Business generated a solid profit of HK\$11,267,000 (1H 2015: HK\$4,046,000), amid a steadily declining iron ore price and lower shipments as a result of the failure of the seawall at the Koolan Island mine.

Money Lending

We have not engaged in any money lending activities since our money lenders license was granted under the Money Lenders Ordinance of Hong Kong in August 2015.

Company Strategy

APAC leverages its in-house natural 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 cash flow 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 2015, our non-current assets amounted to HK\$951,149,000 (As at 30 June 2015: HK\$1,393,662,000) and net current assets amounted to HK\$1,093,962,000 (As at 30 June 2015: HK\$534,051,000) with a current ratio of 102.1 times (as at 30 June 2015: 7.8 times) calculated on the basis of its current assets over current liabilities. Included in non-current assets and current assets are loan notes of HK\$313,911,000 (As at 30 June 2015: HK\$313,976,000) and loans receivable of HK\$247,932,000 (As at 30 June 2015: HK\$223,062,000) respectively which form part of the on-going treasury management arrangements of the Group.

As at 31 December 2015, we had no borrowings (As at 30 June 2015: HK\$56,688,000) and had undrawn banking and loan facilities amounting to HK\$727,496,000 secured against certain of our interests in listed associates and term deposits and corporate guarantee of the Company. As at 31 December 2015, we had a gearing ratio of nil (As at 30 June 2015: 0.03), calculated on the basis of total borrowings over equity attributable to owners of the Company.

Foreign Exchange Exposure

For the period under review, the Group's assets were mainly denominated in Australian Dollars while the liabilities were mainly denominated in 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 2015, certain of the Group's interests in listed associates of HK\$529,237,000 (As at 30 June 2015: HK\$606,106,000) 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\$79,715,000 (As at 30 June 2015: HK\$79,659,000) were pledged to a bank 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, where applicable and Mandatory Provident Fund Scheme (subject to the applicable laws and regulations of the People's Republic of China (the "PRC") for its employees in the PRC).

As at 31 December 2015, the Group, including its subsidiaries but excluding associates, had 19 (As at 30 June 2015: 19) employees. Total emolument together with pension contributions incurred for the six months ended 31 December 2015 amounted to HK\$5,350,000 (2015: HK\$5,187,000).

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 2015, 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 2015, the Group does not have plan for any other material investments or acquisition of material capital assets.

CAPITAL COMMITMENTS

As at 31 December 2015, the Group had no material capital commitments contracted but not provided for (As at 30 June 2015: Nil).

CONTINGENT LIABILITIES

As at the date of this announcement and as at 31 December 2015, the board of directors (the “**Board**”) of the Company is not aware of any material contingent liabilities.

INTERIM DIVIDEND

No dividend was paid or proposed during the six months ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

FORWARD LOOKING OBSERVATIONS

In December 2015, the US Federal Reserve raised interest rates by 0.25% for the first time since 2006 on the back of a stronger US economy. At the time, the market expected gradual rate hikes to follow throughout 2016, however recent mixed economic data and weak global data has pushed out expectations for future US rate hikes. US GDP was weaker than expected in the December quarter 2015 and January nonfarm payrolls increased by less than expected but, on the flip side, wages continue to increase and the unemployment rate hit an eight year low.

China has had a very weak start to the year, January trade data was significantly weaker YoY, the Shanghai composite has fallen 22% since 1 January and the Chinese Yuan has been gradually weakening since August 2015. The European Central Bank is expected to cut interest rates further on the back of January PMI data which was uninspiring. The uncertainty around the global economy plus the weaker Chinese yuan will remain a challenge for the resources space given that a weaker yuan will make commodities more expensive for Chinese buyers and China remains the key market for most commodities. The obvious bright spot in the commodity complex is gold, which has outperformed, driven by recent moves in the US dollar and interest rate sentiment.

In general, commodity prices are likely to remain weak for the foreseeable future, with the industry needing a number of years to rationalise high cost production and companies to balance markets. Our Primary Strategic Investments remain focused on sensible low risk acquisitions and general cost cutting, leaving them well positioned for strong margin expansion when prices turn. Mount Gibson is focused on optimising and extending Extension Hill and its A\$345 million cash balance provides significant potential to grow via careful acquisition. Metals X cash generation should improve as it benefits from a Australian Dollar stronger gold price and as several new mines ramp up. We remain defensive and selective with our investments in the near term, and continue to look for deep value opportunities which will generate attractive returns over the long run.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2015

	Notes	Six months ended	
		31.12.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (unaudited)
Revenue from sales of goods	2	58,000	193,785
Cost of sales		<u>(46,939)</u>	<u>(189,332)</u>
		11,061	4,453
Other gains and losses	3	(147,754)	537,902
Other income		49,375	41,920
Administrative expenses		(18,856)	(15,526)
Finance costs	4	(135)	(4,254)
Share of results of associates		<u>(21,779)</u>	<u>(1,460,673)</u>
Loss before taxation	5	(128,088)	(896,178)
Income tax expense	6	<u>(556)</u>	<u>(1,056)</u>
Loss for the period attributable to owners of the Company		<u><u>(128,644)</u></u>	<u><u>(897,234)</u></u>
Loss per share (expressed in HK cents)			
— Basic	8	<u><u>(1.43)</u></u>	<u><u>(14.64)</u></u>

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

For the six months ended 31 December 2015

	Six months ended	
	31.12.2015	31.12.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	<u>(128,644)</u>	<u>(897,234)</u>
Other comprehensive expense, net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of associates	(57,927)	(327,000)
Exchange difference arising from translation of other foreign operations	(4,192)	(474)
Reclassification adjustment upon deemed disposal of partial interests in associates	1,734	(29)
Share of investment revaluation reserve of associates	<u>5,791</u>	<u>(8,670)</u>
	<u>(54,594)</u>	<u>(336,173)</u>
Total comprehensive expense for the period attributable to owners of the Company	<u>(183,238)</u>	<u>(1,233,407)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Notes</i>	31.12.2015 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		694	907
Interests in associates	9	907,158	1,035,383
Available-for-sale investments		42,395	42,475
Loan notes	10	—	313,976
Deposits		902	921
		951,149	1,393,662
Current assets			
Trade receivables, other receivables and deposits	11	16,543	13,587
Investments held for trading	12	199,625	194,760
Loans receivable		247,932	223,062
Loan notes	10	313,911	—
Tax receivable		639	725
Pledged bank deposits		79,715	79,659
Bank balances and cash		246,418	101,308
		1,104,783	613,101
Total assets		2,055,932	2,006,763

	<i>Notes</i>	31.12.2015 HK\$'000 (unaudited)	30.6.2015 <i>HK\$'000</i> (audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	<i>14</i>	919,165	612,777
Reserves		240,419	300,765
Accumulated profits		885,527	1,014,171
		<u>2,045,111</u>	<u>1,927,713</u>
Current liabilities			
Trade and other payables	<i>13</i>	4,441	15,964
Derivative financial instruments		5,566	3,627
Borrowings		—	56,688
Tax payable		814	2,771
		<u>10,821</u>	<u>79,050</u>
Total equity and liabilities		<u>2,055,932</u>	<u>2,006,763</u>
Net current assets		<u>1,093,962</u>	<u>534,051</u>
Total assets less current liabilities		<u>2,045,111</u>	<u>1,927,713</u>

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 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2015.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period. The application of these new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2. SEGMENT INFORMATION

Information 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 focuses on nature of the Group’s business and operations. The Group’s reportable and operating 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 or loss on deemed disposal of partial interest in associates, impairment loss on interests in associates, reversal of impairment losses on interests in associates 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 and operating segments is presented below.

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

Six months ended 31 December 2015

	Commodity business HK\$'000	Resource investment HK\$'000	Total HK\$'000
Revenue	<u>58,000</u>	<u>—</u>	<u>58,000</u>
Gross sales proceeds from resource investment	<u>—</u>	<u>65,799</u>	<u>65,799</u>
Segment profit (loss)	11,267	(96,845)	(85,578)
Share of results of associates			(21,779)
Gain on deemed disposal of partial interests in an associate			20,811
Impairment loss on interests in associates			(65,365)
Unallocated corporate income			38,928
Unallocated corporate expenses			(14,970)
Finance costs			<u>(135)</u>
Loss before taxation			<u>(128,088)</u>

Six months ended 31 December 2014

	Commodity business HK\$'000	Resource investment HK\$'000	Total HK\$'000
Revenue	<u>193,785</u>	<u>—</u>	<u>193,785</u>
Gross sales proceeds from resource investment	<u>—</u>	<u>47,926</u>	<u>47,926</u>
Segment profit (loss)	4,046	(88,681)	(84,635)
Share of results of associates			(1,460,673)
Loss on deemed disposal of partial interests in associates			(463)
Reversal of impairment loss on interests in an associate			777,114
Impairment loss on interests in associates			(144,686)
Unallocated corporate income			38,348
Unallocated corporate expenses			(16,929)
Finance costs			<u>(4,254)</u>
Loss before taxation			<u>(896,178)</u>

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

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

	31.12.2015 <i>HK\$'000</i> (unaudited)	30.6.2015 <i>HK\$'000</i> (audited)
Commodity business	191,164	153,055
Resource investment	<u>333,656</u>	<u>261,855</u>
Total segment assets	524,820	414,910
Interests in associates	907,158	1,035,383
Loan notes	313,911	313,976
Loans receivable	247,932	223,062
Unallocated	<u>62,111</u>	<u>19,432</u>
Consolidated assets	<u><u>2,055,932</u></u>	<u><u>2,006,763</u></u>
Commodity business	912	2,837
Resource investment	<u>8,400</u>	<u>66,088</u>
Total segment liabilities	9,312	68,925
Unallocated	<u>1,509</u>	<u>10,125</u>
Consolidated liabilities	<u><u>10,821</u></u>	<u><u>79,050</u></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, loan notes, loans receivable, other receivables and certain bank balances and cash.
- all liabilities are allocated to reportable segments other than certain other payables and tax payable.
- bank borrowings are allocated while the finance costs are not allocated to respective reportable segments.

3. OTHER GAINS AND LOSSES

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value change of investments held for trading	(101,452)	(63,056)
Fair value change of derivative financial instruments	(1,939)	(3,678)
Gain (loss) on deemed disposal of partial interests in associates	20,811	(463)
Impairment loss on available-for-sale investments	—	(24,000)
Impairment loss on loan receivable	—	(2,165)
Reversal of impairment losses on interests in an associate	—	777,114
Impairment loss on interests in associates	(65,365)	(144,686)
Net foreign exchange gain (losses)	191	(377)
Fair value change of financial assets designated at fair value through profit or loss	—	(787)
	<u>(147,754)</u>	<u>537,902</u>

4. FINANCE COSTS

	Six months ended	
	31.12.2015	31.12.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on borrowing wholly repayable within five years:		
— Bank borrowing	—	211
— Securities margin financing	135	4,043
	<u>135</u>	<u>4,254</u>

5. LOSS BEFORE TAXATION

Six months ended	
31.12.2015	31.12.2014
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Loss before taxation has been arrived at after charging:

Staff costs, including directors' emoluments

— salaries and allowances	8,133	8,005
— staff quarters	469	441
— retirement benefits schemes contributions	122	115
	<u>8,724</u>	<u>8,561</u>
Total staff costs	8,724	8,561
Depreciation of property, plant and equipment	210	344
Cost of goods recognised as an expense	38,692	164,053
	<u>38,692</u>	<u>164,053</u>

6. INCOME TAX EXPENSE

Six months ended	
31.12.2015	31.12.2014
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Current tax

Hong Kong Profits Tax	556	490
Enterprise Income Tax (“EIT”) in the People’s Republic of China (the “PRC”)	—	107
Underprovision in EIT in the PRC in previous years	—	459
	<u>556</u>	<u>1,056</u>

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

Under the Law of the PRC 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.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$128,644,000 (six months ended 31 December 2014: HK\$897,234,000) and the weighted average number of 8,991,833,464 (six months ended 31 December 2014: weighted average number of 6,128,740,164) ordinary shares in issue during the six months ended 31 December 2015.

For the period ended 31 December 2015 and 31 December 2014, no separate diluted loss per share information has been presented as there was no potential ordinary shares outstanding.

9. INTERESTS IN ASSOCIATES

	31.12.2015 <i>HK\$'000</i> (unaudited)	30.6.2015 <i>HK\$'000</i> (audited)
Cost of investment in associates		
Listed in Australia	2,227,844	2,223,339
Unlisted	54,708	54,708
Share of post-acquisition losses and other comprehensive income, net of dividends received	(504,102)	(436,737)
Impairment losses recognised	(871,292)	(805,927)
	<u>907,158</u>	<u>1,035,383</u>
Fair value of listed investments	<u>871,085</u>	<u>1,161,014</u>

During the six months ended 31 December 2015, the Group acquired additional 4,500,000 shares in Mount Gibson Iron Limited (“MGX”), one of the associates in Australia, at a consideration of HK\$4,505,000. The Group’s shareholding in MGX increased from 26.61% to 27.02%.

During the six months ended 31 December 2015, another associate listed in Australia, Metals X Limited (“MLX”), issued approximately 42 million new shares. The Group’s shareholding in MLX then decreased from 23.89% to 21.70% and a gain on deemed disposal of HK\$20,811,000 is recognised in profit or loss.

As 31 December 2015, management of the Group carried out review on impairment on the carrying amounts of its interests in listed associates individually as a single asset by comparing their recoverable amounts (higher of the value in use and fair value less cost of disposal (market value)) 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 a discount rate of 11% to discount the cash flow projections to net present values. The respective market values of these two listed associates were determined based on the closing prices as at 31 December 2015. At 31 December 2015, the recoverable amounts of the Group’s interests in MGX and MLX which represented the fair values less cost of disposal were lower than the carrying amounts, accordingly, impairment losses of HK\$65,365,000 are recognised in profit or loss during the six months ended 31 December 2015.

The fair values of the above listed associates referred to their respective closing prices as at 31 December 2015.

10. LOAN NOTES

The Group subscribed loan notes with a nominal value of US\$40,000,000 from Mulpha SPV Limited (“**Mulpha**”), a limited liability company incorporated in Malaysia, at the nominal amount. The loan notes with a nominal value of US\$30,000,000 bear 8.5% coupon interest per annum and will mature on 26 November 2016. The another loan notes with a nominal value of US\$10,000,000 bear 8.0% coupon interest per annum and it will mature on 5 September 2016.

These loan notes are guaranteed by Mulpha International Bhd., a company incorporated in Malaysia whose shares are listed on the Main Market of Bursa Malaysia Securities Berhad. These loan notes can be early redeemed by Mulpha before the maturity date at the nominal amount of the loan notes plus accrued unpaid interest up to the date of redemption. The early redemption option by Mulpha is closely related to the host debt and is therefore not separately accounted for.

11. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

There was no trade receivables as at 31 December 2015 and 30 June 2015.

As at 31 December 2015, the Group deposited HK\$13,621,000 (30 June 2015: HK\$3,370,000) in an financial institution in trading derivatives financial instruments.

12. INVESTMENTS HELD FOR TRADING

	31.12.2015	30.6.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Listed securities:		
— Equity securities listed in Hong Kong	126,528	60,388
— Equity securities listed in the United Kingdom	5,724	9,353
— Equity securities listed in Australia	62,538	121,262
— Equity securities listed in Canada	4,835	3,757
	<u>199,625</u>	<u>194,760</u>

13. TRADE AND OTHER PAYABLES

There was no trade payables as at 31 December 2015 and 30 June 2015.

14. SHARE CAPITAL

	2015		2014	
	Number of shares	Share capital HK\$'000	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised	<u>20,000,000,000</u>	<u>2,000,000</u>	<u>20,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid				
At beginning of the period	6,127,767,990	612,777	6,131,927,990	613,193
Shares repurchased and cancelled	—	—	(4,160,000)	(416)
Issue of shares	<u>3,063,883,995</u>	<u>306,388</u>	<u>—</u>	<u>—</u>
At end of the period	<u>9,191,651,985</u>	<u>919,165</u>	<u>6,127,767,990</u>	<u>612,777</u>

On 13 July 2015, the Company completed an open offer on the basis of one new share of the Company for every two existing shares of the Company held on 17 June 2015 at a subscription price of HK\$0.10 per share and issued 3,063,883,995 new shares.

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

During the six months ended 31 December 2015, 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 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 2015. 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 2015, the Company had fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2015.

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

Hong Kong, 22 February 2016

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. Peter Anthony Curry as his alternate*) and Mr. So Kwok Hoo

Independent Non-Executive Directors

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

* *For identification purpose only*