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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 2017

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 2017, 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 2017

		Six months ended	
		31.12.2017	31.12.2016
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*2*	**49,887**	26,098
Cost of sales		**(37,353)**	(24,876)
Gross profit		**12,534**	1,222
Other gains and losses	*3*	**330,520**	329,650
Other income		**13,628**	35,720
Administrative expenses		**(23,207)**	(18,283)
Finance costs	*4*	**(188)**	—
Share of results of associates		**144,389**	40,085
Profit before taxation	*5*	**477,676**	388,394
Income tax expense	*6*	**(57)**	(60,491)
Profit for the period attributable to owners of the Company		**477,619**	327,903
			(restated)
Earnings per share (expressed in HK cents)			
— Basic	*8*	**52.11**	35.67

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**477,619**	327,903
Other comprehensive income (expense), net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of associates	**12,927**	(15,069)
Exchange difference arising from translation of other foreign operations	**11,421**	(2,980)
Reclassification adjustment upon deemed disposal of partial interests in associates	**—**	(144)
Reclassification adjustment upon derecognition of interest in an associate	**—**	65,515
Fair value change on available-for-sale investments, net of tax	**97,333**	(19,088)
Share of investment revaluation reserve of associates	**(272)**	424
	121,409	28,658
Total comprehensive income for the period attributable to owners of the Company	**599,028**	356,561

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**31.12.2017**	30.6.2017
		HK$'000	*HK$'000*
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**896**	1,103
Interests in associates	*9*	**928,621**	678,479
Available-for-sale investments	*10*	**688,179**	551,813
Convertible notes	*11*	**9,389**	9,320
Loan notes	*12*	**51,236**	190,362
		1,678,321	1,431,077
Current assets			
Inventories		**19,205**	—
Convertible notes	*11*	**141,108**	—
Trade and other receivables	*13*	**44,681**	26,854
Investments held for trading	*14*	**485,752**	275,727
Loans receivable		**327,470**	232,138
Pledged bank deposits		**145,724**	145,167
Bank balances and cash		**554,576**	805,687
		1,718,516	1,485,573
Total assets		**3,396,837**	2,916,650

	Notes	**31.12.2017**	30.6.2017
		HK$'000	*HK$'000*
		(unaudited)	(audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*16*	**795,277**	919,165
Reserves		**507,507**	423,264
Accumulated profits		**2,009,753**	1,545,921
		3,312,537	2,888,350
Non-current liability			
Deferred tax liability		**44,520**	5,487
Current liabilities			
Trade and other payables	*15*	**4,703**	21,415
Other borrowing		**35,000**	—
Tax payable		**77**	1,398
		39,780	22,813
Total liabilities		**84,300**	28,300
Total equity and liabilities		**3,396,837**	2,916,650
Net current assets		**1,678,736**	1,462,760
Total assets less total liabilities		**3,312,537**	2,888,350

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

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 for the newly adopted accounting policies which have become applicable to the Group in the current interim period as described below, the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 31 December 2017 are the same as those applied in the preparation of the Group's annual financial statements for the year ended 30 June 2017.

Borrowing costs

The borrowing costs are recognised in profit or loss in the period in which they are incurred.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the above 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.

2. SEGMENT INFORMATION

Information regularly reviewed by the chief operating decision maker (the "**CODM**"), represented by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance focuses on the nature of the Group's business and operations. The Group's operating and reportable segments are therefore as follows:

(i) Commodity business (trading of commodities);

(ii) Resource investment (trading of and investment in listed and unlisted securities); and

(iii) Principal investment and financial services (investment in loan financing, loan notes and other financial assets).

On 1 March 2017, the Company announced to establish a new segment of principal investment and financial services and, since then, the CODM reviews the financial performance of principal investment and financial services operation. Accordingly, results from principal investment and financial services, which represents the loans receivable granted, loan notes invested and convertible notes acquired since 1 March 2017, are presented as an operating and reportable segment.

Segment results represent the profit (loss) by each segment without allocation of central administration costs, directors' salaries, share of results of associates, dividend income from available-for-sale investments, loss on deemed disposal of partial interest in an associate, gains arising from derecognition of interests in associates, reversal of

impairment loss on interest in an associate, adjustment to carrying amount of loans receivable, finance costs and unallocated corporate income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Information regarding the Group's operating and reportable segments is presented below:

Segment revenue and results

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

Six months ended 31 December 2017

	Commodity business *HK$'000*	**Resource investment** *HK$'000*	**Principal investment and financial services** *HK$'000*	**Total** *HK$'000*
Revenue	39,174	—	10,713	49,887
Gross sales proceeds from resource investment	—	232,286	—	232,286
Segment profit	4,578	158,774	50,241	213,593
Share of results of associates				144,389
Reversal of impairment loss on interest in an associate				132,750
Dividend income from available-for-sale investments				3,492
Unallocated corporate income				6,756
Unallocated corporate expenses				(23,116)
Finance costs				(188)
Profit before taxation				477,676

Six months ended 31 December 2016

	Commodity business *HK$'000*	Resource investment *HK$'000*	Total *HK$'000*
Revenue	26,098	—	26,098
Gross sales proceeds from resource investment	—	226,210	226,210
Segment (loss) profit	(647)	25,277	24,630
Share of results of associates			40,085
Gains arising from derecognition of interests in associates			189,599
Loss on deemed disposal of partial interest in an associate			(3,164)
Reversal of impairment loss on interest in an associate			128,335
Adjustment to carrying amount of loans receivable			4,626
Unallocated corporate income			20,433
Unallocated corporate expenses			(16,150)
Profit before taxation			388,394

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

Segment assets and liabilities

An analysis of the Group's assets and liabilities by operating and reportable segments is set out below:

	31.12.2017	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Commodity business	**366,016**	286,310
Resource investment	**605,895**	488,524
Principal investment and financial services	**471,450**	238,812
Total segment assets	**1,443,361**	1,013,646
Interests in associates	**928,621**	678,479
Available-for-sale investments	**656,850**	533,381
Loan notes	**31,401**	190,362
Unallocated	**336,604**	500,782
Consolidated assets	**3,396,837**	2,916,650
Commodity business	**1,931**	16,899
Resource investment	**44,520**	8,845
Total segment liabilities	**46,451**	25,744
Unallocated	**37,849**	2,556
Consolidated liabilities	**84,300**	28,300

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than interests in associates, property, plant and equipment, certain loan notes, certain convertible notes, certain available-for-sale investments, certain other receivables and certain bank balances and cash (30 June 2017: interests in associates, property, plant and equipment, loan notes, convertible notes, certain available-for-sale investments, certain other receivables and certain bank balances and cash).

- all liabilities are allocated to operating and reportable segments other than certain other payables and other borrowing and tax payable (30 June 2017: certain other payables and tax payable).

3. OTHER GAINS AND LOSSES

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Fair value change of investments held for trading	**157,579**	56,594
Fair value change of convertible notes	**31,108**	—
Loss on deemed disposal of partial interest in an associate	**—**	(3,164)
Adjustment to the carrying amount of loans receivable	**—**	4,626
Gains arising from derecognition of interests in associates	**—**	189,599
Reversal of impairment loss on interest in an associate	**132,750**	128,335
Net foreign exchange gain (loss)	**9,083**	(46,340)
	330,520	329,650

4. FINANCE COSTS

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on other borrowing	**188**	—

5. PROFIT BEFORE TAXATION

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**207**	209
Cost of goods recognised as an expense	**37,353**	24,876

6. INCOME TAX EXPENSE

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
— Hong Kong Profits Tax	**57**	—
— Provision for Australian capital gain tax	**—**	18,192
	57	18,192
Overprovision in prior years		
— Enterprise Income Tax in the People's Republic of China	**—**	(65)
	57	18,127
Deferred tax charge for the period	**—**	42,364
	57	60,491

7. DIVIDENDS

Dividends recognised as distribution during the period:

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
2017 interim dividend declared — HK1.5 cents	**13,787**	—

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

Earnings

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings for the purposes of calculating basic earnings per share:		
Profit for the period attributable to owners of the Company	**477,619**	327,903

Number of shares

	Six months ended	
	31.12.2017	31.12.2016
	(unaudited)	(unaudited)
		(restated)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**916,471,983**	919,165,198

For the six months ended 31 December 2017 and 31 December 2016, no separated diluted earnings per share information has been presented as there were no potential ordinary shares of the Company outstanding.

The number of ordinary shares in issue for the purpose of basic earnings per share for the six months ended 31 December 2016 has been adjusted retrospectively to reflect the impact of the Company's share consolidation on 2 June 2017.

9. INTERESTS IN ASSOCIATES

	31.12.2017	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Cost of investments in associates		
— Listed in Australia	**1,630,610**	1,630,610
— Unlisted	**22,716**	22,716
Share of post-acquisition results and other comprehensive income, net of dividends received	**(340,790)**	(466,906)
Impairment losses recognised	**(383,915)**	(507,941)
	928,621	678,479
Fair value of listed investments	**889,259**	641,113

10. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2017	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Equity securities:		
Unlisted, at cost	**37,501**	37,501
Less: impairment losses recognised	**(35,214)**	(35,214)
	2,287	2,287
Unlisted, at fair value	**29,042**	16,145
Listed in Australia, at fair value	**656,850**	533,381
	688,179	551,813

11. CONVERTIBLE NOTES

	31.12.2017	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Convertible bonds issued by FDG Kinetic Limited	**141,108**	—
Convertible notes issued by a private entity	**9,389**	9,320
	150,497	9,320
The carrying amount of the convertible notes is presented as:		
— Current assets	**141,108**	—
— Non-current assets	**9,389**	9,320
	150,497	9,320

12. LOAN NOTES

	31.12.2017	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Loan notes issued by Mulpha SPV Limited	**—**	159,019
Loan notes issued by Sun Hung Kai & Co. (BVI) Limited	**51,236**	31,343
	51,236	190,362

13. TRADE AND OTHER RECEIVABLES

	31.12.2017	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**19,159**	16,069
Other deposits and prepayments	**18,805**	4,208
Receivable from brokers	**6,717**	6,577
	44,681	26,854

The following is an ageing analysis of trade receivables presented based on the invoice date which approximates the revenue recognition date at the end of the reporting period:

	31.12.2017	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**19,159**	16,069

14. INVESTMENTS HELD FOR TRADING

	31.12.2017	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Listed securities:		
— Equity securities listed in Hong Kong	**14,415**	18,139
— Equity securities listed in the United Kingdom	**46,519**	9,331
— Equity securities listed in Australia	**229,707**	103,203
— Equity securities listed in Canada	**184,363**	122,553
— Equity securities listed in the United States of America	**10,748**	22,501
	485,752	275,727

15. TRADE AND OTHER PAYABLES

	31.12.2017	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**1,595**	15,379
Other payables	**3,108**	6,036
	4,703	21,415

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

	31.12.2017	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 90 days	**1,595**	15,379

16. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised and issued share capital		
Ordinary shares of HK$1.00 each:		
Authorised:		
At 1 July 2017 (audited) and 31 December 2017 (unaudited)	2,000,000,000	2,000,000
Issued and fully paid:		
At 1 July 2017 (audited)	919,165,198	919,165
Repurchase of ordinary shares	(123,887,883)	(123,888)
At 31 December 2017 (unaudited)	795,277,315	795,277

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$477,619,000 for the six months ended 31 December 2017 ("**1H 2018**"), compared with a net profit attributable to shareholders of the Company of HK$327,903,000 for the six months ended 31 December 2016 ("**1H 2017**"). This is driven by a profit of HK$158,774,000 from our Resource Investment division, HK$144,389,000 from our share of results of associates, and HK$132,750,000 from a reversal of impairment loss on the carrying value of the Group's investment in Mount Gibson Iron Limited ("**Mount Gibson**").

Primary Strategic Investment

Our Primary Strategic Investment is in Mount Gibson, which is listed and operating in Australia. Metals X Limited ("**Metals X**") is no longer classified as a Strategic Investment after we sold 21.5 million shares in Metals X in July 2016 and 22 million shares in February 2017. The net attributable profit from our Primary Strategic Investment for 1H 2018 was HK$143,927,000 (1H 2017: Net profit of HK$39,416,000). Mount Gibson reported a 1H 2018 net profit after tax of A$80 million.

Mount Gibson

Mount Gibson is an Australian listed iron ore producer. Mining of Direct Shipping Ore from its Extension Hill mine has ended, and the Iron Hill mine has started production. Mount Gibson approved the Koolan Island Restart Project in April 2017.

Mining at Iron Hill commenced in March 2017 and first ore sales were achieved in July 2017. Life of mine sales is expected to total 5.5 to 6.0 million tonnes, with production to end in late 2018.

The Koolan Island Restart Project will reconstruct the seawall and dewater the Koolan Island pit for an estimated capex spend of A$97 million, and will allow Mount Gibson to access 12.8 million tonnes of 66% Fe reserves, which gives it a 3.5 year mine life. Site works started in June 2017. A potential pit extension is under evaluation, and could convert an additional 7 million tonnes of resources.

Mount Gibson was awarded a further A$64 million from the business interruption component of its insurance claim, in addition to the A$86 million received for the property damage component. The payment was received in July 2017. Negotiations continue with the last outstanding insurer who represents the remaining 7.5% of the business interruption coverage.

Mount Gibson sales guidance for the financial year ending 30 June 2018 is 3.5 million tonnes to 3.8 million tonnes.

Mount Gibson reported a net profit after tax of A$80 million for the six months ending 31 December 2017, boosted by A$64 million payment for the proceeds of the Koolan Island business interruption insurance settlement. Removing this one-off payment leaves an underlying net profit after tax of A$16 million from sales of 1.7 million tonnes.

Mount Gibson continued to focus on costs, and all in cash cost was A$46 per tonne in 1H 2018 compared to A$52 per tonne in 1H 2017. Importantly, Mount Gibson still boasts an impressive cash reserve, including term deposits and tradable investments, ending 1H 2018 with A$477 million or an equivalent of A$0.435 per share, despite development spending on Koolan Island and paying a dividend in October 2017.

The Platts IODEX 62% CFR China index has remained volatile, and during 1H 2018 it traded in the range of US$60/dry metric tonne ("**dmt**") to US$80/dmt and is currently around US$75/dmt. The iron ore price in late 2017 has been supported by stronger steel margins although in recent months the iron ore price has likely been buoyed by pre-holiday restocking ahead of Chinese New Year. The discount for low-grade ore remains wide as steel mills prefer medium and high grade ore during this period of reasonable mill profitability. Despite a generally strong global economy, we continue to expect average iron ore prices to remain capped in the short term given weak non-China steel demand and continuing supply growth in Brazil and Australia.

Metals X and Westgold Resources

In December 2016, Metals X spun out its gold assets into Westgold Resources Limited ("**Westgold Resources**"), which now holds the Higginsville, South Kalgoorlie and Central Murchison projects. The remaining base metals assets including tin via its 50% interest in the producing Renison mine in Tasmania, copper through the recently acquired Nifty mine of Aditya Birla Minerals Limited ("**ABY**") and nickel through its world scale Wingellina nickel development project remain in Metals X. Both companies remain listed in Australia.

In July 2016, APAC disposed of 21.5 million shares in Metals X through an on-market transaction. The disposal ties in with APAC's decision to place Metals X under strategic review. In January 2017, APAC received shareholder approval to dispose of the remaining shares in Metals X and Westgold Resources for a period of 12 months. In February 2017 we sold a further 22 million shares in Metals X and 11 million shares in Westgold Resources for an aggregate consideration of A$46,200,000.

Westgold Resources produced 134,382 ounces in 1H 2018 down 4% year-on-year ("**YoY**") driven by a drop in production at the Higginsville (HGO) project and the end of the current phase of the Cannon open pit mine, although partly offset by a ramp up at the Fortnum Gold Project and improved production at the Central Murchison Gold Project (CMGP).

The gold price has generally been on an upward trend over the last 12 months. This is in response to a weaker US dollar and slower than expected US rate rises plus geopolitical tensions which continue to simmer in the background. While US yields have increased noticeably in the past few months which is typically negative for gold price, this has been driven by expectations for higher inflation, so the

impact on real interest rates has been limited. The gold price is now trading above US$1,325 per ounce and we expect the gold price to remain linked to sentiment around the US dollar, the pace of Fed rate hikes, and retain its safe haven status.

At Metals X, Renison produced 1,798 tonnes of tin (net 50% basis) up 3% YoY, while the average realised tin price of A$25,905 per tonne was down 2% YoY. Metals X is currently expanding Renison by introducing an ore sorter, which is expected to increase production by 15-20% by removing waste feed before it enters the processing circuit.

After acquiring the Nifty mine in August 2016, Metals X set a target copper production rate of 40,000 tonnes per annum. However, the ramp up has been impacted by its ability to bring on additional stopes and in the most recent December 2017 quarter, production was running at an annualized rate of 19,000 tonnes per annum. Metals X has since deployed an additional drill rig, which is expected to lift production.

Tin prices have been range bound over calendar year 2017, trading between US$19,000 per tonne and US$21,000 per tonne. However recently, in the lead up to Chinese New Year, tin prices have reached US$22,000 per tonne due to low inventory levels despite a rebound in Myanmar and Indonesian production. We remain bullish on the medium term outlook for tin due to the lack of significant supply growth. Copper prices continue to trend upwards, and reached multi-year highs of over US$7,100 per tonne. Prices have been driven by softer supply guidance and a strong Chinese economic outlook.

Resource Investment

The investments in this division comprise mostly minor holdings in various natural resource companies listed on major stock exchanges including Australia, Canada, Hong Kong, the United Kingdom and the USA. Our investments focus on select commodities within several commodity segments, namely energy, bulk commodities, base metals, and precious metals. 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.

Resource Investment posted a fair value gain of HK$157,579,000 in 1H 2018 (1H 2017: Gain of HK$56,594,000), which after accounting for segment related dividend and other investment income and expenses, resulted in a segment profit of HK$158,774,000 (1H 2017: Profit of HK$25,277,000).

Our Resource Investment division includes the results of the two new resource portfolios which were announced in August 2016. The resources sector has been strong in the last six months, namely in the mining space, as strong economic growth has finally given commodity prices a boost. From 1 July 2017 to 31 December 2017 the average performance from a number of small cap resources indices has averaged +18% (includes the ASX Small Resources Index and the TSX Venture Composite Index among others). Oil prices improved from September 2017 although US gas prices remained weak throughout 2017. The average performance of several small cap oil and gas indices has averaged +15% in 1H 2018 (includes the S&P TSX Small Cap Energy Index and S&P US Oil and Gas ETF among others).

Precious

The precious metals (majority gold exposure) generated a net fair value gain of HK$13,128,000 in 1H 2018 while the gold price was up 5%. As at 31 December 2017, the carrying value of the Precious segment was HK$82,437,000 (As at 30 June 2017: HK$66,744,000). Our largest gold investment is in ABM Resources (ASX: ABU) which generated a fair value loss of HK$433,000 with carrying value as at 31 December 2017 of HK$28,565,000. This was comfortably offset by gains in a number of smaller positions including Medusa Mining (ASX: MML) and Perseus Mining (ASX: PRU).

Bulk

Bulk commodities (predominantly iron ore) generated a fair value gain of HK$4,037,000 and iron ore prices increased 11% during 1H 2018. As at 31 December 2017 the carrying value is HK$6,692,000 (As at 30 June 2017: HK$4,718,000). Within this segment, our significant investments include Grange Resources (ASX: GRR), which generated a fair value gain of HK$2,870,000 in 1H 2018.

Base Metals

Base Metals segment (a mix of copper, nickel, aluminium and cobalt companies) delivered a fair value gain of HK$121,395,000 in 1H 2018 as the copper, aluminium and cobalt prices increased by 22%, 18% and 26%. The Base Metals segment includes our investment in Australian Mines (ASX: AUZ) which generated a fair value gain of HK$51,611,000 in 1H 2018 and had a carrying value as at 31 December 2017 of HK$81,212,000 (As at 30 June 2017: HK$3,964,000) and Katanga Mining (TSX: KAT) listed in Canada, which generated a fair value gain of HK$23,649,000 in 1H 2018 and had a carrying value as at 31 December 2017 of HK$33,988,000 (As at 30 June 2017: HK$14,426,000).

Energy

The Energy segment (mainly oil exposure) had a fair value gain of HK$5,649,000 in 1H 2018 driven by an oil price increase of 31%. Our significant Energy investments include Gran Tierra (TSX: GTE), which generated a fair value gain of HK$1,413,000 and had a carrying value as at 31 December 2017 of HK$7,645,000 (As at 30 June 2017: HK$6,232,000). Gains in smaller positions including Spartan Energy (TSX: SPE) and Beach Energy (ASX: BPT).

Others

We also have a fair value gain of HK$13,370,000 from the remaining commodity (diamonds and mineral sands) and non-commodity investments in 1H 2018 and had a carrying value as at 31 December 2017 of HK$67,918,000 (As at 30 June 2017: HK$36,743,000). This segment includes our investment in Mineral Deposits (ASX: MDL) listed in Australia, which generated a fair value gain of HK$9,224,000 and had a carrying value as at 31 December 2017 of HK$19,728,000 (As at 30 June 2017: HK$19,731,000).

Commodity Business

Our iron ore offtakes at Koolan Island and Tallering Peak have ceased to deliver shipments with both mines closed, so we are now looking for new offtake opportunities across a range of commodities. For 1H 2018, our Commodity Business generated a profit of HK$4,578,000 (1H 2017: Loss of HK$647,000).

Principal Investment and Financial Services

The principal investment and financial services segment, which was established in March 2017, covered income generated from loans receivable including money lending, loan notes and other financial assets. For 1H 2018, this segment generated a profit of HK$50,241,000 (1H 2017: Nil).

Money Lending

The Group engaged in money lending activities under the Money Lenders Ordinance of Hong Kong. For 1H 2018, the revenue and profits generated from money lending formed part of results of the principal investment and financial services segment.

Company Strategy

APAC leverages its in-house natural resources expertise to identify and manage both Primary Strategic Investment and Resource Investment 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 2017, our non-current assets amounted to HK$1,678,321,000 (As at 30 June 2017: HK$1,431,077,000) and net current assets amounted to HK$1,678,736,000 (As at 30 June 2017: HK$1,462,760,000) with a current ratio of 43.2 times (As at 30 June 2017: 65.1 times) calculated on the basis of its current assets over current liabilities. Included in non-current assets and current assets are convertible notes of HK$150,497,000 (As at 30 June 2017: HK$9,320,000), loan notes of HK$51,236,000 (As at 30 June 2017: HK$190,362,000) and loans receivable of HK$327,470,000 (As at 30 June 2017: HK$232,138,000) respectively.

As at 31 December 2017, we had borrowings of HK$35,000,000 (As at 30 June 2017: Nil) and had undrawn banking facilities amounting to HK$136,745,000 secured against certain term deposits of the Group. As at 31 December 2017, we had a gearing ratio of 0.01 (As at 30 June 2017: 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 while the liabilities were mainly denominated in Australian 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 additions, 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 2017, certain of the Group's bank deposits of HK$145,724,000 (As at 30 June 2017: HK$145,167,000) 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 and pension fund schemes including the Mandatory Provident Fund Scheme (subject to the applicable laws and regulations of the PRC for its employees in the PRC).

As at 31 December 2017, the Group, including its subsidiaries but excluding associates, had 17 (As at 30 June 2017: 18) employees. Total emolument together with pension contributions incurred for the six months ended 31 December 2017 amounted to HK$5,703,000 (1H 2017: HK$5,013,000).

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 2017, 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 2017, the Group does not have plan for any other material investments or acquisition of material capital assets.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had no material capital commitments contracted but not provided for (As at 30 June 2017: Nil).

CONTINGENT LIABILITIES

As at the date of this announcement and as at 31 December 2017, the board of directors of the Company is not aware of any material contingent liabilities.

INTERIM DIVIDEND

An interim dividend of HK1.5 cents per share in an aggregate amount of approximately HK$13,787,000 were declared for the year ended 30 June 2017 and an amount of approximately HK$13,633,000 was paid during the six months ended 31 December 2017. No dividend has been proposed for the six months ended 31 December 2017 (Six months ended 31 December 2016: Nil).

During 1H 2018, the Company undertook a share buy back at HK$1.30 per share. This enabled shareholders who wished to dispose shares an opportunity to do so at a price which the Board considered appropriate and reasonable for the Company and all its shareholders. The Company will reassess its dividend policy at the year end.

SUBSEQUENT EVENTS

On 31 January 2018, the Group entered into a loan deed with an independent third party, which is a company incorporated in Australia with limited liability and is principally engaged in property development. Pursuant to the loan deed, the Group makes available to the borrower a loan facility of A$34,121,096 which will be matured in three months from the drawndown date. Details of the terms of the loan deed are set out in the Company's announcement dated 31 January 2018.

On 2 February 2018, the Group entered into a share sale agreement with Allied Properties Resources Limited (the "**Vendor**"), an indirect wholly-owned subsidiary of Allied Properties (H.K.) Limited. Pursuant to the share sale agreement, the Group agreed to purchase from the Vendor approximately 38.09% of the total issued share capital of Tanami Gold NL, an Australia listed gold exploration company, at a cash consideration of A$20,142,575. The acquisition is subject to certain conditions and approval by independent shareholders of the Company. Details of the acquisition are set out in the Company's announcement dated 2 February 2018.

FORWARD LOOKING OBSERVATIONS

Global economic growth remains robust, as seen in GDP and PMI numbers. While the US economic cycle is more mature than its peers, recent government policies are expected to boost GDP growth in the short term. Japan and Europe continues to strengthen, although the ECB is likely to tighten at some point. The Chinese economy looks strong for now, although we remain cautious given the Chinese government's desire to reduce high debt levels. Mount Gibson is underpinned by a large cash reserve, and is focused on its Koolan Island Restart Project, with the seawall under construction and production expected in early 2019. This is a timely development given the large disparity between low grade and high grade iron ore, and once in operations, Koolan Island will be highest grade DSO mine in Australia. Our new investment portfolios are the platform for future mining and energy investments. We remain defensive and selective with our investments in the near term, and continue to look for high quality opportunities which will generate attractive returns over the long run.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2017, the Company has applied the principles of, and fully complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim results for the six months ended 31 December 2017. 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

On 19 December 2017, the Company repurchased a total of 123,887,883 shares of the Company at an offer price of HK$1.30 per share for an aggregate consideration (before expenses) of approximately HK$161,054,000 pursuant to a conditional cash offer to repurchase shares of the Company as set out in the offer document dated 16 November 2017 which became unconditional on 4 December 2017 and completed on 28 December 2017, and all of which were cancelled on 28 December 2017.

Save as disclosed above, 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 2017.

By Order of the Board
APAC Resources Limited
Brett Robert Smith
Deputy Chairman

Hong Kong, 27 February 2018

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

Executive Directors

Mr. Brett Robert Smith *(Deputy Chairman)* and Mr. Andrew Ferguson *(Chief Executive Officer)*

Non-Executive Directors

Mr. Arthur George Dew *(Chairman) (Mr. Wong Tai Chun, Mark as his alternate)*, Mr. Lee Seng Hui and 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*