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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 2020**

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 2020, 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 2020

		Six months ended	
		31 December	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue			
Trading of goods		283,184	268,152
Interest income		23,414	45,000
Total revenue	3	306,598	313,152
Cost of sales		(253,177)	(280,311)
Gross profit		53,421	32,841
Other gains and losses	4	415,621	(32,082)
Other income		12,776	8,064
Reversal of impairment loss/(impairment loss)			
on interests in associates, net	9	580,014	(19,010)
Administrative expenses		(34,196)	(22,820)
Finance costs	5(a)	(92)	(98)
Share of results of associates		151,659	81,156
PROFIT BEFORE TAXATION	5	1,179,203	48,051
Income tax expense	6	(1,736)	(1,112)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,177,467	46,939
EARNINGS PER SHARE (EXPRESSED IN HK CENTS)			
– Basic	8	96.60	3.85

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

For the six months ended 31 December 2020

	Six months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	1,177,467	46,939
Other comprehensive income/(expense), net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of associates	186,811	975
Exchange differences on translation of other foreign operations	4,807	(387)
Share of other comprehensive income of an associate, net of related income tax	911	–
	192,529	588
Item that will not be reclassified to profit or loss:		
Share of other comprehensive income of an associate, net of related income tax	(335)	483
Other comprehensive income for the period, net of income tax	192,194	1,071
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	1,369,661	48,010

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		31 December 2020	30 June 2020
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		3,740	5,653
Interests in associates	9	2,470,482	1,525,576
Financial assets at fair value through profit or loss (“FVTPL”)		118,329	76,379
Loan receivables		138,444	317,813
Loan notes		3,918	3,916
Rental deposits		–	539
Deferred tax assets		856	646
		2,735,769	1,930,522
Current assets			
Inventories		64,952	108,356
Trade and other receivables	10	18,800	43,568
Financial assets at FVTPL		986,197	640,472
Loan receivables		466,913	151,063
Pledged bank deposits		42,748	88,611
Bank balances and cash		429,506	564,039
		2,009,116	1,596,109
TOTAL ASSETS		4,744,885	3,526,631

		31 December 2020	30 June 2020
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	1,218,894	1,218,894
Other reserves		444,185	251,991
Accumulated profits		3,020,500	1,964,923
		<u>4,683,579</u>	<u>3,435,808</u>
Non-current liability			
Lease liabilities		<u>297</u>	<u>761</u>
Current liabilities			
Trade and other payables	11	57,040	85,443
Tax payable		1,542	876
Lease liabilities		2,427	3,743
		<u>61,009</u>	<u>90,062</u>
TOTAL LIABILITIES		<u>61,306</u>	<u>90,823</u>
TOTAL EQUITY AND LIABILITIES		<u>4,744,885</u>	<u>3,526,631</u>
NET CURRENT ASSETS		<u>1,948,107</u>	<u>1,506,047</u>
TOTAL ASSETS LESS TOTAL LIABILITIES		<u>4,683,579</u>	<u>3,435,808</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 31 December 2020

1. BASIS OF PREPARATION

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

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the preparation of condensed consolidated financial information for the six months ended 31 December 2020 are the same as those presented in the Group’s annual financial statements for the year ended 30 June 2020.

Application of new and revised HKFRSs

In the current reporting period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 July 2020 for the preparation of the Group’s interim condensed consolidated financial information:

- Amendments to HKFRS 3 (Revised), Definition of a Business
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Conceptual Framework for Financial Reporting

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

2. SEGMENT INFORMATION

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

1. Commodity business (trading of commodities);
2. Resource investment (trading of and investment in listed and unlisted securities of energy and natural resources companies); and
3. Principal investment and financial services (provision of loan financing and investments in loan notes, convertible notes and other financial assets and receiving interest income from these financial assets).

(a) Segment results, assets and liabilities

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

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

The measure used for reporting segment profit/(loss) is earnings and loss of each segment without allocation of share of results of associates, reversal of impairment loss/(impairment loss) on interest in an associate, loss arising from deemed disposal of partial interest in an associate, net gain/loss arising from changes in fair value of certain financial assets at FVTPL (i.e. unlisted equity investments, listed equity securities not held within the trading portfolios and convertible notes), other corporate income and gains, central administrative expenses and other corporate losses, and central finance costs.

Segment assets include all assets of operating and reportable segments other than interests in associates, certain property, plant and equipment, certain loan notes and certain financial assets at FVTPL (i.e. convertible notes) not managed under principal investment and financial services segment, certain financial assets at FVTPL (i.e. unlisted equity investments and listed equity securities not held within the trading portfolios) not managed under resource investment segment, certain other receivables and certain bank balances and cash.

Segment liabilities include provisions and trade and other payables and lease liabilities attributable to the activities of the individual segments and borrowing managed directly by the segments.

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Company's executive directors for the purposes of resource allocation and assessment of segment performance for the six months ended 31 December 2020 and 2019 is set out below.

Six months ended 31 December 2020

	Commodity business HK\$'000 (Unaudited)	Resource investment HK\$'000 (Unaudited)	Principal investment and financial services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:				
Disaggregated by timing of revenue recognition				
– Point in time	283,184	–	–	283,184
– Revenue from other sources:				
Interest income	–	–	23,414	23,414
Revenue from external customers	<u>283,184</u>	<u>–</u>	<u>23,414</u>	<u>306,598</u>
Gross sales proceeds from resource investment	<u>–</u>	<u>980,425</u>	<u>–</u>	<u>980,425</u>
Segment results	28,658	336,641	58,249	423,548
Share of results of associates				151,659
Reversal of impairment loss on interest in an associate				580,014
Loss arising from deemed disposal of partial interest in an associate				(1,911)
Gain arising from changes in fair value of certain financial assets at FVTPL, net				41,326
Other corporate income and gains				11,806
Central administrative expenses and other corporate losses				(27,172)
Central finance costs				(67)
Consolidated profit before taxation				<u>1,179,203</u>

	At 31 December 2020			
	Commodity	Resource	Principal	
	business	investment	investment	
	HK\$'000	HK\$'000	and	
	(Unaudited)	(Unaudited)	financial	
			services	
			HK\$'000	
			(Unaudited)	Total
				HK\$'000
				(Unaudited)
Segment assets	311,300	1,110,693	610,635	2,032,628
Interests in associates				2,470,482
Unallocated head office and corporate assets				
– Certain financial assets at FVTPL				118,329
– Bank balances and cash				119,236
– Other unallocated corporate assets				4,210
				<u>4,744,885</u>
Consolidated total assets				
Segment liabilities	44,082	10,374	1,656	56,112
Unallocated corporate liabilities				5,194
				<u>61,306</u>
Consolidated total liabilities				

Six months ended 31 December 2019

	Commodity business <i>HK\$'000</i> (Unaudited)	Resource investment <i>HK\$'000</i> (Unaudited)	Principal investment and financial services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue:				
Disaggregated by timing of revenue recognition				
– Point in time	268,152	–	–	268,152
– Revenue from other sources:				
Interest income	–	–	45,000	45,000
Revenue from external customers	<u>268,152</u>	<u>–</u>	<u>45,000</u>	<u>313,152</u>
Gross sales proceeds from resource investment	<u>–</u>	<u>292,834</u>	<u>–</u>	<u>292,834</u>
Segment results	(10,862)	59,908	37,580	86,626
Share of results of associates				81,156
Impairment loss on interest in an associate				(19,010)
Loss arising from deemed disposal of partial interest in an associate				(1,679)
Loss arising from changes in fair value of certain financial assets at FVTPL, net				(83,857)
Other corporate income and gains				4,087
Central administrative expenses and other corporate losses				(19,174)
Central finance costs				<u>(98)</u>
Consolidated profit before taxation				<u><u>48,051</u></u>

	At 30 June 2020			
	Commodity business <i>HK\$'000</i> (Audited)	Resource investment <i>HK\$'000</i> (Audited)	Principal investment and financial services <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	403,136	824,292	505,796	1,733,224
Interests in associates				1,525,576
Unallocated head office and corporate assets				
– Certain financial assets at FVTPL				76,379
– Bank balances and cash				185,665
– Other unallocated corporate assets				5,787
Consolidated total assets				<u>3,526,631</u>
Segment liabilities	72,579	9,410	1,023	83,012
Unallocated corporate liabilities				7,811
Consolidated total liabilities				<u>90,823</u>

There were no inter-segment revenue during the six months ended 31 December 2020 and 2019.

(b) Geographical information

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

	Revenue from external customers		Non-current assets	
	Six months ended 31 December 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Unaudited)	At 30 June 2020 HK\$'000 (Audited)
Hong Kong (place of domicile)	145,430	133,422	2,676	4,339
The PRC	153,086	153,595	44,506	40,772
Australia	5,142	2,850	2,427,040	1,486,118
Southeast Asia region	2,940	23,285	–	–
	306,598	313,152	2,474,222	1,531,229

3. REVENUE

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

	Six months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Trading of goods		
– Commodities (Iron ore)	283,184	268,152
Revenue from other sources		
Interest income under effective interest method		
– Loan receivables	23,324	44,637
– Loan notes	90	363
	23,414	45,000
Total revenue	306,598	313,152

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in notes 2(a) and 2(b) respectively.

- (b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

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

4. OTHER GAINS AND LOSSES

	Six months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Gain/(loss) arising from changes in fair value of financial assets mandatorily measured at FVTPL, net:		
– listed equity securities held-for-trading	272,142	56,134
– listed equity securities not held within the trading portfolios	57,762	(84,753)
– convertible notes	(10,314)	(950)
– unlisted equity investments	(6,122)	1,846
– derivative financial instruments – warrants	44,921	–
Impairment loss on loan receivables, net	(6,986)	(491)
Loss arising from deemed disposal of partial interest in an associate	(1,911)	(1,679)
Gain/(loss) arising from changes in fair value of provisional pricing arrangements in relation to trading of commodities:		
– fair value gain on trade receivables designated at FVTPL	3,005	64
– fair value (loss)/gain on trade payables designated at FVTPL	(5,411)	5,633
Gain arising from modification of loan receivables	3,412	–
Net foreign exchange gain/(loss)	65,122	(7,904)
Others	1	18
	415,621	(32,082)

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	Six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Interest on lease liabilities	<u>92</u>	<u>98</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u><u>92</u></u>	<u><u>98</u></u>
(b) Staff costs (including directors' emoluments) (note (i)):		
Salaries and allowance	21,925	12,335
Contributions to defined contribution retirement plans	<u>159</u>	<u>159</u>
	<u><u>22,084</u></u>	<u><u>12,494</u></u>
(c) Other items:		
Cost of goods recognised as expense (note (ii))	253,177	280,311
Depreciation charges (note (i))		
– owned property, plant and equipment	219	202
– right-of-use assets	2,002	1,900
Short-term lease expense (note (i))	<u>19</u>	<u>–</u>

Notes:

- (i) Classified under administrative expenses in the condensed consolidated statement of profit or loss.
- (ii) Cost of inventories includes reversal of write-down of inventories of HK\$8,980,000 (six months ended 31 December 2019: write-down of inventories of HK\$2,288,000).

The reversal of write-down of inventories is due to an increase in the estimated net realisable value of iron ores as a result of increase in prevailing selling price.

6. INCOME TAX EXPENSE

Amounts recognised in profit or loss:

	Six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax for the period	1,599	1,112
– PRC Enterprise Income Tax for the period	347	–
Deferred tax:		
– Origination and reversal of temporary differences	(210)	–
	1,736	1,112

7. DIVIDENDS

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

	Six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
2020 interim dividend declared – HK10 cents (2019: 2019 interim dividend declared – HK10 cents)	121,890	121,890

During the six months ended 31 December 2020, an interim dividend of HK10 cents (six months ended 31 December 2019: HK10 cents) per ordinary share, in an aggregate amount of HK\$121,890,000 (six months ended 31 December 2019: HK\$121,890,000), was declared in respect of the year ended 30 June 2020 (six months ended 31 December 2019: year ended 30 June 2019), which was paid or payable in cash.

No dividend has been proposed for the six months ended 31 December 2020 (Six months ended 31 December 2019: Nil).

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company of HK\$1,177,467,000 (2019: HK\$46,939,000) and the weighted average number of 1,218,893,914 (2019: 1,218,893,914) ordinary shares in issue during the six months ended 31 December 2020.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the six months ended 31 December 2020 and 2019. The diluted earnings per share is the same as the basic earnings per share for the six months ended 31 December 2020 and 2019.

9. INTERESTS IN ASSOCIATES

	At 31 December 2020 HK\$'000 (Unaudited)	At 30 June 2020 HK\$'000 (Audited)
Interests in associates before impairment (<i>note (i)</i>)	2,470,482	2,105,590
Impairment losses recognised (<i>note (ii)</i>)	–	(580,014)
	<u>2,470,482</u>	<u>1,525,576</u>
Fair value of listed investments	<u>2,646,137</u>	<u>1,500,361</u>

Notes:

- i. The balance includes cost of interests in associates, after adjustment for sharing of the post-acquisition results and other comprehensive income of associates, dividend received and exchange differences.
- ii. The movement of the impairment losses recognised is as below:

	At 31 December 2020 HK\$'000 (Unaudited)	At 30 June 2020 HK\$'000 (Audited)
At beginning of the period/year	(580,014)	(30,400)
Impairment loss recognised	–	(580,014)
Reversal of impairment loss	<u>580,014</u>	<u>30,400</u>
At end of the period/year	<u>–</u>	<u>(580,014)</u>

10. TRADE AND OTHER RECEIVABLES AND RENTAL DEPOSITS

	At 31 December 2020 HK\$'000 (Unaudited)	At 30 June 2020 HK\$'000 (Audited)
Trade receivables designated at FVTPL (<i>note (i)</i>)	1,671	6,273
Other receivables and deposits	7,138	32,090
Rental deposits	598	546
Receivable from securities brokers	8,547	4,485
Prepayments	846	713
	18,800	44,107
Representing:		
Current assets	18,800	43,568
Non-current assets	–	539
	18,800	44,107

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

(i) Aging analysis

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

	At 31 December 2020 HK\$'000 (Unaudited)	At 30 June 2020 HK\$'000 (Audited)
0-30 days	1,671	–
31-60 days	–	6,273
	1,671	6,273

The Group allows an average credit period of 90 days to its trade customers from commodity business. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits to it. The credit limits attributed to customers are reviewed regularly.

11. TRADE AND OTHER PAYABLES

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
Trade payables designated at FVTPL (<i>note (i)</i>)	5,015	61,852
Other payables measured at amortised cost	17,824	23,591
Contract liabilities – sales deposits received in advance	34,201	–
	<u>57,040</u>	<u>85,443</u>

(i) Aging analysis

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

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
0-30 days	–	56,529
31-60 days	5,015	5,323
	<u>5,015</u>	<u>61,852</u>

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

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

12. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
At 1 July 2020 (audited) and 31 December 2020 (unaudited), ordinary shares of HK\$1.00 each	<u>2,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid , ordinary shares of HK\$1.00 each		
At 1 July 2020 (audited) and 31 December 2020 (unaudited)	<u>1,218,893,914</u>	<u>1,218,894</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

APAC Resources Limited (“**APAC**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**”) reported a net profit attributable to shareholders of the Company of HK\$1,177,467,000 for the six months ended 31 December 2020 (“**1H FY2021**”), compared with a net profit attributable to shareholders of the Company of HK\$46,939,000 for the six months ended 31 December 2019 (“**1H FY2020**”). This profit was mainly attributable to the HK\$336,641,000 profits from the Resource Investment division, and HK\$580,014,000 from the reversal of impairment loss on interest in an associate related to the Group’s investment in Mount Gibson Iron Limited (“**Mount Gibson**”).

Primary Strategic Investments

Our Primary Strategic Investments are in Mount Gibson which is listed and operating in Australia and in the year ended 30 June 2018 we also acquired an investment in Tanami Gold NL (“**Tanami Gold**”). The net attributable profit from our Primary Strategic Investments for 1H FY2021 was HK\$151,048,000 (1H FY2020: HK\$80,951,000).

Mount Gibson

Mount Gibson is an Australian producer of direct shipping grade iron ore products. Mount Gibson owns the Koolan Island mine off the Kimberley coast in the remote north-west of Western Australia which produces one of the highest grade iron ore products in Australia. Sales of low grade material from and the Extension Hill/Iron Hill operations ended during the year ending 30 June 2021 (“**FY2021**”). Mount Gibson is developing the Shine Iron Ore Project, located 85km north of Extension Hill, and target Stage 1 production to start in September quarter 2021 at a rate for 1.5 million tonnes per annum for an initial two years period.

Ore sales at the Koolan Island Restart Project started in April 2019, and achieved commercial production in the June quarter 2019. The restart project had 21 million tonnes of 65.5% Fe reserves and the net present value of the project is A\$252 million assuming Platts 62% Fe of US\$55 per dry metric tonne (“**dmt**”) and A\$ of 0.75.

Mount Gibson reported a net profit after tax of A\$75 million for 1H FY2021 from sales of 2.3 million tonnes. Operating costs remained high in 1H FY2021 as the company continues its elevated stripping phase at Koolan Island but expect this will progressively decline over the mine life.

Sales guidance for FY2021 is unchanged at 2.8-3.3 million tonnes, but Mount Gibson expects to come in at the lower end of the guidance range. The company has also increased cash cost guidance from A\$60-65 per wet metric tonne (“**wmt**”) FOB to A\$65-70/wmt as a result of stronger than usual wet season rains in December 2020 and plans to invest in more geotechnical support in the Koolan Main Pit.

Mount Gibson still boasts a robust cash reserve, including term deposits and tradable investments, ending 1H FY2021 with A\$436 million or an equivalent of A\$0.37 per share, despite paying a final dividend in September quarter 2020.

The Platts IODEX 62% CFR China Index started to strengthen in May 2020, and increased into the US\$120/dmt range for a large part of 1H FY2021, before strengthening further in late November 2020 and traded close to US\$170/dmt in January 2021. The iron ore price has been driven by strong Chinese steel production and ongoing supply issues as Vale downgraded the calendar year 2020 guidance and provided a disappointing calendar year 2021 guidance, resulting in a supply gap that has pushed prices to 7-year highs. In the medium term, we expect average iron ore prices to normalise from current levels as Vale ramps up production and China's steel margins come under pressure.

Tanami Gold

We currently own 46.3% of Tanami Gold. Tanami Gold's principal business activity is gold development and exploration. It holds 60% of the Central Tanami Project and has a cash balance of A\$29 million as at 31 December 2020. The remaining 40% is owned by Northern Star Resources Limited ("**Northern Star**"). Under the terms of the joint venture, Northern Star will sole fund all expenditure until commercial production is achieved at the Central Tanami Project. After commercial production is reached, Northern Star can earn an additional 35% of the Central Tanami Project and Tanami Gold has a second put option to sell its remaining 25% of the project to Northern Star for A\$32 million. Northern Star continues exploration in the Central Tanami Project at various prospects, although access remains difficult due to COVID-19 restrictions.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss mainly comprise the Group's investments in Metals X Limited ("**Metals X**") and Resource Investment. As at 31 December 2020, none of these investments represents 5% or more of the Group's total assets.

Metals X

The carrying value of Metals X as at 31 December 2020 amounted to HK\$116,160,000 (As at 30 June 2020: HK\$58,398,000) represented approximately 2.4% (As at 30 June 2020: 1.7%) of the total assets of the Group. In 1H FY2021, our investment in Metals X generated an unrealised gain of approximately HK\$57,762,000 (1H FY2020: Loss of HK\$96,539,000) which was accounted for in profit and loss.

In June 2020, APAC gave notices to Metals X requesting that the directors of Metals X call a general meeting of Metals X to replace three of its directors given its plan to redevelop Nifty as an open pit. Metals X also announced the updated mine plan for Renison mine, with significant capex spend in FY2021-22. This caused Metals X to breach covenants in its debt facility with Citibank.

In July 2020, the three directors of Metals X stepped down from the board while Mr. Brett Robert Smith, who is the deputy chairman and an executive director of the Company, was appointed to the board initially as a non-executive director and subsequently as an executive director of Metals X. APAC provided a A\$26 million loan facility to repay the Citibank loan, which was later increased to A\$31 million. Subsequent to the reporting period, Metals X has announced a sale of its copper asset portfolio to Cyprium Metals, subject to Cyprium shareholder approval. Metals X is now focused on implementing its life of mine plan at Renison mine.

In 1H FY2021, the Renison mine produced 2,163 tonnes of tin (net 50% basis) up 17% year-on-year (“YoY”), and the average realised tin price of A\$22,935 per tonne was up 3% YoY. Metals X has started to mine in the high grade Area 5, and is progressing the Metallurgical Improvement Plan to lift recoveries.

Tin prices have strengthened significantly in 1H FY2021 and recently traded around US\$23,000 per tonne. Prices have risen along with the broader commodity complex, as a recovery from COVID-19 has been driven by consumption of goods rather than services, and helped by a weaker US dollar. Demand for semiconductor chips continues to grow, and we remain bullish on the medium term outlook for tin due to the lack of significant supply growth and new demand for tin from the growing electrical vehicle and energy storage industries.

Resource Investment

The investments in this division comprise mostly minor holdings in various natural resource companies listed on major stock exchanges including Australia, Canada, Hong Kong, the United Kingdom and the US. 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\$272,142,000 in 1H FY2021 (1H FY2020: HK\$56,134,000), which after accounting for segment related dividend and other investment income and expenses, resulted in a segment profit of HK\$336,641,000 (1H FY2020: HK\$59,908,000).

Our Resource Investment division includes, among others, the results of the two resource portfolios which were announced in August 2016. In general, the resources sector has rebounded in 1H FY2021 driven by fiscal and monetary stimulus and as the market became more optimistic of a successful COVID-19 vaccine roll out. During 1H FY2021 the average performance from a number of small cap resources indices averaged 63% (includes the FTSE AIM Basic Resources Index, ASX Small Resources Index and the TSX Venture Composite Index). Brent oil prices traded in a range of US\$40 per barrel to US\$50 per barrel during most of 1H FY2021, before increasing steadily on the back of positive vaccine news, and in early February 2021 reached US\$60 per barrel. The average performance of several small cap oil and gas indices averaged 40% in 1H FY2021 (includes the S&P TSX Small Cap Energy Index and S&P 500 Energy Sector among others). Our energy investments have been expanded to include clean energy as the world increasingly focuses on the transition to low carbon emissions.

Precious

Precious metals (majority gold exposure) generated a net fair value gain of HK\$69,963,000 in 1H FY2021 while the gold price was up 6%. As at 31 December 2020, the carrying value of the Precious segment was HK\$261,128,000 (As at 30 June 2020: HK\$314,449,000). Our largest gold investment in the Resource Investment division is in Northern Star (ASX: NST) which generated a fair value gain of HK\$6,492,000 with carrying value as at 31 December 2020 of HK\$90,966,000. We also own Westgold Resources Limited (ASX: WGX) which generated a fair value gain of HK\$20,883,000 with carrying value as at 31 December 2020 of HK\$31,541,000. Other notable fair value gains include HK\$5,374,000 generated from our investment in Skeena Resources Limited (TSX: SKE).

Northern Star owns high grade underground mines in Western Australian and Alaska. In 1H FY2021 its production was 479,000 ounces of gold, and it generated underlying free cash flow of A\$225 million. In FY2021 its production target is 1,000,000 ounces of gold, equating to 10% YoY growth. Northern Star merged with Saracen Mineral Holdings Limited and it is now the second largest gold company in Australia.

Westgold Resources Limited produced 126,010 ounces of gold in 1H FY2021 up 5% YoY and is tracking around 45% of its FY2021 guidance for 270,000 to 300,000 ounces at an AISC of A\$1,460-1,560 per ounce as it expects Big Bell production to ramp up over the year.

The gold price strengthened further in early 1H FY2021 as central governments' balance sheets expanded with continued fiscal and monetary stimulus and expectations for cash rates remained near zero given the ongoing pandemic. However gold prices peaked in August 2020 around US\$2,050 per ounce and since then has steadily dropped while US 10 year yields steadily increased, and at time of writing is trading around US\$1,800 per ounce.

Bulk

Bulk commodities segment generated a fair value gain of HK\$41,938,000 as iron ore and met coal prices strengthened. As at 31 December 2020, the carrying value of this segment was HK\$257,292,000 (As at 30 June 2020: HK\$189,224,000). Our largest investment in this segment during 1H FY2021 is in Shougang Fushan Resources Group Limited (“**Shougang Fushan**”) (HKEX: 639), which generated a fair value gain of HK\$23,472,000 and has a carrying value at 31 December 2020 of HK\$197,284,000.

Shougang Fushan is a coking coal producer listed on The Stock Exchange of Hong Kong Limited. Its principal businesses are coking coal mining, production and sales of coking coal products in China. It has 3 mines located in China with reserves of 79 million tonnes of raw coking coal at 31 December 2019 and during six months ended 30 June 2020 Shougang Fushan produced 2.3 million tonnes raw coking coal. At the time of writing, the annual results for the period ending 31 December 2020 have not been released. The market cap of Shougang Fushan in early February 2021 is around HK\$9.2 billion, while its working capital reported at 30 June 2020 is HK\$4.8 billion and it generated EBITDA of HK\$1 billion in six months ended 30 June 2020. 2020 guidance is for 4.8 million tonnes of raw coking coal, and implies

an increase from the first half of 2020 which was impacted by temporary mine suspensions due to COVID-19. It declared an interim dividend of HK7.5 cents per share. In the near term, China's fiscal stimulus supports growth in infrastructure spending which encourages steel and therefore coking coal demand while restrictions on seaborne imports are expected to remain in place for now.

Base Metals

Base Metals segment (a mix of copper, nickel and zinc companies) delivered a fair value gain of HK\$97,353,000 in 1H FY2021 as the copper, nickel and zinc prices increased by 29%, 32% and 36% respectively. The Base Metals segment includes our investment in China Molybdenum Co., Ltd. (HKEX: 3993) which generated a fair value gain of HK\$22,761,000 in 1H FY2021 and had a carrying value as at 31 December 2020 of HK\$45,522,000 (As at 30 June 2020: HK\$22,761,000).

Energy

The Energy segment (mix of oil and gas, uranium and renewables) had a fair value gain of HK\$34,874,000 in 1H FY2021. Our significant Energy investments include Ballard Power System Inc. (NYSE: BLDP), which generated a fair value gain of HK\$1,207,000 and had a carrying value as at 31 December 2020 of HK\$5,623,000 (As at 30 June 2020: Nil) and National Atomic Company Kazatomprom JSC (LSE: KAP), which generated a fair value gain of HK\$1,112,000 and had a carrying value as at 31 December 2020 of HK\$13,954,000 (As at 30 June 2020: HK\$7,514,000).

Others

We also have a fair value gain of HK\$28,014,000 from the remaining commodity (diamonds, manganese, rare earths and mineral sands among others) and non-commodity investments in 1H FY2021 and had a carrying value as at 31 December 2020 of HK\$64,317,000 (As at 30 June 2020: HK\$21,921,000). This includes our investment in Neo Performance Materials Inc. (TSX: NEO), which generated a fair value gain of HK\$2,514,000 and had a carrying value as at 31 December 2020 of HK\$18,474,000 (As at 30 June 2020: Nil).

Commodity Business

Our iron ore offtake at Koolan Island recommenced as the mine restarted operations, and we continue to look for new offtake opportunities across a range of commodities. For 1H FY2021, our Commodity Business generated a gain of HK\$28,658,000 (1H FY2020: Loss of HK\$10,862,000).

Principal Investment and Financial Services

The Principal Investment and Financial Services segment, which covers the income generated from loan receivables, loan notes, convertible notes and other financial assets. For 1H FY2021, this segment generated a profit of HK\$58,249,000 (1H FY2020: HK\$37,580,000).

Money Lending

The Group engaged in money lending activities under the Money Lenders Ordinance of Hong Kong. For 1H FY2021, the revenue and profits generated from money lending formed part of results of the Principal Investment and Financial Services segment.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2020, our non-current assets amounted to HK\$2,735,769,000 (As at 30 June 2020: HK\$1,930,522,000) and net current assets amounted to HK\$1,948,107,000 (As at 30 June 2020: HK\$1,506,047,000) with a current ratio of 32.9 times (As at 30 June 2020: 17.7 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\$3,918,000 (As at 30 June 2020: HK\$3,916,000) and loan receivables of HK\$605,357,000 (As at 30 June 2020: HK\$468,876,000).

As at 31 December 2020, we had borrowings (excluding lease liabilities) of HK\$Nil (As at 30 June 2020: Nil) and had undrawn banking facilities amounting to HK\$181,356,000 secured against certain term deposits of the Group. As at 31 December 2020, we had a gearing ratio of nil (As at 30 June 2020: Nil), calculated on the basis of net debt over equity attributable to owners of the Company. For this purpose, net debt is defined as borrowings (excluding lease liabilities) less cash and cash equivalents.

Foreign Exchange Exposure

For the period under review, the Group's assets were mainly denominated in Australian Dollars while the liabilities were mainly denominated in United States Dollars and Hong Kong Dollars. There would be no material immediate effect on the cash flows of the Group from adverse movements in foreign exchange for long term investments. In addition, the Group is required to maintain foreign currency exposure to cater for its present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. In light of this, the Group did not actively hedge for the risk arising from the Australian Dollars denominated assets. However, the Group will closely monitor this risk exposure as required.

Pledge of Assets

As at 31 December 2020, the Group's bank deposits of HK\$42,748,000 (As at 30 June 2020: HK\$88,611,000) were pledged to banks to secure various trade and banking facilities granted to the Group.

Employees and Emolument 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 People's Republic of China (the "PRC") for its employees in the PRC).

As at 31 December 2020, the Group, including its subsidiaries but excluding associates, had 15 (As at 30 June 2020: 14) employees. Total remuneration together with pension contributions incurred for 1H FY2021 amounted to HK\$19,244,000 (1H FY2020: HK\$9,272,000).

Principal Risks

The Group adopts a comprehensive risk management framework. Policies and procedures are developed, regularly reviewed and updated to enhance risk management and react to changes in market conditions and the Group's business strategy. The Audit Committee reviews the Group's policies and scrutinises that management has performed its duty to have effective risk management and internal control systems necessary for monitoring and controlling major risks arising from the Group's business activities, changing external risks and the regulatory environment, and reports to the Board on the above.

Financial Risk

Financial risk includes market risk, credit risk and liquidity risk. Market risk concerns that the value of an investment will change due to movements in market factors and which can be further divided into foreign currency risk, interest rate risk and other price risk. Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Liquidity risk concerns that a given security or asset cannot be traded readily in the market to prevent a loss or make the required profit.

Operational Risk

The Group faces various operational risks which are concerned with possible losses caused by human factors, inadequate or failed internal processes, systems or external events. Operational risk is mitigated and controlled through establishing robust internal controls, proper segregation of duties and effective internal reporting.

The business and operating line management are responsible for managing the operational risks of their business units on a day-to-day basis. Each department head has to identify risks, evaluate the effectiveness of key controls in place and assess whether the risks are effectively managed. Independent monitoring and reviews are conducted by the internal audit team which reports regularly to the respective senior management and the Audit Committee.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, during the six months ended 31 December 2020, the Group did not hold any other significant investments nor have any material acquisitions or disposals of subsidiaries, associates and joint ventures. Save as disclosed in this announcement, as at 31 December 2020, the Group did not have any plans for material investments or capital assets.

Capital Commitments

As at 31 December 2020, the Group had no material capital commitments contracted but not provided for.

Contingent Liabilities

As at the date of this announcement and as at 31 December 2020, the Board is not aware of any material contingent liabilities.

Impact of Novel Coronavirus Outbreak to the Group

When COVID-19 spread to major western economies, the global economy was once on the brink of paralysis in March 2020. Fortunately, global central banks and governments have swiftly adopted aggressive fiscal and monetary policies to bolster the economies and global financial liquidity. In 1H FY2021, global equity markets have rebounded strongly.

In preparing the consolidated financial statements, the Group applies fair value to measure its financial assets at fair value through profit or loss and, if applicable, to estimate impairment loss of the Group's interests in associates and loan receivables. In 2020, provision of impairment loss of the Group's interests in associates and loan receivables and fair value of the Group's financial assets stated at fair value may be subject to fluctuations due to the COVID-19 outbreak. The Group will keep monitoring to the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group, in particular the impact of the fair value of its financial instruments and the recoverable amount of the interests in associates and loan receivables. Save as disclosed in this announcement, the COVID-19 outbreak did not have material impacts on our Commodity Business, liquidity positions, working capital sufficiency and capital commitments for 1H FY2021.

Important Events Affecting the Group After the Reporting Date

There are no important events affecting the Group which have occurred after the end of financial period for the six months ended 31 December 2020 and up to the date of this announcement.

COVID-19 Pandemic Response

The COVID-19 spread globally during 2020. The Group has implemented certain protocols below to minimise the associated risks to employees while ensuring a safe environment for operations to continue as usual:

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

Interim Dividend

An interim dividend of HK10 cents per share in an aggregate amount of approximately HK\$121,889,000 were declared for the year ended 30 June 2020 and an amount of approximately HK\$121,889,000 was paid in cash during the six months ended 31 December 2020. No dividend has been proposed for the six months ended 31 December 2020 (Six months ended 31 December 2019: Nil).

Company Strategy

The commodity market has been volatile during the reporting period. Looking forward, the Board believes that the performance of the equity investments at fair value through profit or loss will be dependent on market sentiment which is affected by factors such as commodity prices, interest rate movements, geo-political conditions and performance of the macro economy. In order to mitigate the associated risks, the Group will review its investment strategy regularly and take appropriate actions whenever necessary in response to changes in market situation. In addition, the Group will also seek potential investment opportunities with an aim to maximise value for the shareholders.

Forward Looking Observations

At the time of writing, social distancing measures are still in place for a large number of countries, however the outlook for the global economy is optimistic on the expectation of a successful roll out of COVID-19 vaccinations. This should contain the effects of the pandemic and allow for a wider economic reopening. Most governments remain ready with stimulus measures to support the economy in the near term.

As discussed earlier, we are constructive on the outlook for commodities, especially those linked to policies for reducing carbon emissions. We continue to look for high quality opportunities which will generate attractive returns over the long run. Our mining and energy investment portfolios are the platform for future mining and energy investments. Our largest investment is in Mount Gibson which is underpinned by a large cash reserve, and its Koolan Island mine is generating stronger than expected cash flow despite undergoing a large waste stripping program, as it benefits from this period of high iron ore prices.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2020, 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 2020. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants as well as obtaining reports from management. The Audit Committee has not undertaken independent audit checks.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2020.

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

Hong Kong, 25 February 2021

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

Dr. Wong Wing Kuen, Albert, Mr. Chang Chu Fai, Johnson Francis and Mr. Wang Hongqian

* *For identification purpose only*