APAC RESOURCES

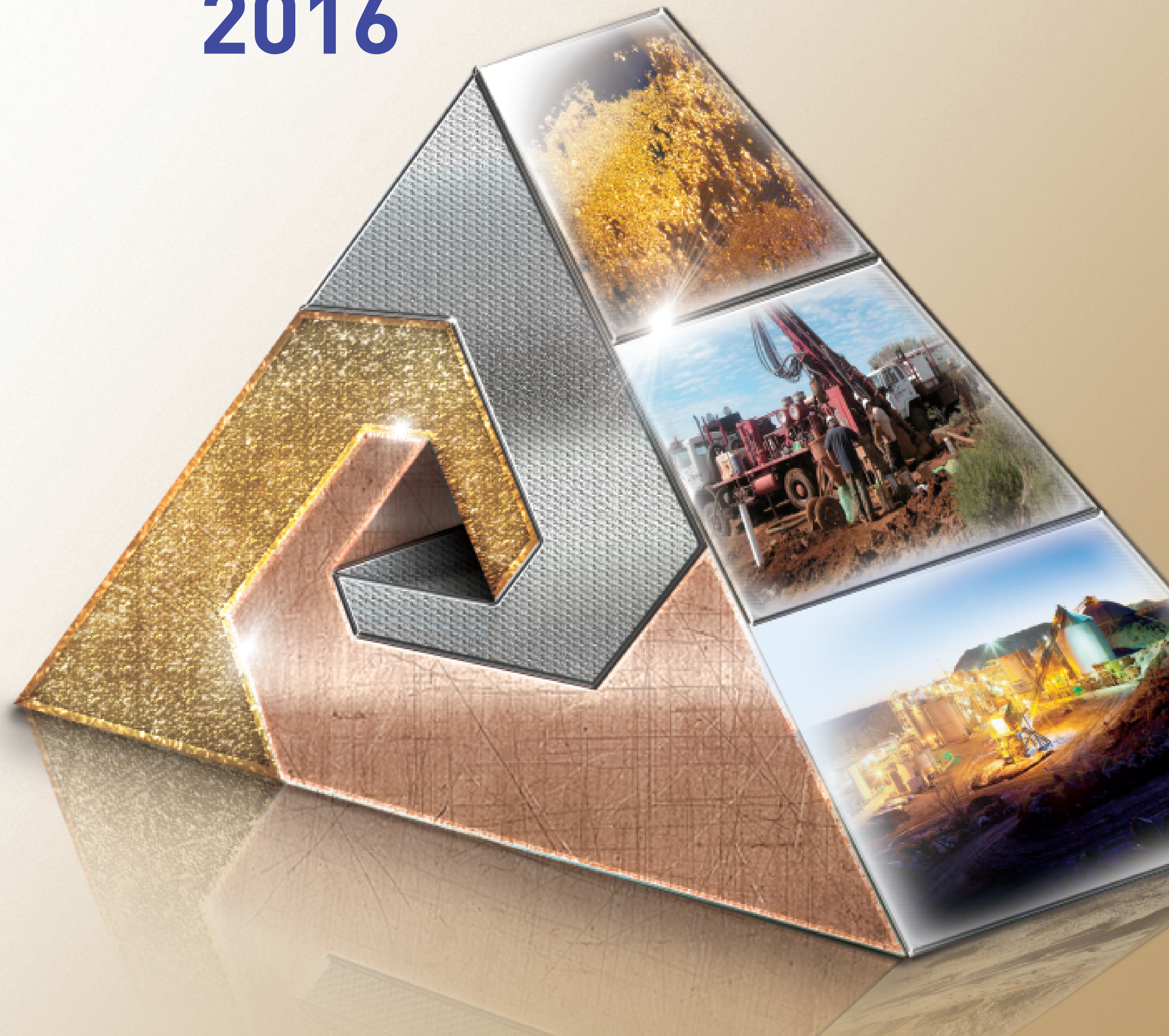
APAC Resources Limited

亞太資源有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 1104

ANNUAL REPORT 2016



* For identification purpose only

Contents

Board of Directors

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

Dr. Wong Wing Kuen, Albert *(Chairman)*
Mr. Arthur George Dew
(Mr. Wong Tai Chun, Mark as his alternate)
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks

Remuneration Committee

Dr. Wong Wing Kuen, Albert *(Chairman)*
Mr. Arthur George Dew
(Mr. Wong Tai Chun, Mark as his alternate)
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks

Nomination Committee

Mr. Arthur George Dew *(Chairman)*
(Mr. Wong Tai Chun, Mark as his alternate)
Dr. Wong Wing Kuen, Albert
Mr. Chang Chu Fai, Johnson Francis
Mr. Robert Moyse Willcocks

Company Secretary

Ms. Lau Tung Ni

Auditor

Deloitte Touche Tohmatsu

Stock Code

1104

Legal Advisers

Addisons
Conyers Dill & Pearman
P. C. Woo & Co.
Robertsons
Steinepreis Paganin

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
Industrial and Commercial Bank of China (Asia) Limited

Head Office and Principal Place of Business

Room 2304, 23rd Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong
Tel: +852 2541 0338
Fax: +852 2541 9133

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Website

www.apacresources.com
apac.quamir.com

We aim at building our Resource Investments to Primary Strategic Investments which will provide off-take to complement our Commodity Business in China (Shareholding as at 30 June 2016)

29.67%

Mount Gibson Iron

Mount Gibson

Mount Gibson Iron Limited (ASX: MGX)

is a leading iron ore producer in Australia mining high grade ores from the Koolan Island, and Extension Hill mines.

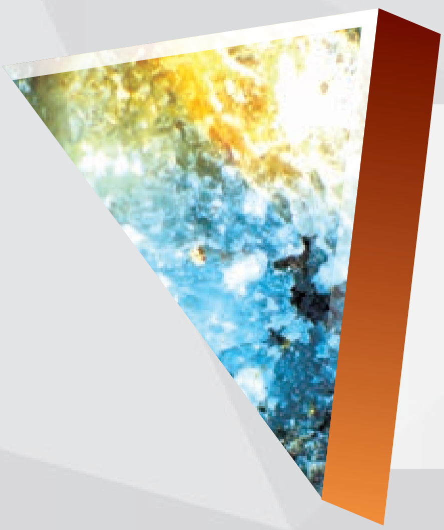
METALS X LIMITED

Metals X

20.72%

Metals X Limited (ASX: MLX)

is Australia's largest tin producer which holds a pipeline of assets from exploration to producing, including the Renison tin mine, the world scale Wingellina Nickel Project; and the South Kalgoorlie and Central Murchison gold project.



abm resources

13.56%

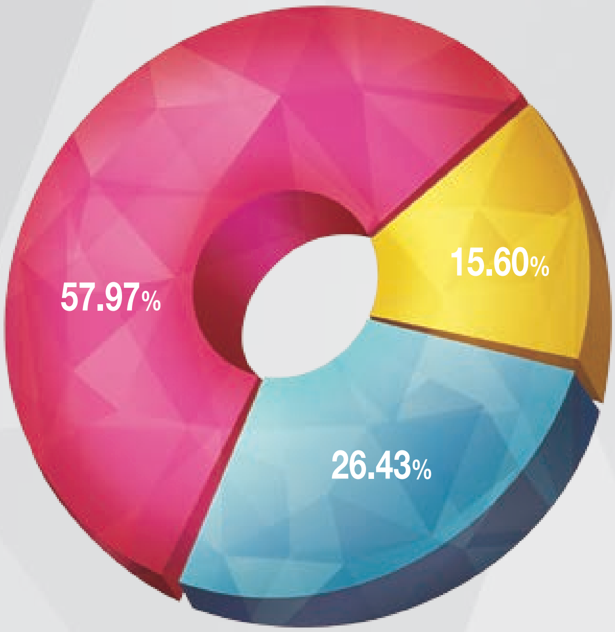
ABM

ABM Resources NL (ASX: ABU)

is an emerging gold exploration company with growing 3.4 Moz gold JORC resources and large tenements in Northern Territory, Australia. It has two highly prospective flagship projects — Old Pirate and Buccaneer.

Principal listing of investments
Commodity off-takes to China
Operation of investments
Headquartered in Hong Kong with office in Shanghai

Shareholder Structure



- Allied Properties (H.K.) Limited (HKSE Stock Code: 56)
- Shougang Fushan Resources Group Limited (HKSE Stock Code: 639)
- Others

Source: Publicly available information (as at the date of this Annual Report)

A specialist in natural resource investment targetting on China's commodities market

1

Identify China Commodity Supply/ Demand Imbalance

- Generated stock ideas
- Analysis of trend
- Initial screening

2

Pin-point Potential Companies

- Detailed research
- Apply pre-defined investment criteria
- Review fundamental analysis

Primary Strategic Investment

- >20% Stake in producers
- Cashflow, productivity assets & offtake opportunity

3 Investment Stage (Equity/Pre IPO/Debt)

- Maximize shareholders' return
- Active monitoring
- Position adjustment

Commodity Trading

Off-takes for shipments to the Chinese market

Resource Investment

Early positions incubating

CEO's Message

Dear Shareholders,

Thank you for your ongoing support during a year which proven to be the worst we have seen in recent times. The natural resources sector remained weak and unloved in the context of the market. During the first half of 2016 we tested lows across the board with global commodity prices maintaining their downward trajectory as global economic indicators remained weak.

China a significant driver for global commodities demand, stepped in with yet another round of stimulus in January 2016, which drove increased industrial activity as well as infrastructure and property investment, and has lifted commodity prices off their lows during the second half of FY 2016.

At the same time, US economic data has been generally improving but market expectations for another increase in interest rates fluctuate on month to month economic data points. Precious metals have benefitted from this indecision as well as a very uncertain and highly challenging global outlook, as such the gold price is now at multi-year highs. The recent Brexit vote in the short term is likely to compound the generally weak economic data from the European Union (EU).

The boost to commodity prices in the second half of the year coupled with the resource sector's ongoing focus on keeping costs low and generating value has driven a re-rating across high quality names in the resources sector. We remain diligent in our search for investment opportunities that benefit from these influences.

We are disappointed to report a net loss of HK$16,845,000 for FY 2016. This loss is predominantly driven by two items — a HK$119,583,000 adjustment to carrying amount of loans receivable and a HK$33,675,000 loss in Resource Investment which includes a HK$56,788,000 loss related to the drop in the ABM Resources share price after the company revealed that the Old Pirate mine was underperforming and would close early. We are pleased that our decisive action against ABM's proposal for an unacceptable rights issue has resulted in a refreshed board and management team and avoided an unnecessary and dilutionary capital raising.

In July 2015, APAC completed an oversubscribed open offer and raised net proceeds of HK$300 million. The net proceeds coupled with no gearing and significant undrawn banking facilities leave the company in a strong position to act counter cyclically and to take advantage of investment opportunities in the natural resources sector.

We have put our investment in Metals X under strategic review as the Australian dollar gold price increased to historical highs, driving up the Metals X share price and stoking interest from a number of parties. In July 2016, as part of the strategic review, we sold 21.5 million shares in Metals X through on-market transactions for an aggregate consideration of A$31,820,000. We intend to seek shareholders' approval for the potential disposal of the remaining shareholding in Metals X.

Since the year end, we have announced the creation of two new investment portfolios, one to focus on energy and the other focused on mining. These portfolios will form a new platform for the company's on going commitment and investment in the Resource Investment segment.

In light of the opportunities in the market, we have not declared a dividend, but will continue to reassess our dividend policy based on our expectations of the economic outlook.

I believe that the natural resources markets has bottomed and we are in the very early stages of a turnaround which I sincerely believe will lead to reward you as shareholders for your continued faith and belief in APAC.

Andrew Ferguson
Chief Executive Officer
22 September 2016

Financial Results

APAC Resources Limited ("**APAC**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") reported a net loss attributable to shareholders of the Company of HK$16,845,000 for the year ended 30 June 2016 ("**FY 2016**"), compared with a net loss attributable to shareholders of the Company of HK$847,926,000 reported for the year ended 30 June 2015 ("**FY 2015**"). The loss was driven by an adjustment to carrying amount of loans receivable of HK$119,583,000, which is now in default. However we remain in regular dialogue with the borrower who is in the process of selling one of the underlying securities of the loan. The results also include the share of net profit of associates of HK$107,310,000 (FY 2015: Net loss of HK$1,491,185,000), which is partially offset by impairment loss of HK$30,836,000 (FY 2015: Reversal of impairment loss of HK$735,326,000) against the carrying value of one of the Group's two principal listed associates which was marked to its share price as of 30 June 2016.

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 profit from our Primary Strategic Investments for FY 2016 was HK$107,310,000 (FY 2015: Net loss of HK$1,491,185,000). Mount Gibson reported a modest underlying net profit which was boosted by gains from the insurance settlement relating to Koolan Island. Metals X delivered a net loss as it continued to ramp up its gold projects and made a significant exploration write down.

Mount Gibson

Mount Gibson is an Australian listed iron ore producer. Annual production capacity is around 3 million tonnes of Direct Shipping Ore (DSO) from its Extension Hill mine, which provides it with a substantial cost advantage over mines that require beneficiation prior to sale. Mount Gibson is in the process of obtaining permits for the development of the Iron Hill mine, which will replace the Extension Hill mine where mining is projected to end within 6 months.

Koolan Island is currently under care and maintenance, and management is evaluating the potential restart of the Koolan Island mine. Mount Gibson has been awarded A$86 million against the flooding of the Main Pit of Koolan Island mine for the property damage component of its insurance claim, however discussions about the business interruption claim is ongoing. Mount Gibson sales guidance for the financial year ending 30 June 2017 is 2.8 million tonnes to 3.1 million tonnes.

Mount Gibson reported a net profit after tax of A$86 million which includes a net impairment of A$15 million related to a non-cash write down driven by the weak iron ore price and A$86 million insurance settlement income. We expect there will only be minimal impairments going forward as Mount Gibson has already significantly reduced the carrying value of its iron ore assets.

Mount Gibson cut costs to counter the weak iron ore environment, and reduced all in cash cost from A$62 per tonne in FY 2015 to A$46 per tonne in FY 2016. Corporate costs also fell significantly, down 43% year-on-year ("**YoY**") in FY 2016. Importantly, Mount Gibson still boasts an impressive cash balance, ending FY 2016 with A$400 million or an equivalent of A$0.366 per share, which is still above its current share price, with A$34 million from remaining insurance proceeds received after year end.

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 2017, when mining at Extension Hill ends, subject to iron ore prices and permitting.

The Platts IODEX 62% CFR China index has surprised most commentators with its strength in 2016, rallying off its lows of US$38/dry metric tonne ("**dmt**") and trading up to a high of US$70/dmt, before moderating and ending FY 2016 around US$55/dmt. The increase in iron ore prices in 2nd half of FY 2016 was driven by generally stronger steel demand, but we expect 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

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, copper through the recently acquired Nifty mine of Aditya Birla Minerals Limited ("**ABY**"), and nickel through its world scale Wingellina nickel development project.

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 FY 2016, Metals X has made several low cost acquisitions to underpin the next leg of growth and further diversify its operations. Acquisitions include the Comet Gold Project, Mt Henry Gold Project, Grosvenor Gold Project and ABY.

Subsequent to the year end FY 2016, Metals X completed an institutional placement and share purchase plan to raise A$116 million and issued 78 million new shares at an issue price of A$1.48 per share. It also announced plans to demerge the gold assets from the base metals assets, as it believes this will unlock value for its shareholders. The demerger requires both regulatory and shareholder approvals, and Metals X expects to seek shareholder approval in late October this year.

The Higginsville and South Kalgoorlie and Central Murchison Operations produced 173,956 ounces in the FY 2016 up 15% YoY and generated A$76 million of EBITDA, down 23% YoY, as a result of lower grades at Higginsville. Production from the Trident mine has slowed and there is a chance it will be depleted by 2017, however, it will be replaced by production from the nearby Mt Henry open pits. 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 2015 and the various 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.

Aside from a dip in late 2015, the gold price has generally trended upwards over the past 12 months as the market's expectations for near-term additional US rate hikes cooled. By the end of the year the gold price reached US$1,350 per ounce and the Australian dollar gold price is now at historical highs, around A$1,800 per ounce. We expect the gold price to remain linked to sentiment around the US economy and inflation expectations, and as a result the potential for further interest rate hikes.

During FY 2016, Renison produced 6,361 tonnes of tin in concentrate (100% basis), down 10% compared to FY 2015. The drop in production was driven by lower grades, although partially offset by higher mine output. Average realised tin price of A$21,316 per tonne in FY 2016 was down 6% compared to FY 2015, but improved in the past few months on the back of stronger demand and temporarily low Indonesian export volumes. At the time of writing, the spot tin price is around A$24,300 per tonne. 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 per tonne to US$40,000 per tonne to be economically viable.

Metals X reported a net loss of A$23.6 million for FY 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.

After the year end of FY 2016, we announced that APAC has created two new investment portfolios focusing on energy and mining respectively. The new portfolios will complement existing investments in the Resource Investment segment and adhere to strict investment criteria with a focus on companies that are in post-feasibility study stage or later, with parameters on market capitalization, liquidity and jurisdiction/country risk. The new investments portfolios will form a new platform for the Group's future investment in the Resource Investment segment.

Resource Investment posted a fair value loss of HK$44,726,000 in FY 2016 (FY 2015: Loss of HK$61,956,000), which after accounting for segment related dividend and other investment income and expenses, resulted in a segment loss of HK$33,675,000 (FY 2015: Loss of HK$133,286,000).

The majority of metal and energy prices rebounded in the second half of FY 2016, leading to an overall improvement in sentiment. This was reflected in the performance of resources indices, including ASX Small Resources Index which was up 19% and the TSX Venture Composite Index up 9%. This is the first time since the financial year ended 30 June 2014 that these indices have posted a YoY improvement during the period. In a number of commodities, demand growth has now caught up with excess supply, alongside significant sector cost cutting, which is setting up the industry for a healthy rebound.

While a loss is always a disappointing result, all of the fair value loss came from one investment, ABM Resources NL, which accounted for HK$56,788,000 of the loss in Resource Investment, which would have been profitable otherwise.

Precious Metals

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 now focused on exploration as it has completed mining the Old Pirate project. The performance of the Old Pirate mine was disappointing and mined grades were well below the original resource. During the year, ABM proposed a rights issue which we viewed as unreasonable. As a significant shareholder in ABM, APAC took decisive action which included calling for an extraordinary general meeting, and the Takeovers Panel declared the rights issue to be unacceptable. ABM has now refreshed its board and management team, and avoided the capital raising which may have shifted control to the sub-underwriter. At the end of FY 2016, ABM had A$10 million available cash and no debt.

Carrying value of ABM was HK$19,042,000 as at 30 June 2016 (As at 30 June 2015: HK$75,830,000).

Excluding the fair value loss of ABM, the gold segment generated a net fair value gain of HK$18,052,000 in FY 2016 as the gold price was up 12% YoY and we were able to effectively leverage our fundamental analysis to focus on mispriced opportunities. As at 30 June 2016, the carrying value of the Precious Metals segment (excluding ABM) was HK$30,690,000 (As at 30 June 2015: HK$21,617,000). Aside from ABM our significant gold investments include Regis Resources (ASX: RRL) which generated a fair value gain of HK$19,274,000 in FY 2016 with carrying value as at 30 June 2016 of HK$Nil after we realized our gain by selling the investment (As at 30 June 2015: HK$Nil) and Independence Group (ASX: IGO) which generated a fair value gain of HK$1,067,000 in FY 2016 and had a carrying value as at 30 June 2016 of HK$12,466,000 (As at 30 June 2015: HK$Nil), both companies are listed in Australia.

Bulk

Bulk commodities (predominantly coal exposure) generated a fair value gain of HK$3,172,000 in FY 2016 while coking coal prices were largely flat during FY 2016. Within this segment, our significant investments include Shougang Fushan Resources Group (Stock Code: 639) listed in Hong Kong, which generated a fair value gain of HK$7,971,000 in FY 2016 and had a carrying value as at 30 June 2016 of HK$93,784,000 (As at 30 June 2015: HK$27,553,000) and China Shenhua Energy (Stock Code: 1088) also listed in Hong Kong, which generated a fair value loss of HK$4,799,000 in FY 2016 and had a carrying value as at 30 June 2016 of HK$45,290,000 (As at 30 June 2015: HK$23,017,000).

Base Metal

Base Metals segment (a mix of copper, nickel and aluminium companies) delivered a fair value loss of HK$12,234,000 in FY 2016 as the copper, aluminium and nickel prices fell by roughly 16%, less than 1% and 19% respectively. The Base Metal segment includes our investment in China Hongqiao Group (Stock Code: 1378) listed in Hong Kong, which generated a fair value loss of HK$8,202,000 in FY 2016 and had a carrying value as at 30 June 2016 of HK$25,641,000 (As at 30 June 2015: HK$7,811,000).

Energy

The Energy segment (mainly oil exposure) had a fair value gain of HK$3,398,000 in FY 2016 despite an oil price drop of 18%. Our significant Energy investments are Sinopec Corp (Stock Code: 386) listed in Hong Kong, which generated a fair value loss of HK$1,591,000 in FY 2016 and had a carrying value as at 30 June 2016 of HK$25,088,000 (As at 30 June 2015: HK$2,007,000) and Santos (ASX: STO) listed in Australia, which generated a fair value gain of HK$4,237,000 in FY 2016 and had a carrying value as at 30 June 2016 of HK$32,063,000 (As at 30 June 2015: HK$Nil).

Others

We also have a minor fair value loss of HK$327,000 from our non-commodity related investments in FY 2016 and had a carrying value as at 30 June 2016 of HK$7,098,000 (As at 30 June 2015: HK$7,424,000). This segment includes our investment in Brainchip Holdings (ASX: BRN) listed in Australia, which generated a fair value gain of HK$9,000 and had a carrying value as at 30 June 2016 of HK$5,795,000 (As at 30 June 2015: HK$5,786,000).

Commodity Business

Our iron ore offtakes at Koolan Island and Tallering Peak have ceased to deliver shipments with both mines now closed, so we are now looking for new offtake opportunities across a range of commodities. For FY 2016, our Commodity Business generated a robust profit of HK$26,889,000 (FY 2015: Profit of HK$7,176,000), amid a volatile iron ore price and lower shipments as a result of the failure of the seawall of the Main Pit at the Koolan Island mine.

Loans Receivable

The loan receivable of HK$218,320,000 (the "**Loan**") granted to a borrower (the "**Borrower**"), an investment holding company of a property developer in the People's Republic of China (the "**PRC**"), bears fixed-rate interest of 24% per annum and matured on 28 January 2016 in accordance with the second supplemental loan agreement dated 30 April 2015. Pursuant to the terms of the Loan, the Loan is guaranteed by the sole shareholder of the Borrower and is secured by a floating charge on the assets of the Borrower, mortgage of shares of the Borrower and one of the Borrower's subsidiaries incorporated in the PRC ("**PRC CoA**"), mortgage of a parcel of land and properties held by the PRC CoA, an assignment of a loan due by a company incorporated in the PRC ("**PRC CoB**"), in which the PRC CoA has a non-controlling interest in the PRC CoB, to the PRC CoA and the pre-sale agreement in relation to certain properties signed between the Group and the PRC CoB which will be cancelled upon repayment of the Loan and which was entered into at the time of granting of the Loan as part of the overall arrangements for securing the Loan repayment.

The interest receivable from 28 May 2015 to 28 January 2016 amounting to HK$33,162,000 has been overdue (the interest receivable together with the Loan are referred to as the "**Outstanding Loan Amount**"). The Borrower did not settle the Outstanding Loan Amount on 28 January 2016 and notified the Group that the Outstanding Loan Amount would be repaid on or before 28 April 2016 (the "**Proposed Settlement Date**"). However, the Borrower did not settle the Outstanding Loan Amount or to pay outstanding interest by the Proposed Settlement Date and notified the Group that the Outstanding Loan Amount would be settled on or before 28 November 2016.

Management of the Group noted that the oversupply of commercial properties and the difficulties of property developers in obtaining bank financing in the PRC experienced in 2015 in general have continued to affect 2016, which caused PRC CoB to suspend the development works and the pre-sale activities of one of the major underlying charged assets against the Loan. In view of this, management of the Group revised the estimated future settlement date of the Loan. As a result, for the year ended 30 June 2016, there is an adjustment of HK$119,583,000 to reduce the Outstanding Loan Amount to its estimated recoverable amount. This amount represents the difference between the Outstanding Loan Amount and the present value of the estimated future cash flow at an original effective interest rate of 24% per annum after the Group revises the estimate of the time for the Outstanding Loan Amount to be repaid.

The Group has been in discussions with the Borrower on the settlement of the Outstanding Loan Amount. The Borrower has represented that it is in the process of executing certain plans for asset realisation and loan recovery (the "**Settlement Plans**") to repay the Outstanding Loan Amount. The Group remains hopeful that the Borrower can repay the Outstanding Loan Amount in part or in full if the Settlement Plan(s) can be successfully implemented.

In the meantime, the Group will continue to maintain a regular dialogue with the Borrower and will consider taking further actions which may include, but not limited to, the demand for additional security(ies), the periodical re-assessment of the value of the securities, monitoring of the process of the Settlement Plans on a regular basis or alternatively recovery proceedings, *inter-alia*, legal actions against the Borrower and the guarantor of the Loan.

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.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2016, our non-current assets amounted to HK$1,226,788,000 (2015: HK$1,393,662,000) and net current assets amounted to HK$981,578,000 (2015: HK$534,051,000) with a current ratio of 48.6 times (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$345,465,000 (2015: HK$313,976,000) and loans receivable of HK$131,899,000 (2015: HK$223,062,000) respectively which form part of the on-going treasury management arrangements of the Group.

As at 30 June 2016, we had borrowings of HK$Nil (2015: HK$56,688,000) and had undrawn banking facilities amounting to HK$149,332,000 secured against certain term deposits and corporate guarantee of the Company. As at 30 June 2016, we had a gearing ratio of Nil (2015: 0.03), calculated on the basis of total borrowings over equity attributable to owners of the Company.

Foreign Exchange Exposure

For the year 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 30 June 2016, the Group's bank deposits of HK$79,955,000 (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 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 30 June 2016, the Group, including its subsidiaries but excluding associates, had 19 (2015: 19) employees. Total remuneration together with pension contributions incurred for the year ended 30 June 2016 amounted to HK$10,822,000 (FY 2015: HK$10,496,000).

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 report, during the year ended 30 June 2016, the Group had not held any other significant investments nor made any material acquisitions or disposals of subsidiaries or associated companies. Save as disclosed in this report, as at 30 June 2016, the Group does not have plan for any other material investments or acquisition of material capital assets.

Capital Commitments

As at 30 June 2016 and 30 June 2015, the Group had no material capital commitments contracted but not provided for.

Contingent Liabilities

As at the date of this report and as at 30 June 2016, the board of directors of the Company (the "**Board**") is not aware of any material contingent liabilities.

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 focus on high quality companies with strong free cash flow yield, high quality growth and yield companies and see good risk-reward in companies trading at a discount to cash. Value and cash flow can be generated through capital appreciation, dividends, direct project ownership and securing offtake agreements.

Subsequent Events

On 15 July 2016, the Group disposed of in aggregate 21,500,000 shares in Metals X for a consideration of A$31,820,000 (approximately HK$188,569,000), details of which are set out in the announcement of the Company dated 15 July 2016.

On 5 September 2016, the Group subscribed for US$20,000,000 6% 3 year loan notes as part of its treasury management arrangements, details of which are set out in the announcement of the Company dated 6 September 2016.

Forward Looking Observations

The markets remain focused on short term economic data and policy decisions from major central banks. The US Federal Reserve has not raised rates since December 2015, however at the time of writing, the market is once again speculating about the potential for a second rate rise as inflation and employment numbers have generally improved. While this should indicate a stronger US economy, a rate rise is likely to depress sentiment.

Outside of the US, major economies are looking at an ongoing easing bias. The market expects the Bank of Japan to deepen negative interest rates and it is difficult to see how the European Central Bank (ECB) can stop quantitative easing. China has maintained its fiscal easing, with fiscal expenditure up 10% YoY in August 2016. This is positive for commodities in the short term, however we are not convinced that similar stimulus packages will help solve the underlying concerns around the Chinese economy.

Mount Gibson still boasts an impressive cash balance, ending FY 2016 with A$400 million or A$0.366 per share in cash, with a further A$34 million from remaining insurance proceeds received after the end of FY 2016. We announced our plan to put our investment in Metals X under strategic review, and intend to seek shareholder approval for the possible disposal. Our new investment portfolios will be used as 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.

Executive Directors

Mr. Brett Robert Smith, aged 55, was appointed as the Deputy Chairman and an Executive Director of the Company on 18 May 2016. Mr. Smith graduated from Melbourne University, Australia with a Bachelor's Degree in Chemical Engineering with Honors. He has also obtained a Master's Degree in Business Administration from Henley Management College, the United Kingdom and a Master's Degree in Research Methodology from Macquarie University, Australia. Mr. Smith has participated in the development of a number of mining and mineral processing projects including coal, iron ore, base and precious metals. He has also managed engineering and construction companies in Australia and internationally. Mr. Smith has served on the board of private mining and exploration companies and has over 30 years international experience in the engineering, construction and mineral processing businesses. He is currently an executive director of Dragon Mining Limited ("**Dragon Mining**") (Stock Code: DRA). Mr. Smith was appointed as a non-executive director of ABM Resources NL ("**ABM**") (Stock Code: ABU) in May 2016. Dragon Mining and ABM are companies listed on the Australian Securities Exchange.

Mr. Andrew Charles Ferguson, aged 43, was appointed as an Executive Director and the Chief Executive Officer of the Company on 12 January 2010. Mr. Ferguson holds various directorships in subsidiaries of the Company. Mr. Ferguson holds a Bachelor of Science Degree in Natural Resource Development and worked as a mining engineer in Western Australia in the mid 90's. In 2003, Mr. Ferguson co-founded New City Investment Managers in the United Kingdom. He has a proven track record in fund management and was the former co-fund manager of City Natural Resources High Yield Trust, which was awarded "Best UK Investment Trust" in 2006. In addition, he managed New City High Yield Trust Ltd. and Geiger Counter Ltd.. He worked for New City Investment Managers CQS Hong Kong, a financial institution providing investment management services to a variety of investors. He has 21 years of experience in the finance industry specialising in global natural resources. Being a fund manager for assets in London and Hong Kong, he was responsible for day to day management of portfolios, risk management, business development, relationship management and working with independent boards, custodians and auditors to ensure that all shareholders' funds were managed properly. He is currently an alternate director to Mr. Lee Seng Hui of Mount Gibson Iron Limited ("**Mount Gibson**") (Stock Code: MGX). He resigned as a non-executive director of Metals X Limited ("**Metals X**") (Stock Code: MLX) and ABM (Stock Code: ABU) in March 2016 and May 2016 respectively. Mount Gibson, Metals X and ABM are companies listed on the Australian Securities Exchange.

Non-Executive Directors

Mr. Arthur George Dew, aged 74, was appointed as the Chairman and a Non-Executive Director of the Company on 1 March 2016. Mr. Dew graduated from the Law School of the University of Sydney, Australia, and was admitted as a solicitor and later as a barrister of the Supreme Court of New South Wales, Australia. He is currently a non-practising barrister. He has a broad range of corporate and business experience and has served as a director, and in some instances chairman of the board of directors, of a number of public companies listed in Australia, Hong Kong and elsewhere. He is currently the chairman and a non-executive director of each of Allied Group Limited ("**AGL**") (Stock Code: 373) and Allied Properties (H.K.) Limited ("**APL**") (Stock Code: 56); a non-executive director of SHK Hong Kong Industries Limited ("**SHK HK IND**") (Stock Code: 666); the chairman and a non-executive director of Dragon Mining (Stock Code: DRA); a non-executive director of Tanami Gold NL ("**Tanami Gold**") (Stock Code: TAM); and the non-executive chairman of Tian An Australia Limited ("**Tian An Australia**", formerly known as PBD Developments Limited) (Stock Code: TIA). Mr. Dew was the chairman and a non-executive director of SkyOcean International Holdings Limited ("**SIHL**", formerly known as Allied Overseas Limited) (Stock Code: 593) between December 2002 and January 2014, and a non-executive director of BARD1 Life Sciences Limited ("**BARD1**", formerly known as Eurogold Limited) (Stock Code: BD1) between October 2012 and November 2014. AGL, APL, SHK HK IND and SIHL are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. Dragon Mining, Tanami Gold, Tian An Australia and BARD1 are companies listed on the Australian Securities Exchange.

Mr. Lee Seng Hui (李成輝), aged 47, was appointed as a Non-Executive Director of the Company on 2 October 2009. Mr. Lee graduated from the Law School of the University of Sydney with Honours. Previously, he worked with Baker & McKenzie and N M Rothschild & Sons (Hong Kong) Limited. Mr. Lee is currently the chief executive and an executive director of each of AGL (Stock Code: 373) and APL (Stock Code: 56), and the chairman and a non-executive director of Tian An China Investments Company Limited ("**Tian An**") (Stock Code: 28). AGL, APL and Tian An are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also the non-executive chairman of Mount Gibson (Stock Code: MGX). From 5 March 2008 to 6 November 2013, he was the non-executive director of Tanami Gold (Stock Code: TAM). Mount Gibson and Tanami Gold are companies listed on the Australian Securities Exchange.

Mr. So Kwok Hoo (蘇國豪), aged 62, was appointed as a Non-Executive Director of the Company on 20 October 2009. Mr. So has extensive experience in marketing of electrochemical and industrial products sales in Asia Pacific Region together with property investment experience in Hong Kong. Mr. So holds Bachelor degrees in Applied Science with major in Chemical Engineering and Business Administration obtained in Canada. He is currently an executive director and deputy managing director of Shougang Fushan Resources Group Limited (Stock Code: 639), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and a substantial shareholder of the Company.

Independent Non-Executive Directors

Dr. Wong Wing Kuen, Albert (王永權), aged 65, has been appointed as an Independent Non-Executive Director of the Company since 6 July 2004. Dr. Wong holds a Doctor of Philosophy in Business Administration degree from the Bulacan State University, Republic of the Philippines. He is a fellow member of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, The Taxation Institute of Hong Kong, Association of International Accountants and Society of Registered Financial Planners. He is a member of Hong Kong Securities Institute, The Chartered Institute of Arbitrators and The Chartered Institute of Bankers in Scotland and a full member of Macau Society of Certified Practising Accountants. Currently, Dr. Wong is the principal consultant of KND & Co. CPA Limited, a private professional accounting firm in Hong Kong. He is also an independent non-executive director of Solargiga Energy Holdings Limited (Stock Code: 757), China Merchants Land Limited (Stock Code: 978) and China VAST Industrial Urban Development Company Limited (Stock Code: 6166). These three companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was a non-executive director of Rare Earths Global Limited, a company which was listed on the London Stock Exchange AIM Market, until the company was delisted on 2 May 2014.

Mr. Chang Chu Fai, Johnson Francis (鄭鑄輝), aged 62, was appointed as an Independent Non-Executive Director of the Company on 6 July 2007. Mr. Chang obtained a Bachelor's Degree in Commerce from Concordia University in Montreal, Canada in 1976 and a Master's Degree in Business Administration from York University in Toronto, Canada in 1977. He has over 38 years of experience in banking, corporate finance, investment and management and has held various executive positions at financial institutions and directorships of listed companies. Mr. Chang is currently the Managing Director of Ceres Consultancy Limited and an independent non-executive director of Tian An (Stock Code: 28). He was the vice chairman and executive director of Royale Furniture Holdings Limited (Stock Code: 1198) from 1 July 2005 to 5 June 2015, and the deputy chairman and an independent non-executive director of SIHL (Stock Code: 593) from 28 October 2004 to 27 January 2014. These three companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He ceased to be a registered person under the Securities and Futures Ordinance in January 2016.

Mr. Robert Moyse Willcocks, aged 67, was appointed as an Independent Non-Executive Director of the Company on 27 July 2007. Mr. Willcocks holds a Bachelor's Degree in Arts and a Bachelor's Degree in Laws from the Australian National University in Australia and a Master's Degree in Laws from the University of Sydney in Australia. He has been an advisor to companies in the mining and resources industry for more than 33 years. He is a former partner with the law firm now called King & Wood Mallesons. He is a former director of Ban-Pu Australia Pty Ltd, Oakbridge Pty Ltd and Bond University Limited and was a member of the Australian Government's International Legal Advisory Committee for the term of its programme. He has held directorships in a number of companies listed on the Australian Securities Exchange, including Emperor Mines Limited, RIMCapital Limited (Chairman), eStar Online Trading Limited, Energy World Corporation Limited, CBH Resources Limited, Orion Petroleum Limited (Chairman) and Mount Gibson (Alternate Director). He is currently an independent director of Living Cell Technologies Limited (Stock Code: LCT) and a non-executive director of ARC Exploration Limited (Stock Code: ARX), both of which are listed on the Australian Securities Exchange. He is an independent non-executive chairman of Trilogy Funds Management Limited, a Responsible Entity under Australian Law.

Alternate Director to Mr. Arthur George Dew

Mr. Wong Tai Chun, Mark, aged 52, was appointed as an alternate director to Mr. Arthur George Dew on 1 March 2016. Mr. Wong holds various directorships in subsidiaries of the Company. Mr. Wong has a Master's Degree in Business Administration and is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr. Wong was the financial controller of other listed companies in Hong Kong. He is currently an executive director of each of APL (Stock Code: 56) and SHK HK IND (Stock Code: 666), the director of investment of AGL (Stock Code: 373) and an alternate director to Mr. Arthur George Dew in Dragon Mining (Stock Code: DRA), Tanami Gold (Stock Code: TAM) and Tian An Australia (Stock Code: TIA). Mr. Wong was an executive director and the chief executive officer of SIHL (Stock Code: 593) between April 2000 and January 2014, and an alternate director to Mr. Arthur George Dew in BARD1 (Stock Code: BD1) between December 2012 and November 2014. APL, SHK HK IND, AGL and SIHL are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. Dragon Mining, Tanami Gold, Tian An Australia and BARD1 are companies listed on the Australian Securities Exchange.

Senior Management

Hong Kong

Mr. Brett Robert Smith
Deputy Chairman

Biographical details of Mr. Brett Robert Smith are set out on page 15 of this Annual Report.

Mr. Andrew Ferguson
Chief Executive Officer

Biographical details of Mr. Andrew Ferguson are set out on page 15 of this Annual Report.

Ms. Tam Kit Ling (譚潔玲)
Chief Financial Officer

Ms. Tam Kit Ling, aged 50, joined the Company in July 2016 as the Chief Financial Officer. She has over 26 years of experience in finance and accounting with international businesses and listed companies in Hong Kong. Ms. Tam holds a Bachelor's Degree in Laws and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Other Management

Hong Kong

Mr. John Ellis
Investment Manager

Mr. Ellis joined the Company in July 2010 as Investment Manager. Prior to joining APAC, he was Portfolio Manager — Global Resources with Colonial First State in Sydney, and Director — Mining Research Sales with the Royal Bank of Canada in Sydney and London. Mr. Ellis has over 16 years of experience in resources investments and holds a Bachelor of Arts degree as well as a number of industry accreditations including the Canadian Securities Course, the ASX/ACH Responsible Executive, and the Finsia Graduate Certificate of Applied Finance and Investment.

Ms. Jenny Wong (黃靜琳)
Vice President, Corporate and Investment

Ms. Wong joined the Company in February 2012 as Vice President of Corporate and Investment. Prior to joining APAC, she was an Oil & Gas Research Analyst at Renaissance Capital Hong Kong, and prior to that, was at Credit Suisse Melbourne for over 4 years also as an Oil & Gas Analyst. Ms. Wong is a Chartered Financial Analyst and completed a Bachelor of Commerce and Bachelor of Information Systems degrees at the University of Melbourne.

Mr. To Yung Kan, Kenneth (杜容根)
Financial Controller

Mr. To joined the Company as Financial Controller and Company Secretary in January 2007. He resigned in July 2008 and joined COL Capital Limited (Stock Code: 383), a company listed on The Stock Exchange of Hong Kong Limited. Mr. To then re-joined the Company in January 2011 as Financial Controller. Mr. To also holds various directorships in subsidiaries of the Company. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. To has extensive experience in corporate finance, financial management, accounting and auditing.

Shanghai, the PRC

Mr. Zhou Luyong (周魯勇)
General Manager, Shanghai Commodity Business

Mr. Zhou joined the Company in July 2007 and is currently the General Manager, Shanghai Commodity Business. Mr. Zhou has more than 23 years experience within the natural resource sector, including commodity trading and bulk carrier chartering. Prior to APAC, Mr. Zhou was the Manager of Baosteel's overseas subsidiaries (in both Hong Kong and Europe), and worked as the General Manager of Coal & Coke Department at Shanghai Baosteel International Economic and Trading Co., Ltd. from 2002, responsible for coal & coke purchase and sales for Baosteel Group. He also established Shanghai Baoding Energy Co., Ltd., a subsidiary of Baosteel Group.

The directors of the Company (the "**Directors**") present their report and the consolidated financial statements of the Group for the year ended 30 June 2016.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the consolidated financial statements.

Results

The results of the Group for the year ended 30 June 2016 are set out in the consolidated statement of profit or loss on page 43.

Dividend

The Board does not recommend the payment of a dividend for the year ended 30 June 2016 (FY 2015: Nil).

Closure of Register

The annual general meeting of the Company ("**AGM**") will be held on Thursday, 24 November 2016.

To ascertain shareholders' eligibility to attend and vote at the AGM to be held on 24 November 2016, the register of members of the Company will be closed from Tuesday, 22 November 2016 to Thursday, 24 November 2016, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the AGM, all transfers of share ownership, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 21 November 2016.

Business Review

Schedule 5 of the Companies Ordinance of Hong Kong (the "**Companies Ordinance**") requires companies to include a business review in the directors' report. Specifically, the Companies Ordinance requires a business review to cover a number of areas which are also approved by the Board and included in the sections headed "Management Discussion and Analysis" and "Corporate and Social Responsibility" of this Annual Report, the discussion of which forms part of this Directors' Report, as follows:

1.	A fair review of the Group's business	Pages 8 to 13 of this Annual Report
2.	Principal risks and uncertainties facing the Group	Pages 6 to 13 of this Annual Report
3.	Important events after the reporting date affecting the Group	Page 13 of this Annual Report
4.	Indication of likely development of the Group	Page 14 of this Annual Report
5.	Environmental policies and performance of the Group	Page 40 of this Annual Report
6.	Compliance with relevant laws and regulations that have a significant impact on the Group	Page 40 of this Annual Report
7.	Key relationships with stakeholders that have a significant impact on the Group	Page 40 of this Annual Report

Segment Information

An analysis of the Group's turnover and contribution to results by business activities for the year ended 30 June 2016 is set out in note 6 to the consolidated financial statements.

Share Capital and Shares Issued

Details of movements in share capital of the Company during the year ended 30 June 2016 are set out in note 28 to the consolidated financial statements.

Debentures

The Group has not issued any debentures during the year ended 30 June 2016.

Equity-linked Agreements

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Reserves

Details of movements in reserves of the Company and of the Group during the year ended 30 June 2016 are set out in note 37 to the consolidated financial statements and in the consolidated statement of changes in equity on page 47 respectively.

Property, Plant and Equipment

Details of movements in property, plant and equipment during the year ended 30 June 2016 are set out in note 15 to the consolidated financial statements.

Directors

The Directors during the year ended 30 June 2016 and up to the date of this Annual Report were:

Executive Directors

Mr. Brett Robert Smith *(Deputy Chairman) (appointed with effect from 18 May 2016)*
Mr. Andrew Ferguson *(Chief Executive Officer)*
Ms. Chong Sok Un *(resigned with effect from 1 March 2016)*
Mr. Kong Muk Yin *(resigned with effect from 1 March 2016)*

Non-Executive Directors

Mr. Arthur George Dew *(Chairman) (appointed with effect from 1 March 2016)*
Mr. Wong Tai Chun, Mark *(alternate to Mr. Arthur George Dew) (appointed with effect from 1 March 2016)*
Mr. Lee Seng Hui
Mr. So Kwok Hoo
Mr. Peter Anthony Curry *(alternate to Mr. Lee Seng Hui) (resigned with effect from 18 May 2016)*

Independent Non-Executive Directors

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

In accordance with Bye-law 87 of the Bye-laws of the Company (the "**Bye-laws**"), Mr. Andrew Ferguson and Mr. So Kwok Hoo will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

In accordance with Bye-law 86(2) of the Bye-laws, Mr. Arthur George Dew and Mr. Brett Robert Smith shall hold office until the forthcoming AGM and, being eligible, offer themselves for re-election.

Pursuant to the code provision A.4.3 of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), if an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. Dr. Wong Wing Kuen, Albert, has served as Independent Non-Executive Director ("**INED**") for more than 9 years and, being eligible, will stand for re-election at the AGM.

No Director being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2016, the interests and short positions held by the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, the "**SFO**") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

		Number of shares/ underlying shares held		
Name of Directors	Capacity in which interests are held	Interests in shares	Total interests	Approximate percentage of shareholding *(Note 1)*
Mr. Andrew Ferguson	Beneficial owner	37,500,000	37,500,000	0.41%
Mr. Lee Seng Hui	Other interests	2,253,362,100 *(Note 2)*	2,253,362,100	24.51%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 9,191,651,985 shares as at 30 June 2016.

2. Mr. Lee Seng Hui together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. They together owned approximately 73.91% of the total number of issued shares of Allied Group Limited ("**AGL**") (inclusive of Mr. Lee Seng Hui's personal interests) and were therefore deemed to be interested in 2,253,362,100 shares of the Company in which AGL was deemed to be interested through a wholly-owned subsidiary of Allied Properties (H.K.) Limited ("**APL**"), its 74.99%-owned subsidiary.

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 30 June 2016 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Competing Businesses

During the year and up to the date of this report, the following Directors (not being the INEDs) are considered to have interests in the businesses listed below which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules as set out below:

(i) Mr. Arthur George Dew is a director of each of AGL and APL and Mr. Wong Tai Chun, Mark, alternate director to Mr. Arthur George Dew, is a director of APL. AGL and APL, through their subsidiaries, are partly engaged in the business of money lending and through certain of their subsidiaries and close associates, are partly involved in the investment and trading in securities in the resources and related industries and financial instruments;

(ii) Mr. Lee Seng Hui is a director of each of AGL, APL and Tian An China Investments Company Limited ("**Tian An**"), and also one of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of AGL, APL, Sun Hung Kai & Co. Limited ("**SHK**"), SHK Hong Kong Industries Limited ("**SHK HK IND**") and Tian An which, through their subsidiaries and close associates, are partly engaged in the businesses as follows:

— AGL and APL, through their subsidiaries, are partly engaged in the business of money lending and through certain of their subsidiaries and close associates, are partly involved in the investment and trading in securities in the resources and related industries and financial instruments;

— SHK, through certain of its subsidiaries, is partly engaged in the business of money lending;

— SHK HK IND, through certain of its subsidiaries, is partly engaged in the trading in listed securities and investment in bonds; and

— Tian An, through certain of its subsidiaries, is partly engaged in the business of money lending;

(iii) Mr. Lee Seng Hui is a director of Mount Gibson Iron Limited ("**Mount Gibson**") and Mr. Andrew Ferguson is an alternate director to Mr. Lee Seng Hui in Mount Gibson which, through certain of its subsidiaries, is partly involved in the investment and trading in listed securities in the resources and related industries;

(iv) Mr. Arthur George Dew and Mr. Wong Tai Chun, Mark are both directors of SHK HK IND which, through certain of its subsidiaries, is partly engaged in the trading in listed securities and investment in bonds; and

(v) Mr. Arthur George Dew is a non-executive director of each of Tanami Gold NL ("**Tanami Gold**") and Dragon Mining Limited ("**Dragon Mining**"). Mr. Wong Tai Chun, Mark is an alternate director to Mr. Arthur George Dew in each of Tanami Gold and Dragon Mining. Mr. Brett Robert Smith is a director of Dragon Mining. Tanami Gold and Dragon Mining, through certain of their subsidiaries, are partly involved in the investment and trading in listed securities in the resources and related industries.

Although the above-mentioned Directors have competing interests in other companies by virtue of their respective common directorship or shareholding, they will fulfil their fiduciary duties in order to ensure that they will act in the best interests of the shareholders of the Company and the Company as a whole at all times. Hence, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

(i) As disclosed in the announcement of the Company dated 27 May 2015, an underwriting agreement (the "**Underwriting Agreement**") was entered into on 18 May 2015 between the Company and Vigor Online Offshore Limited ("**VOL**"), a then substantial shareholder of the Company, pursuant to which VOL agreed to underwrite a maximum of 2,304,003,571 new shares to be issued and allotted by the Company (the "**Underwritten Share(s)**") to qualifying shareholders on the basis of one new share (the "**Offer Share(s)**") for every two existing shares held on the record date at a subscription price of HK$0.10 per Offer Share (the "**Open Offer**") subject to the terms and conditions of the Underwriting Agreement at a commission fee of 2% of the aggregate subscription price in respect of the maximum number of the Underwritten Shares. The Underwriting Agreement was conditional, among other things, upon the fulfilment of certain conditions as stipulated therein. As disclosed in the announcement of the Company dated 10 July 2015, the Open Offer became unconditional on 6 July 2015. Based on the results of the Open Offer, the Open Offer was over-subscribed by 65,837,695,192 Offer Shares. VOL was not obliged to take up any of the Underwritten Shares pursuant to the Underwriting Agreement. Since Ms. Chong indirectly owned 100% interest in VOL and was a director of the Company at the date of the Underwriting Agreement (resigned with effect from 1 March 2016), Ms. Chong was deemed to be interested in the Underwriting Agreement.

(ii) As disclosed in the announcement of the Company dated 24 May 2016, on 24 May 2016 APAC Resources Treasury Management Limited, a wholly-owned subsidiary of the Company subscribed for US$4.0 million of the five-year guaranteed 4.75% note due 31 May 2021 (the "**SHK Loan Note**") issued by Sun Hung Kai & Co. (BVI) Limited (the "**Issuer**") and guaranteed by SHK. The Issuer is a wholly-owned subsidiary of SHK. Mr. Lee Seng Hui, a Non-Executive Director, is one of the trustees of Lee and Lee Trust, being a discretionary trust which, together with his personal interests, indirectly owns approximately 73.91% interests in the total number of issued shares of AGL, which in turn owns approximately 74.99% of the total number of issued shares of APL, and which in turn indirectly owns approximately 24.51% of the total number of issued shares of the Company as at 30 June 2016. Since APL indirectly owns approximately 55.90% interests in the total number of issued shares of SHK as at 30 June 2016, Mr. Lee is deemed to be interested in the subscription of the SHK Loan Note.

    Mr. Chang Chu Fai, Johnson Francis, an Independent Non-Executive Director, has also subscribed for certain notes in the SHK Loan Note programme in his own personal capacity and was therefore interested in the subscription of the SHK Loan Note.

Save as disclosed above, no other transactions, arrangements or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 30 June 2016.

Management Contracts

Save for employment contracts and the sharing of administrative services and management services agreement entered into by the Company with AGL and the sharing of management services agreement entered into by the Company with APL, details of which are disclosed in the announcement dated 30 June 2016 of the Company, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

Permitted Indemnity Provision

The Bye-laws provide that the Directors, Secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. The Company accordingly maintains appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

Substantial Shareholders

As at 30 June 2016, the following persons, other than the Directors or chief executive of the Company, were interested or had short positions in more than 5% of the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in shares and underlying shares of the Company

		Number of shares/ underlying shares held		
Name of Shareholders	**Capacity in which interests are held**	**Interests in shares**	**Total interests**	**Approximate percentage of shareholding** *(Note 1)*
Shougang Fushan Resources Group Limited	Interest of a controlled corporation *(Note 2)*	1,434,000,000	1,434,000,000	15.60%
APL	Interest of controlled corporations *(Note 3)*	2,253,362,100	2,253,362,100	24.51%
AGL	Interest of controlled corporations *(Note 5)*	2,253,362,100	2,253,362,100 *(Note 4)*	24.51%
Lee and Lee Trust	Interest of controlled corporations *(Note 6)*	2,253,362,100	2,253,362,100 *(Note 4)*	24.51%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 9,191,651,985 shares as at 30 June 2016.

2. These shares are held by Benefit Rich Limited ("**Benefit Rich**"), a wholly-owned subsidiary of Shougang Fushan Resources Group Limited ("**Shougang Fushan**"). Accordingly, Shougang Fushan is deemed to have an interest in the shares in which Benefit Rich was interested.

3. The interests include 2,253,362,100 shares of the Company held by Allied Properties Investments (1) Company Limited ("**API(1)**"), a wholly-owned subsidiary of Allied Properties Overseas Limited ("**APOL**") which in turn is a wholly-owned subsidiary of APL. APL was therefore deemed to have an interest in the shares in which API(1) was interested.

4. This represents the same interests of APL in 2,253,362,100 shares.

5. APL is a non wholly-owned subsidiary of AGL. AGL was therefore deemed to have an interest in the shares in which APL was interested.

6. Mr. Lee Seng Hui, Director, together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. They together owned approximately 73.91% of the total number of issued shares of AGL (inclusive of Mr. Lee Seng Hui's personal interests) and were therefore deemed to have an interest in the shares in which AGL was interested.

Save as disclosed above and in the section headed DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES, as at 30 June 2016, the Company was not notified of any other person having any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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 year ended 30 June 2016.

Major Customers and Supplier

For the year ended 30 June 2016, the Group's five largest customers in aggregate accounted for 100% of the turnover of the Group and the largest customer accounted for approximately 51% of the total turnover of the Group.

For the year ended 30 June 2016, the entire purchases of the Group were attributable to the sole supplier.

At no time during the year ended 30 June 2016 did a Director, a close associate of a Director or a shareholder of the Company, which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company, have an interest in any of the five largest customers and the sole supplier of the Group.

Emolument Policy

The Group's employees are selected, remunerated and promoted based on their merit, qualifications and competence.

The Company adopted the model set out in Code Provision B.1.2(c)(ii) of Appendix 14 to the Listing Rules as its remuneration model for determining the emoluments of the Directors. This model stipulates that the remuneration committee shall make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration committee of the Company would take into consideration, among other things, the duties and responsibilities of the Directors and senior management and prevailing market conditions when determining their remuneration.

Related Party Transactions

During the year ended 30 June 2016, the Group entered into transactions with related parties, details of which are set out in note 30 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction or a continuing connected transaction of the Group as defined in and required to be disclosed under Chapter 14A of the Listing Rules.

Connected Transactions

(i) As disclosed in the announcement of the Company dated 27 May 2015, an underwriting agreement (the "**Underwriting Agreement**") was entered into on 18 May 2015 between the Company and Vigor Online Offshore Limited ("**VOL**"), a then substantial shareholder of the Company, pursuant to which VOL agreed to underwrite a maximum of 2,304,003,571 new shares to be issued and allotted by the Company (the "**Underwritten Share(s)**") to qualifying shareholders on the basis of one new share (the "**Offer Share(s)**") for every two existing shares held on the record date at a subscription price of HK$0.10 per Offer Share (the "**Open Offer**") subject to the terms and conditions of the Underwriting Agreement at a commission fee of 2% of the aggregate subscription price in respect of the maximum number of the Underwritten Shares. The Underwriting Agreement was conditional, among other things, upon the fulfilment of certain conditions as stipulated therein. As disclosed in the announcement of the Company dated 10 July 2015, the Open Offer became unconditional on 6 July 2015. Based on the results of the Open Offer, the Open Offer was over-subscribed by 65,837,695,192 Offer Shares. VOL was not obliged to take up any of the Underwritten Shares pursuant to the Underwriting Agreement.

Since VOL is a substantial shareholder of the Company as at the date of the Underwriting Agreement, the payment of the underwriting commission to VOL as the underwriter constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

(ii) As disclosed in the announcement of the Company dated 24 May 2016, on 24 May 2016 APAC Resources Treasury Management Limited subscribed for US$4.0 million of the five-year guaranteed 4.75% note due 31 May 2021 (the "**SHK Loan Note**") issued by Sun Hung Kai & Co. (BVI) Limited ("**Issuer**") and guaranteed by SHK.

Since the Issuer is a wholly-owned subsidiary of SHK which in turn is a non wholly-owned subsidiary of APL which in turn is a substantial shareholder of the Company, the subscription of the SHK Loan Note constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Continuing Connected Transaction

As disclosed in the voluntary announcement of the Company dated 30 June 2016, the Company entered into the following agreements:

(i) a sharing of administrative services and management services agreement with AGL on 30 June 2016 (the "**Services Agreement I**") for the periods commencing from 1 July 2016 to 31 December 2016 (in respect of management services) and from 1 September 2016 to 31 December 2016 (in respect of administrative services) respectively, pursuant to which the Company agreed to engage AGL for, and to reimburse AGL the actual costs incurred in the provision of, (i) the administrative services, which included the corporate secretarial services, provision of registered office address, utilities services including water, electricity, telephone (including international telephone services) and internet services, photocopying, postal, courier, delivery and other services ancillary to the day-to-day administration and operation of the Group provided by AGL to the Group; and (ii) the management services, which included the management, consultancy, strategic and business advice services, provided by the senior management and selected staff of AGL to the Group.

(ii) a sharing of management services agreement with APL on 30 June 2016 (the "**Services Agreement II**") for the period commencing from 1 July 2016 to 31 December 2016, pursuant to which the Company agreed to engage APL for, and to reimburse APL the actual costs incurred in the provision of, the management services provided by the senior management and selected staff of APL to the Group, which included managing the process of budgeting; managing the functions of accounting, tax, and treasury; overseeing the financial operations and foreign operations; overseeing the issuance of financial information; reporting financial results to the board of directors of the Company; constructing and monitoring reliable control systems; maintaining relationship with internal and external auditors; monitoring cash balances and cash forecasts; arranging debt and equity financing; and maintaining relationship with banks.

Since APL is a substantial shareholder of the Company and AGL is the controlling shareholding and ultimate holding company of APL, the transactions contemplated under the Services Agreement I and the Services Agreement II constituted continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules. However, as each of the applicable percentage ratios for the Company in respect of the transactions contemplated under the Services Agreement I and the Services Agreement II are expected to be less than 0.1%, the transactions in respect of the Services Agreement I and the Services Agreement II would constitute de minimis transactions which are fully exempt from the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under the Listing Rules pursuant to Rule 14A.76 of the Listing Rules. The information is disclosed herein for information only.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Bye-Laws, or the Companies Act 1981 of Bermuda (the "**Act**"), which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Public Float

As at the date of this Annual Report, the Company has maintained a sufficient public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its Directors.

Auditor

The consolidated financial statements of the Group for the year ended 30 June 2016 were audited by Messrs. Deloitte Touche Tohmatsu. Messrs. Deloitte Touche Tohmatsu will retire and a resolution for reappointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming AGM.

Review of Results by Audit Committee

The Group's final results for the year ended 30 June 2016 have been reviewed by the audit committee of the Company.

On behalf of the Board
Arthur George Dew
Chairman

Hong Kong, 22 September 2016

The Company strives to attain and maintain a high standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders. Accordingly, the Board attributes a high priority to identifying and implementing appropriate corporate governance practices to ensure transparency, accountability and effective internal controls.

Corporate Governance Practices

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 14 to the Listing Rules which sets out the principles of good corporate governance. During the year ended 30 June 2016, the Company has fully complied with the code provisions of the CG Code.

Directors' Securities Transactions

The Company has adopted the Model Code as its code for securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code during the year ended 30 June 2016.

Board of Directors

The Board is charged with the responsibility of the leadership and control of the Group. The Board promotes the success of the Group and makes decisions objectively in the best interests of the Group. The Board's role is mainly to direct and supervise the affairs of the Group, establishing its strategic direction and setting objectives and business development plans. In addition, the Board has also delegated various responsibilities to the Board committees. The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual and interim results, approval of Directors' appointment or re-appointment (based on the recommendations made by the Nomination Committee), material contracts and transactions, corporate governance as well as other significant policy and financial matters. The Board has delegated the day-to-day responsibility to the executive management under the instruction/supervision of the Executive Committee which has its specific written terms of reference.

The Board currently comprises eight Directors, with two Executive Directors, three Non-Executive Directors and three Independent Non-Executive Directors. During the year ended 30 June 2016, the attendance of each Director at the meetings of the Board, committees and general meeting is set out below:

	Number of meetings attended/held				
	Board *(Note 1)*	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting *(Note 2)*
Executive Directors					
Mr. Brett Robert Smith *(Deputy Chairman)* *(appointed on 18 May 2016)*	1/1	—	—	—	N/A
Mr. Andrew Ferguson *(Chief Executive Officer)*	6/6	—	—	—	1/1
Ms. Chong Sok Un *(Chairman)* *(resigned on 1 March 2016)*	2/4	—	0/1	0/1	1/1
Mr. Kong Muk Yin *(resigned on 1 March 2016)*	4/4	—	—	—	1/1
Non-Executive Directors					
Mr. Arthur George Dew *(Chairman)* *(Mr. Wong Tai Chun, Mark as his alternate)* *(appointed on 1 March 2016)*	2/2 *(Note 3)*	N/A	2/2 *(Note 3)*	2/2 *(Note 3)*	N/A
Mr. Lee Seng Hui *(Mr. Peter Anthony Curry as his alternate and resigned on 18 May 2016)*	5/6 *(Note 4)*	2/2 *(Note 4)*	1/1 *(Note 4)*	1/1 *(Note 4)*	0/1 *(Note 4)*
Mr. So Kwok Hoo	6/6	—	—	—	0/1
Independent Non-Executive Directors					
Dr. Wong Wing Kuen, Albert	6/6	2/2	3/3	3/3	1/1
Mr. Chang Chu Fai, Johnson Francis	5/6	1/2	3/3	3/3	0/1
Mr. Robert Moyse Willcocks	6/6	2/2	3/3	3/3	1/1

Notes:

1. During the year ended 30 June 2016, the Board held four regular meetings and two additional meetings.

2. The annual general meeting of the Company was held on 7 December 2015 (the "**2015 AGM**").

3. All meetings were attended by himself.

4. All meetings were attended by himself.

Every Director is entitled to have access to Board papers and related materials, and the advice and services of the company secretary of the Company (the "**Company Secretary**"), and has the liberty to seek independent professional advice at the Company's expense if so reasonably required. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The biographical details of the Directors are set out on pages 15 to 17 of this Annual Report, which demonstrates a diversity of skills, experience and qualifications. Save as disclosed therein, the Board members have no financial, business, family or other material/relevant relationships with each other. Throughout the year and up to the date of this report, The Company has had at least three Independent Non-Executive Directors representing not less than one-third of the Board. At least one of them has appropriate professional qualifications, or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. The Board has received annual confirmation of independence from each of the Independent Non-Executive Director and considers all of them be independent pursuant to Rule 3.13 of the Listing Rules.

Directors' Continuous Professional Development

The Company encourages the Directors to attend any relevant programme to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively. The training received by each Director is set out below:

Participation in Continuous Professional Development Activities

Name of Directors	Reading Regulatory Updates	Attending trainings/ briefings/seminars/ conference relevant to Directors' duties
Executive Directors		
Mr. Brett Robert Smith *(Deputy Chairman)* *(appointed on 18 May 2016)*	✓	✓
Mr. Andrew Ferguson *(Chief Executive Officer)*	✓	✓
Ms. Chong Sok Un *(Chairman)* *(resigned on 1 March 2016)*	✓	✓
Mr. Kong Muk Yin *(resigned on 1 March 2016)*	✓	✓
Non-Executive Directors		
Mr. Arthur George Dew *(Chairman)* *(appointed on 1 March 2016)*	✓	✓
Mr. Wong Tai Chun, Mark *(alternate to Mr. Arthur George Dew)* *(appointed on 1 March 2016)*	✓	✓
Mr. Lee Seng Hui	✓	✓
Mr. So Kwok Hoo	✓	✓
Mr. Peter Anthony Curry *(alternate to Mr. Lee Seng Hui)* *(resigned on 18 May 2016)*	✓	✓
Independent Non-Executive Directors		
Dr. Wong Wing Kuen, Albert	✓	✓
Mr. Chang Chu Fai, Johnson Francis	✓	✓
Mr. Robert Moyse Willcocks	✓	✓

Board Diversity

The Company has adopted the Board Diversity Policy in September 2013 which sets out the objectives and principles regarding board diversity to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Board nomination and appointments will be made on merit basis based on the Company's business needs from time to time while taking into account diversity.

Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience.

Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer of the Company are Mr. Arthur George Dew (who succeeded Ms. Chong Sok Un effective 1 March 2016) and Mr. Andrew Ferguson respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all respects effectively.

Non-Executive Directors and Letters of Appointment

All Non-Executive Directors (including Independent Non-Executive Directors) were appointed for a specific term. Except for Mr. Arthur George Dew's term of appointment is three years commencing from 1 March 2016, other Non-Executive Directors' (including Independent Non-Executive Directors) term of appointment has been renewed for a further three years commencing from 1 June 2016.

Board Committees

The Company's Board has established four committees, namely remuneration committee (the "**Remuneration Committee**"), audit committee (the "**Audit Committee**"), nomination committee (the "**Nomination Committee**") and executive committee (the "**Executive Committee**"). All committees are provided with sufficient resources to perform their duties and have access to independent professional advice at the Company's expense if so reasonably required.

Remuneration Committee

The Remuneration Committee comprises Dr. Wong Wing Kuen, Albert (Chairman of the Remuneration Committee), Mr. Chang Chu Fai, Johnson Francis and Mr. Robert Moyse Willcocks, all Independent Non-Executive Directors, and Mr. Arthur George Dew (Mr. Wong Tai Chun, Mark as his alternate), a Non-Executive Director.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. During the year ended 30 June 2016, three meetings of the Remuneration Committee were held and the attendance of the members is set out in the section headed "Board of Directors" of this report.

The major roles and functions of the Remuneration Committee are included in its terms of reference, which are available on the websites of the Stock Exchange and the Company. The Company adopted the model set out in Code Provision B.1.2(c)(ii) of the CG Code as its remuneration model, under which the Remuneration Committee shall make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management.

During the year ended 30 June 2016 and up to the date of this report, the Remuneration Committee performed the tasks as summarised below:

(i) reviewed and recommended for the Board's approval the remuneration proposals of the Directors and senior management; and

(ii) recommended for the Board's approval the remuneration of new Directors.

Details of the Directors' emoluments and remuneration payable to members of senior management by band are set out in notes 12 and 30 to the consolidated financial statements.

Audit Committee

The Audit Committee comprises Dr. Wong Wing Kuen, Albert (Chairman of the Audit Committee), Mr. Chang Chu Fai, Johnson Francis and Mr. Robert Moyse Willcocks, all Independent Non-Executive Directors, and Mr. Arthur George Dew (Mr. Wong Tai Chun, Mark as his alternate), a Non-Executive Director. The Audit Committee is chaired by an Independent Non-Executive Director with appropriate professional qualifications, or accounting or related financial management expertise.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. During the year ended 30 June 2016, two meetings of the Audit Committee were held and the attendance of the members is set out in the section headed "Board of Directors" of this report.

The major roles and functions of the Audit Committee are included in its terms of reference, which are available on the websites of the Stock Exchange and the Company.

During the year ended 30 June 2016 and up to the date of this report, the Audit Committee performed the tasks as summarised below:

(i) reviewed the reports of findings/independent review report from the external auditor and the management's response in relation to the final audit for the year ended 30 June 2015, the interim results review for the six months ended 31 December 2015 and the final audit for the year ended 30 June 2016 of the Group;

(ii) reviewed and recommended for the Board's approval the financial reports for the year ended 30 June 2015, for the six months ended 31 December 2015 and for the year ended 30 June 2016 together with the relevant management representation letters and announcements;

(iii) reviewed the internal control of the Group; and

(iv) reviewed and recommended for the Board's approval the report on substantiation of the resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Audit Committee established a procedure by which the employees of the Company may raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of the reported matters and for appropriate follow-up action.

Nomination Committee

The Nomination Committee comprises Mr. Arthur George Dew (Chairman of the Nomination Committee) (Mr. Wong Tai Chun, Mark as his alternate), a Non-Executive Director, and Dr. Wong Wing Kuen, Albert, Mr. Chang Chu Fai, Johnson Francis and Mr. Robert Moyse Willcocks, all Independent Non-Executive Directors.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. During the year ended 30 June 2016, three meetings of Nomination Committee were held and the attendance of the members is set out in the section headed "Board of Directors" of this report.

The Nomination Committee is responsible for formulating nomination policy and making recommendations to the Board on nomination and appointment of Directors, and Board succession. The Nomination Committee develops procedures for selection and recommendation of candidates for directorship of the Company, and will consider different criteria including appropriate skill, knowledge and professional experience. The major roles and functions of the Nomination Committee are included in its terms of reference, which are available on the websites of the Stock Exchange and the Company.

During the year ended 30 June 2016 and up to the date of this report, the Nomination Committee performed the tasks as summarised below:

(i) reviewed and recommended for the Board's approval the proposed resolution for re-election of the retiring Directors at 2016 AGM;

(ii) reviewed the structure, size, composition and diversity of the Board and assessed the independence of each Independent Non-Executive Director; and

(iii) recommended for the Board's approval the appointment of new Directors.

Executive Committee

The Executive Committee has been established by the Board with specific terms of reference. It comprises Mr. Andrew Ferguson (Chairman of the Executive Committee) and Mr. Brett Robert Smith, both being Executive Directors, and Mr. Arthur George Dew, a Non-Executive Director. The Executive Committee is responsible for reviewing and approving, inter alia, any matters arising from the day-to-day activities of the Group and any matters to be delegated by the Board from time to time.

Corporate Governance Function

The Board has delegated the corporate governance duties to the Executive Committee. The primary corporate governance duties performed by the Executive Committee are:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

During the year ended 30 June 2016, the Board and the Executive Committee has continued to develop and review the Company's corporate governance practices.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 30 June 2016. The Directors aim to present a clear and understandable assessment of the Group's position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the consolidated financial statements of the Group. The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules, and reports to the regulators.

The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report of this Annual Report.

Internal Controls

The Board is responsible for overseeing the Group's internal control system and reviewing its effectiveness. However, such a system is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Group. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board, through the Audit Committee, conducted an annual review of the effectiveness of the internal control system of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions. The Board is of the view that the internal control system in place for the year ended 30 June 2016 is sufficient to safeguard the interests of the shareholders and the Group's assets.

Auditor's Remuneration

During the year ended 30 June 2016, the remuneration paid or payable to the Company's auditor, Deloitte Touche Tohmatsu is set out below:

Services rendered	**Fee paid or payable** HK$'000
Audit services	1,000
Non-audit services	
— review of interim report and preliminary annual results announcement	200
	1,200

Company Secretary

Ms. Lau Tung Ni is the Company Secretary. All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with the shareholders and management.

Ms. Lau is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. During the year ended 30 June 2016, Ms. Lau undertook over 15 hours of relevant professional training to update her skills and knowledge.

Shareholders' Rights

How Shareholders Can Convene a Special General Meeting

Pursuant to Bye-law 58 of the Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the general meeting, signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders. Such written requisition can be addressed to the Board or the Company Secretary in writing by mail to the Company's registered office in Bermuda and preferably with a copy to its principal office in Hong Kong.

Procedures by which Enquiries may be Put to the Board

Shareholders may, at any time, direct enquiries to the Board. Such enquiries can be addressed to the Board or the Company Secretary in writing by mail to the Company's registered office in Bermuda and preferably with a copy to its principal office in Hong Kong.

Procedures for Putting Forward Proposals at Shareholders' Meetings

For putting forward a proposal at shareholders' meeting, shareholders are requested to follow the requirements and procedures as set out in the Bye-laws and the Act.

According to Sections 79(1) and 79(2) of the Act, shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting of the Company; or (ii) not less than 100 shareholders, can submit a written request stating the resolution intended to be moved at the annual general meeting; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The written request/statements must be signed by the shareholder(s) concerned and deposited at the Company's registered office in Bermuda and preferably with a copy to its principal office in Hong Kong for the attention of the Board or the Company Secretary, not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition with a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the shareholder(s) concerned in accordance with the statutory requirements to all the registered shareholders.

Investor Relations

The Board recognises the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, including interim and annual reports, announcements and circulars.

The Company's general meetings are valuable forum for the Board to communicate directly with the shareholders. Shareholders are encouraged to attend the general meetings of the Company.

During the year ended 30 June 2016, the 2015 AGM was held on 7 December 2015. The attendance of the Directors at the general meeting is set out in the section headed "Board of Directors" of this report.

The forthcoming annual general meeting of the Company will be held on 24 November 2016 (the "**2016 AGM**"). Notice convening the 2016 AGM will be published on the websites of the Stock Exchange and the Company and despatched to shareholders of the Company before 31 October 2016.

Significant Changes in Constitutional Documents

During the year ended 30 June 2016, there were no changes made to the constitutional documents of the Company.

Corporate and Social Responsibility

Environmental Policies and Performance of the Group

The Group is committed to promoting an environmentally conscious work place and places significant emphasis on paper saving, recycling initiatives, minimising electricity consumption and promoting the use of electronic communication and storage. We aim to minimise our environmental impact and to create a more sustainable future for future generations.

Compliance with Relevant Laws and Regulations That Have a Significant Impact on the Group

The Group is highly committed to comply with applicable laws and regulations that govern our businesses from time to time. Being a company listed in Hong Kong, the Company has to comply with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Our money lending business segment is governed by the Money Lenders Ordinance of Hong Kong.

Key Relationships with Stakeholders That Have a Significant Impact on the Group

Investors

An account of the Company's relationship with shareholders can be found in the Corporate Governance Report.

Staff

We believe that our employees are our most valuable asset. We encourage, support and fully fund opportunities for further job and personal development through attendance of external training courses and seminars; and further education. Employee loyalty is a key element to the Group's success. We aim to foster a friendly and safe environment of respect, trust and communication with emphasis placed on staff satisfaction and team work.

Community

The Group believes in making a positive contribution to society through participation in charitable activities. During the year ended 30 June 2016, the Group continued to support the Youth Diabetes Action with ongoing donations.

Deloitte.
德勤

TO THE MEMBERS OF APAC RESOURCES LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of APAC Resources Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 43 to 107, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 September 2016

Consolidated Statement of Profit or Loss

For the year ended 30 June 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue from sales of goods	5	**123,103**	256,372
Cost of sales		**(96,846)**	(248,471)
		26,257	7,901
Other gains and losses	7	**(181,981)**	585,591
Other income	8	**68,966**	84,756
Administrative expenses		**(36,122)**	(30,540)
Finance costs	9	**(135)**	(6,915)
Share of results of associates		**107,310**	(1,491,185)
Loss before taxation	10	**(15,705)**	(850,392)
Income tax (expense) credit	11	**(1,140)**	2,466
Loss for the year attributable to owners of the Company		**(16,845)**	(847,926)
Loss per share (expressed in HK cents)			
— basic	13	**(0.19)**	(13.84)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	2016 HK$'000	2015 HK$'000
Loss for the year	**(16,845)**	(847,926)
Other comprehensive (expense) income, net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of associates	**(32,171)**	(354,808)
Exchange difference arising from translation of other foreign operations	**(5,139)**	44
Reclassification adjustment upon deemed disposal of partial interests in associates	**15,071**	(30)
Fair value gain on available-for-sale investments	**7,067**	—
Share of investment revaluation reserve of associates	**12,034**	1,977
	(3,138)	(352,817)
Total comprehensive expense for the year attributable to owners of the Company	**(19,983)**	(1,200,743)

Consolidated Statement of Financial Position

At 30 June 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**486**	907
Interests in associates	*16*	**1,145,649**	1,035,383
Available-for-sale investments	*17*	**49,492**	42,475
Loan notes	*20*	**31,161**	313,976
Deposits	*21*	**—**	921
		1,226,788	1,393,662
Current assets			
Inventories	*22*	**24,823**	—
Loan notes	*20*	**314,304**	—
Other receivables and deposits	*21*	**15,078**	13,587
Investments held for trading	*23*	**286,881**	194,760
Loans receivable	*19*	**131,899**	223,062
Tax recoverable		**—**	725
Pledged bank deposits	*24*	**79,955**	79,659
Bank balances and cash	*24*	**149,251**	101,308
		1,002,191	613,101
Total assets		**2,228,979**	2,006,763

Consolidated Statement of Financial Position (Continued)

At 30 June 2016

	Notes	2016 HK$'000	2015 HK$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*28*	**919,165**	612,777
Reserves		**291,875**	300,765
Accumulated profits		**997,326**	1,014,171
		2,208,366	1,927,713
Current liabilities			
Trade and other payables	*25*	**19,215**	15,964
Derivative financial instruments	*27*	**—**	3,627
Borrowings	*26*	**—**	56,688
Tax payable		**1,398**	2,771
		20,613	79,050
Total equity and liabilities		**2,228,979**	2,006,763
Net current assets		**981,578**	534,051
Total assets less current liabilities		**2,208,366**	1,927,713

The consolidated financial statements on pages 43 to 107 were approved and authorised for issue by the Board of Directors on 22 September 2016 and are signed on its behalf by:

Arthur George Dew
DIRECTOR

Andrew Ferguson
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 *(note i)*	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus reserve HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000
At 1 July 2014	613,193	2,715,329	(14,980)	29,721	344,405	79,020	—	(637,487)	3,129,201
Loss for the year	—	—	—	—	—	—	—	(847,926)	(847,926)
Other comprehensive income (expense) for the year	—	—	—	1,967	(354,784)	—	—	—	(352,817)
Total comprehensive income (expense) for the year	—	—	—	1,967	(354,784)	—	—	(847,926)	(1,200,743)
Transfer upon reduction of share premium *(note ii)*	—	(2,500,000)	—	—	—	—	2,500,000	—	—
Transfer *(note ii)*	—	—	—	—	—	—	(2,500,000)	2,500,000	—
Shares repurchased and cancelled	(416)	(329)	—	—	—	416	—	(416)	(745)
At 30 June 2015	612,777	215,000	(14,980)	31,688	(10,379)	79,436	—	1,014,171	1,927,713
Loss for the year	—	—	—	—	—	—	—	(16,845)	(16,845)
Other comprehensive income (expense) for the year	—	—	—	15,766	(18,904)	—	—	—	(3,138)
Total comprehensive income (expense) for the year	—	—	—	15,766	(18,904)	—	—	(16,845)	(19,983)
Issue of shares	306,388	—	—	—	—	—	—	—	306,388
Transaction costs attributable to issue of new shares	—	(5,752)	—	—	—	—	—	—	(5,752)
At 30 June 2016	919,165	209,248	(14,980)	47,454	(29,283)	79,436	—	997,326	2,208,366

Notes:

(i) The special reserve represents the difference between the nominal value of aggregate share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued for the acquisition at the time of a group reorganisation in 1998.

(ii) On 30 October 2014, the directors of the Company proposed for the approval of the shareholders of the Company for the reduction of the share premium of the Company amounting of HK$2,500,000,000 and transfer such amount to contributed surplus reserve of the Company. On 3 December 2014, the reduction of share premium was approved by the shareholders at the Company's annual general meeting. On the same date, the directors of the Company resolved to transfer the amount of HK$2,500,000,000 from the contributed surplus reserve to set off the accumulated losses of the Company.

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	(15,705)	(850,392)
Adjustments for:		
Depreciation of property, plant and equipment	421	564
Net (gain) loss on deemed disposal of partial interests in associates	(8,456)	763
Loss on written-off of property, plant and equipment	—	924
Fair value change of investments held for trading	59,440	51,337
Fair value change of financial assets designated at fair value through profit or loss	—	3,504
Impairment losses on financial assets designated at fair value through profit or loss	—	44,467
Fair value change in derivative financial instruments	(3,627)	2,754
Interest income	(56,418)	(81,337)
Interest expenses	135	6,915
Impairment losses on available-for-sale investments	—	24,000
Adjustment to carrying amount of loans receivable	119,583	—
Impairment loss on loans receivable	—	1,610
Impairment loss on interest receivable	—	188
Share of results of associates	(107,310)	1,491,185
Reversal of impairment loss on interest in an associate	—	(735,326)
Impairment losses on interests in associates	30,836	4,048
Exchange difference	(411)	1,910
Operating cash flows before movements in working capital	18,488	(32,886)
(Increase) decrease in inventories	(24,823)	39,798
(Increase) decrease in other receivables	(570)	55,176
Increase (decrease) in trade and other payables	3,251	(59,020)
Increase in investments held for trading	(151,561)	(20,898)
Cash used in operations	(155,215)	(17,830)
Income tax paid	(1,788)	(556)
Net cash used in operating activities	(157,003)	(18,386)

For the year ended 30 June 2016

	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES		
Investment in loan notes	(31,076)	(77,509)
Repayment of loans receivable	—	18,824
Investment in an associate	(46,397)	(4,021)
Investment in financial assets designated at fair value through profit or loss	—	(2,285)
Dividend received from associates	15,995	96,130
Interest received	27,871	70,467
Net cash (used in) from investing activities	(33,607)	101,606
FINANCING ACTIVITIES		
Proceeds from issue of shares	306,388	—
Transaction costs attributable to issue of new shares	(5,752)	—
Payments on repurchase of shares	—	(745)
Interest paid	(135)	(6,915)
New borrowings raised	165,657	371,146
Repayments of borrowings	(222,345)	(440,675)
Net cash from (used in) financing activities	243,813	(77,189)
Net increase in cash and cash equivalents	53,203	6,031
Effect of foreign exchange rate change	(5,260)	501
Cash and cash equivalents at beginning of the year	101,308	94,776
Cash and cash equivalents at end of the year, represented by bank balances and cash	149,251	101,308

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional and presentation currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, there is no new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") effective for the first time.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[3]
Amendments to HKFRS 10 and HKAS 28	Sales or contribution of assets between an investor and its associate or joint venture[5]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers[3]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]
Amendments to HKAS 27	Equity method in separate financial statements[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 7	Disclosure initiative[2]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 cycle[1]
HKFRS 9	Financial instruments[3]
HKFRS 15	Revenue from contracts with customers[3]
HKFRS 16	Leases[4]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2017.
3 Effective for annual periods beginning on or after 1 January 2018.
4 Effective for annual periods beginning on or after 1 January 2019.
5 Effective for annual periods beginning on or after a date to be determined.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets; b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("**FVTOCI**") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets (e.g. the Group's unlisted investment in equity securities that are currently classified as available-for-sale investments may have to be measured at fair value through profit or loss upon the adoption of HKFRS 9). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company will assess the impact on the application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 16 Leases (Continued)

The total operating lease commitment of the Group in respect of leased premises and equipment with terms more than 12 months as at 30 June 2016 amounted to HK$279,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Except for above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the disclosure requirements of the Hong Kong Companies Ordinance ("**CO**").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts, directors' reports, audits and to streamline with HKFRSs and became effective for the Company for the financial year ended 30 June 2016. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 30 June 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 30 June 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. Significant Accounting Policies (Continued)

Basis of preparation (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. For non-financial assets, the Group takes into account the Group's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another parties that would use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payments", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- has exposed, or rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. Significant Accounting Policies (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Acquisition of additional interests in associates

Goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates acquired.

3. Significant Accounting Policies (Continued)

Investments in associates (Continued)

Disposal of partial interests in associates

For disposal of partial interests in an associate that does not result in the Group losing significant influence over the associate, the difference between the carrying amount of the associate attributable to the interests disposed of and its fair value is included in the determination of the gain or loss on the disposal of partial interests. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. Therefore, the proportion of the gain or loss that had previously been recognised in other comprehensive income (i.e. exchange reserve and investment revaluation reserve) relating to that reduction in ownership interest is reclassified to profit or loss as if the associate has disposed of the related assets or liabilities proportionately.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of goods

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3. Significant Accounting Policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal of an interest in an associate that includes a foreign operation or which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before taxation' as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss.

3. Significant Accounting Policies (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("**MPF Scheme**") and local municipal government retirement scheme in the Peoples' Republic of China (the "**PRC**") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Significant Accounting Policies (Continued)

Impairment losses on assets other than financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("**FVTPL**"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases and sales of financial assets are recognised and derecognised on the trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL at initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

In addition, if the Group is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at a subsequent financial reporting date, the entire hybrid contract is designated as at fair value through profit or loss.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and included in the 'other gains and losses' line item of the consolidated statement of profit or loss. Fair value is determined in the manner described in note 33.

For FVTPL financial asset that does not have a quoted market price in an active market and contains embedded derivative that is linked to and will be settled by delivery of unquoted equity instruments in which the fair value cannot be reliably measured, the entire instrument is measured at cost plus accrued contractual interest less any identified impairment losses if the derivative component of such FVTPL financial asset is sufficiently significant to preclude it from obtaining a reliable estimate of the entire financial asset (see the accounting policy in respect of impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on available-for-sale equity investments are recognised in profit or loss. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost on monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables and deposits, loans receivable, loan notes, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of financial asset, the estimated future cash flows of the investment have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liability or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

Financial liabilities including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expires.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The directors of the Company consider share capital and accumulated profits are the capital of the Group. The Group's overall strategy remains unchanged from prior year.

The directors of the Company review the capital structure by taking into account the cost and risk associated with the capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

5. Revenue

	2016 HK$'000	2015 HK$'000
Revenue from trading of commodities	123,103	256,372

6. 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 nature of the Group's businesses and operations. The Group's reportable and operating segments are therefore as follows:

(i) Commodity business (trading of commodities); and

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

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit (loss) by each segment without allocation of central administration costs, directors' salaries, share of results of associates, reversal of impairment loss on interest in an associate, impairment loss on interest in an associate, adjustment to carrying amount of loans receivable, net gain/loss on deemed disposal of partial interests in associates, unallocated corporate income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. Segment Information (Continued)

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

Segment revenue and results

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

For year ended 30 June 2016

	Commodity business HK$'000	Resource investment HK$'000	Total HK$'000
Revenue	123,103	–	123,103
Gross sales proceeds from resource investment	–	71,888	71,888
Segment profit (loss)	26,889	(33,675)	(6,786)
Share of results of associates			107,310
Impairment loss on interest in an associate			(30,836)
Adjustment to carrying amount of loans receivable			(119,583)
Net gain on deemed disposal of partial interests in an associate			8,456
Unallocated corporate income			56,078
Unallocated corporate expenses			(30,209)
Finance costs			(135)
Loss before taxation			(15,705)
Income tax expense			(1,140)
Loss for the year			(16,845)

6. Segment Information (Continued)

Segment revenue and results (Continued)

For year ended 30 June 2015

	Commodity business HK$'000	Resource investment HK$'000	Total HK$'000
Revenue	256,372	—	256,372
Gross sales proceeds from resource investment	—	88,480	88,480
Segment profit (loss)	7,176	(133,286)	(126,110)
Share of results of associates			(1,491,185)
Reversal of impairment loss on interest in an associate			735,326
Impairment loss on interest in an associate			(4,048)
Loss on deemed disposal of partial interests in associates			(763)
Unallocated corporate income			76,631
Unallocated corporate expenses			(33,328)
Finance costs			(6,915)
Loss before taxation			(850,392)
Income tax credit			2,466
Loss for the year			(847,926)

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

6. Segment Information (Continued)

Other segment information

Other segment information included in the consolidated statement of profit or loss for the year ended 30 June 2016 are as follows:

Amounts included in the measure of segment profit or loss or segment assets:

	Commodity business HK$'000	Resource investment HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	1,044	350	55,024	56,418
Fair value change of investments held for trading	–	(44,726)	–	(44,726)

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:

	Commodity business HK$'000	Resource investment HK$'000	Unallocated HK$'000	Total HK$'000
Interests in associates	–	–	1,145,649	1,145,649
Loan notes	–	–	345,465	345,465
Loans receivable	–	–	131,899	131,899
Adjustment to carrying amount of loans receivable	–	–	(119,583)	(119,583)
Share of results of associates	–	–	107,310	107,310
Impairment loss on interest in an associate	–	–	(30,836)	(30,836)
Interest income from loan notes	–	–	26,114	26,114
Interest income from loans receivable	–	–	28,420	28,420

6. Segment Information (Continued)

Other segment information (Continued)

Other segment information included in the consolidated statement of profit or loss for the year ended 30 June 2015 are as follows:

Amounts included in the measure of segment profit or loss or segment assets:

	Commodity business HK$'000	Resource investment HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	988	4,082	76,267	81,337
Fair value change of investments held for trading	—	(61,956)	—	(61,956)
Fair value change of financial assets designated at fair value through profit or loss	—	(3,504)	—	(3,504)
Impairment loss on an available-for-sale investment	—	(24,000)	—	(24,000)
Impairment loss on financial assets designated at fair value through profit or loss	—	(44,467)	—	(44,467)

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:

	Commodity business HK$'000	Resource investment HK$'000	Unallocated HK$'000	Total HK$'000
Interests in associates	—	—	1,035,383	1,035,383
Loan notes	—	—	313,976	313,976
Loans receivable	—	—	223,062	223,062
Share of results of associates	—	—	(1,491,185)	(1,491,185)
Reversal of impairment loss on interest in an associate	—	—	735,326	735,326
Impairment loss on interest in an associate	—	—	(4,048)	(4,048)
Interest income from loan notes	—	—	24,940	24,940
Interest income from loans receivable	—	—	51,287	51,287

6. Segment Information (Continued)

Segment assets and liabilities

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

	2016 HK$'000	2015 HK$'000
Commodity business	203,880	153,055
Resource investment	372,127	261,855
Total segment assets	576,007	414,910
Interests in associates	1,145,649	1,035,383
Loan notes	345,465	313,976
Loans receivable	131,899	223,062
Unallocated	29,959	19,432
Consolidated assets	2,228,979	2,006,763
Commodity business	17,975	2,837
Resource investment	47	66,088
Total segment liabilities	18,022	68,925
Unallocated	2,591	10,125
Consolidated liabilities	20,613	79,050

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.
- borrowings are included under liabilities and are allocated while the finance costs are not allocated to respective operating and reportable segments.

6. Segment Information (Continued)

Geographical information

The Group's revenue from external customers and information about non-current assets (excluding financial instruments) by geographical location of the customers and assets (where the property, plant and equipment are located and where the associates are incorporated/listed) respectively are detailed below.

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Australia	**—**	—	**1,109,348**	998,252
Hong Kong	**86,781**	210,947	**456**	1,442
The PRC	**36,322**	45,425	**36,331**	37,517
	123,103	256,372	**1,146,135**	1,037,211

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total sales of the Group are under segment of commodity business and as follows:

	2016	2015
	HK$'000	HK$'000
Customer A	**62,976**	62,409
Customer B	**N/A[1]**	74,301
Customer C	**N/A[1]**	45,425
Customer D	**N/A[1]**	45,937
Customer E	**N/A[1]**	28,300
Customer F	**23,805**	N/A[1]
Customer G	**21,104**	N/A[1]

1 The transactions with the customer did not contribute over 10% of the total sales of the Group during the relevant year.

7. Other Gains and Losses

	2016 HK$'000	2015 HK$'000
Fair value change of investments held for trading *(note (a))*	**(44,726)**	(61,956)
Fair value change of derivative financial instruments	**3,627**	(2,754)
Fair value change of financial assets designated at fair value through profit or loss *(Note 18)*	**—**	(3,504)
Impairment loss on an available-for-sale investment	**—**	(24,000)
Reversal of impairment loss on interest in an associate	**—**	735,326
Impairment losses on interests in associates	**(30,836)**	(4,048)
Adjustment to carrying amount of loans receivable *(note (b))*	**(119,583)**	—
Impairment loss on loans receivable	**—**	(1,610)
Impairment loss on financial assets designated at fair value through profit or loss	**—**	(44,467)
Net gain (loss) on deemed disposal of partial interests in associates	**8,456**	(763)
Net foreign exchange gain (loss)	**1,081**	(5,521)
Loss on written-off of property, plant and equipment	**—**	(924)
Impairment loss on interest receivable	**—**	(188)
	(181,981)	585,591

Notes:

(a) Net realised gain of HK$14,714,000 (2015: net realised loss of HK$10,619,000) on disposal of investments held for trading are included in fair value change of investments held for trading.

(b) This amount represents the difference between the carrying amount of the Loan Balance (as defined in note 19) and the present value of the estimated future cash flows at an original effective interest rate of 24% per annum after the Group revises the estimate of the time for the Loan Balance to be repaid and the likelihood of effective and timely realisation of the securities. Details of the Loan Balance are set out in note 19.

8. Other Income

	2016 HK$'000	2015 HK$'000
Dividend income from investments held for trading	**11,344**	1,955
Interest income from bank deposits	**1,884**	1,056
Interest income from loan notes	**26,114**	24,940
Interest income from financial assets designated at fair value through profit or loss	**—**	4,054
Interest income from loans receivable	**28,420**	51,287
Others	**1,204**	1,464
	68,966	84,756

9. Finance Costs

	2016 HK$'000	2015 HK$'000
Bank borrowings	—	235
Securities margin financing	135	6,680
	135	6,915

10. Loss Before Taxation

	2016 HK$'000	2015 HK$'000
Loss before taxation has been arrived at after charging:		
Staff costs, including directors' emoluments		
— salaries and allowances	15,823	16,003
— staff quarters	1,104	1,006
— retirement benefits schemes contributions	244	235
Total staff costs	17,171	17,244
Auditor's remuneration	1,000	895
Cost of goods recognised as an expense	96,846	248,471
Depreciation of property, plant and equipment	421	564

11. Income Tax Expense (Credit)

	2016 HK$'000	2015 HK$'000
Current tax		
Hong Kong Profits Tax	1,398	—
PRC Enterprise Income Tax	—	140
	1,398	140
Overprovision in prior periods	(258)	(2,606)
Total income tax expense (credit)	1,140	(2,466)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit. No provision for Hong Kong Profits Tax was made for the year ended 30 June 2015 as the companies of the Group operated in Hong Kong incurred tax losses for the prior year.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The tax expense (credit) for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	2016 HK$'000	2015 HK$'000
Loss before taxation	(15,705)	(850,392)
Tax at Hong Kong profits tax rate of 16.5%	(2,591)	(140,315)
Tax effect of expenses not deductible for tax purpose	35,541	25,918
Tax effect of income not taxable for tax purpose	(15,540)	(135,300)
Tax effect of tax losses not recognised	3,063	3,996
Tax effect of utilisation of tax losses previously not recognised	(1,418)	(173)
Tax effect of share of results of associates	(17,706)	246,046
Overprovision in prior periods	(258)	(2,606)
Effect of different tax rate of subsidiaries operating in other jurisdictions	—	(127)
Others	49	95
Tax expense (credit) for the year in respect of Hong Kong and the PRC	1,140	(2,466)

At 30 June 2016, the Group had unused tax losses of HK$162,242,000 (2015: HK$157,272,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

12. Directors' and Employees' Emoluments

An analysis of emoluments paid and payable to directors of the Company for the years ended 30 June 2016 and 2015 is set out as follows:

Year ended 30 June 2016

	Fee HK$'000	Salaries and allowances HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors				
Ms. Chong Sok Un *(note (b))*	27	800	—	827
Mr. Andrew Ferguson *(note (a))*	—	4,250	18	4,268
Mr. Kong Muk Yin *(note (b))*	240	—	—	240
Mr. Brett Robert Smith *(note (c))*	—	86	8	94
Non-executive directors				
Mr. Lee Seng Hui	167	—	—	167
Mr. So Kwok Hoo	120	—	—	120
Mr. Peter Anthony Curry, alternate director of Mr. Lee Seng Hui *(note (e))*	—	—	—	—
Mr. Arthur George Dew *(note (d))*	63	—	—	63
Mr. Wong Tai Chun, Mark, alternate director of Mr. Arthur George Dew *(note (d))*	—	—	—	—
Independent non-executive directors				
Dr. Wong Wing Kuen, Albert	190	—	—	190
Mr. Chang Chu Fai, Johnson Francis	190	—	—	190
Mr. Robert Moyse Willcocks	190	—	—	190
	1,187	5,136	26	6,349

12. Directors' and Employees' Emoluments (Continued)

Year ended 30 June 2015

	Fee HK$'000	Salaries and allowances HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors				
Ms. Chong Sok Un	40	1,200	—	1,240
Mr. Andrew Ferguson *(note (a))*	—	4,250	18	4,268
Mr. Kong Muk Yin	360	—	—	360
Non-executive directors				
Mr. Lee Seng Hui	190	—	—	190
Mr. So Kwok Hoo	120	—	—	120
Mr. Peter Anthony Curry, alternate director of Mr. Lee Seng Hui	—	—	—	—
Independent non-executive directors				
Dr. Wong Wing Kuen, Albert	190	—	—	190
Mr. Chang Chu Fai, Johnson Francis	190	—	—	190
Mr. Robert Moyse Willcocks	190	—	—	190
	1,280	5,450	18	6,748

Notes:

(a) Mr. Andrew Ferguson is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as chief executive officer.

(b) Ms. Chong Sok Un and Mr. Kong Muk Yin resigned as executive directors on 1 March 2016.

(c) Mr. Brett Robert Smith was appointed as an executive director on 18 May 2016.

(d) Mr. Arthur George Dew was appointed as a non-executive director on 1 March 2016. On the same date, Mr. Wong Tai Chun, Mark was appointed as an alternate director of Mr. Arthur George Dew.

(e) Mr. Peter Anthony Curry resigned as an alternate director of Mr. Lee Seng Hui on 18 May 2016.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 30 June 2016 and 2015.

12. Directors' and Employees' Emoluments (Continued)

No emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 30 June 2016 and 2015.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2015: one) was director of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining four (2015: four) individuals were set out as follows:

	2016 HK$'000	2015 HK$'000
Salaries and allowances	6,600	6,616
Retirement benefits schemes contributions	72	72
	6,672	6,688

Their emoluments were within the following bands:

	2016 No. of employees	2015 No. of employees
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	3	3
	4	4

13. Loss Per Share

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

Loss

Loss for the purpose of calculation of basic loss per share is based on the loss for the year ended 30 June 2016 attributable to owners of the Company of HK$16,845,000 (2015: HK$847,926,000).

Number of shares

	2016	2015
Weighted average number of ordinary shares used in the calculation of basic loss per share	9,091,196,772	6,128,258,072

For the years ended 30 June 2016 and 2015, no separate diluted loss per share information has been presented as there was no potential ordinary shares outstanding.

14. Dividends

No dividend was paid or proposed during the year ended 30 June 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

15. Property, Plant and Equipment

	Leasehold improvements, furniture and fixtures HK$'000	Office equipment HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 July 2014	3,233	193	1,691	1,789	6,906
Written-off	(803)	(86)	(402)	—	(1,291)
At 30 June 2015 and 2016	2,430	107	1,289	1,789	5,615
DEPRECIATION					
At 1 July 2014	1,749	116	1,006	1,640	4,511
Charge for the year	228	18	205	113	564
Eliminated on written-off	(183)	(48)	(136)	—	(367)
At 30 June 2015	1,794	86	1,075	1,753	4,708
Charge for the year	224	16	176	5	421
At 30 June 2016	2,018	102	1,251	1,758	5,129
CARRYING AMOUNTS					
At 30 June 2016	412	5	38	31	486
At 30 June 2015	636	21	214	36	907

The above items of property, plant and equipment are depreciated on a straight-line basis over the following years per annum:

Leasehold improvements, furniture and fixtures	Over the lease terms
Office equipment	5 years
Computers	5 years
Motor vehicles	5 years

16. Interests in Associates

	2016 HK$'000	2015 HK$'000
Cost of investments in associates		
— Listed in Australia	**2,269,736**	2,223,339
— Unlisted	**54,708**	54,708
Share of post-acquisition results and other comprehensive income, net of dividends received	**(573,327)**	(648,775)
Impairment losses recognised	**(605,468)**	(593,889)
	1,145,649	1,035,383
Fair value of listed investments	**1,283,319**	1,161,014

Details of the Group's associates at 30 June 2016 and 2015 are set out as follows:

Name of entity	Listed/ unlisted	Country of incorporation/ establishment and operation	Class of shares held	Proportion of ownership interest and voting power held 2016	2015	Principal activities
平港 (上海) 貿易有限公司	Unlisted	The PRC	N/A	**40%**	40%	Wholesales, import and export, agency service and relevant service for coal, coke, material for metallurgy, mineral products, chemical engineering products, mechanical and electrical equipment and spare parts, steel and steel products, construction material and related products and technology.
Mount Gibson Iron Limited ("**MGX**") *(note (a))*	Listed	Australia	Ordinary	**29.67%**	26.61%	Mining of direct shipping hematite iron ore from two mines in Western Australia-Extension Hill and Koolan Island.
Metals X Limited ("**MLX**") *(note (b))*	Listed	Australia	Ordinary	**20.72%**	23.89%	Mining of gold from the Higginsville and South Kalgoorlie gold projects and tin from the Renison tin mine; developing the Central Murchison Gold Project, Fortnum Gold Project and Rover Gold Project; and exploration of the Wingellina Nickel Project.
Alufer Mining Limited ("**Alufer**")	Unlisted	Bailiwick of Guernsey	Ordinary	**25.83%**	25.83%	Mineral exploration and development of bauxite in the Republic of Guinea.

16. Interests in Associates (Continued)

Notes:

(a) During the year ended 30 June 2016, the Group's shareholdings in MGX increased from 26.61% to 29.67% (2015: 26.61%) as the Group acquired additional 33,562,406 shares of MGX by an aggregate consideration of approximately HK$46,397,000 (2015: nil). During the year ended 30 June 2015, the Group's shareholdings in MGX is diluted as MGX issued a total number of 220,853 new shares and thus, a net loss on deemed disposal of partial interests of HK$451,000 was recognised in profit or loss.

(b) During the year ended 30 June 2016, the Group's shareholdings in MLX decreased from 23.89% to 20.72% (2015: 24.02% to 23.89%) as a result of issuance of 63,674,361 new shares by MLX and thus, a net gain on deemed disposal of partial interests of HK$8,456,000 (2015: a net loss on deemed disposal of partial interests of HK$312,000) was recognised in profit or loss.

Impairment assessment for the year ended 30 June 2016

At 30 June 2016, management of the Group carried out review on impairment on the carrying amount of its interest in MGX by comparing its recoverable amount (higher of the value in use and fair value less cost of disposal) with its carrying amount. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to arise from the operations of MGX and from the ultimate disposal of its interest in MGX, by using a discount rate of 10% (2015: 11%) to discount the cash flow projection to the net present value. The fair value of MGX was determined based on the closing price at the end of each reporting period. At 30 June 2016, the recoverable amount of the Group's interest in MGX which represented the fair value less cost of disposal was lower than its carrying amount (2015: fair value less cost of disposal was higher than its carrying amount), accordingly, impairment loss of HK$30,836,000 (2015: reversal of impairment loss of HK$735,326,000) was recognised in profit or loss during the year.

Due to the insolvent financial position and uncertainty of Alufer in raising new funds to continue with the exploration of its projects, the directors of the Company determined to recognise an impairment loss of HK$4,048,000 during the year ended 30 June 2015. The Group's investment in this associate was fully impaired.

The summarised consolidated financial information in respect of each of the Group's material associates is set out below.

16. Interests in Associates (Continued)

MGX

	2016 HK$'000	2015 HK$'000
Non-current assets	50,352	224,316
Current assets	2,670,896	2,228,307
Current liabilities	(244,396)	(394,012)
Non-current liabilities	(219,894)	(236,717)
Net assets	2,256,958	1,821,894
Revenue	1,381,592	2,015,149
Profit (loss) for the year	494,791	(5,922,694)
Other comprehensive expense for the year	(59,727)	(1,213,365)
Total comprehensive income (expense) for the year	435,064	(7,136,059)
Dividend paid by MGX	–	260,142
Group's share of profit (loss) of MGX for the year	134,129	(1,553,463)
Group's share of other comprehensive expense of MGX for the year	(16,191)	(335,285)
Exchange differences in goodwill and accumulated impairment included in interest in MGX	5,148	116,244
Total	123,086	(1,772,504)
Dividend paid by MGX attributable to the Group	–	78,911

Reconciliation of the above summarised consolidated financial information to the carrying amount of MGX recognised in the consolidated financial statements:

	2016 HK$'000	2015 HK$'000
Net assets of MGX attributable to owners of MGX	2,256,958	1,821,894
Proportion of the Group's ownership interest in MGX	29.67%	26.61%
	669,639	484,806
Goodwill	390,359	424,966
Impairment loss recognised	(575,230)	(563,651)
Carrying amount of the Group's interest in MGX	484,768	346,121

16. Interests in Associates (Continued)

MLX

	2016 HK$'000	2015 HK$'000
Non-current assets	2,795,740	942,546
Current assets	653,526	1,963,054
Current liabilities	(583,520)	(376,960)
Non-current liabilities	(591,646)	(464,127)
Net assets	2,274,100	2,064,513
Revenue	1,987,743	2,048,589
(Loss) profit for the year	(126,717)	266,099
Other comprehensive expense for the year	(12,729)	(414,429)
Total comprehensive expense for the year	(139,446)	(148,330)
Dividend paid by MLX	66,927	73,034
Group's share of (loss) profit of MLX for the year	(28,431)	62,143
Group's share of other comprehensive expense of MLX for the year	(1,226)	(98,089)
Exchange difference on goodwill included in interest in MLX	(5,426)	(35,748)
Total	(35,083)	(71,694)
Dividend paid by MLX attributable to the Group	15,995	17,219

Reconciliation of the above summarised consolidated financial information to the carrying amount of MLX recognised in the consolidated financial statements:

	2016 HK$'000	2015 HK$'000
Net assets of MLX attributable to owners of MLX	2,274,100	2,064,513
Proportion of the Group's ownership interest in MLX	20.72%	23.89%
	471,194	493,319
Goodwill	153,386	158,812
Carrying amount of the Group's interest in MLX	624,580	652,131

16. Interests in Associates (Continued)

Aggregate information of associates that are not individually material

	2016 HK$'000	2015 HK$'000
The Group's share of profit	1,612	135
The Group's share of other comprehensive (expenses) income	(2,442)	20
The Group's share of total comprehensive (expenses) income	(830)	155
Aggregate carrying amount of the Group's interests in these associates	36,301	37,131

17. Available-For-Sale Investments

	2016 HK$'000	2015 HK$'000
Unlisted investments:		
Unlisted equity securities, at cost *(note (a))*	37,501	37,551
Less: impairment losses recognised	(35,214)	(35,214)
	2,287	2,337
Unlisted equity securities, at fair value *(note (b))*	47,205	40,138
	49,492	42,475

Notes:

(a) These unlisted equity investments represent investments in unlisted equity securities issued by five (2015: five) private entities incorporated in the British Virgin Islands, the United Kingdom, the United States of America and Australia (2015: the British Virgin Islands, the United Kingdom, the United States of America and Australia). They are measured at cost less impairment at the end of the reporting period because of the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that fair values cannot be reliably measured.

(b) During the year ended 30 June 2015, the Group acquired 7% equity interest in an entity incorporated in the British Virgin Islands through the settlement arrangement of unlisted convertible bonds which were matured on 4 June 2015. Pursuant to the settlement agreement entered into between the Group, the bond issuer and an independent third party (the "**Party A**") dated 19 June 2015 and the sale and purchase agreement entered into between the Group and the Party A dated 19 June 2015, in lieu of the cash payment of the principal of this bond together with accrued interest amounting to approximately US$10,620,000 (equivalent to approximately HK$82,320,000) to the Group, the Party A transferred 7% equity interest of a private company (the "**Target Company**") to the Group as settlement of the principal of this bond together with accrued interest. The principal activity of the Target Company is its holding of 100% interest in a property development project in the PRC. The directors of the Company designated its investment in the Target Company as an available-for-sale investment.

The difference of HK$42,182,000 between the fair value of 7% equity interest in the Target Company of HK$40,138,000 and the carrying amount of the unlisted convertible bonds and related interest receivable in aggregate of HK$82,320,000 are then charged to the profit or loss as impairment loss on financial assets designated at fair value through profit or loss during the year ended 30 June 2015.

The investment is carried at fair value. Details of the fair value measurement of this investment are disclosed in note 33.

17. Available-For-Sale Investments (Continued)

Notes: (Continued)

(b) (Continued)

At 30 June 2016, the fair value of this available-for-sale investment increased by HK$7,067,000 (2015: nil) and it was recognised in other comprehensive expense and accumulated in the investment revaluation reserve.

The fair value measurement was carried out by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not connected to the Group.

18. Financial Assets Designated at Fair Value Through Profit or Loss

During the year ended 30 June 2015, an issuer of the convertible bonds listed in the United Kingdom ("**Bond A**") did not make interest payment due in April 2015 and received an order of protection pursuant to the Companies Creditors Arrangement Act ("**CCAA**"), Canada. A monitor was appointed to pursue a process for the solicitation in the Bond A Issuer's business, property and assets pursuant to the CCAA. Thus, the carrying value of this investment was nil at 30 June 2015 and the change in fair value of HK$3,504,000 was recognised in profit or loss during the year ended 30 June 2015. During the year ended 30 June 2016, the solicitation process against the Bond A Issuer's business, property and assets are still undergoing. Major terms of this listed investments are as follows:

Date of maturity *(note)*	6 April 2017
Coupon rate per annum (payable semi-annually)	8%
Conversion period	5 August 2012 to 6 April 2017
Conversion price	US$0.665
Face value	US$1,000,000

Note: To the extent not previously repurchased and cancelled, repaid or converted by the date of maturity, each bond shall be redeemed at its principal amount in cash.

The unlisted convertible bonds invested by the Group in prior years were issued by Alufer amounting to HK$11,317,000 ("**Alufer Bonds**") at 30 June 2015. For the convertible bonds which contain embedded derivatives that are linked to and will be settled by delivery of unquoted equity instruments in which the fair value cannot be reliably measured, and the directors of the Company are of the opinion that the conversion option component of these hybrid instruments may be sufficiently significant to preclude them from obtaining a reliable estimate of the entire instrument, they are measured at cost plus accrued contractual interest less impairment at the end of the reporting period.

18. Financial Assets Designated at Fair Value Through Profit or Loss (Continued)

The followings are the major terms of the unlisted investments in Alufer Bonds:

Date of maturity	30 September 2016
Coupon rate per annum	6%
Conversion period	From subscription dates to 30 September 2016
Conversion price	Principal amount thereon can be converted into ordinary shares at the same issue or sale price upon either of: (a) A 'Qualifying Financing' event, which means the issuance or sale by Alufer, in a single round of financing, of at least US$3,000,000 worth of ordinary shares in aggregate following the date of the issuance of the Alufer Bonds; or (b) An 'Admission', which means the successful admission of listing of the ordinary shares of Alufer on the AIM Market of the London Stock Exchange or any other recognised investment exchange.
Face value	US$1,453,000

Due to the insolvent financial position and the uncertainty of Alufer in raising new funds to continue with the exploration of its project, the directors of the Company determined to recognise a further impairment loss HK$2,285,000 on the bond for the year ended 30 June 2015 and such that the bond was fully impaired.

19. Loans Receivable

	2016 HK$'000	2015 HK$'000
Carrying amount of fixed-rate loan	131,899	223,062

The loan receivable of HK$218,320,000 (the "**Loan**") granted to a borrower (the "**Borrower**"), an investment holding company of a property developer in the PRC, bears fixed-rate interest of 24% per annum and matured on 28 January 2016 in accordance with the second supplemental loan agreement dated 30 April 2015. Pursuant to the terms of the Loan, the Loan is guaranteed by the sole shareholder of the Borrower and the key security against the Loan is an assignment of a loan due by an investee (the "**PRC CoB**") to a wholly-owned subsidiary of the Borrower incorporated in the PRC (the "**PRC CoA**").

19. Loans Receivable (Continued)

The Loan, together with the accumulated interest receivable up to 28 January 2016 of HK$33,162,000 (collectively referred to as the "**Loan Balance**"), was overdue at 30 June 2016. In addition, the Borrower has requested for extension of settlement from time to time and now up to 28 November 2016. Taking into account of the default in repayment by the Borrower as well as the suspension of development works of a property development project and the related pre-sale activities by the PRC CoB, the directors of the Company re-assessed the expected time of the repayment of the Loan Balance by the Borrower taking into account of the amounts from, and estimated timing of, realisation of the securities.

As a result, there is an adjustment of HK$119,583,000 to reduce the carrying amount of the Loan Balance to its estimated recoverable amount at an original effective interest rate of 24% per annum.

20. Loan Notes

On 26 November 2013, the Group subscribed loan notes from Mulpha SPV Limited ("**Mulpha**"), a limited liability company incorporated in Malaysia, with a nominal value of US$30,000,000 which bear 8.5% coupon interest per annum and will mature on 26 November 2016 (the "**Mulpha Notes 1**"). On 5 September 2014, the Group subscribed another loan notes from Mulpha with a nominal value of US$10,000,000 which bear 8.0% coupon interest per annum and will mature on 5 September 2016 (the "**Mulpha Notes 2**").

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.

On 15 July 2016, the Mulpha Notes 1, together with the accrued unpaid interest, has been early redeemed by Mulpha.

On 5 September 2016, the Mulpha Notes 2, together with the accrued unpaid interest, has been redeemed by Mulpha.

On 24 May 2016, the Group subscribed loan notes with a nominal value of US$4,000,000 which bear 4.75% coupon interest per annum and will mature on 31 May 2021 from Sun Hung Kai & Co. (BVI) Limited ("**SHK BVI**"), a limited liability company incorporated in the British Virgin Islands.

These loan notes are guaranteed by Sun Hung Kai & Co. Limited, a limited liability company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange. These loan notes can be early redeemed by SHK BVI 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 SHK BVI is closely related to the host debt and is therefore not separately accounted for.

20. Loan Notes (Continued)

The movement of loan notes during the year is set out as follows:

	HK$'000
At 1 July 2014	235,934
Investment in loan notes	77,509
Interest income	24,940
Interest received	(22,867)
Exchange difference	(1,540)
At 30 June 2015	313,976
Investment in loan notes	31,076
Interest income	26,114
Interest received	(25,991)
Exchange difference	290
At 30 June 2016	345,465

	2016 HK$'000	2015 HK$'000
The carrying amount of the loan notes presented as:		
— Current assets	314,304	—
— Non-current assets	31,161	313,976
	345,465	313,976

21. Other Receivables and Deposits

	2016 HK$'000	2015 HK$'000
Other deposits and prepayments	5,030	14,508
Receivable from brokers	10,048	—
	15,078	14,508
Presented as non-current assets	—	921
Presented as current assets	15,078	13,587
	15,078	14,508

22. Inventories

	2016 HK$'000	2015 HK$'000
Iron ores, at cost	5,648	—
Goods in transit, at cost	19,175	—
	24,823	—

23. Investments Held for Trading

	2016 HK$'000	2015 HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	189,802	60,388
— Equity securities listed in the United Kingdom	6,194	9,353
— Equity securities listed in Australia	82,700	121,262
— Equity securities listed in Canada	8,185	3,757
	286,881	194,760

At 30 June 2016 and 2015, in the opinion of directors of the Company, particulars of the Group's significant investments included in investments held for trading are set out as follows:

Name of company	Country of incorporation	Class of shares	Issued and fully paid share capital	Number of shares issued	Number of shares held by the Group	Percentage of issued share capital held by the Group
ABM Resources NL ("**ABM**")	Australia	Ordinary	Australian dollars ("**AUD**") 166,259,494 (2015: AUD164,733,001)	375,157,803 (2015: 343,287,553)	50,872,194 (2015: 50,872,194)	13.56% (2015: 14.82%)

The Group has less than one-fifth of the voting power of ABM and has the intention to hold it for trading. Subsequent to the Group's acquisition of ABM, ABM invited and appointed Mr. Andrew Ferguson (Chief Executive Officer and an executive director of the Company) to the board of directors of ABM as a non-executive director. On 9 May 2016, Mr. Andrew Ferguson stepped down as ABM's non-executive director and his vacancy was replaced by Mr. Brett Robert Smith who is also the Company's executive director. As the Group does not have any right to appoint directors to the board of directors of ABM either at the acquisition date or at the end of the reporting period, and the appointment of Mr. Andrew Ferguson or Mr. Brett Robert Smith is solely at the discretion of the nomination committee of ABM due to their industry experience, ABM has not been regarded as an associate of the Group despite appointment of Mr. Andrew Ferguson or Mr. Brett Robert Smith by ABM.

24. Pledged Bank Deposits and Bank Balances and Cash

Cash at banks earns interest at floating rates based on daily bank deposit rates, ranging from 0.01% to 1.90% (2015: 0.01% to 1.15%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure the Group's trade and banking facilities and carry variable interest rates ranging from 0.16% to 0.39% (2015:0.18%) per annum.

25. Trade and Other Payables

	2016 HK$'000	2015 HK$'000
Trade payables	16,425	—
Other payables	2,790	15,964
	19,215	15,964

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

	2016 HK$'000	2015 HK$'000
0 to 90 days	16,425	—

26. Borrowings

	2016 HK$'000	2015 HK$'000
Securities margin loans	—	56,688

The loans represented securities margin financing received from a securities broker. Additional funds or collateral are required if the balance of the borrowings exceeds the eligible margin value of securities pledged to the broker. When the Group is unable to repay securities margin loans on demand, the collateral can be sold at the broker's discretion to settle any outstanding borrowings owed by the Group. The entire loans were secured by the Group's interests in associates as disclosed in note 31, repayable on demand and bearing variable interest with an average rate of 6.25% per annum. The securities margin loans were denominated in HK$. Securities margin loans are fully settled during the year ended 30 June 2016.

27. Derivative Financial Instruments

	2016 HK$'000	2015 HK$'000
Gross-settled option contracts linked with equity securities	—	3,627

The amount represented the fair value of gross-settled option contracts linked with equity securities listed in Hong Kong. The Group shall acquire equity securities at a contracted price if the spot price is between the cap and the contracted price. Where the spot price is higher than the cap, the contracts will then be terminated at no cost. Where the spot price is lower than the contracted price, the Group shall acquire the equity securities at the contracted price and based on the contracted quantity multiplied by two. These contracts are settled monthly throughout the contract term. At 30 June 2016, the Group did not enter into any such contracts.

28. Share Capital

Authorised and issued share capital

	2016 Number of shares	2016 Amount HK$'000	2015 Number of shares	2015 Amount HK$'000
Ordinary shares of HK$0.10 each				
Authorised	20,000,000,000	2,000,000	20,000,000,000	2,000,000
Issued and fully paid:				
At beginning of the year	6,127,767,990	612,777	6,131,927,990	613,193
Shares repurchased and cancelled *(note (a))*	—	—	(4,160,000)	(416)
Issue of shares *(note (b))*	3,063,883,995	306,388	—	—
At end of the year	9,191,651,985	919,165	6,127,767,990	612,777

Notes:

(a) Repurchase of shares

During the year ended 30 June 2015, the Company repurchased its own shares through the Stock Exchange for cancellation as follows:

Month of cancellation	Number of ordinary shares of HK$0.10 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate amount paid HK$'000
August 2014	4,160,000	0.180	0.173	745

The repurchase of the Company's shares during the year ended 30 June 2015 were effected by the directors of the Company, pursuant to the mandate from the shareholders, with a view to benefit shareholders as a whole by enhancing the net asset value per share of the Group.

The premium payable on repurchase of the shares of approximately HK$329,000 was charged to the share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from the accumulated profits/losses to the capital redemption reserve.

28. Share Capital (Continued)

Authorised and issued share capital (Continued)

Notes: (Continued)

(b) Issue of shares

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.

The transaction costs in relation to issue of shares of approximately HK$5,752,000 was debited to equity under share premium account during the year ended 30 June 2016.

29. Commitments

Operating lease — The Group as lessee

	2016 HK$'000	2015 HK$'000
Minimum lease payments under operating leases in respect of rented premises and equipment during the year	4,332	4,275

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and equipment, which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	3,608	3,274
After one year but not more than five years	279	2,457
	3,887	5,731

Operating lease payments represent rental payable by the Group for its office premises, car parking space, director's quarters and a photocopying machine. Leases are negotiated for the terms of between six months to five years.

30. Related Party Transactions

(a) During the year, the Group entered into the following material related party transactions.

	2016 HK$'000	2015 HK$'000
Subsidiaries of an associate, MGX		
Purchase of commodities	80,052	181,324

	2016 HK$'000	2015 HK$'000
Other receivable	–	768

(b) In November 2008, the Group entered into certain commodity forward contracts with MGX to purchase iron ores from MGX representing approximately 20% of total production of the remaining mines lives of the two relevant mines in Australia for which the forward price was determined with reference to the Hamersley Benchmark Iron Ore Prices. In November 2010, the commodity forward contracts were revised as the Hamersley Benchmark Iron Ore Prices were no longer available in the market and the iron ore forward price was then revised to be determined with reference to Platts Iron Ore Price, less operating adjustments and market commission.

(c) Compensation of key management personnel

The remuneration of key management who are directors and members of the senior management of the Group during the year is set out as follows:

	2016 HK$'000	2015 HK$'000
Short-term employee benefits	8,104	8,511
Post-employment benefits	44	36
	8,148	8,547

The remuneration of key management is determined by the remuneration committee having regard to the position, experience, qualification and performance of the individuals and market trends.

30. Related Party Transactions (Continued)

(d) Compensation of senior management personnel

Included in the key management personnel of the Group are three (2015: two) senior management personnel of which two (2015: one) are also directors of the Company. An analysis of remuneration paid and payable to the senior management personnel of the Group during the year is set out as follows:

	2016 HK$'000	2015 HK$'000
Short-term employee benefits	6,117	6,031
Post-employment benefits	44	36
	6,161	6,067

Their emoluments were within the following bands:

	2016 No. of employees	2015 No. of employees
Nil to HK$1,000,000	1	—
HK$1,000,001 to HK$2,000,000	1	1
HK$4,000,001 to HK$5,000,000	1	1

31. Pledge of Assets

At the end of reporting period, the following assets of the Group were pledged to a bank (2015: a bank and a securities broker) to secure credit facilities.

	2016 HK$'000	2015 HK$'000
Interests in associates	—	606,106
Pledged bank deposits	79,955	79,659
	79,955	685,765

32. Retirement Benefits Scheme

The Group operates a MPF Scheme for all qualifying employees of its Hong Kong incorporated subsidiaries. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributed 5% of the relevant payroll costs to the scheme. The Group's contributions to each employee are subject to a cap of monthly relevant payroll cost of HK$30,000 (2015: HK$30,000).

In addition, the Group's contributions to local municipal government retirement scheme in the PRC are expensed as they fall due at the rates specified in the rules of the scheme while the local municipal government in the PRC undertakes to assume the retirement benefit obligations of all existing and future retirees of the qualified staff in the PRC.

The total cost charged to profit or loss of HK$244,000 (2015: HK$235,000) represents contributions payable to the schemes by the Group at rates specified in the rules of the respective schemes.

33. Financial Instruments

Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Investments held for trading	286,881	194,760
Available-for-sale investments	49,492	42,475
Loans and receivables (including cash and cash equivalents)	719,530	725,131
Financial liabilities		
Amortised cost	19,185	71,603
Derivative financial instruments	—	3,627

Financial risk management objectives

The Group's major financial instruments include investments held for trading, available-for-sale investments, other receivables, deposits, loans receivable, loan notes, pledged bank deposits, bank balances and cash, trade and other payables, derivative financial instruments and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

33. Financial Instruments (Continued)

Market risk

Foreign currency risk

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group has trading activities denominated in United States dollars ("**USD**") and with pledged bank deposits of USD10,000,000 at 30 June 2016 and 2015 to secure trade finance facilities. As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rate.

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period mainly included pledged bank deposits, bank balances, other receivables and trade and other payables are as follows:

	Assets		Liabilities	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
USD	**119,349**	82,235	**16,562**	—
AUD	**11,367**	12,978	**—**	—

Sensitivity analysis

As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rates and thus USD is not included in sensitivity analysis.

The following table details the Group's sensitivity to a 10% (2015: 10%) increase and decrease in HK$ against AUD and all other variables were held constant. 10% (2015: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only AUD denominated monetary items and adjusts its translation at the year end for a 10% (2015: 10%) change in foreign currencies rates. A positive number below indicates a decrease in post-tax loss for the year where AUD strengthen 10% (2015: 10%) against HK$. For a 10% (2015: 10%) weakening of AUD against HK$ there would be an equal and opposite impact on the post-tax loss for the year.

	AUD Impact	
	2016 HK$'000	2015 HK$'000
Decrease in post-tax loss for the year	**949**	1,084

33. Financial Instruments (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits at 30 June 2016 (2015: variable-rate borrowings and bank deposits) (see note 24 for details of bank balances and note 26 for details of borrowings). The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivable and fixed-rate loan notes at 30 June 2016 and 2015. The Group currently does not have any interest rate hedging policy. The directors of the Company monitor the interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

No interest rate sensitivity is disclosed as in the opinion of the directors of the Company, the interest rate sensitivity does not give additional value in view of insignificant exposure of interest bearing bank balances and borrowings as at the end of the reporting period.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note.

Other price risk

Foreign currency price risk

The Group is engaged in equity securities trading and investments which are denominated in foreign currencies and is therefore exposed to foreign currency price risk. Approximately 43% (2015: 75%) of the Group's equity investments, including investments held for trading and available-for-sale investments, are denominated in currencies other than the functional currency of the group entities.

The carrying amounts of the Group's foreign currency denominated investments held for trading and available-for-sale investments at the end of the reporting period are set out as follows:

	Assets	
	2016 **HK$'000**	2015 HK$'000
USD	**52,870**	46,134
AUD	**84,140**	122,752
Pound sterling ("**GBP**")	**1,302**	4,130
Canadian dollars ("**CAD**")	**8,185**	3,757

The Group is also exposed to foreign currency price risk through equity securities held by an associate of the Group. The equity securities held by this associate are mainly denominated in AUD.

33. Financial Instruments (Continued)

Market risk (Continued)

Other price risk (Continued)

Foreign currency price risk (Continued)

Sensitivity analysis

No sensitivity analysis or equity price risk has presented in relation to unlisted equity investment classified as available-for-sale investments, which measured at cost less impairment, because the range of reasonable fair value estimates is significant that directors of the Company are of opinion that fair value cannot be measured reliably.

The following table details the Group's sensitivity to a 10% (2015: 10%) increase and decrease in HK$ against foreign currencies and all other variables were held constant. USD is not included in sensitivity analysis, as HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rate. 10% (2015: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates a decrease in post-tax loss for the year where foreign currencies strengthen 10% (2015: 10%) against HK$. For a 10% (2015: 10%) weakening of foreign currencies against HK$ there would be an equal and opposite impact on the post-tax loss for the year.

	2016 HK$'000	2015 HK$'000
Decrease in post-tax loss for the year	8,730	12,393

Equity price risk

The Group is exposed to equity price risk through its investments, including available-for-sale investments, investments held for trading and derivative financial instruments. Management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

The sensitivity analyses below have been determined based on the listed investments' exposure to price risk at the end of the reporting period. If equity price (in the relevant currencies in which the investments are denominated) had been 30% higher/lower (2015: 30% higher/lower):

- post-tax loss for the year ended 30 June 2016 would decrease/increase by HK$71,864,000 (2015: HK$48,787,000). This is mainly due to the changes in fair value of investments in held for trading;

- investment revaluation reserve for the year ended 30 June 2016 would increase/decrease by HK$14,162,000 (2015: HK$12,041,000) as a result of changes in fair value of unlisted available-for-sale investments of HK$47,205,000 (2015: HK$40,138,000); and

- post-tax loss for the year ended 30 June 2015 would decrease/increase by HK$909,000 as a result of the changes in fair value of derivative instruments.

33. Financial Instruments (Continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At 30 June 2016, the Group had concentration risk on pledged bank deposits of HK$79,955,000 (2015: HK$79,659,000) in a bank in Hong Kong and bank balance of HK$55,712,000 (2015: HK$69,485,000) in a PRC bank.

At 30 June 2015, the Group also had concentration of credit risk in respect of loans receivable of HK$223,062,000. Taking into consideration of the guarantee obtained from the sole shareholder of the Borrower and securities which include an assignment of a loan due by the PRC CoB to the PRC CoA, a floating charge on the assets of the Borrower, mortgage of shares of the Borrower and the PRC CoA, mortgage of a parcel of land and properties held by the PRC CoA and the pre-sale agreement in relation to certain properties signed between the Group and the PRC CoB and the financial information of the counterparty, there was no impairment recognised during the year ended 30 June 2015. In the opinion of the directors of the Company, the credit risk in respect of the carrying amount of the loans receivable was low for the year ended 30 June 2015. However, during the year ended 30 June 2016, the directors of the Company considered that the credit risk in respect of the carrying amount of loans receivable of HK$251,482,000 was high and the carrying amount of the loans receivable was adjusted to reflect management's revised estimate of the time for it to be repaid. Details about the impairment assessment on the loans receivable are set out in note 19.

Moreover, there is a concentration of credit risk in respect of loan notes of HK$345,465,000 (2015: HK$313,976,000) at 30 June 2016. Management of the Group reviewed the public announcements and financial information of the counterparty as well as subsequent settlement in order to assess their credit quality. In this regard, the directors of the Company considered that the Group's credit risk was significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

The Group had available unutilised trade finance facilities of HK$149,332,000 (2015: HK$154,964,000) at 30 June 2016 and margin facilities of HK$496,312,000 at 30 June 2015.

33. Financial Instruments (Continued)

Liquidity risk (Continued)

Liquidity tables

For derivative financial instruments at 30 June 2015, the Group had approximately HK$38,390,000 contractual cash outflow in return with listed securities within 1 year. The nature of the derivative financial instruments is disclosed in note 27.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Such non-derivative financial liabilities outstanding at the end of the reporting period are considered as if outstanding for the whole period. The table includes both interest and principal cash flows.

At 30 June 2016

	Weighted average interest rate %	Repayable on demand HK$'000	Within one year HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	—	—	19,185	19,185	19,185

At 30 June 2015

	Weighted average interest rate %	Repayable on demand HK$'000	Within one year HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	—	—	14,915	14,915	14,915
Securities margin loans	Prime rate plus spread	56,688	—	56,688	56,688
		56,688	14,915	71,603	71,603

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

33. Financial Instruments (Continued)

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 30.6.2016	Fair value as at 30.6.2015	Fair value hierarchy	Valuation technique(s) and key input(s)
Investments held for trading	Listed equity securities — HK$286,881,000	Listed equity securities — HK$194,760,000	Level 1	Quoted bid prices in active markets
Available-for-sale investments	Unlisted investment — HK$47,205,000	Unlisted investment — HK$40,138,000	Level 3	Asset approach (key input: financial position of the investee with adjusted fair value of properties under development for sale *(Note)* and lack of control and marketability discount of 20%).
Derivative financial instruments	Nil	Liabilities — HK$3,627,000	Level 3	Quoted from financial institutions

Note: The fair value of properties under development for sale is based on residual approach with key inputs of market unit prices with expected profit margin of 10%.

There were no transfers between Level 1 and 2 during both years.

33. Financial Instruments (Continued)

Fair value measurements of financial instruments (Continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Available-for-sale investments HK$'000	Derivative financial instruments HK$'000	Total HK$'000
At 1 July 2014	—	873	873
Realised during the year	—	(873)	(873)
Unrealised loss in profit or loss	—	3,627	3,627
Acquisition	40,138	—	40,138
At 30 June 2015	40,138	3,627	43,765
Realised during the year	—	(3,627)	(3,627)
Fair value changes recognised in other comprehensive expense	7,067	—	7,067
At 30 June 2016	47,205	—	47,205

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis and considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

Fair value measurement and valuation process

The chief financial officer of the Company is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available or bases on the quotes by the financial institutions on derivative financial instruments.

34. Offsetting Financial Assets and Financial Liabilities

The Group does not have any financial assets and financial liabilities that:

— are offset in the Group's consolidated statement of financial position; or

— are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statements of financial position.

The Group entered into International Swaps and Derivatives Master Agreements ("**ISDA**") in respect of its dealings in derivatives.

35. Critical Accounting Judgement and Key Source of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical judgments

The following is the critical judgment, apart from those involving estimation (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Commodity forward contracts

The Group has entered into certain commodity forward contracts with MGX to purchase iron ores for which the forward price was based on the respective lump and fines Platts Iron Ore Price in which the Group is required to take physical delivery and has no history for similar contracts of settling net in cash or of taking delivery of the iron ores and selling them within a short period after delivery for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. The directors of the Company considered that the commodity forward contracts were entered into and continue to be held for with the purpose of the receipt of the iron ores in accordance with the Group's expected purchase. Accordingly, the commodity forward contracts are considered as executory contracts and are not within the scope of HKAS 39 "financial instruments: recognition and measurement". Details of these contracts are set out in note 30(b).

Key source of estimation uncertainty

The following is the key assumption concerning the key source of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amount of interests in associates within the next financial year.

35. Critical Accounting Judgement and Key Source of Estimation Uncertainty (Continued)

Key source of estimation uncertainty (Continued)

Impairment of interests in associates

Determining whether interests in associates are impaired requires an estimation of the recoverable amount of the respective associates which is the higher of value in use and fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the associates, suitable discount rates and the proceeds on ultimate disposal of the associates. Where the actual future cash flows are less than or more than expected or upon the management's revision of estimated cash flows due to change in conditions, facts and circumstances, such as the estimated future prices, production volume, an impairment loss or reversal of impairment loss may arise.

The projected discount future cash flows conducted to determine the value in use calculation at 30 June 2016 for the respective associates are no longer attainable as a result of the expected generally lower materials prices, accordingly, the recoverable amounts of the respective associates were determined as the fair value less cost of disposal, the fair values were determined based on the listed closing prices at 30 June 2016.

At 30 June 2016, the carrying amount of interests in associates is HK$1,145,649,000, net of impairment losses of HK$605,468,000 (2015: carrying amount of interests in associates is HK$1,035,383,000, net of impairment losses of HK$593,889,000). Details of the impairment assessment of interests in associates are disclosed in note 16.

Recoverability of loans receivable

In determining the recoverability of loans receivable, the Group considers any change in credit quality of the loans receivable from the date credit was initially granted, the values of underlying collaterals obtained and the past collection history and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of the loans receivable, including the current creditworthiness and the past collection history of clients in default of settlement. If the financial conditions of the debtors worsen which affect their ability or timing to make payments, additional allowance or adjustment to the carrying amount of loans receivable may be required. At 30 June 2015, the aggregate carrying amount of loans receivable was HK$223,062,000. During the year ended 30 June 2016, an adjustment of HK$119,583,000 was recognised to the carrying amount of the loans receivable of HK$251,482,000 which reflected the Group's revision on the estimate of the time for the loans receivable to be repaid. Details of the impairment assessment on the loans receivable are disclosed in note 19.

Fair value of available-for-sale unlisted equity investments

The directors of the Company use their judgment in selecting an appropriate valuation technical for the financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The available-for-sale unlisted equity investments are valued using asset approach that incorporated certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Where there are any changes in the assumptions due to the market conditions, the estimate of fair value of unlisted investment may be significantly affected. At 30 June 2016, the fair value of available-for-sale unlisted equity investment measured at fair value was HK$47,205,000 (2015: HK$40,138,000). Details of the valuation methodology are disclosed in note 33.

36. Particulars of Principal Subsidiaries

Name of company	Country of incorporation/ establishment and operation	Particulars of issued and paid up capital	As at 30 June 2016 Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	As at 30 June 2015 Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Accardo Investments Limited	British Virgin Islands	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
APAC Resources Assets Limited	British Virgin Islands	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
APAC Resources Capital Limited	British Virgin Islands	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
APAC Resources Investments Limited	British Virgin Islands	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
APAC Resources Management Limited	Hong Kong	HK$1 ordinary share	100%	100%	–	100%	100%	–	Provision of management services
APAC Resources Strategic Holdings Limited	British Virgin Islands	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
APAC Resources Treasury Management Limited	British Virgin Islands	US$1 ordinary share	100%	100%	–	100%	100%	–	Treasury management
Asia Cheer Trading Limited	Hong Kong	HK$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
Fortune Arm Limited	British Virgin Islands	US$1 ordinary share	100%	–	100%	100%	–	100%	Treasury management
Fortune Desire Investments Limited	British Virgin Islands	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
Mount Sun Investments Limited	British Virgin Islands	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
Sino Chance Trading Limited	Hong Kong	HK$1 ordinary share	100%	100%	–	100%	100%	–	Trading in commodities
Super Grand Investments Limited	British Virgin Islands	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
Ultra Effort Limited	British Virgin Islands	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
亞太資源 (青島) 有限公司 *(note (a))*	The PRC	US$29,800,000	100%	–	100%	100%	–	100%	Trading in commodities
瑞域 (上海) 投資諮詢有限公司 *(note (a))*	The PRC	US$3,600,000	100%	100%	–	100%	100%	–	Provision of consultancy service in corporate management, metallurgy technology, investment and development in mineral resources

Notes:

(a) 亞太資源(青島)有限公司 and 瑞域(上海)投資諮詢有限公司 are wholly-owned foreign investment enterprises registered in the PRC.

(b) The above list contains only the particulars of subsidiaries which, in the opinion of directors, principally affected the results, assets or liabilities of the Group.

37. Statement of Financial Position of the Company

THE COMPANY

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Investment in an associate		22,716	22,716
Investments in subsidiaries		5,383	5,383
Amounts due from subsidiaries		2,047,128	1,852,653
Other receivables and prepayments		1,428	7,344
Bank balances		19,336	2,262
Total assets		2,095,991	1,890,358
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		919,165	612,777
Other reserves	a	348,825	354,577
Accumulated profit	a	825,772	913,959
		2,093,762	1,881,313
Liabilities			
Other payables		2,229	9,045
Total equity and liabilities		2,095,991	1,890,358

Note:

a. Movement of the Company's reserves

	Other reserves		Accumulated profit (losses)	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
At beginning of the year	354,577	2,854,490	913,959	(863,117)
Loss for the year	—	—	(88,187)	(722,508)
Shares repurchased and cancelled	—	87	—	(416)
Transfer upon reduction of share premium	—	(2,500,000)	—	2,500,000
Transaction costs attributable to issue of new ordinary shares	(5,752)	—	—	—
At end of the year	348,825	354,577	825,772	913,959

38. Events After the End of the Reporting Period

On 15 July 2016, APAC Resources Capital Limited, a wholly-owned subsidiary of the Company, has disposed of in aggregate 21,500,000 shares in MLX on the market for an aggregate consideration of approximately AUD31,820,000 (equivalent to approximately HK$188,569,000). After the disposal, the Group holds 77,907,571 shares in MLX, representing approximately 16.24% of the total issued share capital of MLX at the date of disposal.

On 5 September 2016, APAC Resources Treasury Management Limited, a wholly-owned subsidiary of the Company, has subscribed loan notes from Mulpha with a nominal value of US$20,000,000 which bear 6% coupon interest per annum and will mature on 6 September 2019. These loan notes are guaranteed by Mulpha International Bhd., and can be 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. This subscription has been funded partly by the proceeds received from the redemption of Mulpha Notes 2.

Financial Summary

The results and the assets and liabilities of the Group for the past five financial years, as extracted from the Group's published consolidated financial statements are set out below:

RESULTS

	Year ended 30 June				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**123,103**	256,372	774,512	1,104,617	1,050,205
(Loss) profit before taxation	**(15,705)**	(850,392)	912,653	(2,077,032)	(241,077)
Income tax credit (expense)	**(1,140)**	2,466	(5,393)	(2,655)	(1,890)
(Loss) profit for the year attributable to owners of the Company	**(16,845)**	(847,926)	907,260	(2,079,687)	(242,967)

ASSETS AND LIABILITIES

	As at 30 June				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,228,979**	2,006,763	3,337,036	2,527,311	4,759,693
Total liabilities	**(20,613)**	(79,050)	(207,835)	(268,678)	(117,878)
Equity attributable to owners of the Company	**2,208,366**	1,927,713	3,129,201	2,258,633	4,641,815