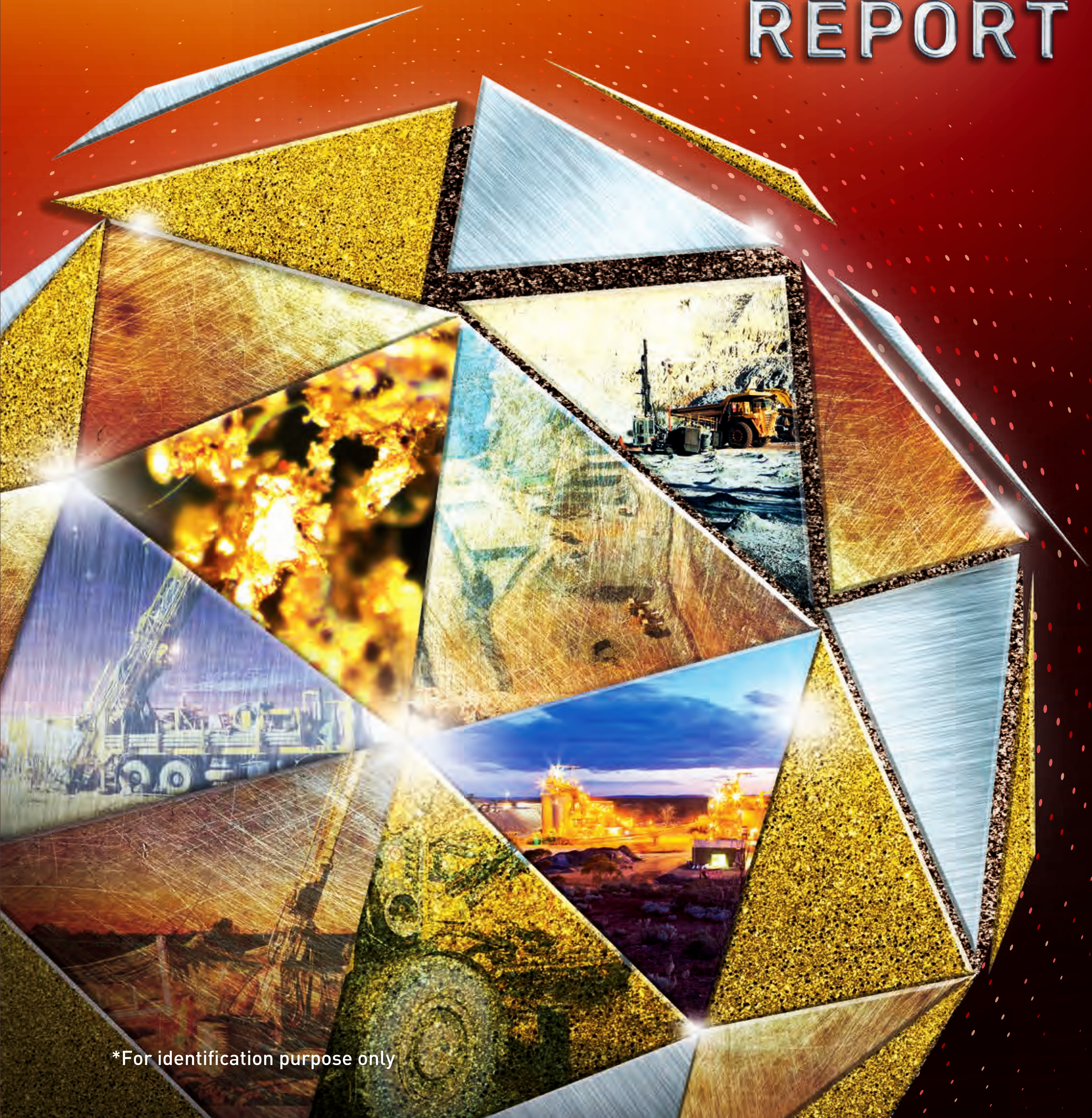
APAC RESOURCES

APAC Resources Limited
亞太資源有限公司*

(incorporated in Bermuda with limited liability)
Stock Code: 1104

2017 ANNUAL REPORT



*For identification purpose only

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CORPORATE INFORMATION

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
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Hamilton HM11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

WEBSITE

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CEO'S MESSAGE

Dear Shareholder,

I would like to thank you for your ongoing support and am pleased to announce that APAC Resources generated a net profit of HK$548,595,000 in the year ended 30 June 2017 ("**FY 2017**"). This was partly driven by gains arising from derecognition of interests in associates of HK$189,599,000, an adjustment to carrying amount of loans receivable of HK$107,720,000 and reversal of impairment loss on the carrying value of the Group's investment in Mount Gibson Iron Limited of HK$82,630,000. However, most importantly, our core business segments also contributed a profit of HK$80,062,000.

CEO'S MESSAGE (CONTINUED)

Earlier in the year, we saw signs that commodity prices (particularly for metals) had bottomed on the back of a more optimistic outlook for the global economy. Most major central banks are looking at tightening overly loose monetary policy, signaling confidence in their economies.

Since the election, the optimism around Donald Trump's policies and US economic growth has faded. Lower than forecast inflation has impacted the expected pace of further interest rate hikes, which in turn impacts the US dollar and gold price. Nonetheless, the US economy appears to be steady, achieving 3% GDP growth in 2017.

The Chinese economy remains robust after a strong first half of FY 2017 ("**1H 2017**") which was boosted by stimulus in the infrastructure and property sectors. Recent data shows PMI levels are still above 50, and the August manufacturing PMI of 51.7 beat expectations. China's plan to reduce overcapacity in certain sectors has resulted in large moves in commodities such as coking coal, iron ore and aluminum. As always, we remain somewhat cautious in our expectations for growth in Chinese commodity demand in the medium term. Recently the PBOC has focused on reducing liquidity in an attempt to curtail speculative financing and the market remains concerned about the high level of corporate debt.

The other major economies appear to be fairly stable, although the British economy remains weak due to Brexit concerns. Japanese economic data has been mixed, but at the time of writing, estimates for GDP growth in the June quarter was 3–4%. The European Central Bank is expected to start scaling back QE as the EU has delivered solid growth while unemployment remains low.

Geopolitical uncertainty has increased this year, led by the sabre rattling between North Korea and the US, which has given the gold price a boost and remains an overhang for markets in general.

We placed our investment in Metals X and Westgold Resources under strategic review and received shareholder approval to dispose of both investments within a 12 month period from January 2017. 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 and in February 2017 we sold a further 22 million shares in Metals X and 11 million shares in Westgold Resources for an aggregate consideration of A$46,200,000.

In 1H 2017, we 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.

It is our long held belief that Shareholders should receive a return. Given the recent performance of our company, we are pleased to announce that we have declared a dividend of HK1.5 cents per share for FY2017. While the dividend is modest, we feel it is an appropriate start and as ever, I would like to thank you all for your continued faith and belief in APAC Resources.

Andrew Ferguson
Chief Executive Officer
25 September 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

APAC Resources Limited ("**APAC**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") reported a net profit attributable to shareholders of the Company of HK$548,595,000 for the year ended 30 June 2017 ("**FY 2017**"), compared with a net loss attributable to shareholders of the Company of HK$16,845,000 reported for the year ended 30 June 2016 ("**FY 2016**"). This included a profit of HK$80,062,000 across all three of APAC's business segments plus gains from the derecognition of our investment in associates of HK$189,599,000, share of net profit of associates of HK$46,863,000 (FY 2016: Net profit of HK$107,310,000), reversal of impairment loss on the carrying value of the Group's investment in Mount Gibson Iron Limited ("**Mount Gibson**") of HK$82,630,000 and upward adjustment to carrying amount of loans receivable of HK$107,720,000 (FY 2016: downward adjustment to carrying amount of HK$119,583,000) as the loan was fully repaid.

Primary Strategic Investment

Our Primary Strategic Investment is in Mount Gibson, which is listed and operating in Australia. Metals X Limited ("**Metals X**") is no longer classified as a Strategic Investment after we sold 21.5 million shares in Metals X in July 2016 and 22 million shares in February 2017. The net attributable profit from our Primary Strategic Investment for FY 2017 was HK$46,863,000 (FY 2016: Net profit of HK$107,310,000). Mount Gibson reported a FY 2017 net profit after tax of A$26 million.

Mount Gibson

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

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

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

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

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

Mount Gibson reported a net profit after tax of A$26 million despite lower production of only 3.2 million tonnes in FY 2017 driven by a stronger realized iron ore price. For the first time since August 2014, the company declared a A$0.02 per share dividend.

Despite the lower production, Mount Gibson continued to control costs, and all in cash cost was A$52 per tonne in FY 2017 compared to A$48 per tonne in FY 2016. Importantly, Mount Gibson still boasts an impressive cash balance, ending FY 2017 with A$447 million or an equivalent of A$0.408 per share, and received a further A$64 million or A$0.058 per share after year end.

The Platts IODEX 62% CFR China index has been very volatile, it rallied from US$55/dry metric tonne ("**dmt**") early in FY 2017 to a peak of nearly US$95/dmt in February 2017 before falling back to US$55/dmt in June 2017, after which it rallied again and is currently trading around US$75-US$80/dmt. The recent rally is driven by a positive view on steel demand and concerns that steel capacity will be cut later in the year, therefore driving strong steel margins and restocking of raw materials. However, the discount for low-grade ore has widened noticeably since late 2016 as steel mills prefer medium and high grade ore during this period of high mill profitability. As a result, despite high headline Platts prices, the realized price for low grade producers has not rallied as aggressively. We continue to expect average iron ore prices to remain capped in the short term given weak non-China steel demand and continuing supply growth in Brazil and Australia.

Metals X and Westgold Resources

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

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

Westgold Resources produced 266,906 ounces in FY 2017 up 53% year-on-year ("**YoY**") driven by a solid production from both the Central Murchison Gold Project (CMGP) and the Cannon Mine which is part of the South Kalgoorlie Project (SKO), offsetting weaker production at Higginsville (HGO). The company commenced production from the Fortnum Project in the June quarter 2017.

The gold price fell after the US election in early November 2016 as the market anticipated more fiscal easing which was seen as positive for the US economy and the US Federal Reserve raised interest rates in December 2016 by 25 basis points. The gold price has since rebounded, and is now trading above US$1,300 per ounce as enthusiasm for Trump's policies have waned, market forecasts for the pace of Fed interest rate rises has been dialed back, and increased geopolitical issues, particularly in relation to North Korea. We expect the gold price to remain linked to sentiment around the US economy and expected rate hikes and retain its safe haven status.

At Metals X, Renison produced 3,486 tonnes of tin (net 50% basis), and benefited from a strong average realised tin price of A$26,581 per tonne, up 25% YoY. Metals X is currently expanding Renison by introducing an ore sorter, which is expected to increase production by 15-20% by removing waste feed before it enters the processing circuit.

After acquiring the Nifty mine in August 2016, Metals X has increased production at Nifty. However, at time of writing, it has temporarily suspended operations to complete remedial repairs, which is will result in a weak September 2017 quarter. Metals X is still aiming to deliver a copper production rate of 40,000 tonnes per annum by mid 2018.

Tin prices have been supported by lower production particularly from Myanmar, and inventories continue to trend downwards. At the same time, demand seems to have rebounded as evidenced by ongoing growth in semiconductor shipments. We remain bullish on the medium term outlook for tin due to the lack of significant supply growth. Copper prices jumped sharply in the December quarter 2016 and continued its upward trajectory in the last few months. Prices have been driven by supply side issues at several key mines and stronger Chinese demand from the appliances, construction and grid sectors.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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. Our investments focus on select commodities within several commodity segments, namely energy, bulk commodities, base metals, and precious metals. Some of our positions are exploration or development stage companies and this section of the market is particularly sensitive to risk aversion, lower commodity prices, and the difficult financing markets.

Resource Investment posted a fair value gain of HK$55,402,000 in FY 2017 (FY 2016: Loss of HK$44,726,000), which after accounting for segment related dividend and other investment income and expenses, resulted in a segment profit of HK$67,400,000 (FY 2016: Loss of HK$33,675,000).

Our Resource Investment division includes the results of the two new resource portfolios which were announced in August 2016. The resources sector as a whole was fairly anaemic despite a rally in select commodities. From October 2016 to 30 June 2017 the average performance from a number of small cap resources indices has averaged -10% (includes the ASX Small Resources Index and the TSX Venture Composite Index among others). After a brief rally in December 2016, both oil and gas prices have struggled, and the average performance of several small cap oil and gas indices has averaged -23% since October 2016 (includes the S&P TSX Small Cap Energy Index and S&P US Oil and Gas ETF among others).

Precious

The precious metals (majority gold exposure) generated a net fair value loss of HK$14,070,000 in FY 2017 while the gold price fell 7%. As at 30 June 2017, the carrying value of the Precious segment was HK$66,744,000 (as at 30 June 2016: HK$49,732,000). Our largest gold investment is in ABM Resources (ASX: ABU) which generated a fair value gain of HK$9,957,000 with carrying value as at 30 June 2017 of HK$28,999,000. This was offset by losses in a number of smaller positions including Troy Resources (ASX: TRY), which we have since exited.

Bulk

Bulk commodities (predominantly coal exposure) generated a fair value gain of HK$25,986,000 and coking coal prices increased 62% during FY 2017 with brief further spikes during the year. 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$18,069,000 in FY 2017 and had a carrying value as at 30 June 2017 of HK$2,900,000 after we realized gains through selling a majority of our investment (as at 30 June 2016: HK$93,784,000).

Base Metals

Base Metals segment (a mix of copper, nickel, aluminium and cobalt companies) delivered a fair value gain of HK$44,286,000 in FY 2017 as the copper, aluminium and cobalt prices increased by 23%, 16% and 152%. The Base Metals segment includes our investment in Katanga Mining (TSX: KAT) listed in Canada, which generated a fair value gain of HK$14,569,000 in FY 2017 and had a carrying value as at 30 June 2017 of HK$14,426,000 (as at 30 June 2016: Nil).

Energy

The Energy segment (mainly oil exposure) had a fair value loss of HK$11,277,000 in FY 2017 driven by an oil price drop of 6%. Our significant Energy investments include Sinopec Corp (Stock Code: 386), which generated a fair value gain of HK$2,542,000 and had a carrying value as at 30 June 2017 of HK$9,135,000 (as at 30 June 2016: HK$25,088,000). Gains in smaller positions including Cooper Energy (ASX: COE) and Karoon Gas (ASX: KAR) were offset by losses in a number of stocks including Seven Generations (TSX: VII).

Others

We also have a fair value gain of HK$10,477,000 from the remaining commodity (diamonds and mineral sands) and non-commodity investments in FY 2017 and had a carrying value as at 30 June 2017 of HK$36,743,000 (as at 30 June 2016: HK$7,098,000). This segment includes our investment in Mineral Deposits (ASX: MDL) listed in Australia, which generated a fair value gain of HK$7,760,000 and had a carrying value as at 30 June 2017 of HK$19,731,000 (as at 30 June 2016: Nil).

Commodity Business

Our iron ore offtakes at Koolan Island and Tallering Peak have ceased to deliver shipments with both mines closed, so we are now looking for new offtake opportunities across a range of commodities. For FY 2017, our Commodity Business generated a minor profit of HK$2,838,000 (FY 2016: Profit of HK$26,889,000).

Principal Investment and Financial Services

The Company has established a new business segment, namely the Principal Investment and Financial Services, which covers the income generated from loans receivable, loan notes and other financial assets. For FY 2017, the Principal Investment and Financial Services segment generated a profit of HK$9,824,000 (FY 2016: Nil).

Loans Receivable

During the year ended 30 June 2016, we reduced the Group's loans receivable by HK$119,583,000 reflecting conservative estimates for the recoverable amount of a loan (the "**Loan**") granted to an investment holding company of a property developer in the People's Republic of China (the "**PRC**") which was due in January 2016 and remained outstanding as at 30 June 2016.

In December 2016, the Group received a repayment of RMB10,000,000 (equivalent to approximately HK$11,122,000) of the Loan. In January 2017, the Group received a further amount of RMB216,170,000 (equivalent to approximately HK$245,305,000) as settlement of the outstanding amount of the Loan in full.

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 2017, our non-current assets amounted to HK$1,431,077,000 (as at 30 June 2016: HK$1,226,788,000) and net current assets amounted to HK$1,462,760,000 (as at 30 June 2016: HK$981,578,000) with a current ratio of 65.1 times (as at 30 June 2016: 48.6 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$190,362,000 (as at 30 June 2016: HK$345,465,000) and loans receivable of HK$232,138,000 (as at 30 June 2016: HK$131,899,000) respectively.

As at 30 June 2017, we had no borrowings (as at 30 June 2016: Nil) and had undrawn banking facilities amounting to HK$102,000,000 secured against certain term deposits of the Group. As at 30 June 2017, we had a gearing ratio of nil (as at 30 June 2016: Nil), calculated on the basis of total borrowings over equity attributable to owners of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

Pledge of Assets

As at 30 June 2017, the Group's bank deposits of HK$145,167,000 (as at 30 June 2016: HK$79,955,000) were pledged to banks to secure various trade and banking facilities granted to the Group.

Employees and Emolument Policy

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

As at 30 June 2017, the Group, including its subsidiaries but excluding associates, had 18 (as at 30 June 2016: 19) employees. Total remuneration together with pension contributions incurred for the year ended 30 June 2017 amounted to HK$10,543,000 (FY 2016: HK$10,822,000).

Principal Risks

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

Financial Risk

Financial risk includes market risk, credit risk and liquidity risk. Market risk concerns that the value of an investment will change due to movements in market factors and which can be further divided into foreign currency risk, interest rate risk and other price risk. Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Liquidity risk concerns that a given security or asset cannot be traded readily in the market to prevent a loss or make the required profit. Further discussion on financial risk management is outlined in note 32 to the consolidated financial statements.

Operational Risk

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

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

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associated Companies, and Future Plans for Material Investments or Capital Assets

Save as disclosed in this report, during the year ended 30 June 2017, 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 2017, the Group does not have plan for any other material investments or acquisition of material capital assets.

Capital Commitments

As at 30 June 2017 and 30 June 2016, 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 2017, the board of directors of the Company 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 Investment and Resource Investment 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 1 September 2017, the Group subscribed for US$2,500,000 4.65% 5-year loan notes issued by Sun Hung Kai & Co. (BVI) Limited as part of its principal investment and financial services business, details of which are set out in the announcement of the Company dated 1 September 2017.

FORWARD LOOKING OBSERVATIONS

Recent GDP and PMI numbers show that global economic growth has been steady in the regions of China, US, Japan and Europe. However we remain cautious, particularly in regards to commodities and risk-on assets in general. The Chinese government will need to find a balance between lowering the too high debt levels and maintaining growth. Both Texas and Florida have been battered by Hurricanes Harvey and Irma respectively, which at least initially, will be a drain on the US economy. Concerns over a clash between North Korea and the US are an overhang for global markets. Mount Gibson is underpinned by a large cash balance, and is focused on its Koolan Island Restart Project, with the seawall under construction and production expected in early 2019. In the meantime, the company benefits from the high iron ore price which in the past two months has rallied up to nearly US$80 per tonne, supporting strong cash flow generation in the short term. We have received shareholder approval for a possible disposal for the remainder interests of our Metals X and Westgold Resources. Our new investment portfolios are the platform for future mining and energy investments. We remain defensive and selective with our investments in the near term, and continue to look for high quality opportunities which will generate attractive returns over the long run.

BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Brett Robert Smith, aged 56, 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 31 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) and a non-executive director of ABM Resources NL ("**ABM**") (Stock Code: ABU). Dragon Mining and ABM are companies listed on the Australian Securities Exchange.

Mr. Andrew Charles Ferguson, aged 44, 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 22 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 in Mount Gibson Iron Limited ("**Mount Gibson**") (Stock Code: MGX). He was a non-executive director of Metals X Limited ("**Metals X**") (Stock Code: MLX) between May 2012 and March 2016, and a non-executive director of ABM (Stock Code: ABU) between July 2012 and May 2016. Mount Gibson, Metals X and ABM are companies listed on the Australian Securities Exchange.

NON-EXECUTIVE DIRECTORS

Mr. Arthur George Dew, aged 75, 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 each of Dragon Mining (Stock Code: DRA) and Tian An Australia Limited ("**Tian An Australia**") (Stock Code: TIA); and a non-executive director of Tanami Gold NL ("**Tanami Gold**") (Stock Code: TAM). Mr. Dew was 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 and SHK HK IND 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 48, 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). He was appointed as a non-executive director and the chairman of Asiasec Properties Limited ("**Asiasec**", formerly known as Dan Form Holdings Company Limited) (Stock Code: 271) in November 2016 and December 2016 respectively. AGL, APL, Tian An and Asiasec 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), a company listed on the Australian Securities Exchange.

Mr. So Kwok Hoo (蘇國豪), aged 63, 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 66, 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.

Mr. Chang Chu Fai, Johnson Francis (鄭鑄輝), aged 63, 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 39 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. These two companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Robert Moyse Willcocks, aged 68, 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 34 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). He retired as a non-executive director of ARC Exploration Limited (Stock Code: ARX) in September 2017. These two companies 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 (王大鈞), aged 53, 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 alternate director to Mr. Arthur George Dew in BARD1 (Stock Code: BD1) between December 2012 and November 2014. APL, SHK HK IND and AGL 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Hong Kong

Mr. Brett Robert Smith
Deputy Chairman

Biographical details of Mr. Brett Robert Smith are set out on page 10 of this Annual Report.

Mr. Andrew Ferguson
Chief Executive Officer

Biographical details of Mr. Andrew Ferguson are set out on page 10 of this Annual Report.

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

Ms. Tam Kit Ling, aged 51, joined the Company in July 2016 as the Chief Financial Officer. Ms. Tam is also a supervisor of certain subsidiaries of the Company. She has over 27 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 17 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT (CONTINUED)

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 China Medical & HealthCare Group Limited (formerly known as 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 24 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.

DIRECTORS' REPORT

The directors of the Company (the "**Directors**") present their report and the consolidated financial statements of the Group for the year ended 30 June 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 30 June 2017 are set out in the consolidated statement of profit or loss on page 42.

DIVIDEND

The Board has declared an interim dividend of HK1.5 cents per share (in lieu of a final dividend) for the year ended 30 June 2017 (2016: Nil) payable on or around Friday, 1 December 2017 to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 16 November 2017.

CLOSURE OF REGISTER OF MEMBERS

(1) For determining the entitlement to the interim dividend

For determining the entitlement to the interim dividend (in lieu of a final dividend) for the year ended 30 June 2017, the register of members of the Company will be closed from Tuesday, 14 November 2017 to Thursday, 16 November 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. In order for a shareholder of the Company to qualify for the interim dividend (in lieu of a final dividend), 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, 13 November 2017.

(2) For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company

The annual general meeting of the Company ("**AGM**") is scheduled to be held on Monday, 4 December 2017. For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Wednesday, 29 November 2017 to Monday, 4 December 2017, 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 2017 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 Tuesday, 28 November 2017.

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 Governance Report" 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 4 to 9 of this Annual Report
2.	Principal risks and uncertainties facing the Group	Pages 2 to 9 of this Annual Report
3.	Important events after the reporting date affecting the Group	Page 9 of this Annual Report
4.	Indication of likely development of the Group	Page 9 of this Annual Report
5.	Key relationships with Shareholders	Pages 35 to 36 of this Annual Report

An account of the Company's relationship with other stakeholders that have a significant impact of the Group including the community and our staff can be found in the "Environmental, Social and Governance Practices" section below.

COMPLIANCE WITH LAWS AND REGULATIONS

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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited. Our money lending business segment is governed by the Money Lenders Ordinance of Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

Environmental Policies and Performance

The Group is committed to promoting an environmentally conscious work place. We aim to minimize our environmental impact and to create a more sustainable future for future generations. The Group's businesses are principally commodity trading and investment in securities and other financial assets. Its operation is office based with limited energy and water consumption, the direct impact to the environment is minimal. There are no relevant laws and regulations applicable to our business on this aspect.

Nevertheless, the Group adopts various practices in its offices to prevent pollution, reduce waste, increase recycling and minimize natural resource use by continually improving our environmental management practices and measures. Environmental protection guidelines are in place to suggest ways to reduce energy and paper consumption. For instance, employees are encouraged to use duplex printing for internal documents and facilities and procedures are in place for paper waste recycling. Staff are reminded to switch off lights and equipment after work, during lunch break or during the time working outside the office and wherever possible. Electronic communication and storage are promoted and energy efficiency of office equipment is taken into consideration in making purchase decisions.

Employment, Health and Safety

We believe our employees are our most valuable asset that can drive the long-term development and sustainability of the Group. We ensured that our employees are remunerated according to the prevailing manpower market conditions and individual performance. We provide benefits including salaries, incentives, directors' fees and contribution to defined contribution retirement scheme.

To safeguard employee's occupational health and safety, the Group provides a safe, healthy and comfortable working environment. We also offer our employee comprehensive medical insurance and directors and officers liability insurance coverage.

Development and Training

The Group is aware of the importance of continuous development and updates of relevant laws and regulations. Our Directors are required to participate in training to enhance their knowledge to enable them to discharge their duties and responsibilities more effectively. The Group has also provided support for our staff in their continuous professional development.

Supply Chain Management

The Group has reviewed the sustainability report of our major supplier of commodity trading to ensure its awareness and commitment to its social responsibilities. As an investment fund, the Group's general business suppliers include providers of financial information, legal and securities brokerage services. The Group is committed to ensure that its supply chain management is socially responsible. We implemented selection process on its suppliers taking into considerations such elements as their qualification, reputation, past performance, financial strength and price.

Anti-corruption

The Group is committed to compliance with applicable anti-corruption laws and regulations. The Group has implemented a whistle blower policy for reporting fraud and corruption. We encourage the reporting of suspected business irregularities and provide clear channels specifically for this purpose. For the year ended 30 June 2017, no significant risks relating to corruption had been identified.

Community Investment

In June 2017, our staff members were encouraged to participate in the "A Meal for Meals", a social media fund-raising campaign jointly organized by Hong Kong Red Cross, Oxfam Hong Kong, Plan International Hong Kong and Save the Children Hong Kong. The Company also contributed by making donation to Oxfam Hong Kong as we share its vision to free the world from poverty and related injustices.

In the future, the Company will continue to encourage our staff to participate in community and charitable activities and support with sponsorship and ongoing donation.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by business activities for the year ended 30 June 2017 is set out in notes 5 and 6 respectively 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 2017 are set out in note 27 to the consolidated financial statements.

DEBENTURES

The Group has not issued any debentures during the year ended 30 June 2017.

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.

DIRECTORS' REPORT (CONTINUED)

RESERVES

Details of movements in reserves of the Company and of the Group during the year ended 30 June 2017 are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity on page 46 respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 30 June 2017 are set out in note 15 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 30 June 2017 and up to the date of this Annual Report were:

Executive Directors

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

Non-Executive Directors

Mr. Arthur George Dew *(Chairman)*
Mr. Wong Tai Chun, Mark *(alternate to Mr. Arthur George Dew)*
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

In accordance with Bye-law 87 of the Bye-laws of the Company (the "**Bye-laws**"), Mr. Lee Seng Hui, Mr. Chang Chu Fai, Johnson Francis and Mr. Robert Moyse Willcocks will retire at 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 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. Mr. Chang Chu Fai, Johnson Francis and Mr. Robert Moyse Willcocks have served as Independent Non-Executive Directors ("**INED(s)**") 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 2017, 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

Name of Directors	Capacity in which interests are held	Number of shares/ underlying shares held: Interests in shares	Number of shares/ underlying shares held: Total interests	Approximate percentage of shareholding *(Note 1)*
Mr. Andrew Ferguson	Beneficial owner	3,750,000	3,750,000	0.40%
Mr. Lee Seng Hui	Other interests	269,718,943 *(Note 2)*	269,718,943	29.34%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 919,165,198 shares as at 30 June 2017.

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. The Lee and Lee Trust controlled approximately 74.53% of the total number of issued shares of Allied Group Limited ("**AGL**") (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to be interested in 269,718,943 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 2017, 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 by the Company 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 2017 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

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, controlled approximately 74.53% 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 29.34% of the total number of issued shares of the Company as at 30 June 2017. Since APL indirectly owns approximately 56.78% interests in the total number of issued shares of SHK as at 30 June 2017, 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 2017.

MANAGEMENT CONTRACTS

Save for employment contracts and the sharing of administrative services and management services agreement and the sharing of management services agreement as detailed below under "Continuing Connected Transactions", 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 2017, 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

Name of Shareholders	Capacity in which interests are held	Number of shares/ underlying shares held: Interests in shares	Number of shares/ underlying shares held: Total interests	Approximate percentage of shareholding *(Note 1)*
Shougang Fushan Resources Group Limited	Interest of a controlled corporation *(Note 2)*	143,400,000	143,400,000	15.60%
APL	Interest of controlled corporations *(Note 3)*	269,718,943	269,718,943	29.34%
AGL	Interest of controlled corporations *(Note 5)*	269,718,943	269,718,943 *(Note 4)*	29.34%
Lee and Lee Trust	Interest of controlled corporations *(Note 6)*	269,718,943	269,718,943 *(Note 4)*	29.34%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 919,165,198 shares as at 30 June 2017.

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 269,718,943 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 269,718,943 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. The Lee and Lee Trust controlled approximately 74.53% of the total number of issued shares of AGL (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have an interest in the shares in which AGL was interested through APL.

Save as disclosed above and in the section headed "Directors' Interests in Shares, Underlying Shares and Debentures", as at 30 June 2017, 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 2017.

MAJOR CUSTOMERS AND SUPPLIER

For the year ended 30 June 2017, the Group's five largest customers in aggregate accounted for 100% of the turnover of the Group and the largest customer accounted for approximately 56% of the total turnover of the Group.

For the year ended 30 June 2017, the entire purchases of the Group were attributable to the sole supplier.

At no time during the year ended 30 June 2017 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 total number of issued shares of the Company, have a beneficial 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 2017, the Group entered into transactions with related parties, details of which are set out in note 29 to the consolidated financial statements. Certain 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 TRANSACTION

As disclosed in the announcement of the Company dated 22 March 2017, Fortune Arm Limited (the "**Lender**", an indirect wholly-owned subsidiary of the Company) as the lender entered into the loan agreement (the "**Loan Agreement**") with Pacific Allied Limited (the "**Borrower**") as the borrower and the guarantor (the "**Guarantor**") as the guarantor on 22 March 2017, pursuant to which, the Lender agreed to make available to the Borrower the loan in the amount of HK$225,000,000 (or an amount equivalent to HK$225,000,000 in such alternative currency as acceptable to and agreed by the Lender).

Since as at the date of the Loan Agreement, each of the Borrower and the Guarantor is an associate of a director of an indirect wholly-owned subsidiary of the Company, the transaction contemplated under the Loan Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the announcements of the Company dated 30 June 2016 and 7 February 2017 and the 2016 Annual Report of the Company, the Company entered into the following agreements:

1. a sharing of administrative services and management services agreement with AGL on 30 June 2016 (the "**Services Agreement I**") for the periods 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 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 (the "**Administrative Services**") and shall reimburse AGL the actual costs incurred; 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 (the "**Management Staff I**") to the Group (the "**Management Services I**"), and shall reimburse a portion of the actual costs incurred by AGL by reference to a specified percentage of the remuneration of the Management Staff I providing the Management Services I.

   On 7 February 2017, the Company entered into a renewed sharing of administrative services and management services agreement (the "**Renewed Services Agreement I**") with AGL to renew and extend the term of the Services Agreement I for a period of three years which commenced from 1 January 2017 and expiring on 31 December 2019.

   The fees payable by the Group to AGL in respect of the Management Services I under the Services Agreement I for the six months ended 31 December 2016 did not exceed the annual cap of HK$694,000 for the six months ended 31 December 2016. The annual caps in respect of the Management Services I under the Renewed Services Agreement I were set at HK$2,400,000, HK$2,650,000 and HK$2,900,000 for each of the three years ending 31 December 2019, respectively. The aggregate amount of the Management Services I under the Renewed Services Agreement I for the six months ended 30 June 2017 was HK$840,000, which did not exceed the annual cap of HK$2,400,000 for the year ending 31 December 2017.

2. a sharing of management services agreement with APL on 30 June 2016 (the "**Services Agreement II**") for the period from 1 July 2016 to 31 December 2016, pursuant to which the Company agreed to engage APL for the provision of the management services provided by the senior management and selected staff of APL and its wholly-owned subsidiaries (the "**Management Staff II**") to the Group as stipulated in the Services Agreement II (the "**Management Services II**"), and shall reimburse a portion of the actual costs incurred by APL by reference to a specified percentage of the remuneration of the Management Staff II providing the Management Services II.

   On 7 February 2017, the Company entered into a renewed sharing of management services agreement (the "**Renewed Services Agreement II**") with APL to renew and extend the term of the Services Agreement II for a period of three years which commenced from 1 January 2017 and expiring on 31 December 2019.

   The fees payable by the Group to APL in respect of the Management Services II under the Services Agreement II for the six months ended 31 December 2016 did not exceed the annual cap of HK$156,000 for the six months ended 31 December 2016. The annual caps in respect of the Management Services II under the Renewed Services Agreement II were set at HK$330,000, HK$360,000 and HK$396,000 for each of the three years ending 31 December 2019 respectively. The aggregate amount of the Management Services II under the Renewed Services Agreement II for the six months ended 30 June 2017 was HK$165,000, which did not exceed the annual cap of HK$330,000 for the year ending 31 December 2017.

As (i) Mr. Lee Seng Hui, by being a Non-Executive Director, and also one of the trustees of Lee and Lee Trust, being a discretionary trust which, together with his personal interest, controlled approximately 74.53% interest in the total number of issued shares of AGL, which is directly and indirectly interested in an aggregate of approximately 74.99% of the total number of issued shares of APL as at 30 June 2017; (ii) Mr. Arthur George Dew, by being the Chairman and a Non-Executive Director and a member of the Management Staff I providing the Management Services I under the Renewed Services Agreement I; and (iii) Mr. Wong Tai Chun, Mark, by being an alternate to Mr. Arthur George Dew and a member of the Management Staff I providing the Management Services I under the Services Agreement I and Renewed Services Agreement I, all of them are deemed to be interested in the Services Agreement I, the Renewed Services Agreement I, the Services Agreement II and/or the Renewed Services Agreement II.

Since APL is a substantial shareholder of the Company and AGL is an associate of APL, the transactions contemplated under the Services Agreement I (other than the sharing of the Administrative Services) and Services Agreement II (collectively the "**Continuing Connected Transactions I**") constituted continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules, and 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 in relation to the Continuing Connected Transactions I is disclosed herein for information only.

Since APL is a substantial shareholder of the Company and AGL is an associate of APL, the transactions contemplated under the Renewed Services Agreement I (other than the sharing of the Administrative Services) and Renewed Services Agreement II (collectively the "**Continuing Connected Transactions II**") constituted continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules, which are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirements under the Listing Rules.

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs have reviewed the Continuing Connected Transactions II and have confirmed that the Continuing Connected Transactions II were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the above Continuing Connected Transactions II and the auditor has reported its conclusion on these procedures to the Board, confirming the matters set out in Rule 14A.56 of the Listing Rules. The auditor of the Company was engaged to report on the above Continuing Connected Transactions II in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' REPORT (CONTINUED)

DONATION

During the year ended 30 June 2017, the Group made a donation of HK$18,000 to OXFAM Hong Kong.

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 2017 were audited by Messrs. Deloitte Touche Tohmatsu. Messrs. Deloitte Touche Tohmatsu will retire and a resolution for re-appointment 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 2017 have been reviewed by the audit committee of the Company.

On behalf of the Board

Arthur George Dew
Chairman

Hong Kong, 25 September 2017

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

In the light of the Corporate Governance Code and Corporate Governance Report ("**CG Code**") contained in Appendix 14 of the Listing Rules, the Board has reviewed the corporate governance practices of the Company with the adoption of the various enhanced procedures which are detailed in this report. The Company has applied the principles of, and fully complied with, the applicable code provisions of the CG Code during the year ended 30 June 2017. The Board will review the current practices at least annually, and make appropriate changes if considered necessary.

THE BOARD

The Board currently comprises eight Directors in total, with two Executive Directors, three Non-Executive Directors ("**NEDs**") and three Independent Non-Executive Directors ("**INEDs**"). The composition of the Board during the year ended 30 June 2017 and up to the date of this report is set out as follows:

Executive Directors:	Mr. Brett Robert Smith *(Deputy Chairman)* Mr. Andrew Ferguson *(Chief Executive Officer)*
Non-Executive Directors:	Mr. Arthur George Dew *(Chairman)* Mr. Wong Tai Chun, Mark *(alternate to Mr. Arthur George Dew)* 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

The brief biographical details of the Directors are set out in the Biographical Details of Directors and Management on pages 10 to 14 of this Annual Report.

Board Process

During the year, the NEDs (three of whom are independent) provided the Group with a wide range of expertise and experience. Their active participation in the Board and committee meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders of the Company ("**Shareholders**").

Throughout the year and up to the date of this report, the Company has had at least three INEDs representing not less than one-third of the Board. At least one of the INEDs has the appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results and other ad hoc matters which need to be dealt with. During the year, four Board meetings were held and the individual attendance records of each Director at the meetings of the Board, Remuneration Committee, Audit Committee and general meetings during the year ended 30 June 2017 are set out below:

	Number of meetings attended/held			
Name of Directors	**Board**	**Remuneration Committee**	**Audit Committee**	**General Meetings**
Executive Directors:				
Mr. Brett Robert Smith *(Deputy Chairman)*	4/4	—	—	1/3
Mr. Andrew Ferguson *(Chief Executive Officer)*	4/4	—	—	3/3
Non-Executive Directors:				
Mr. Arthur George Dew *(Chairman)*	4/4	1/1	2/2	3/3
(Mr. Wong Tai Chun, Mark as his alternate)	*(Note 1)*	*(Note 1)*	*(Note 1)*	*(Note 1)*
Mr. Lee Seng Hui	1/4	—	—	0/3
Mr. So Kwok Hoo	4/4	—	—	1/3
Independent Non-Executive Directors:				
Dr. Wong Wing Kuen, Albert	4/4	1/1	2/2	3/3
Mr. Chang Chu Fai, Johnson Francis	4/4	1/1	2/2	3/3
Mr. Robert Moyse Willcocks	4/4	1/1	2/2	1/3

Note:

1. Except two general meetings were attended by his alternate, all other meetings were attended by himself.

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 respective functions of the Board and management of the Company have been formalised and set out in writing and will be reviewed and updated by the Board from time to time to ensure that they are consistent with the existing rules and regulations.

Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The company secretary of the Company ("**Company Secretary**") assists the Chairman of the Board in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before being tabled at the following Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The Bye-laws also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting on any Board resolution and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his close associates has a material interest.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. 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. In addition, a written procedure has been established to enable the Directors, in discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

Directors' Continuous Professional Development

For continuous professional development, in addition to Directors' attendance at meetings and review of papers and circulars sent by the management of the Company, Directors participated in the activities including the following:

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)*	✓	✓
Mr. Andrew Ferguson *(Chief Executive Officer)*	✓	✓
Non-Executive Directors:		
Mr. Arthur George Dew *(Chairman)*	✓	✓
Mr. Wong Tai Chun, Mark *(alternate to Mr. Arthur George Dew)*	✓	✓
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	✓	✓

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.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Arthur George Dew, being the Chairman of the Board, is primarily responsible for the leadership of the Board, ensuring that (i) all significant policy issues are discussed by the Board in a timely and constructive manner; (ii) all Directors are properly briefed on issues arising at Board meetings; and (iii) the Directors receive accurate, timely and clear information. The functions of the chief executive are performed by Mr. Andrew Ferguson, the Chief Executive Officer of the Company, who is responsible for the day-to-day management of the Group's business. Their responsibilities are clearly segregated and have been set out in writing and approved by the Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The terms of reference of the Nomination Committee include the nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company.

Every newly appointed Director will receive an induction package from the Company Secretary on the first occasion of his/her appointment. This induction package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a director pursuant to the Companies Ordinance, Listing Rules and Securities and Futures Ordinance. In addition, this induction package includes materials briefly describing the operations and business of the Company, the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. Directors will be continuously updated on any major developments of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

All NEDs (including INEDs) of the Company were appointed for a specific term, but subject to the relevant provisions of the Bye-Laws or any other applicable laws whereby the Directors shall vacate or retire from their office but eligible for re-election. Except for Mr. Arthur George Dew's term of appointment which is three years commencing from 1 March 2016, other NEDs' (including INEDs) term of appointment has been renewed for further three years commencing from 1 June 2016.

According to the Bye-laws, at each annual general meeting of the Company ("**AGM**"), one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Further, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting of the Company whilst for those appointed as an addition to the Board shall hold office until the next following AGM and in both cases, those Directors shall then be eligible for re-election at the relevant meeting. Every Director shall be subject to retirement by rotation at least once every three years.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing corporate governance duties and has adopted the written terms of reference on its corporate governance functions.

The duties of the Board in respect of the corporate governance functions include:

(i) developing and reviewing the Company's policies and practices on corporate governance;

(ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 30 June 2017 and up to the date of this report, the Board has performed the corporate governance duties in accordance with its terms of reference.

BOARD COMMITTEES

The Board has established various committees, including a Nomination Committee, a Remuneration Committee, an Audit Committee and an Executive Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned in the section headed "The Board" of this report, have been adopted for the committee meetings so far as practicable.

Nomination Committee

The Nomination Committee has been established since March 2012 and is chaired by the Chairman of the Board and comprises a majority of INEDs. Currently, the Nomination Committee consists of four members, including Mr. Arthur George Dew (Chairman of the Nomination Committee) (Mr. Wong Tai Chun, Mark as his alternate), being a NED, and Dr. Wong Wing Kuen, Albert, Mr. Chang Chu Fai, Johnson Francis and Mr. Robert Moyse Willcocks, all being the INEDs. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary. 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.

The Nomination Committee will meet as and when necessary in accordance with its terms of reference and may also deal with matters by way of circulation. During the year ended 30 June 2017, no Nomination Committee meeting was held while the Nomination Committee dealt with matters by way of circulation. During the year ended 30 June 2017 and up to the date of this report, the Nomination Committee performed the works 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 and 2017 AGM; and

(ii) reviewed the structure, size, composition and diversity of the Board and assessed the independence of each INED.

Remuneration Committee

The Remuneration Committee has been established for more than 10 years and currently consists of four members, including Dr. Wong Wing Kuen, Albert (Chairman of the Remuneration Committee), Mr. Chang Chu Fai, Johnson Francis and Mr. Robert Moyse Willcocks, all being the INEDs, and Mr. Arthur George Dew (Mr. Wong Tai Chun, Mark as his alternate), being a NED. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary. 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 Remuneration Committee shall meet at least once a year in accordance with its terms of reference. During the year ended 30 June 2017, one Remuneration Committee meeting was held and the attendance of each member is set out in the section headed "The Board" of this report.

In addition to the Remuneration Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during the year ended 30 June 2017. During the year ended 30 June 2017 and up to the date of this report, the Remuneration Committee performed the works as summarised below:

(i) reviewed and recommended for the Board's approval the supplemental letters of appointment; and

(ii) reviewed the existing policy and structure for the remuneration of Directors and senior management.

The remuneration payable to Directors will depend on their respective contractual terms under their employment contracts or service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in note 12 to the consolidated financial statements whereas detailed changes in the emoluments of certain Directors during the interim period and up to the date of the Interim Report were also disclosed in the Interim Report of the Company dated 24 February 2017. Details of the emolument policy of the Group are also set out in the "Emolument Policy" section contained in the Directors' Report on page 23.

Audit Committee

The Audit Committee has been established for more than 10 years and currently consists of four NEDs, three of whom are INEDs. To retain independence and objectivity, the Audit Committee is chaired by an INED with appropriate professional qualifications or accounting or related financial management expertise. The current members of the Audit Committee are Dr. Wong Wing Kuen, Albert (Chairman of the Audit Committee), Mr. Chang Chu Fai, Johnson Francis and Mr. Robert Moyse Willcocks, all being the INEDs, and Mr. Arthur George Dew (Mr. Wong Tai Chun, Mark as his alternate), being a NED. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary. 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.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. During the year ended 30 June 2017, two Audit Committee meetings were held and the attendance of each member is set out in the section headed "The Board" of this report.

In addition to the Audit Committee meetings, the Audit Committee also dealt with matters by way of circulation during the year ended 30 June 2017. During the year ended 30 June 2017 and up to the date of this report, the Audit Committee performed the works as summarised below:

(i) reviewed and approved the audit scope and fees proposed by the external auditor;

(ii) 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 2016, the interim results review for the six months ended 31 December 2016 and the final audit for the year ended 30 June 2017 of the Group;

(iii) reviewed and recommended for the Board's approval the financial reports for the year ended 30 June 2016, for the six months ended 31 December 2016 and for the year ended 30 June 2017 together with the relevant management representation letters and announcements;

(iv) reviewed the Internal Audit Report prepared by the Internal Audit Department ("**IAD**");

(v) 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, internal audit and financial reporting functions, and their training programmes and budget;

(vi) reviewed and recommended for the Board's approval the Procedures for the Identification and Monitoring of Connected Transactions, Policy on the Disclosure of Inside Information, Related Party Transaction Policies and Procedures, Policy on Risk Management, Compliance and Internal Control Procedures, updated Securities Investment Policy and Procedures and the revised terms of reference of the Audit Committee; and

(vii) reviewed and recommended for the Board's annual review the Procedure for Reporting Possible Improprieties in Financial Reporting, Internal Control or Other Matters and Internal Control Manual.

Executive Committee

The Executive Committee has been established by the Board with specific terms of reference and currently consists of two Executive Directors, being Mr. Andrew Ferguson (Chairman of the Executive Committee) and Mr. Brett Robert Smith. 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.

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 a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. During the year ended 30 June 2017, Ms. Lau undertook over 15 hours of relevant professional training to update her skills and knowledge.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely in possession of inside information in relation to the Company or its securities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with the support from the Accounts Department, the consolidated financial statements of the Group. In preparing the consolidated financial statements for the year ended 30 June 2017, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance were complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent and reasonable and have ensured that the consolidated financial statements are prepared on a going concern basis.

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.

Risk Management and Internal Control

The Board has the responsibility to review annually the effectiveness of the Group's risk management and internal control systems covering all material controls, including financial, operational and compliance controls. During the year, the Board, through the Audit Committee, had reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and their training programmes and budget.

The Group's risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss; to manage rather than completely eliminate the risk of system failure; and to assist in the achievement of the Group's agreed objectives and goals. They have a key role in the management of risks that are significant to the fulfilment of business objectives. In addition, they should provide a basis for the maintenance of proper accounting records and assist in the compliance with relevant laws and regulations.

Systems and procedures are put in place to identify, evaluate and manage the risks of different businesses and activities. The annual assessment is performed through the completion by the relevant department heads of their respective responsibility statements. The result and findings are reported by the management to the Chairman of Executive Committee who puts forward the same to the Audit Committee and the Board for review on the effectiveness of the risk management and internal control systems, which have been considered effective and adequate.

A discussion of the policies and procedures on the management of each of the major types of risk which the Group is facing is included in note 32 to the consolidated financial statements and in the "Management Discussion and Analysis" section.

Internal Audit

The Head of Internal Audit reports to the Chairman of the Board and the Audit Committee. The IAD generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems.

The Group Internal Audit Plan was prepared by the IAD and issued to the Audit Committee and the Board for review.

External Auditor's Remuneration

During the year ended 30 June 2017, 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	800
Non-audit services	
— review of interim report and preliminary annual results announcement	252
— as reporting accountant in respect of possible very substantial disposal in relation to a mandate for future disposal	280
— tax services	57
	1,389

COMMUNICATION WITH SHAREHOLDERS

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, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information and news are also made available on the website of the Company.

The Company's AGM is a valuable forum for the Board to communicate directly with Shareholders. The Chairman actively participates at the AGM and personally chairs the meeting to answer any questions from Shareholders. The chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or in their absence, another member of the respective committees or failing that their respective duly appointed delegate, are also available to answer questions at the AGM. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) will also be available to answer questions at any general meeting of Shareholders to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

During the year ended 30 June 2017, the 2016 AGM and two special general meetings of the Company were held on 24 November 2016, 5 January 2017 and 1 June 2017 respectively. The attendance records of the Directors at the general meetings are set out in the section headed "The Board" of this report.

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of retiring Directors.

The notice to Shareholders is to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of all other general meetings. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman answers questions from Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Pursuant to Bye-law 58 of the Bye-laws, Shareholder(s) 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. Such requisition must state the purposes of the general meeting, signed by the Shareholder(s) concerned and can be addressed to the Board or the Company Secretary in writing by mail to the Company's registered office in Bermuda ("**Registered Office**") and preferably with a copy to its principal office in Hong Kong ("**Head Office**"). Besides, Shareholders may make a proposal at a Shareholders' meeting by submitting it in written form addressed to the Board or the Company Secretary at the Registered Office and preferably with a copy to the Head Office in accordance with the Act and the Bye-Laws where applicable.

The Board established a shareholders' communication policy. 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 Registered Office and preferably with a copy to the Head Office.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but also about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

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

OPINION

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 42 to 109, which comprise the consolidated statement of financial position as at 30 June 2017, and the 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of interest in Mount Gibson Iron Limited ("MGX")	
We identified the impairment assessment of interest in an associate in Australia, namely Mount Gibson Iron Limited ("MGX"), as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgement exercised by management of the Group in determining the recoverable amount of MGX. As set out in note 4 to the consolidated financial statements, the recoverable amount of MGX is determined by management of the Group with reference to the higher of its value in use and fair value less costs of disposal. The value in use calculation requires management of the Group to estimate its share of the present value of the future cash flows expected to be generated by MGX based on the cashflows from the operations of MGX and the proceeds on the ultimate disposal of MGX taking into account the estimated future prices and estimated production volume of hematite iron ores of MGX and a suitable discount rate with reference to comparable companies. The fair value less costs of disposal of MGX was determined on the closing price of the shares of MGX listed on the Australian Stock Exchange as at 30 June 2017. As disclosed in note 16 to the consolidated financial statements, the recoverable amount of the Group's interest in MGX which represented the fair value less costs of disposal was higher than its carrying amount. Accordingly, the management of the Group, has concluded that a reversal of impairment loss of HK$82,630,000 in respect of the Group's interest in MGX should be recognised in the consolidated statement of profit or loss and other comprehensive income for the year and accordingly the carrying amount of the Group's interest in MGX is HK$641,113,000 as at 30 June 2017.	Our procedures in relation to the impairment assessment of interest in MGX included: • Understanding the impairment assessment of interest in MGX performed by management of the Group, including the valuation model adopted and key assumptions used; • Assessing and evaluating the valuation model adopted by the management; • Evaluating the key assumptions and inputs used by the management of the Group, including the future cash flows expected to be generated by MGX based on the cashflows from the operations of MGX and the proceeds on the ultimate disposal of MGX and the discount rate used, with reference to historical performance and publicly available information; • Checking the closing price of the shares of MGX listed on the Australian Stock Exchange as at 30 June 2017; • Comparing the result from the value in use calculation with the closing price of shares of MGX as at 30 June 2017 in determining the recoverable amount of interest in MGX; • Comparing the recoverable amount of interest in MGX with its carrying amount; and • Recalculating the amount of reversal of impairment loss on interest in MGX.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs and the 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chau Chi Ka.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	*5*	**100,476**	123,103
Cost of sales		**(94,944)**	(96,846)
		5,532	26,257
Other gains and losses	*7*	**551,109**	(181,981)
Other income	*8*	**47,594**	68,966
Administrative expenses		**(33,725)**	(36,122)
Finance costs	*9*	**—**	(135)
Share of results of associates		**46,863**	107,310
Profit (loss) before taxation	*10*	**617,373**	(15,705)
Income tax expense	*11*	**(68,778)**	(1,140)
Profit (loss) for the year attributable to owners of the Company		**548,595**	(16,845)
			(Restated)
Earnings (loss) per share (expressed in HK cents)			
— basic	*13*	**59.68**	(1.85)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	2017 HK$'000	2016 HK$'000
Profit (loss) for the year	**548,595**	(16,845)
Other comprehensive income (expense), net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of associates	**29,966**	(32,171)
Exchange difference arising from translation of other foreign operations	**(3,533)**	(5,139)
Reclassification adjustment upon deemed disposal of partial interests in associates	**(144)**	15,071
Reclassification adjustment upon derecognition of interests in associates	**65,515**	—
Reclassification adjustment upon disposal of available-for-sale investments	**(82,921)**	—
Reclassification adjustment upon disposal of available-for-sale investments through disposal of a subsidiary	**(7,067)**	—
Fair value change on available-for-sale investments, net of tax	**128,314**	7,067
Share of investment revaluation reserve of associates	**1,259**	12,034
	131,389	(3,138)
Total comprehensive income (expense) for the year attributable to owners of the Company	**679,984**	(19,983)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	**2017 HK$'000**	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**1,103**	486
Interests in associates	*16*	**678,479**	1,145,649
Available-for-sale investments	*17*	**551,813**	49,492
Convertible notes	*18*	**9,320**	—
Loan notes	*20*	**190,362**	31,161
		1,431,077	1,226,788
Current assets			
Inventories	*22*	**—**	24,823
Loan notes	*20*	**—**	314,304
Trade and other receivables	*21*	**26,854**	15,078
Investments held for trading	*23*	**275,727**	286,881
Loans receivable	*19*	**232,138**	131,899
Pledged bank deposits	*24*	**145,167**	79,955
Bank balances and cash	*24*	**805,687**	149,251
		1,485,573	1,002,191
Total assets		**2,916,650**	2,228,979

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*27*	**919,165**	919,165
Reserves		**423,264**	291,875
Accumulated profits		**1,545,921**	997,326
		2,888,350	2,208,366
Non-current liability			
Deferred tax liability	*26*	**5,487**	—
Current liabilities			
Trade and other payables	*25*	**21,415**	19,215
Tax payable		**1,398**	1,398
		22,813	20,613
Total liabilities		**28,300**	20,613
Total equity and liabilities		**2,916,650**	2,228,979
Net current assets		**1,462,760**	981,578
Total assets less total liabilities		**2,888,350**	2,208,366

The consolidated financial statements on pages 42 to 109 were approved and authorised for issue by the Board of Directors on 25 September 2017 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 2017

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 *(note)*	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 July 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
Profit for the year	—	—	—	—	—	—	548,595	548,595
Other comprehensive income for the year	—	—	—	10,796	120,593	—	—	131,389
Total comprehensive income for the year	—	—	—	10,796	120,593	—	548,595	679,984
At 30 June 2017	919,165	209,248	(14,980)	58,250	91,310	79,436	1,545,921	2,888,350

Note: 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	**617,373**	(15,705)
Adjustments for:		
Depreciation of property, plant and equipment	**431**	421
Loss on disposal of property, plant and equipment	**3**	—
Net gain on deemed disposal of partial interest in an associate	**—**	(8,456)
Loss on deemed disposal of partial interest in an associate	**3,164**	—
Fair value change of investments held for trading	**6,627**	59,440
Gains arising from derecognition of interests in associates	**(189,599)**	—
Gain arising from disposal of a subsidiary	**(22,753)**	—
Gain arising from disposal of available-for-sale investments	**(82,921)**	—
Fair value change in derivative financial instruments	**—**	(3,627)
Interest income	**(37,164)**	(56,418)
Interest expenses	**—**	135
Adjustment to carrying amount of loans receivable	**(107,720)**	119,583
Share of results of associates	**(46,863)**	(107,310)
Reversal of impairment loss on interest in an associate	**(82,630)**	—
Impairment loss on interest in an associate	**—**	30,836
Unrealised foreign exchange gain	**(3,589)**	(411)
Operating cash flows before movements in working capital	**54,359**	18,488
Decrease (increase) in inventories	**24,823**	(24,823)
Increase in trade and other receivables	**(11,341)**	(570)
Increase in trade and other payables	**2,295**	3,251
Decrease (increase) in investments held for trading	**4,527**	(151,561)
Cash generated from (used in) operations	**74,663**	(155,215)
Income tax refunded (paid)	**65**	(1,788)
Net cash from (used in) operating activities	**74,728**	(157,003)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 30 June 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,051)**	—
Purchase of available-for-sale investments		**(3,624)**	—
Investment in convertible notes		**(9,320)**	—
Investment in loan notes		**(156,094)**	(31,076)
Redemption of loan notes		**310,232**	—
Net proceeds from disposal of an associate	*16*	**185,120**	—
Net proceeds from disposal of available-for-sale investments		**275,523**	—
Net proceeds from disposal of a subsidiary	*33*	**963**	—
Repayment from a borrower		**256,427**	—
Placement of a pledged bank deposit		**(67,113)**	—
Advance to a borrower		**(225,000)**	—
Investment in an associate		**—**	(46,397)
Dividend received from associates		**—**	15,995
Interest received		**18,533**	27,871
Net cash from (used in) investing activities		**584,596**	(33,607)
FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	306,388
Transaction costs attributable to issue of new shares		**—**	(5,752)
Interest paid		**—**	(135)
New borrowings raised		**—**	165,657
Repayments of borrowings		**—**	(222,345)
Net cash from financing activities		**—**	243,813
Net increase in cash and cash equivalents		**659,324**	53,203
Effect of foreign exchange rate change		**(2,888)**	(5,260)
Cash and cash equivalents at beginning of the year		**149,251**	101,308
Cash and cash equivalents at end of the year, represented by bank balances and cash		**805,687**	149,251

1. GENERAL

APAC Resources Limited (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. Its subsidiaries are principally engaged in primary strategic investment, resource investment and commodity trading business focusing on metals, mining and energy. During the year ended 30 June 2017, the Group established a new business segment, namely the principal investment and financial services segment with revenue generated from provision of loans and investment in loan notes and other financial assets.

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations

Amendments to Hong Kong Accounting Standard ("HKAS") 1 Disclosure initiative

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to Hong Kong Accounting Standard ("HKAS") 1 Disclosure initiative (Continued)

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. The Group has applied these amendments retrospectively. The grouping and ordering of certain notes to the consolidated financial statements have been revised to give prominence to the areas of the Group's activities that management of the Company considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to capital risk management was reordered to note 31. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

Except for the above, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs and interpretations issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued but are not yet effective:

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers and related amendments[2]
HKFRS 16	Leases[3]
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration[2]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle except for amendments to HKFRS 12[4]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKAS 7	Disclosure initiative[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[1]
Amendments to HKAS 40	Transfers of investment property[2]

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are described as follows:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be 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 fair value through other comprehensive income ("**FVTOCI**"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

Based on the Group's financial instruments and risk management policies as at 30 June 2017, for entities with available-for-sale investments and financial assets at amortised cost, the application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect until the Group performed a detailed review.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 Revenue from contracts with customers and related amendments

HKFRS 15 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, the standard 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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligation, principal versus agent consideration, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in future may result in more disclosures, however, the directors of the Company do not anticipate the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 Leases (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flow. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of approximately HK$2,657,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The directors of the Company do not expect the application of HKFRS 16 as compared with the current accounting policy of the Group would result in significant impact on the Group's result.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 Hong Kong Companies Ordinance.

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.

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. 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".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power 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 the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group 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. 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 of the investee 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 over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 of disposal) 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 the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. 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 that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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.

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.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Dividend and interest income

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).

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 the settlement of monetary items, and on retranslation of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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.

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 are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

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 32.

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. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. 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 trade and other receivables, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

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. 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.

The followings are the key assumptions concerning the key sources 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 assets within the next financial year.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY (Continued)

Impairment assessment of interest in MGX (as defined in note 16)

Determining whether interest in MGX is impaired requires an estimation of the recoverable amount of the interest in MGX which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate its share of the present value of the future cash flows expected to be generated by MGX based on the cash flows from the operations of MGX and the proceeds on the ultimate disposal of MGX taking into account the estimated future prices and estimated production volume of hematite iron ores of MGX and a suitable discount rate with reference to comparable companies. The fair value less costs of disposal of MGX was determined based on the closing price of shares of MGX listed on the Australian Stock Exchange. Where the value in use or fair value less costs of disposal are less than or more than expected or upon the management's revision of estimated cash flows for the purpose of determining the value in use due to changes in conditions, facts and circumstances, an additional impairment loss or reversal of impairment loss may arise.

As at 30 June 2017, the carrying amount of the Group's interest in MGX was approximately HK$641,113,000 (2016: HK$484,768,000). A reversal of impairment loss of approximately HK$82,630,000 (2016: impairment loss of approximately HK$30,836,000) was recognised in profit or loss during the year.

5. REVENUE

	2017 **HK$'000**	2016 HK$'000
Revenue from trading of commodities	**97,112**	123,103
Interest income from loans receivable	**3,364**	—
	100,476	123,103

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);

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

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

On 1 March 2017, the Company announced to establish a new segment of principal investment and financial services and, since then, the CODM reviews the financial performance of principal investment and financial services operation. Accordingly, results from principal investment and financial services, which represents the loans granted during the year ended 30 June 2017, are presented as an operating and reportable segment.

6. SEGMENT INFORMATION (Continued)

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, gains arising from derecognition of interests in associates, gain arising from disposal of a subsidiary, gain arising from disposal of available-for-sale investments, adjustment to carrying amount of loans receivable, loss on deemed disposal of partial interest in an associate, net gain on deemed disposal of partial interest in an associate, unallocated corporate income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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 2017

	Commodity business HK$'000	Resource investment HK$'000	Principal investment and financial services HK$'000	Total HK$'000
Revenue	97,112	—	3,364	100,476
Gross sales proceeds from resource investment	—	481,501	—	481,501
Segment results	2,838	67,400	9,824	80,062
Share of results of associates				46,863
Gains arising from derecognition of interests in associates				189,599
Gain arising from disposal of a subsidiary				22,753
Gain arising from disposal of available-for-sale investments				82,921
Reversal of impairment loss on interest in an associate				82,630
Adjustment to carrying amount of loans receivable				107,720
Loss on deemed disposal of partial interest in an associate				(3,164)
Unallocated corporate income				35,936
Unallocated corporate expenses				(27,947)
Profit before taxation				617,373

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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 results	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 interest in an associate			8,456
Unallocated corporate income			56,078
Unallocated corporate expenses			(30,209)
Finance costs			(135)
Loss before taxation			(15,705)

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 2017 are as follows:

Amounts included in the measure of segment profit or loss:

	Commodity business HK$'000	Resource investment HK$'000	Principal investment and financial services HK$'000	Unallocated HK$'000	Total HK$'000
Interest income (included in other income)	2,795	1,713	—	29,292	33,800
Fair value change of investments held for trading	—	55,402	—	—	55,402
Net foreign exchange gain (loss)	2,418	(2,108)	6,547	6,391	13,248

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	Principal investment and financial services HK$'000	Unallocated HK$'000	Total HK$'000
Interests in associates	—	—	—	678,479	678,479
Loan notes	—	—	—	190,362	190,362
Available-for-sale investments	—	—	—	533,381	533,381
Convertible notes	—	—	—	9,320	9,320
Adjustment to carrying amount of loans receivable	—	—	—	107,720	107,720
Share of results of associates	—	—	—	46,863	46,863
Reversal of impairment loss on interest in an associate	—	—	—	82,630	82,630

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 2016 are as follows:

Amounts included in the measure of segment profit or loss:

	Commodity business HK$'000	Resource investment HK$'000	Unallocated HK$'000	Total HK$'000
Interest income (included in other 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)

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:

	2017 HK$'000	2016 HK$'000
Commodity business	**286,310**	203,880
Resource investment	**488,524**	372,127
Principal investment and financial services	**238,812**	—
Total segment assets	**1,013,646**	576,007
Interests in associates	**678,479**	1,145,649
Available-for-sale investments	**533,381**	—
Loan notes	**190,362**	345,465
Loans receivable	**—**	131,899
Unallocated	**500,782**	29,959
Consolidated assets	**2,916,650**	2,228,979
Commodity business	**16,899**	17,975
Resource investment	**8,845**	47
Total segment liabilities	**25,744**	18,022
Unallocated	**2,556**	2,591
Consolidated liabilities	**28,300**	20,613

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, convertible notes, certain available-for-sale investments, certain other receivables and certain bank balances and cash (2016: interest 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.

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group's resource investment and principal investment and financial services are mainly carried out in Hong Kong.

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	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Australia	**—**	—	**641,113**	1,109,348
Hong Kong	**59,628**	86,781	**1,073**	456
The PRC	**40,848**	36,322	**37,396**	36,331
	100,476	123,103	**679,582**	1,146,135

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:

	2017	2016
	HK$'000	HK$'000
Customer A	**56,264**	62,976
Customer B	**N/A[1]**	23,805
Customer C	**N/A[1]**	21,104
Customer D	**20,385**	N/A[1]
Customer E	**14,815**	N/A[1]

1 No revenue attributed from the relevant customer.

7. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	HK$'000
Fair value change of investments held for trading *(note)*	**55,402**	(44,726)
Fair value change of derivative financial instruments	**—**	3,627
Reversal of impairment loss on interest in an associate	**82,630**	—
Impairment loss on interest in an associate	**—**	(30,836)
Adjustment to carrying amount of loans receivable *(Note 19(a))*	**107,720**	(119,583)
Gain arising from disposal of a subsidiary *(Note 33)*	**22,753**	—
Gains arising from derecognition of interests in associates	**189,599**	—
Gains arising from disposal of available-for-sale investments	**82,921**	—
Net gain on deemed disposal of partial interest in an associate	**—**	8,456
Loss on deemed disposal of partial interest in an associate	**(3,164)**	—
Net foreign exchange gain	**13,248**	1,081
	551,109	(181,981)

Note: Net realised gain of HK$62,029,000 (2016: HK$14,714,000) on disposal of investments held for trading are included in fair value change of investments held for trading.

8. OTHER INCOME

	2017	2016
	HK$'000	HK$'000
Interest income from bank deposits	**5,562**	1,884
Interest income from loan notes	**10,935**	26,114
Interest income from loans receivable	**16,808**	28,420
Interest income from convertible notes	**495**	—
Dividend income from investments held for trading	**12,808**	11,344
Others	**986**	1,204
	47,594	68,966

9. FINANCE COSTS

	2017	2016
	HK$'000	HK$'000
Securities margin financing	**—**	135

10. PROFIT (LOSS) BEFORE TAXATION

	2017 HK$'000	2016 HK$'000
Profit (loss) before taxation has been arrived at after charging:		
Staff costs, including directors' emoluments		
— salaries and allowances	**17,566**	15,823
— staff quarters	**1,080**	1,104
— retirement benefits schemes contributions	**414**	244
Total staff costs	**19,060**	17,171
Auditor's remuneration	**800**	1,000
Cost of goods recognised as an expense	**94,944**	96,846
Loss on written-off of property, plant and equipment (included in administrative expense)	**3**	—
Depreciation of property, plant and equipment	**431**	421

11. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current tax		
Hong Kong Profits Tax	**—**	1,398
PRC Enterprise Income Tax	**—**	—
Australian capital gains tax	**61,893**	—
	61,893	1,398
Overprovision in prior years	**(65)**	(258)
	61,828	1,140
Deferred tax *(Note 26)*	**6,950**	—
	68,778	1,140

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 2017 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.

11. INCOME TAX EXPENSE (Continued)

Under the Australian tax rule, provision for Australian capital gains tax was made at 30% on the capital gain derived from the sale of certain shares in Australian companies which may probably constitute taxable Australian property, by a non-resident company in Australia.

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

	2017	2016
	HK$'000	HK$'000
Profit (loss) before taxation	**617,373**	(15,705)
Tax at Hong Kong profits tax rate of 16.5%	**101,867**	(2,591)
Tax effect of expenses not deductible for tax purpose	**4,816**	35,541
Tax effect of income not taxable for tax purpose	**(98,916)**	(15,540)
Tax effect of tax losses not recognised	**990**	3,063
Tax effect of utilisation of tax losses previously not recognised	**(1,091)**	(1,418)
Tax effect of share of results of associates	**(7,732)**	(17,706)
Overprovision in prior periods	**(65)**	(258)
Australian capital gains tax	**61,893**	—
Deferred tax on Australian capital gains tax	**6,950**	—
Others	**66**	49
Income tax expense for the year	**68,778**	1,140

As at 30 June 2017, the Group had unused tax losses of HK$166,630,000 (2016: HK$167,242,000) 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 2017 and 2016 is set out as follows:

Year ended 30 June 2017

		Other emoluments			
	Fee HK$'000	Salaries and allowances HK$'000	Bonus HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors					
Mr. Andrew Ferguson *(note (a))*	—	4,250	—	18	4,268
Mr. Brett Robert Smith *(note (c))*	—	2,181	—	207	2,388
Non-executive directors					
Mr. Lee Seng Hui	120	—	—	—	120
Mr. So Kwok Hoo	120	—	—	—	120
Mr. Arthur George Dew *(note (d) and (f))*	95	135	383	—	613
Mr. Wong Tai Chun, Mark, alternate director of Mr. Arthur George Dew *(note (d) and (f))*	—	331	91	16	438
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
	905	6,897	474	241	8,517

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

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

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 a 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.

(f) These directors of the Company received certain remuneration from the parent company of the substantial shareholder of the Company which provided management services to the Group and charged the Group a management service fee for services provided by these directors as well as other management personnel who were not the directors of the Company. Details of these management services and the related expenses are set out in note 29(a).

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

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The non-executive directors' and independent non-executive directors' emoluments shown above are 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 2017 and 2016.

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 2017 and 2016.

The bonus was determined in accordance with the individual's performance.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2016: one) are directors of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining three (2016: four) individuals are set out as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and allowances	**5,467**	6,600
Retirement benefits schemes contributions	**54**	72
	5,521	6,672

Their emoluments are within the following bands:

	2017 **No. of** **employees**	2016 No. of employees
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**3**	3
	3	4

13. EARNINGS (LOSS) PER SHARE

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

Earnings (loss)

	2017	2016
	HK$'000	HK$'000
Earnings (loss) for the purposes of calculating basic earnings (loss) per share:		
Profit (loss) for the year attributable to owners of the Company	**548,595**	(16,845)

Number of shares

	2017	2016 (Restated)
Weighted average number of ordinary shares used in the calculation of basic earnings (loss) per share	**919,165,198**	909,119,677

For the years ended 30 June 2017 and 2016, no separate diluted earnings (loss) per share information has been presented as there was no potential ordinary shares outstanding.

The number of ordinary shares in issue for the purpose of basic loss per share for the year ended 30 June 2016 has been adjusted retrospectively to reflect the impact of share consolidation as described in note 27.

14. DIVIDENDS

Subsequent to the end of the reporting period, the directors of the Company have declared an interim dividend of HK1.5 cents per share for the year ended 30 June 2017. No final dividend was paid or proposed for the years ended 30 June 2017 and 2016.

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 2015 and 30 June 2016	2,430	107	1,289	1,789	5,615
Additions	909	—	142	—	1,051
Written-off	—	(5)	(9)	—	(14)
At 30 June 2017	3,339	102	1,422	1,789	6,652
DEPRECIATION					
At 1 July 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
Charge for the year	375	4	51	1	431
Eliminated upon written-off	—	(4)	(7)	—	(11)
At 30 June 2017	2,393	102	1,295	1,759	5,549
CARRYING AMOUNTS					
At 30 June 2017	946	—	127	30	1,103
At 30 June 2016	412	5	38	31	486

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

	2017 HK$'000	2016 HK$'000
Cost of investments in associates		
— Listed in Australia	1,630,610	2,269,736
— Unlisted	22,716	54,708
Share of post-acquisition results and other comprehensive income, net of dividends received	(466,906)	(573,327)
Impairment losses recognised	(507,941)	(605,468)
	678,479	1,145,649
Fair value of listed investments	641,113	1,283,319

Details of the Group's associates as at 30 June 2017 and 2016 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 2017	2016	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	29.53%	29.67%	Mining of hematite iron ore from two mines in Western Australia.
Metals X Limited ("**MLX**") *(note (b))*	Listed	Australia	Ordinary	N/A	20.72%	Mining of tin from the Renison tin mine; and exploration of the Wingellina Nickel Project.
Alufer Mining Limited ("**Alufer**") *(note (c))*	Unlisted	Bailiwick of Guernsey	Ordinary	N/A	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 2017, the Group's shareholdings in MGX decreased from 29.67% as at 30 June 2016 to 29.53% as at 30 June 2017. Such decrease was due to dilution of the Group's shareholdings in MGX caused by MGX's issuance of 4,749,456 restricted shares to its staff and 533,625 ordinary shares upon exercise of the performance rights by its staff during the year. Accordingly, a loss on deemed disposal of partial interests of approximately HK$3,164,000 was recognised in profit or loss.

(b) On 15 July 2016, the Group's shareholdings in MLX decreased from 20.72% to 16.24% as a result of disposal of 21,500,000 shares in MLX by the Group. Such disposal resulted in the Group losing significant influence over MLX and it was derecognised as interests in associates by the Group. Details of the disposal are set out as follow.

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

(c) During the year ended 30 June 2017, the Group's shareholdings in Alufer decreased from 25.83% to 7.68% as a result of issuance of US$35,000,000 preference shares of US$0.145 each by Alufer. Such issuance of preference shares resulted in the Group losing significant influence over Alufer and it was derecognised as interests in associates by the Group.

Derecognition of interests in associates

MLX

On 15 July 2016, the Group disposed of 21,500,000 shares in MLX in the market for a cash consideration of approximately Australian dollars ("**AUD**") 31,820,000 (equivalent to approximately HK$185,491,000) and the direct costs in relation to this transaction is approximately HK$371,000. Immediate after the disposal, the Group's interest in MLX's issued share capital decreased from 20.72% to 16.24% and the Group ceased to have significant influence over MLX. The Group discontinued the use of the equity method to account for the entire interest in MLX as an associate and the Group's retained interest in MLX was then accounted for as an available-for-sale investment at fair value.

The gain arising from derecognition of interests in MLX as an associate is set out as follows:

	HK$'000
Net cash received	185,120
Fair value of retained interests in MLX *(note)*	682,053
Carrying amount of the interests in MLX derecognised as an associate	(624,580)
Reclassification of share of MLX's investment revaluation reserve previously included in the Group's other comprehensive income	28,695
Reclassification of share of MLX's exchange deficit previously included in the Group's other comprehensive income	(94,210)
	177,078

Note: The retained interests in MLX are determined based on 77,907,571 shares of MLX and the market price of AUD1.48 (equivalent to approximately HK$8.76) per MLX's share. The market price of MLX share is determined based on its closing price at the date of the Group's cease to have significant influence over MLX.

16. INTERESTS IN ASSOCIATES (Continued)

Derecognition of interests in associates (Continued)

Alufer

During the year ended 30 June 2017, the Group's shareholdings in Alufer, that its carrying amount was fully impaired in the past due to its insolvent financial position and uncertainty in raising new funds to continue with the exploration of its projects, decreased from 25.83% to 7.68% as a result of issuance of US$35,000,000 preference shares of US$0.145 each by Alufer. The preference shares carry 75% of the total voting rights of Alufer and the Group subscribed for US$467,015 (equivalent to approximately HK$3,645,000) preference shares in two tranches during the year ended 30 June 2017. The Group ceased to have significant influence over Alufer upon Alufer's issuance of preference shares. The Group discontinued the use of the equity method to account for the entire interest in Alufer as an associate and the Group's retained interest in Alufer was accounted for as an available-for-sale investment at fair value of approximately US$1,602,000 (equivalent to approximately HK$12,521,000) at the date of the Group's cease to have significant influence over Alufer. Accordingly, a gain of approximately HK$12,521,000 arising from derecognition of interests in Alufer was credited to profit or loss during the year ended 30 June 2017.

Impairment assessment on the Group's interest in MGX

At the end of the reporting period, in view of increase (2016: decrease) in share prices of MGX during the year, 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 value in use and fair value less costs of disposal) with its carrying amount. In determining the value in use of MGX, the Group estimated its share of the present value of the estimated future cash flows expected to be generated by MGX based on the cash flows from the operations of MGX and the proceeds on the ultimate disposal of MGX taking into account the estimated future prices and estimated production volume of hematite iron ores of MGX and a discount rate of 10% (2016: 10%) which was reference to comparable companies. The fair value less costs of disposal of MGX was determined based on the closing price of the shares of MGX listed on the Australian Stock Exchange at the end of each reporting period. As at 30 June 2017, the recoverable amount of the Group's interest in MGX, which represented the fair value less costs of disposal of HK$641,113,000, was higher than its carrying amount (2016: fair value less costs of disposal was lower than its carrying amount), accordingly, a reversal of impairment loss of approximately HK$82,630,000 (2016: impairment loss of approximately HK$30,836,000) was recognised in profit or loss during the year.

16. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the Group's associates

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

MGX

	2017 HK$'000	2016 HK$'000
Non-current assets	100,864	50,352
Current assets	2,876,142	2,670,896
Current liabilities	(228,574)	(244,396)
Non-current liabilities	(234,430)	(219,894)
Net assets	2,514,002	2,256,958
Revenue	1,019,941	1,381,592
Profit for the year	154,154	494,791
Other comprehensive income (expense) for the year	102,890	(59,727)
Total comprehensive income for the year	257,044	435,064
Dividend paid by MGX	—	—
Group's share of profit of MGX for the year	45,317	134,129
Group's share of other comprehensive income (expense) of MGX for the year	30,613	(16,191)
Exchange differences in goodwill and accumulated impairment included in interest in MGX	949	5,148
Total	76,879	123,086
Dividend paid by MGX attributable to the Group	—	—

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

	2017 HK$'000	2016 HK$'000
Net assets of MGX attributable to owners of MGX	2,514,002	2,256,958
Proportion of the Group's ownership interest in MGX	29.53%	29.67%
	742,385	669,639
Goodwill	406,669	390,359
Impairment loss recognised	(507,941)	(575,230)
Carrying amount of the Group's interest in MGX	641,113	484,768

16. INTERESTS IN ASSOCIATES (Continued)

MLX

	2016 HK$'000
Non-current assets	2,795,740
Current assets	653,526
Current liabilities	(583,520)
Non-current liabilities	(591,646)
Net assets	2,274,100
Revenue	1,987,743
Loss for the year	(126,717)
Other comprehensive expense for the year	(12,729)
Total comprehensive expense for the year	(139,446)
Dividend paid by MLX	66,927
Group's share of loss of MLX for the year	(28,431)
Group's share of other comprehensive expense of MLX for the year	(1,226)
Exchange difference on goodwill included in interest in MLX	(5,426)
Total	(35,083)
Dividend paid by MLX attributable to the Group	15,995

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

	2016 HK$'000
Net assets of MLX attributable to owners of MLX	2,274,100
Proportion of the Group's ownership interest in MLX	20.72%
	471,194
Goodwill	153,386
Carrying amount of the Group's interest in MLX	624,580

16. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	2017 HK$'000	2016 HK$'000
The Group's share of profit	1,546	1,612
The Group's share of other comprehensive expenses	(481)	(2,442)
The Group's share of total comprehensive income (expenses)	1,065	(830)
Aggregate carrying amount of the Group's interests in these associates	37,366	36,301

17. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Equity securities:		
Unlisted, at cost *(note (a))*	37,501	37,501
Less: impairment losses recognised	(35,214)	(35,214)
	2,287	2,287
Unlisted, at fair value *(note (b))*	16,145	47,205
Listed in Australia, at fair value *(note (c))*	533,381	—
	551,813	49,492

17. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes:

(a) These unlisted equity investments represent investments in unlisted equity securities issued by five (2016: five) private entities incorporated in the British Virgin Islands, the United Kingdom, the United States of America and Australia (2016: 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. The Group has neither control nor significant influence on any of these private entities.

(b) These unlisted equity investments represent investments in unlisted equity securities issued by one private entity incorporated in Bailiwick of Guernsey (2016: one private entity incorporated in the British Virgin Islands). These unlisted equity investments are measured at fair values and the details of the fair value measurement are set out in note 32.

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

During the year ended 30 June 2017, the Group disposed of its investment in an unlisted equity securities issued by a private entity incorporated in the British Virgin Islands through disposal of a subsidiary. Details of the disposal of the subsidiary are set out in the note 33.

(c) These listed equity investments represent 55,907,571 shares in MLX and 27,953,786 shares in Westgold Resources Limited ("**WGX**"). Both are available-for-sale investments listed in Australian Stock Exchange. WGX demerged from MLX in November 2016 and details are set out in the Company's circular dated 15 December 2016.

18. CONVERTIBLE NOTES

During the year ended 30 June 2017, the Group subscribed convertible notes, which were designated at fair value through profit or loss, with a nominal value of US$1,200,895 from Alufer, which carry 12% coupon interest per annum payable quarterly at 31 March, 30 June, 30 September and 31 December of each year and will mature on 30 November 2022. The convertible notes are guaranteed by Alufer and certain of its related companies. The Group is entitled to convert the convertible notes into preference shares of Alufer at a conversion price of US$0.145 per preference share at any time from the subscription date to the maturity date. As at 30 June 2017, the fair value of the convertible notes was approximately HK$9,320,000.

19. LOANS RECEIVABLE

	2017	2016
	HK$'000	HK$'000
Loans granted in year 2014 *(note (a))*	**—**	131,899
Loans granted in year 2017 *(note (b))*	**232,138**	—
	232,138	131,899

The movement of loans receivable during the year is set out as follows:

	HK$'000
At 1 July 2015	223,062
Interest income	28,420
Adjustment to carrying amount	(119,583)
At 30 June 2016	131,899
Interest income	20,172
Interest received	(1,716)
Adjustment to carrying amount	107,720
New grant of loan	225,000
Settlement	(256,427)
Exchange difference	5,490
At 30 June 2017	232,138

Notes:

(a) 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, carried fixed interest rate 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 was guaranteed by the sole shareholder of the Borrower and the key security against the Loan was an assignment of a loan due by an investee (the "**PRC Co**") to a wholly-owned subsidiary of the Borrower.

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 requested for extension of settlement from time to time. 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 Co, 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 was 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.

19. LOANS RECEIVABLE (Continued)

Notes: (Continued)

(a) (Continued)

During the year ended 30 June 2017, the Group recognised effective interest income of approximately HK$16,808,000 on the loans receivable based on the effective interest rate of 24% per annum. On 29 December 2016, the Borrower repaid RMB10,000,000 (equivalent to approximately HK$11,122,000) to the Group.

On 22 January 2017, the Borrower repaid the remaining balance of approximately RMB216,170,000 (equivalent to approximately HK$245,305,000). Accordingly, there was an adjustment of approximately HK$107,720,000 to increase the carrying amount of the loans receivable to the amount settled.

(b) On 22 March 2017, the Group entered into a loan agreement (the "**New Loan Agreement**") with an independent third party (the "**New Borrower**"). Pursuant to the New Loan Agreement, the Group granted a loan of RMB200,000,000 (equivalent to approximately HK$225,000,000) at the date of grant to the New Borrower with a term of 12 months from the first drawdown date, which was on 23 March 2017. This loan carries a fixed interest rate of 6% per annum payable quarterly in arrears. The loan is guaranteed by China Medical & HealthCare Group Limited (the "**Guarantor**"), a limited liability company incorporated in Bermuda whose shares are listed on The Main Board of the Stock Exchange. The New Borrower is a subsidiary of the Guarantor.

20. LOAN NOTES

	2017	2016
	HK$'000	HK$'000
Loan notes issued by Mulpha SPV Limited ("**Mulpha**")	**159,019**	314,304
Loan notes issued by Sun Hung Kai & Co. (BVI) Limited ("**SHK BVI**")	**31,343**	31,161
	190,362	345,465
The carrying amount of the loan notes is presented as:		
— Current assets	**—**	314,304
— Non-current assets	**190,362**	31,161
	190,362	345,465

20. LOAN NOTES (Continued)

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

	HK$'000
At 1 July 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**
Investment in loan notes	**156,094**
Redemption of loan notes	**(310,232)**
Interest income	**10,935**
Interest received	**(11,255)**
Exchange difference	**(645)**
At 30 June 2017	**190,362**

Loan notes issued by Mulpha

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

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

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

On 6 September 2016, the Group subscribed loan notes from Mulpha with a nominal value of US$20,000,000 which carry 6% coupon interest per annum and will mature on 6 September 2019.

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.

20. LOAN NOTES (Continued)

Loan notes issued by SHK BVI

On 24 May 2016, the Group subscribed loan notes with a nominal value of US$4,000,000 from SHK BVI, a limited liability company incorporated in the British Virgin Islands, which carry 4.75% coupon interest per annum and will mature on 31 May 2021.

These loan notes are guaranteed by Sun Hung Kai & Co. Limited ("**SHK**"), a limited liability company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange.

21. TRADE AND OTHER RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**16,069**	—
Other deposits and prepayments	**4,208**	5,030
Receivable from brokers	**6,577**	10,048
	26,854	15,078

The Group allows an average credit period of 90 days to its trade customers from commodities trading business. The following is an ageing analysis of trade receivables presented based on the invoice date which approximates the revenue recognition date at the end of the reporting period:

	2017 **HK$'000**	2016 HK$'000
0 to 30 days	**16,069**	—

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits to it. The credit limits attributed to customers are reviewed regularly.

As at 30 June 2017, there were no trade receivables which were past due but not impaired.

22. INVENTORIES

	2017 HK$'000	2016 HK$'000
Iron ores, at cost	—	5,648
Goods in transit, at cost	—	19,175
	—	24,823

23. INVESTMENTS HELD FOR TRADING

	2017 HK$'000	2016 HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	18,139	189,802
— Equity securities listed in the United Kingdom	9,331	6,194
— Equity securities listed in Australia	103,203	82,700
— Equity securities listed in Canada	122,553	8,185
— Equity securities listed in the United States of America	22,501	—
	275,727	286,881

As at 30 June 2017 and 2016, in the opinion of directors of the Company, particulars of the Group's significant investments included in investments held for trading are as follows:

Name of company	Country of incorporation	Class of shares	Number of shares issued	Issued and fully paid share capital	Number of shares held by the Group	Percentage of issued share capital held by the Group
ABM Resources NL ("**ABM**")	Australia	Ordinary	375,157,803 (2016: 375,157,803)	AUD166,374,620 (2016: AUD166,259,494)	50,872,914 (2016: 50,872,914)	13.56% (2016: 13.56%)

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 on Mr. Andrew Ferguson (Chief Executive Officer and an executive director of the Company) on 9 July 2012 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 1.6% (2016: 0.01% to 1.9%) 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 0.25% to 0.91% (2016: 0.16% to 0.39%) per annum.

25. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**15,379**	16,425
Other payables	**6,036**	2,790
	21,415	19,215

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

	2017 HK$'000	2016 HK$'000
0 to 90 days	**15,379**	16,425

26. DEFERRED TAXATION

The following is the deferred tax liability recognised and movements thereon during the current year:

	Fair value adjustment on available-for-sale investments HK$'000
At 1 July 2016	—
Charge to profit or loss during the year	6,950
Credit to other comprehensive income during the year	(1,463)
At 30 June 2017	5,487

27. SHARE CAPITAL

Authorised and issued share capital

	Number of shares	Amount HK$'000
Ordinary shares:		
Authorised:		
At 1 July 2015 and 30 June 2016 of HK$0.10 each	20,000,000,000	2,000,000
Shares consolidation *(note (a))*	(18,000,000,000)	—
At 30 June 2017 of HK$1.00 each	2,000,000,000	2,000,000
Issued and fully paid:		
At 1 July 2015	6,127,767,990	612,777
Issue of shares *(note (b))*	3,063,883,995	306,388
At 30 June 2016	9,191,651,985	919,165
Shares consolidation *(note (a))*	(8,272,486,787)	—
At 30 June 2017	919,165,198	919,165

Notes:

(a) Pursuant to the ordinary resolution passed by the shareholders of the Company at the special general meeting on 1 June 2017 and fulfilment of all the conditions as set out in the circular of the Company dated 15 May 2017, every ten existing issued shares of the Company of HK$0.10 each was consolidated into 1 share of HK$1.00 each (the "**Shares Consolidation**"). Immediately upon the Shares Consolidation, which became effective on 2 June 2017, the issued and fully paid share capital of the Company was approximately HK$919,165,000 comprising 919,165,198 shares.

(b) 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 (before the Shares Consolidation) per share and issued 3,063,883,995 (before the Shares Consolidation) 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.

28. COMMITMENTS

Operating lease — The Group as lessee

	2017 HK$'000	2016 HK$'000
Minimum lease payments under operating leases in respect of rented premises and equipment during the year	**3,259**	4,332

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:

	2017 HK$'000	2016 HK$'000
Within one year	**1,939**	3,608
After one year but not more than five years	**718**	279
	2,657	3,887

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.

29. RELATED PARTY TRANSACTIONS

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

	2017 HK$'000	2016 HK$'000
Subsidiaries of an associate, MGX		
Purchase of commodities	**68,218**	80,052

	2017 HK$'000	2016 HK$'000
Trade payable	**15,379**	16,425

29. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

During the year, the Group had certain transactions with Allied Properties (H.K.) Limited ("**APL**"), the substantial shareholder of the Company, and Allied Group Limited ("**AGL**"), a parent company of APL:

	2017 **HK$'000**	2016 HK$'000
Reimbursement to AGL the actual costs incurred in respect of administrative services and a portion of actual costs incurred in respect of management, consultancy, strategic, and business advice services provided by senior management and selected staff of AGL to the Group in accordance with the relevant sharing of administrative services and management services agreements during the six months period from:		
— 1 July 2016 to 31 December 2016	**694**	—
— 1 January 2017 to 30 June 2017	**840**	—
Reimbursement to APL a portion of actual costs incurred in respect of management services provided by senior management and selected staff of APL to the Group in accordance with the relevant sharing of management services agreements during the six months period from:		
— 1 July 2016 to 31 December 2016	**156**	—
— 1 January 2017 to 30 June 2017	**165**	—

During the year, the Group had the following transactions with Art View Properties Limited, a joint venture of APL:

	2017 **HK$'000**	2016 HK$'000
Rental and building management expenses	**658**	—

During the year, the Group had the following transaction with SHK BVI, an indirectly owned subsidiary of APL:

	2017 **HK$'000**	2016 HK$'000
Interest income from loan notes	**1,476**	123

29. RELATED PARTY TRANSACTIONS (Continued)

(b) 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:

	2017 HK$'000	2016 HK$'000
Short-term employee benefits	8,593	8,104
Post-employment benefits	245	44
	8,838	8,148

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.

(c) Compensation of senior management personnel

Included in the key management personnel of the Group are three (2016: three) senior management personnel of which two (2016: two) 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:

	2017 HK$'000	2016 HK$'000
Short-term employee benefits	6,748	6,117
Post-employment benefits	229	44
	6,977	6,161

Their emoluments were within the following bands:

	2017 No. of employees	2016 No. of employees
Nil to HK$1,000,000	1	1
HK$2,000,001 to HK$3,000,000	1	1
HK$4,000,001 to HK$5,000,000	1	1

A senior management personnel of the Group received remuneration from APL which provided management services to the Group and charged the Group a fee for services provided by this personnel. Details of the management services and the related expenses are set out in note 29(a).

30. 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 (2016: 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 approximately HK$414,000 (2016: HK$244,000) represents contributions payable to the schemes by the Group at rates specified in the rules of the respective schemes.

31. 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.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017	2016
	HK$'000	HK$'000
Financial assets		
Investments held for trading	**275,727**	286,881
Convertible notes	**9,320**	—
Available-for-sale investments	**551,813**	49,492
Loans and receivables (including cash and cash equivalents)	**1,397,810**	719,530
Financial liabilities		
Amortised cost	**21,325**	19,185

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives

The Group's major financial instruments include investments held for trading, available-for-sale investments, convertible notes, trade and other receivables, loans receivable, loan notes, pledged bank deposits, bank balances and cash and trade and other payables. 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 of the Group 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.

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 HK$145,167,000 as at 30 June 2017 (2016: HK$79,955,000) denominated in USD to secure trade finance facilities. As HK$ 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 of the Group 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, loans receivables, trade and other receivables and trade and other payables (2016: pledged bank deposits, bank balances, other receivables and trade and other payables) are as follows:

	Assets		**Liabilities**	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**232,138**	—	**—**	—
USD	**214,459**	119,349	**15,379**	16,562
AUD	**319,395**	11,367	**—**	—

32. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

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% (2016: 10%) increase and decrease in HK$ against foreign currency and all other variables were held constant. 10% (2016: 10%) is the sensitivity rate used by management of the Group in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts its translation at the year end for a 10% (2016: 10%) change in foreign currencies rates. A positive number below indicates an increase in post-tax profit (2016: a decrease in post-tax loss) for the year where foreign currency strengthen 10% (2016: 10%) against HK$. For a 10% (2016: 10%) weakening of foreign currency against HK$ there would be an equal and opposite impact on the post-tax profit (2016: post-tax loss) for the year.

	RMB Impact		AUD Impact	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase in post-tax profit (2016: decrease in post-tax loss) for the year	**23,214**	—	**31,940**	1,137

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances as at 30 June 2017 (see note 24 for details). The Group is exposed to fair value interest rate risk in relation to fixed-rate loans receivable, fixed-rate convertible notes and fixed-rate loan notes as at 30 June 2017 (2016: fixed-rate loans receivable and fixed-rate loan notes). 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 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.

32. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

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 97% (2016: 43%) 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:

	2017 HK$'000	2016 HK$'000
USD	26,939	52,870
AUD	636,584	84,140
Pound sterling ("**GBP**")	4,198	1,302
Canadian dollars ("**CAD**")	122,553	8,185

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.

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% (2016: 10%) increase and decrease in HK$ against foreign currencies and all other variables are 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% (2016: 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 an increase in post-tax profit or investment revaluation reserve (net of tax) (2016: a decrease in post-tax loss) for the year where foreign currencies strengthen 10% (2016: 10%) against HK$. For a 10% (2016: 10%) weakening of foreign currencies against HK$ there would be an equal and opposite impact on the post-tax profit or investment revaluation reserve (net of tax) (2016: post-tax loss) for the year.

	2017 HK$'000	2016 HK$'000
Increase in post-tax profit (2016: decrease in post-tax loss) for the year	20,371	8,730
Increase in investment revaluation reserve (net of tax) for the year	56,018	435

32. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Other price risk (Continued)

Equity price risk

The Group is exposed to equity price risk through its investments, including available-for-sale investments and investments held for trading. Management of the Group 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 (2016: 30% higher/lower):

- post-tax profit for the year ended 30 June 2017 would increase/decrease by approximately HK$82,718,000 (2016: post-tax loss would decrease/increase by approximately HK$86,064,000). This is mainly due to the changes in fair value of investments in held for trading; and

- investment revaluation reserve for the year ended 30 June 2017 would increase/decrease by approximately HK$164,858,000 (2016: HK$14,162,000) as a result of changes in fair value of available-for-sale investments of approximately HK$549,526,000 (2016: HK$47,205,000).

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 Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 30 June 2017, the Group had concentration of credit risk on pledged bank deposits of approximately HK$145,167,000 (2016: HK$79,955,000) in a bank in Hong Kong and bank balance of approximately HK$83,018,000 (2016: HK$55,712,000) in a PRC bank. In the opinion of directors of the Company, the credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with good reputation.

As at 30 June 2017, the Group had concentration of credit risk in respect of loans receivable of approximately HK$232,138,000 from the New Borrower. Management of the Group reviewed the public announcements and financial information of the Guarantor of the loans receivable as well as the continuous settlement of interest in order to assess its credit quality. In this regards, the directors of the Company considered the Group's concentration of credit risk in respect of the loans receivable as at 30 June 2017 was significantly reduced.

As at 30 June 2017, the Group had concentration of credit risk in respect of trade receivables of approximately HK$16,069,000 (2016: Nil) into two customers. Taking into account of continuous settlements received from these customers, the directors of the Company considered that the Group's credit risk in respect of this trade receivable was significantly reduced.

As at 30 June 2017, the Group had concentration of credit risk in respect of loan notes of approximately HK$190,362,000 (2016: HK$345,465,000) into two entities. Management of the Group reviewed the public announcements and financial information of the counterparties and their guarantor, if any, as well as subsequent settlement of interest in order to assess their credit qualities. In this regard, the directors of the Company considered that the Group's credit risk in respect of these loan notes was significantly reduced.

32. FINANCIAL INSTRUMENTS (Continued)

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.

Liquidity tables

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 2017

	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	—	—	21,325	21,325	21,325

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

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.

32. 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 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 are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 30.6.2017	Fair value as at 30.6.2016	Fair value hierarchy	Valuation technique(s) and key input(s)
(1) Investments held for trading	Listed equity securities — HK$275,727,000	Listed equity securities — HK$286,881,000	Level 1	2017 and 2016 Quoted bid prices in active markets
(2) Available-for-sale investments	Unlisted equity securities — HK$16,145,000 *(note (a))*	Unlisted equity securities — HK$47,205,000 *(note (b))*	Level 3	2017 Discounted cash flow and a discount rate of 38% Black Scholes pricing model and an expected volatility of 16% 2016 Asset approach on financial position of the investee and residual approach for properties under development for sale and a discount rate of 20%
	Listed equity securities — HK$533,381,000	Nil	Level 1	2017 Quoted bid prices in active markets
(3) Convertible notes	HK$9,320,000	Nil	Level 3	2017 Discounted cash flow and a discount rate of 23.3% Binomial option pricing model and an expected volatility of 16%

Notes:

(a) The unlisted equity securities were acquired in year 2017.

(b) The unlisted equity securities were disposed of in year 2017.

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

32. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Available-for-sale investments HK$'000	Convertible notes HK$'000	Derivative financial instruments HK$'000	Total HK$'000
At 1 July 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
Acquired during the year	16,145	9,320	—	25,465
Disposal	(47,205)	—	—	(47,205)
At 30 June 2017	16,145	9,320	—	25,465

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.

33. DISPOSAL OF A SUBSIDIARY

On 30 June 2017, the Company entered into a sale and purchase agreement (the "**S&P Agreement**") with an independent third party (the "**Purchaser**"). Pursuant to the S&P Agreement, the Company agreed to dispose of its entire equity interest in APAC Resources Capital Limited ("**APAC Capital**"), a wholly-owned subsidiary of the Company, at cash consideration of HK$1,000,000 to the Purchaser (the "**Disposal**"). The Disposal was completed on the same date of the S&P Agreement. Pursuant to the terms as set out in the S&P Agreement, the Company, APAC Capital and the Purchaser entered into a deed of novation (the "**Deed**"). Pursuant to the Deed, the Company agreed to transfer by novation to the Purchaser and the Purchaser agreed to accept the transfer by novation of all rights, liabilities, duties and obligations of the Company appertaining to the loan of approximately HK$15,237,000 granted by the APAC Capital to the Company (the "**Novated Loan**").

	HK$'000
Consideration:	
Cash received	1,000
Analysis of assets and liabilities over which control was lost:	
Available-for-sale investments, unlisted and at fair value	47,205
Other receivables *(note)*	15,297
Bank balances	37
Other payables	(95)
Tax payable	(61,893)
Net assets disposed of	551
Gain on disposal of a subsidiary:	
Total consideration	1,000
The Novated Loan	15,237
Net assets disposed of	(551)
Reclassification of investment of revaluation reserve previously included in the Group's other comprehensive income upon disposal of available-for-sale investments carried at fair value	7,067
	22,753
Net cash inflow arising on the disposal:	
Cash received	1,000
Less: Cash and cash equivalents disposed of	(37)
	963

Note: Included in the other receivables there is an amount of approximately HK$15,237,000 which represents the intercompany debts made by APAC Capital to the Company in previous years. As mentioned above, the Company's liabilities, duties, and obligation to pay APAC Capital was transferred to the Purchaser by way of novation upon the Disposal.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Country of incorporation/ establishment and operation	Particulars of issued and paid up capital	As at 30 June 2017 Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	As at 30 June 2016 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 *(note (a))*	British Virgin Islands	US$1 ordinary share	—	—	—	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 (b))*	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 (b))*	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) APAC Resources Capital Limited was disposed of by the Company during the year ended 30 June 2017. Details of the disposal are set out in the note 33.

(b) 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.

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

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The Company

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Investment in an associate		**22,716**	22,716
Investments in subsidiaries		**5,383**	5,383
		28,099	28,099
Current assets			
Amounts due from subsidiaries		**1,543,811**	2,047,128
Other receivables and prepayments		**1,989**	1,428
Bank balances		**533,776**	19,336
		2,079,576	2,067,892
Total assets		**2,107,675**	2,095,991
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**919,165**	919,165
Other reserves	*a*	**348,825**	348,825
Accumulated profit	*a*	**837,237**	825,772
		2,105,227	2,093,762
Current liabilities			
Other payables		**2,448**	2,229
Total equity and liabilities		**2,107,675**	2,095,991

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

The Company (Continued)

Note:

a. Movement of the Company's reserves

	Other reserves		Accumulated profit	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**348,825**	354,577	**825,772**	913,959
Profit (loss) for the year	**—**	—	**11,465**	(88,187)
Transaction costs attributable to issue of new ordinary shares	**—**	(5,752)	**—**	—
At end of the year	**348,825**	348,825	**837,237**	825,772

36. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 September 2017, the Group has subscribed loan notes with a nominal value of US$2,500,000 from SHK BVI which carry 4.65% coupon interest per annum with interest payable semi-annually in arrears and will mature on 8 September 2022. These loan notes are guaranteed by SHK.

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				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**100,476**	123,103	256,372	774,512	1,104,617
Profit (loss) before taxation	**617,373**	(15,705)	(850,392)	912,653	(2,077,032)
Income tax (expense) credit	**(68,778)**	(1,140)	2,466	(5,393)	(2,655)
Profit (loss) for the year attributable to owners of the Company	**548,595**	(16,845)	(847,926)	907,260	(2,079,687)

ASSETS AND LIABILITIES

	As at 30 June				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,916,650**	2,228,979	2,006,763	3,337,036	2,527,311
Total liabilities	**(28,300)**	(20,613)	(79,050)	(207,835)	(268,678)
Equity attributable to owners of the Company	**2,888,350**	2,208,366	1,927,713	3,129,201	2,258,633