APAC RESOURCES

APAC Resources Limited
亞太資源有限公司*

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

2018 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.

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
OCBC Wing Hang Bank Limited

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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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$328,115,000 in the twelve months ended 30 June 2018 (“**FY 2018**”). This was partly driven by gains arising from share of results of associates of HK$179,130,000, and a reversal of impairment loss on the carrying value of the Group's investment in Mount Gibson Iron Limited of HK$67,506,000. However, most importantly, our core business segments also contributed a profit of HK$105,551,000.

CEO'S MESSAGE (CONTINUED)

The past twelve months have, as usual, been a volatile period for commodity prices. Earlier in FY 2018, commodity prices rallied on the back of steady global growth. The US economy was strong, and China appeared to be maintaining its growth trajectory, overcoming earlier concerns that environmental reforms and attempts to reduce corporate debt would slow the economy.

However in June, the escalating "Trade War" between China and US intensified, with markets concerned that tariffs from both countries would reverse the global growth trajectory. Metals, specifically base metals and precious metals, have sold off heavily, and energy has also been weaker. Both China and US have applied tariffs or taxes on US$50 billion of US and Chinese goods respectively. In late August, talks between the US and China resumed, although there does not appear to be much progress at the time of writing, with the US threatening tariffs on an additional US$200 billion of Chinese imports and China ready to levy taxes on additional US$60 billion of US goods.

Weakening emerging markets are also adding to global uncertainty as certain emerging market economies and currencies are impacted by rising US interest rates which have supported the US dollar. The countries most at risk are generally those with large current account deficits and high levels of external debt, namely Turkey, Argentina, South Africa and Indonesia, amongst others. While the issues seem to be isolated to individual economies for now, we cannot rule out contagion and its impact on global growth.

China appears to be committed to its plan to deleverage so as long as the economy is robust enough although the private Caixin PMI numbers have been trending down over the past twelve months. We believe the impact of the tariffs has yet to fully play out, however China has announced its intention to support the economy through fiscal stimulus if required. Stimulus could include tax cuts, infrastructure spending, and encouraging lending. The timing and size of stimulus has not yet been disclosed, but China has cut bank's Reserve Requirement Ratio (RRR) three times in 2018. Looking forward, we expect commodity prices to be driven by the Trade War and any offset from potential Chinese stimulus.

Other geopolitical issues remain in flux. The NAFTA negotiations seem to be coming to an end, with an agreement reached between Mexico and the US foreshadowing a potential deal with Canada. North Korean and US relations have been out of the spotlight in recent months, although the progress on North Korean denuclearization is unclear. Sentiment in the UK is poor as it is struggling to finalise a deal on Brexit before it leaves the EU in March 2019.

In August 2016, we announced the creation of two new investment portfolios, one to focus on energy and the other focused on mining. These portfolios form a new platform for the company's ongoing commitment and investment in the Resource Investment segment.

It is our long held belief that Shareholders should receive a return, and given strong results in our core business segments and the share of results of associates, we are pleased to declare an interim dividend of HK6 cents per share for FY 2018. We will continue to reassess our dividend policy based on our expectations of the economic outlook. As ever, I would like to thank you all for your continued faith in APAC Resources.

Andrew Ferguson
Chief Executive Officer

21 September 2018

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$328,115,000 for the twelve months ended 30 June 2018 ("**FY 2018**"), compared with a net profit attributable to shareholders of the Company of HK$548,595,000 for the twelve months ended 30 June 2017 ("**FY 2017**"). In our core business segments we generated HK$105,551,000 which is 32% higher than in FY 2017. Other significant drivers for FY 2018 includes HK$179,130,000 from our share of results of associates, and HK$67,506,000 from a reversal of impairment loss on the carrying value of the Group's investment in Mount Gibson Iron Limited ("**Mount Gibson**"). FY 2017 benefitted from a one-off gain arising from derecognition of our investment in associates of HK$189,599,000, and HK$107,720,000 from an adjustment to carrying amount of loans receivable.

Primary Strategic Investments

Our Primary Strategic Investment is in Mount Gibson which is listed and operating in Australia and in FY 2018 we also acquired an investment in Tanami Gold NL ("**Tanami Gold**"). 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 2018 was HK$178,306,000 (FY 2017: Net profit of HK$45,317,000). Mount Gibson reported a FY 2018 net profit after tax of A$99 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 and then announced an extension to the eastern end of the Main Pit in April 2018.

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, with reserves increased to 21 million tonnes of 65.5% Fe reserves from 12.8 million tonnes of 66% Fe reserves after extension of the pit. Maximum cash draw for the project has increased from A$145 million to A$175 million, while NPV of the project is now A$252 million assuming Platts 62% Fe of US$55/dmt and A$ of 0.75. Site works started in June 2017 and the project is more than 80% complete.

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 2019 is 2.7 million tonnes to 3.3 million tonnes.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Mount Gibson reported a net profit after tax of A$99 million for the twelve months ended 30 June 2018, boosted by A$64 million payment for the proceeds of the Koolan Island business interruption insurance settlement. Removing this one-off payment leaves an underlying net profit after tax of A$35 million from sales of 3.6 million tonnes.

Mount Gibson continued to focus on costs, and all in cash cost was A$45 per tonne in FY 2018 compared to A$52 per tonne in FY 2017. Mount Gibson still boasts an impressive cash reserve, including term deposits and tradable investments, ending FY 2018 with A$457 million or an equivalent of A$0.416 per share, despite development spending on Koolan Island and paying a dividend of A$22 million.

The Platts IODEX 62% CFR China index has remained volatile, and during FY 2018 it traded in the range of US$60/dry metric tonne ("**dmt**") to US$80/dmt and is currently around US$60–65/dmt. Iron ore prices have remained fairly resilient, and earlier in the year were being supported by healthy steel margins and generally stable steel production growth. In recent days, iron ore prices have been dragged down along with the rest of the commodity complex on concerns about the US-China trade war. The discount for low-grade ore remains wide as steel mills prefer medium and high grade ore. 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.

Tanami Gold

In June 2018 we acquired 38.09% of Tanami Gold for a consideration of A$20,142,575 (equivalent to approximately HK$126,495,000). Tanami Gold's principal business activity is gold exploration, and currently its key project is 60% of the Central Tanami Project. The remaining 40% is owned by Northern Star Resources Limited ("**Northern Star**"), and under the terms of the joint venture, Northern Star will sole fund all expenditure until commercial production is achieved at the Central Tanami Project. After commercial production is reached, Northern Star can earn additional 35% of the Central Tanami Project and Tanami Gold has an option to sell its remaining 25% of the project to Northern Star for A$32 million.

Northern Star recently completed a drilling program in the Central Tanami Project targeting an extension to the existing Hurricane-Repulse system. Best results include 17m at 6g/t gold from 17m and 19m at 4.6g/t from 136m.

After 30 June 2018, we acquired an additional 30 million shares in Tanami Gold, and now own 40.6% of Tanami Gold.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OTHER SIGNIFICANT INVESTMENTS

			For the Year Ended 30 June 2018				As at 30 June 2018	
Name of investee company	Number of shares held	Investment cost HK$'000	Dividend received HK$'000	Realized gain HK$'000	Unrealized gain (loss) HK$'000	Fair value gain (loss) HK$'000	Carrying value HK$'000	% of carrying value to the Group's total assets
Available-for-sale investments								
Metals X Limited	55,907,571	241,704	3,492	—	34,739	34,739	259,497	8.3%
Westgold Resources Limited	27,953,786	247,747	—	—	(8,581)	(8,581)	300,042	9.6%
		489,451	3,492	—	26,158	26,158	559,539	
Equity investments at fair value through profit or loss								
Australian Mines Limited	110,884,916	33,226	—	4,151	23,505	27,656	57,258	1.8%
Cobalt 27 Capital Corp.	867,722	52,580	—	2,569	(7,327)	(4,758)	45,484	1.5%
Prodigy Gold NL (formerly ABM Resources NL)	59,067,914	285,389	—	—	(4,237)	(4,237)	29,815	1.0%
		371,195	—	6,720	11,941	18,661	132,557	

Brief description of principal business of the respective investee companies of the significant investments held by the Group:

Name of investee company	Principal Business
Metals X Limited	Operation of tin and copper mines; exploration and development of base metals
Westgold Resources Limited	Exploration, development and operation of gold mines
Australian Mines Limited	Development of nickel and cobalt assets
Cobalt 27 Capital Corp.	Cobalt streaming company
Prodigy Gold NL	Exploration of gold

Available-for-sale Investments — Metals X and Westgold Resources

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. Immediately after the disposal, the Group's interest in Metals X decreased to below 20%. Metals X ceased to be an associate of the Group and is now accounted for as an available-for-sale investment. In February 2017 we sold a further 22 million shares in Metals X and 11 million shares in Westgold Resources Limited ("**Westgold Resources**") for an aggregate consideration of A$46.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In December 2016, Metals X spun out its gold assets into Westgold Resources, which now holds the Higginsville, Central Murchison and Fortnum 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.

As at 30 June 2018, the carrying value of available-for-sale investments was HK$598,049,000 (As at 30 June 2017: HK$551,813,000), which included primarily our investments in Metals X and Westgold Resources. The carrying values of Metals X and Westgold Resources as at 30 June 2018 amounted to HK$259,497,000 (As at 30 June 2017: HK$224,758,000) and HK$300,042,000 (As at 30 June 2017: HK$308,623,000) respectively and represented approximately 8.3% (As at 30 June 2017: 7.7%) and 9.6% (As at 30 June 2017: 10.6%) of the total assets of the Group. In FY 2018, Metals X generated a fair value gain, net of tax, of approximately HK$34,739,000 (FY 2017: Gain of HK$59,873,000) and Westgold Resources reported a fair value loss of approximately HK$8,581,000 (FY 2017: Gain of HK$151,362,000).

Westgold Resources produced 253,210 ounces in FY 2018 down 5% year-on-year ("**YoY**") driven by a drop in production at the Higginsville (HGO) project and the sale of the South Kalgoorlie project, partially offset by a ramp up at the Fortnum Gold Project and improved production at the Central Murchison Gold Projects (CMGP). Westgold Resources forecasts that production will reach 300,000 to 320,000 ounces in the twelve months ended 30 June 2019, and increase to greater than 350,000 ounces in the twelve months ended 30 June 2020 as its growth projects continue to ramp up.

The gold price was fairly stable until March 2018, but has since weakened as the US dollar has strengthened on the back of interest rate increases, expectations for ongoing Fed tightening and a strong US economy. The outlook for interest rate hikes in other large economies such as UK and Europe are increasing as well, which makes gold comparatively less attractive. The gold price is now trading around US$1,200 per ounce and we expect the gold price to remain linked to sentiment around the US dollar, the pace of Fed rate hikes, although geopolitical tensions remain high which could elevate its safe haven status.

At Metals X, Renison mine produced 3,370 tonnes of tin (net 50% basis) down 3% YoY, while the average realised tin price of A$26,595 per tonne was essentially flat YoY. Metals X is now commissioning the ore sorter, which is expected to increase production to roughly 4,000 tonnes of tin (net 50% basis) by removing waste feed before it enters the processing circuit.

After acquiring the Nifty mine in August 2016, Metals X set a target copper production rate of 40,000 tonnes per annum. However, the ramp up has been impacted by its ability to access higher grade stopes and in the most recent June 2018 quarter, production was running at an annualized rate of 15,200 tonnes per annum. Metals X has now completed stoping plans to support the 5 year mine plan, opened up additional mining areas, and expect to ramp up production to a target rate of 40,000 tonnes per annum over the next 12–18 months.

Tin prices remained largely range bound in FY 2018, trading between US$19,000 per tonne and US$22,000 per tonne. However recently, tin prices have been dragged down with other commodities. We remain bullish on the medium term outlook for tin due to the lack of significant supply growth. Copper prices were strong until mid June, reaching a multi-year high of US$7,275 per tonne. However, like other commodities, it has sold off heavily, particularly after a strike at the Escondida mine was averted.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Equity investments at fair value through profit or loss — Resource Investment

The investments in this division comprise mostly minor holdings in various natural resource companies listed on major stock exchanges including Australia, Canada, Hong Kong, the United Kingdom and the US. Our investments focus on select commodities within several commodity segments, namely energy, bulk commodities, base metals, and precious metals. Some of our positions are exploration or development stage companies and this section of the market is particularly sensitive to risk aversion, lower commodity prices, and the difficult financing markets.

Resource Investment posted a fair value gain of HK$69,224,000 in FY 2018 (FY 2017: Gain of HK$55,402,000), which after accounting for segment related dividend and other investment income and expenses, resulted in a segment profit of HK$65,575,000 (FY 2017: Profit of HK$67,400,000).

Our Resource Investment division includes the results of the two new resource portfolios which were announced in August 2016. After a strong start in early FY 2018, the metals sector weakened, dragged down by falling commodity prices. From 1 July 2017 to 30 June 2018 the average performance from a number of small cap resources indices averaged -11% (includes the Dow Jones US Mining Index, FTSE AIM Basic Resources Index and the TSX Venture Composite Index among others). Oil prices have generally improved throughout FY 2018, although it has similarly been impacted by recent concerns relating to the trade war. US and Canadian gas prices remained weak throughout FY 2018. The average performance of several small cap oil and gas indices has averaged +18% in FY 2018 (includes the S&P TSX Small Cap Energy Index and S&P 500 Energy Sector among others).

Precious

Precious metals (majority gold exposure) generated a net fair value gain of HK$682,000 in FY 2018 while the gold price was up 2%. As at 30 June 2018, the carrying value of the Precious segment was HK$73,130,000 (As at 30 June 2017: HK$66,744,000). Our largest gold investment is in Prodigy Gold (ASX: PRX) which generated a fair value loss of HK$4,237,000 with carrying value as at 30 June 2018 of HK$29,815,000. This was comfortably offset by gains in a number of smaller positions including Medusa Mining (ASX: MML) and Perseus Mining (ASX: PRU).

Prodigy Gold is a gold exploration company listed on the Australian Securities Exchange. Its exploration portfolio is located in the Tanami Gold district in Northern Territory with resource of 15.7Mt at 2g/t. It is focused on drilling out several prospective areas including Bluebush and Suplejack and has farmed out acreage to Independence Group, Newcrest and Thunderbird Metals. Its major shareholders include two reputable ASX listed gold companies, St Barbara and Independence Group. At 30 June 2018 Prodigy Gold has A$6.1 million cash and no debt, which will be used to fund its ongoing exploration program.

Bulk

Bulk commodities (predominantly iron ore) generated a fair value gain of HK$1,999,000 even though iron ore prices fell 3% during FY 2018. As at 30 June 2018, the carrying value was HK$11,010,000 (As at 30 June 2017: HK$4,718,000). Within this segment, our significant investments include Grange Resources (ASX: GRR), which generated a fair value gain of HK$585,000 in FY 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Base Metals

Base Metals segment (a mix of copper, nickel, aluminium and cobalt companies) delivered a fair value gain of HK$50,254,000 in FY 2018 as the copper, aluminium and cobalt prices increased by 10%, 11% and 30% respectively. The Base Metals segment includes our investment in Cobalt 27 (TSX: KBLT) which generated a fair value loss of HK$4,758,000 in FY 2018 and had a carrying value of HK$45,484,000 as at 30 June 2018 (As at 30 June 2017: HK$24,308,000), Australian Mines (ASX: AUZ) which generated a fair value gain of HK$27,656,000 in FY 2018 and had a carrying value as at 30 June 2018 of HK$57,258,000 (As at 30 June 2017: HK$3,964,000) and Katanga Mining (TSX: KAT) listed in Canada, which generated a fair value gain of HK$6,473,000 in FY 2018 and had a carrying value as at 30 June 2018 of HK$16,812,000 (As at 30 June 2017: HK$14,426,000).

Cobalt 27 is a cobalt investment vehicle that invests in streams and royalties. It currently owns around 3,000 tonnes of physical cobalt which was valued at US$265 million at 30 June 2018. It acquired one stream and is in the process of acquiring a second stream, and owns 6 royalties over projects that are currently in the exploration phase. The first royalty is from the Voiseys Bay mine which is expected to start production in 2021, and the second is the Ramu Nickel-Cobalt Mine which is currently in production.

Australian Mines is focused on development of the Sconi Cobalt-Nickel-Scandium project in Queensland which has a resource of 89Mt at 0.11% Cobalt and 0.81% Nickel. It is currently working on a Bankable Feasibility Study while it continues with its resource extension drilling campaign. It has signed an offtake with SK Innovation for up to 12,000 tonnes of cobalt sulphate per year for an initial 7 year period.

Energy

The Energy segment (mainly oil exposure) had a fair value gain of HK$5,462,000 in FY 2018 driven by an oil price increase of 58%. Our significant Energy investments include Gran Tierra (TSX: GTE), which generated a fair value gain of HK$3,443,000 and had a carrying value as at 30 June 2018 of HK$8,373,000 (As at 30 June 2017: HK$6,232,000) and Sinopec Corp (Stock Code: 386), which generated a fair value gain of HK$1,380,000 and had a carrying value as at 30 June 2018 of HK$10,515,000. Gains in smaller positions including Premier Oil and Beach Energy.

Others

We also have a fair value gain of HK$10,827,000 from the remaining commodity (diamonds, manganese and mineral sands) and non-commodity investments in FY 2018 and had a carrying value as at 30 June 2018 of HK$67,786,000 (As at 30 June 2017: HK$36,743,000). This segment includes our investment in Mineral Deposits (ASX: MDL) listed in Australia, which generated a fair value gain of HK$19,298,000 and had a carrying value as at 30 June 2018 of HK$28,833,000 (As at 30 June 2017: HK$19,731,000).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2018, our Commodity Business generated a profit of HK$8,778,000 (FY 2017: Profit of HK$2,838,000).

Principal Investment and Financial Services

The Principal Investment and Financial Services segment, which covers the income generated from loans receivable, loan notes, convertible notes and other financial assets. For FY 2018, this segment generated a profit of HK$31,198,000 (FY 2017: HK$9,824,000).

Money Lending

The Group engaged in money lending activities under the Money Lenders Ordinance of Hong Kong. For FY 2018, the revenue and profits generated from money lending formed part of results of the Principal Investment and Financial Services segment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, our non-current assets amounted to HK$1,921,554,000 (As at 30 June 2017: HK$1,431,077,000) and net current assets amounted to HK$1,130,770,000 (As at 30 June 2017: HK$1,462,760,000) with a current ratio of 20.1 times (As at 30 June 2017: 65.1 times) calculated on the basis of its current assets over current liabilities. Included in non-current assets and current assets are loan notes of HK$51,420,000 (As at 30 June 2017: HK$190,362,000) and loans receivable of HK$399,276,000 (As at 30 June 2017: HK$232,138,000).

As at 30 June 2018, we had borrowings of HK$43,500,000 (As at 30 June 2017: Nil) and had undrawn banking facilities amounting to HK$182,581,000 secured against certain term deposits of the Group. As at 30 June 2018, we had a gearing ratio of 0.01 (As at 30 June 2017: Nil), calculated on the basis of total borrowings over equity attributable to owners of the Company.

FOREIGN EXCHANGE EXPOSURE

For the year under review, the Group's assets were mainly denominated in Australian Dollars while the liabilities were mainly denominated in United States Dollars and Hong Kong Dollars. There would be no material immediate effect on the cash flows of the Group from adverse movements in foreign exchange for long term investments. In 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 2018, the Group's bank deposits of HK$29,325,000 (As at 30 June 2017: HK$145,167,000) were pledged to banks to secure various trade and banking facilities granted to the Group. The pledged bank deposits fully released in August 2018 whilst the related trade and banking facilities remains.

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 2018, the Group, including its subsidiaries but excluding associates, had 14 (As at 30 June 2017: 18) employees. Total remuneration together with pension contributions incurred for the year ended 30 June 2018 amounted to HK$10,681,000 (FY 2017: HK$10,543,000).

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 of directors (the "**Board**") of the Company on the above.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 33 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 of the Company.

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 2018, 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 2018, the Group does not have plan for any other material investments or acquisition of material capital assets.

CAPITAL COMMITMENTS

As at 30 June 2018 and 30 June 2017, 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 2018, the Board is not aware of any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

COMPANY STRATEGY

APAC leverages its in-house natural resources expertise to identify and manage both Primary Strategic Investment and Resource Investment which drives growth in the business. We aim to profit from the value curve of resources projects from exploration to production, though currently see good risk-reward in select mid-tier producers. Value and cash flow can be generated through capital appreciation, direct project ownership and securing offtake agreements.

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

FORWARD LOOKING OBSERVATIONS

Global economic outlook is uncertain. While US growth remains robust as seen in strong quarterly GDP numbers, the impact of its trade war with China has yet to be fully realized. The Chinese economy had generally been cooling on the back of deleveraging policies, however the impact of US tariffs is likely to mute the economy further, which the government expects to mitigate through fiscal stimulus. Mount Gibson is underpinned by a large cash reserve, and is focused on its Koolan Island Restart Project, with the seawall under construction and production expected in early 2019. This is a timely development given the large disparity between low grade and high grade iron ore, and once in operations, Koolan Island will be the highest grade DSO mine in Australia. Our new investment portfolios are the platform for future mining and energy investments. We remain defensive and selective with our investments in the near term, and continue to look for high quality opportunities which will generate attractive returns over the long run.

BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Brett Robert Smith, aged 57, 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 32 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 Prodigy Gold NL ("**Prodigy Gold**", formerly known as ABM Resources NL) (Stock Code: PRX). Dragon Mining and Prodigy Gold are companies listed on the Australian Securities Exchange.

Mr. Andrew Charles Ferguson, aged 45, 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 23 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 Prodigy Gold (Stock Code: PRX) between July 2012 and May 2016. Mount Gibson, Metals X and Prodigy Gold are companies listed on the Australian Securities Exchange.

NON-EXECUTIVE DIRECTORS

Mr. Arthur George Dew, aged 76, 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), both are substantial shareholders of the Company; 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). 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 and Tian An Australia are companies listed on the Australian Securities Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT (CONTINUED)

Mr. Lee Seng Hui (李成輝), aged 49, was appointed as a Non-Executive Director of the Company on 2 October 2009. Mr. Lee graduated from the Law School of the University of Sydney with Honours. Previously, he worked with Baker & McKenzie and N M Rothschild & Sons (Hong Kong) Limited. Mr. Lee is currently the chief executive and an executive director of each of AGL (Stock Code: 373) and APL (Stock Code: 56), and the chairman and a non-executive director of Tian An China Investments Company Limited ("**Tian An**") (Stock Code: 28). AGL, APL and Tian An are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also the non-executive chairman of Mount Gibson (Stock Code: MGX), a company listed on the Australian Securities Exchange. He was the chairman and a non-executive director of Asiasec Properties Limited (Stock Code: 271), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, between 2016 and January 2018.

Mr. So Kwok Hoo (蘇國豪), aged 64, 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 67, 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. He ceased to be the principal consultant of KND & Co. CPA Limited, a private professional accounting firm in Hong Kong, in December 2017, and was appointed as the principal consultant of KND Associates CPA Limited in January 2018. Dr. Wong is currently an independent non-executive director of Solargiga Energy Holdings Limited (Stock Code: 757), China Merchants Land Limited (Stock Code: 978) and China VAST Industrial Urban Development Company Limited (Stock Code: 6166). These three companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also an independent non-executive director of China Wan Tong Yuan (Holdings) Limited (Stock Code: 8199) and Capital Finance Holdings Limited (Stock Code: 8239). These two companies are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Mr. Chang Chu Fai, Johnson Francis (鄭鑄輝), aged 64, 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 40 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), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT (CONTINUED)

Mr. Robert Moyse Willcocks, aged 69, 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 35 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 was a non-executive director of ARC Exploration Limited (Stock Code: ARX) between July 2008 and 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 54, 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). 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 and Tian An Australia 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 14 of this Annual Report.

Mr. Andrew Ferguson
Chief Executive Officer

Biographical details of Mr. Andrew Ferguson are set out on page 14 of this Annual Report.

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

Ms. Tam Kit Ling, aged 52, 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 28 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 18 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 25 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 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 30 June 2018 are set out in the consolidated statement of profit or loss on page 54.

DIVIDEND

The board of Directors (the "**Board**") has declared an interim dividend of HK6 cents per share (in lieu of a final dividend) for the year ended 30 June 2018 (2017 interim dividend (in lieu of a final dividend): HK1.5 cents per share) with an option to receive the interim dividend (in lieu of a final dividend) wholly or partly in the form of new fully paid shares in lieu of cash ("**Scrip Dividend Scheme**"), payable on or around Monday, 17 December 2018 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 12 October 2018.

The Scrip Dividend Scheme is conditional upon the granting of the listing of and permission to deal in the new shares of the Company to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). A circular giving full details of the Scrip Dividend Scheme and the election form will be sent to the shareholders of the Company as soon as practicable. Dividend warrants and/or share certificates for the scrip shares are expected to be sent to the shareholders of the Company on or around Monday, 17 December 2018.

During the year ended 30 June 2018, the Company undertook a share buy back at HK$1.30 per share. This enabled shareholders of the Company who wished to dispose shares an opportunity to do so at a price which the Board considered appropriate and reasonable for the Company and all its shareholders.

DIRECTORS' REPORT (CONTINUED)

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 2018, the register of members of the Company is closed from Wednesday, 10 October 2018 to Friday, 12 October 2018, both days inclusive, during which period no transfer of shares of the Company is 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 Tuesday, 9 October 2018.

(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 Thursday, 22 November 2018. For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Monday, 19 November 2018 to Thursday, 22 November 2018, 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 2018 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 Friday, 16 November 2018.

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 13 of this Annual Report
2.	Principal risks and uncertainties facing the Group	Pages 2 to 13 of this Annual Report
3.	Indication of likely development of the Group	Page 13 of this Annual Report
4.	Key relationships with shareholders	Pages 42 to 43 of this Annual Report

The Company's environmental policies and performance, 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 Report".

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

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by business activities for the year ended 30 June 2018 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 2018 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 2018.

EQUITY-LINKED AGREEMENTS

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

RESERVES

Details of movements in reserves of the Company and of the Group during the year ended 30 June 2018 are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity on page 58 respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 30 June 2018 are set out in note 15 to the consolidated financial statements.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The Directors during the year ended 30 June 2018 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. Arthur George Dew, Mr. Andrew Ferguson and Dr. Wong Wing Kuen, Albert will retire by rotation 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. Dr. Wong Wing Kuen, Albert has served as an Independent Non-Executive Director ("**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 2018, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of 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	0.47%
Mr. Lee Seng Hui	Other interests	270,378,943 *(Note 2)*	270,378,943	33.99%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 795,277,315 shares as at 30 June 2018.

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 74.95% 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 270,378,943 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 2018, none of the Directors or chief executive of the Company had any interests or short positions in the 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 2018 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' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this Annual 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

1. As disclosed in the announcements of the Company dated 24 May 2016 and 1 September 2017, on 24 May 2016 and 1 September 2017, 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 I**") and US$2.5 million of the five-year guaranteed 4.65% note due 8 September 2022 (the "**SHK Loan Note II**") respectively both issued by Sun Hung Kai & Co. (BVI) Limited ("**SHK BVI**") and guaranteed by SHK. SHK BVI is a wholly-owned subsidiary of SHK.

2. As disclosed in the announcements of the Company dated 2 February 2018, 6 April 2018, 17 April 2018, 4 May 2018 and 5 June 2018, and the circular of the Company dated 19 March 2018, on 2 February 2018, APAC Resources Mining Limited, a wholly-owned subsidiary of the Company, as the buyer, entered into the share sale agreement (the "**Share Sale Agreement**") with Allied Properties Resources Limited ("**APRL**") as the seller in respect of the acquisition of 447,612,786 fully paid ordinary shares of Tanami Gold, representing approximately 38.09% of the total issued share capital of Tanami Gold at the consideration of A$20,142,575 (equivalent to approximately HK$126,495,000) (the "**Acquisition**"). APRL is an indirectly wholly-owned subsidiary of APL.

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 74.95% 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 33.99% of the total number of issued shares of the Company as at 30 June 2018. Since APL indirectly owns approximately 57.29% interests in the total number of issued shares of SHK as at 30 June 2018 and which APRL is APL's indirectly wholly-owned subsidiary, Mr. Lee is deemed to be interested in (i) the subscriptions of the SHK Loan Note I and the SHK Loan Note II; and (ii) the Acquisition.

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

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 2018.

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 ended 30 June 2018.

DIRECTORS' REPORT (CONTINUED)

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 2018, the following persons, other than the Directors or chief executive of the Company, had interests or 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	18.03%
APL	Interest of controlled corporations *(Note 3)*	270,378,943	270,378,943	33.99%
AGL	Interest of controlled corporations *(Note 5)*	270,378,943	270,378,943 *(Note 4)*	33.99%
Lee and Lee Trust	Interest of controlled corporations *(Note 6)*	270,378,943	270,378,943 *(Note 4)*	33.99%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 795,277,315 shares as at 30 June 2018.

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 was deemed to have an interest in the shares in which Benefit Rich was interested.

3. The interests include 270,378,943 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 270,378,943 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 74.95% 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 2018, the Company was not notified of any other persons 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

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

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2018.

MAJOR CUSTOMERS AND SUPPLIER

For the year ended 30 June 2018, the Group's five largest customers in aggregate accounted for 90% of the turnover of the Group and the largest customer accounted for approximately 54% of the total turnover of the Group.

For the year ended 30 June 2018, the entire purchases of the Group were attributable to the sole supplier.

Mr. Lee Seng Hui, a Non-Executive Director, is also one of the trustees of Lee and Lee Trust which is a substantial shareholder of the Company. Lee and Lee Trust is deemed to have interests in one of the five largest customers of the Group. Shougang Fushan Resources Group Limited, a substantial shareholder of the Company, is deemed to have interests in the sole supplier of the Group.

Save as disclosed above and to the best of the Directors' knowledge, at no time during the year ended 30 June 2018 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.

DIRECTORS' REPORT (CONTINUED)

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 2018, the Group entered into transactions with related parties, details of which are set out in note 30 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 and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

1. As disclosed in the announcement of the Company dated 1 September 2017, on 1 September 2017, APAC Resources Treasury Management Limited subscribed for the SHK Loan Note II issued by SHK BVI and guaranteed by SHK.

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

2. As disclosed in the announcements of the Company dated 2 February 2018, 6 April 2018, 17 April 2018, 4 May 2018 and 5 June 2018, and the circular of the Company dated 19 March 2018, on 2 February 2018, APAC Resources Mining Limited, as the buyer, entered into the Share Sale Agreement with APRL as the seller in respect of the Acquisition.

   Since APRL is an indirect wholly-owned subsidiary of APL which in turn is a substantial shareholder of the Company, APRL is a connected person of the Company and the Acquisition constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the announcement of the Company dated 7 February 2017 and the 2017 Annual Report of the Company, the Company entered into the following agreements:

1. a renewed sharing of administrative services and management services agreement with AGL on 7 February 2017 (the "**Services Agreement I**"), pursuant to which the Company agreed to renew and extend the term of the sharing of administrative services and management services agreement dated 30 June 2016 entered into between the Company and AGL for a period of three years which commenced from 1 January 2017 and expiring on 31 December 2019 and engaged 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, 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, internal audit, management information system consultancy 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 of the services incurred by AGL by reference to a specified percentage of the remuneration of the Management Staff I providing the Management Services I.

   The annual caps in respect of the Management Services I under the 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 fees payable by the Group to AGL in respect of the Management Services I under the Services Agreement I for the year ended 31 December 2017 and for the six months ended 30 June 2018 were HK$1,854,000 and HK$924,000 respectively which did not exceed the annual cap of HK$2,400,000 and HK$2,650,000 for the respective year ended 31 December 2017 and year ending 31 December 2018.

2. a renewed sharing of management services agreement with APL on 7 February 2017 (the "**Services Agreement II**"), pursuant to which the Company agreed to renew and extend the term of the sharing of management services agreement dated 30 June 2016 entered into between the Company and APL for a period of three years which commenced from 1 January 2017 and expiring on 31 December 2019 and engaged 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 of the services incurred by APL by reference to a specified percentage of the remuneration of the Management Staff II providing the Management Services II.

   The annual caps in respect of the Management Services II under the 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 fees payable by the Group to APL in respect of the Management Services II under the Services Agreement II for the year ended 31 December 2017 and for the six months ended 30 June 2018 were HK$330,000 and HK$180,000 respectively which did not exceed the annual cap of HK$330,000 and HK$360,000 for the respective year ended 31 December 2017 and year ending 31 December 2018.

DIRECTORS' REPORT (CONTINUED)

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 interests, controlled approximately 74.95% interests 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 2018; (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 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, all of them are deemed to be interested in the Services Agreement I and/or the Services Agreement II.

Since APL is a substantial shareholder of the Company and AGL is an associate of APL, both AGL and APL are connected persons of the Company and the transactions contemplated under the Services Agreement I (other than the sharing of the Administrative Services) and the Services Agreement II (collectively the "**Continuing Connected Transactions**") 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 and have confirmed that the Continuing Connected Transactions 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 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 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.

DONATION

During the year ended 30 June 2018, the Group made donations of total HK$46,000.

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 as required 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 2018 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 2018 have been reviewed by the audit committee of the Company.

On behalf of the Board

Arthur George Dew
Chairman

Hong Kong, 21 September 2018

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 2018. 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 2018 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 14 to 18 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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, six 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 2018 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)*	6/6	—	—	2/3
Mr. Andrew Ferguson *(Chief Executive Officer)*	6/6	—	—	3/3
Non-Executive Directors:				
Mr. Arthur George Dew *(Chairman)*	6/6	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	4/6	—	—	3/3
Mr. So Kwok Hoo	6/6	—	—	1/3
Independent Non-Executive Directors:				
Dr. Wong Wing Kuen, Albert	6/6	1/1	2/2	2/3
Mr. Chang Chu Fai, Johnson Francis	5/6	0/1	2/2	3/3
Mr. Robert Moyse Willcocks	6/6	1/1	2/2	2/3

Note:

1. Except one board meeting, one audit committee meeting and one general meeting 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2018 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 2018, no Nomination Committee meeting was held while the Nomination Committee dealt with matters by way of circulation. During the year ended 30 June 2018 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 2017 AGM and 2018 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 2018, one Remuneration Committee meeting was held and the attendance of each member is set out in the section headed "The Board" of this report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

In addition to the Remuneration Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during the year ended 30 June 2018. During the year ended 30 June 2018 and up to the date of this report, the Remuneration Committee performed the works as summarised below:

(i) reviewed the existing policy and structure for the remuneration of Directors and senior management;

(ii) reviewed the existing remuneration packages of the Executive Directors and senior management;

(iii) reviewed the existing remuneration of the NEDs (including the INEDs); and

(iv) reviewed and recommended for the Board's approval the bonus for the year ended 31 December 2016 and the increment in the remuneration for the year 2017 of the Chairman, Executive 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 27 February 2018. Details of the emolument policy of the Group are also set out in the "Emolument Policy" section contained in the Directors' Report on page 28.

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 2018, two Audit Committee meetings were held and the attendance of each member is set out in the section headed "The Board" of this report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

In addition to the Audit Committee meetings, the Audit Committee also dealt with matters by way of circulation during the year ended 30 June 2018. During the year ended 30 June 2018 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 2017, the interim results review for the six months ended 31 December 2017 and the final audit for the year ended 30 June 2018 of the Group;

(iii) reviewed and recommended for the Board's approval the financial reports for the year ended 30 June 2017, for the six months ended 31 December 2017 and for the year ended 30 June 2018 together with the relevant management representation letters and announcements;

(iv) reviewed and recommended for the Board's annual review the Group's risk management and internal control systems;

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

(vi) reviewed and recommended for the Board's approval the updated 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;

(vii) reviewed and recommended for the Board's approval the Related Party Transaction Policies and Procedures, Policy on Risk Management, Compliance and Internal Control Procedures and updated Securities Investment Policy and Procedures; and

(viii) reviewed and recommended for the Board's annual review the Procedure for Reporting Possible Improprieties in Financial Reporting, Internal Control or Other Matters, Related Party Transaction Policies and Procedures, Procedures for the Identification and Monitoring of Connected Transactions, Policy on the Disclosure of Inside Information, Internal Control Manual and Policy on Risk Management, Compliance and Internal Control Procedures.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2018, 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 2018, 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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, internal audit 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 as co-ordinated by the IAD. 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 33 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 Internal Audit Report was prepared by the IAD and issued to the Audit Committee and the Board for review.

Policy on Disclosure of Inside Information

The Board has adopted the Policy on the Disclosure of Inside Information ("**Policy**") with respect to the procedures and internal controls for the handling and dissemination of inside information. The Policy sets out guidelines and procedures to the Directors and relevant officers of the Group to ensure inside information of the Group is to be disseminated to the public on an equal basis and in timely manner. Directors and relevant officers in possession of potential inside information and/or inside information are required to take reasonable measures to ensure that proper safeguards are in place to preserve strict confidentiality of inside information and to ensure that its recipients recognise their obligations to maintain the information confidential. The Policy shall be updated and revised as and when necessary in light of changes in circumstances and changes in the Listing Rules, Part XIVA of the Securities and Futures Ordinance and relevant statutory and regulatory requirements from time to time.

CORPORATE GOVERNANCE REPORT (CONTINUED)

External Auditor's Remuneration

During the year ended 30 June 2018, 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	900
Non-audit services	
— review of interim report	150
— as reporting accountant in respect of conditional cash offer to repurchase shares	135
— other professional services	110
	1,295

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 2018, the 2017 AGM was held on 4 December 2017 and two special general meetings of the Company were held on 4 December 2017 and 4 May 2018 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, Shareholder(s) 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPROACH AND STRATEGY

APAC Resources Limited believes in delivering long term, sustainable value creation to our shareholders. In doing so, we recognize that the choices we make will have an impact on the communities in which we carry on business and we should make such impact a positive one. The Company has adopted a Sustainability Policy in September 2017 which covers our principles in the area of employment and labour practices, business integrity, the environment and the community and we shall endeavour to embrace these principles as part of our practice and governance to contribute to the sustainable development of society and the environment.

The Board has overall responsibility for the Company's strategy and reporting in respect of Environmental, Social and Governance ("**ESG**") issues and has reviewed the effectiveness of the Group's risk management and internal control systems, which are put in place to identify, evaluate and manage the risks of different businesses and activities, including the ESG-related risks. Based upon the assessments made by the Company's senior management, management and the external auditors, the Board considered that such systems are effective and adequate.

This report outlines the Group's sustainability initiatives and selected Key Performance Indicators ("**KPI**") that are material to the Group and its stakeholders on ESG issues for the year ended 30 June 2018. This report supplements information disclosed elsewhere in this Annual Report.

REPORTING SCOPE

The subject areas and aspects are presented based on the "Environmental, Social and Governance Reporting Guide" for listed issuers published by The Stock Exchange of Hong Kong Limited (the "**ESG Reporting Guide**").

MATERIALITY ASSESSMENT AND STAKEHOLDER ENGAGEMENT

Amongst various environmental and social issues based on the ESG Reporting Guide within the scope of sustainability, the following is the list of issues that are considered to be material and relevant to the Group. The priorities are set based on management's view as well as certain conclusions from our stakeholders' engagement. Based on management's view, the aspects and KPIs relevant to this report's disclosure are set out as follows:

Material and relevant issues:

Supply chain management (Aspect B5) general disclosure, KPI B5.2
Anti-corruption (Aspect B7) general disclosure, KPI B7.2

Other relevant issues:

Emissions (Aspect A1) general disclosure
Use of resources (Aspect A2) general disclosure, KPI A2.1
The environment and natural resources (Aspect A3) general disclosure, KPI A3.1
Employment (Aspect B1) general disclosure
Health and safety (Aspect B2) general disclosure
Development and training (Aspect B3) general disclosure
Labour standards (Aspect B4) general disclosure
Product responsibility (Aspect B6) general disclosure, KPI B6.5
Community investment (Aspect B8) general disclosure, KPI B8.1, B8.2

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

All other KPIs not mentioned above were considered not relevant for detailed disclosure.

The following ESG issues are presented based on the classification of provisions by the ESG Reporting Guide.

A. Environmental Issues

The Group's Sustainability Policy encompasses our general approach towards environmental issues. We endeavour to:

— observe relevant laws and regulations and aim to go beyond minimum requirements;

— prevent/minimize air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste;

— make efficient use of resources, including energy, water and other materials;

— minimise the impact of the Group's activities on the environment and natural resources; and

— engage our staff, customers and partners to promote environmentally sustainable business practices and constantly re-assess our processes to minimize environmental impact.

This report does not include the disclosure of all the environmental KPIs as they are not considered material or relevant. Instead, we have discussed our general approach and effort to reduce the Group's environmental footprint in various aspects.

Emissions (Aspect A1)

The Group is not involved in any manufacturing activities. Emissions produced directly by the Group related to 2 executive vehicles in Hong Kong and mainland China. These are used for senior staff's local travel only. The scale and usage are immaterial. Other emissions produced are mostly on a "second degree" basis as incurred during occasional business travels.

In line with our policy to minimize air and greenhouse gas emissions, major operations are equipped with audio conferencing facilities to minimize the need for face to face meetings and keep business travelling to a minimum.

There are no relevant laws and regulations applicable to our business on this aspect.

Use of Resources (Aspect A2) and The Environment and Natural Resources (Aspect A3)

We place a high priority on the efficient use of resources. With only 14 staff members across the Group, we consume limited amounts of electricity and paper. Water consumption is not material to our business as it relates only to the personal consumption of our staff for their personal hygiene.

Environmental protection guidelines in relation to energy savings, materials recycling and reduction in paper consumption are in place. For instance, staff are encouraged to use duplex printing for internal documents, return used printer toner capsules and coffee capsules to respective suppliers 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 decision. During the year ended 30 June 2018, the Group's total electricity consumption was below 37,000 kwh.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Throughout the Group, the following business processes were implemented whenever possible to improve efficiency and to reduce paper usage:

— Electronic bank and broker statements

— Recycling schemes of office equipment and supplies

— Internal electronic administration and communication platform

Except for the abovementioned, the Group's businesses have no direct impact on the environment and natural resources.

B. Social Issues

Employment, Health and Safety and Labour Standards (Aspect B1, B2, B4)

The Group is an established natural resource investment fund and commodity trading house which owns strategic interests in natural resource companies with the main business lines comprising of primary strategic investment; resource investment; and commodity trading business, focused primarily on metals, mining and energy and investment in financial assets. Our people are our most important assets that will drive the long term development of the Group. The Group's policy on employment is as follows:

— observing relevant laws and regulations;

— being an equal-opportunity employer, implementing fair practices relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare for our staff;

— providing a safe, healthy and quality workplace and protecting employees from occupational hazards;

— promoting a good work-life balance for staff;

— investing in training and professional development of our staff for the purpose of improving their knowledge and skills for discharging duties at work;

— maintaining an open dialogue with our staff, facilitating a transparent two way communication; and

— preventing child and forced labour.

In Hong Kong, the Group's employment of staff is governed by the Employment Ordinance, the Minimum Wage Ordinance, as well as the Employees' Compensation Ordinance. In mainland China, staff employment is subject to the Labour Law and the Employment Contract Law of the People's Republic of China (「中華人民共和國勞動法及勞動合同法」). The Group has no known non-compliance with the above relevant regulations. The Group ensured that our compensation and benefits (including working hours, rest periods, welfare) are according to the prevailing manpower market conditions and individual performance. Owing to the nature of our businesses, work related injuries, occupational health issues and the incurrence of child labour are not significant risk factors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group endeavours to provide a safe and pleasant working environment for our staff. On top of this, for community service purposes, the Group also encourages our staff to participate in charity and social activities.

Further information on the Group's emolument policy is also included in the Management Discussion and Analysis section of this Annual Report.

As at 30 June 2018, the Group has a total of 14 full time staff. By gender, 50% is male and 50% is female. By age group, 50%, 7%, 29% and 14% are between age groups of 30 to 39, 40 to 49, 50 to 59 and over 60 respectively.

Development and Training (Aspect B3)

The Group is committed to fostering a culture of continuous learning in our organization. Emphasis is placed on staff training which is tailored to equip our workplace with the necessary knowledge and skills relevant to their work, as well as to build our talent pool. Our Directors are required to participate in training to enhance their knowledge to enable them to discharge their duties and responsibilities more effectively. Management have participated in seminars in relation to anti-money laundering for licensed money lenders and update of listing rules and corporate governance code. The Group has also provided support for our staff in their continuous professional development.

Supply Chain Management (Aspect B5)

The Group has reviewed the sustainability report of our major supplier of commodity trading for its awareness and commitment to its environmental and social responsibilities. As an investment fund, the Group's general business suppliers include providers of financial information, law firms and securities brokers. These are not considered to pose significant social risks for our business and procurement decisions are based on pricing, suitability as well as the reputation of suppliers.

Product Responsibility (Aspect B6)

The Group is dedicated in providing products with good quality and up to the specification to our customers. Customers of commodity trading are provided with quality certifications to prove the product quality. The Group strictly complies with all relevant laws and regulations in relating to health and safety, advertising, labelling and privacy matters relating to products. During the year, the Group commenced its money lending activities operating under the Money Lenders Ordinance of Hong Kong. Other than that, there are no laws and regulations that has a significant impact on the Group.

Comprehensive policies and procedures have been implemented to facilitate a responsible and efficient investment process. Investment opportunities are subject to stringent screening in line with our procedures by the investment team, comprised of experienced professionals, to ensure our investment decisions are prudent, consistent and impartial.

We strictly protect the confidentiality of non-public material information. All staff members are reminded of the importance of keeping confidential any aspects of the Company's business and the need to comply with the requirements of confidentiality. Non-disclosure agreements are signed with the counterparty where applicable to prevent leakage and loss of confidential information.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Anti-Corruption (Aspect B7)

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. This policy is circulated to employees periodically to facilitate employees' easy access and reporting. For the year ended 30 June 2018, no significant risks relating to corruption had been identified.

Community Investment (Aspect B8)

APAC undertakes the responsibility of a good corporate citizen contributing by encouraging our staff to participate in community and charitable activities and support with sponsorship and donation.

APAC maintains its focus areas of contribution in global issues such as poverty, hunger, health and injustice. During the year, our staff members participated in "Skip a Meal", a fund-raising campaign organized by World Vision. The Company also contributed by making donation of approximately HK$16,000 to World Vision.

In addition, the Group donated HK$30,000 to the Hong Kong Cancer Fund contributing in the development of a healthier local community.

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 54 to 129, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 2018, 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 the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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
Reversal of impairment loss of the Group's interest in an associate listed in Australia	
We identified the reversal of impairment loss of the Group's 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, combined with the significant estimation and judgement involved 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 the present value of the future cash flows expected to arise from dividends to be received from 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, a suitable discount rate by reference to comparable companies and historical dividend payout ratio of MGX. The recoverable amount of MGX was determined by reference to its fair value less costs of disposal which was determined by reference to the closing price of its shares listed on the Australian Securities Exchange ("**ASX**") as at 30 June 2018. 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 concluded that a reversal of impairment loss of HK$67,506,000 in respect of the Group's interest in MGX should be recognised in the consolidated statement of profit or loss for the year and accordingly the carrying amount of the Group's interest in MGX is HK$891,020,000 as at 30 June 2018.	Our procedures in relation to the reversal of impairment loss of the Group's 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 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 arise from dividends to be received from MGX based on the cash flows 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 which are listed on the ASX as at 30 June 2018; • Comparing the result of the value in use calculation with the closing price of shares of MGX as at 30 June 2018 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 issued by the HKICPA 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 of the Company 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 judgement 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 of the Company.

- 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.

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

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.

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 Lee Wing Cheong, Wilfred.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	156,120	100,476
Cost of sales		(114,832)	(94,944)
		41,288	5,532
Other gains and losses	7	118,374	551,109
Other income	8	23,301	47,594
Administrative expenses		(40,412)	(33,725)
Finance costs	9	(536)	—
Share of results of associates		179,130	46,863
Profit before taxation	10	321,145	617,373
Income tax credit (expense)	11	6,970	(68,778)
Profit for the year attributable to owners of the Company		328,115	548,595
Earnings per share (expressed in HK cents)			
— basic	13	38.31	59.68

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	2018 HK$'000	2017 HK$'000
Profit for the year	**328,115**	548,595
Other comprehensive (expense) income, net of tax		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of associates	**(38,695)**	29,966
Exchange difference arising from translation of other foreign operations	**4,270**	(3,533)
Reclassification adjustment upon deemed disposal of partial interests in associates	**—**	(144)
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)
Reversal upon derecognition of deferred tax liability	**(1,463)**	—
Fair value changes on available-for-sale investments, net of tax	**44,545**	128,314
Share of investment revaluation reserve of associates	**2,043**	1,259
	10,700	131,389
Total comprehensive income for the year attributable to owners of the Company	**338,815**	679,984

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**767**	1,103
Interests in associates	*16*	**1,023,743**	678,479
Available-for-sale investments	*17*	**598,049**	551,813
Convertible notes	*18*	**11,263**	9,320
Loan notes	*20*	**51,420**	190,362
Loans receivable	*19*	**236,312**	—
		1,921,554	1,431,077
Current assets			
Convertible notes	*18*	**104,986**	—
Trade and other receivables	*21*	**28,120**	26,854
Equity investments at fair value through profit or loss	*22*	**455,863**	275,727
Loans receivable	*19*	**162,964**	232,138
Pledged bank deposits	*23*	**29,325**	145,167
Bank balances and cash	*23*	**408,683**	805,687
		1,189,941	1,485,573
Total assets		**3,111,495**	2,916,650

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*27*	795,277	919,165
Other reserves		396,798	423,264
Accumulated profits		1,860,249	1,545,921
		3,052,324	2,888,350
Non-current liability			
Deferred tax liability	*26*	–	5,487
Current liabilities			
Trade and other payables	*24*	15,671	21,415
Other borrowings	*25*	43,500	–
Tax payable		–	1,398
		59,171	22,813
Total liabilities		59,171	28,300
Total equity and liabilities		3,111,495	2,916,650
Net current assets		1,130,770	1,462,760
Total assets less total liabilities		3,052,324	2,888,350

The consolidated financial statements on pages 54 to 129 were approved and authorised for issue by the Board of Directors on 21 September 2018 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 2018

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 *(note (i))*	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000 *(note (ii))*	Accumulated profits HK$'000	Total HK$'000
At 1 July 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
Profit for the year	—	—	—	—	—	—	328,115	328,115
Other comprehensive income (expense) for the year	—	—	—	45,125	(34,425)	—	—	10,700
Total comprehensive income (expense) for the year	—	—	—	45,125	(34,425)	—	328,115	338,815
Repurchase of ordinary shares	(123,888)	(37,166)	—	—	—	—	—	(161,054)
Dividends recognised as distribution *(Note 14)*	—	—	—	—	—	—	(13,787)	(13,787)
At 30 June 2018	795,277	172,082	(14,980)	103,375	56,885	79,436	1,860,249	3,052,324

Notes:

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

(ii) The capital redemption reserve represents the par value of ordinary shares transferred from accumulated profits upon repurchase of these shares by the Company in previous years.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	321,145	617,373
Adjustments for:		
Depreciation of property, plant and equipment	364	431
Loss on disposal of property, plant and equipment	—	3
Loss on deemed disposal of partial interest in an associate	—	3,164
Gain arising from acquisition of additional interest in an associate	(5,076)	—
Fair value changes of equity investments at fair value through profit or loss, net	(69,224)	6,627
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)
Loss arising from acquisition of an associate	8,061	—
Fair value changes of convertible notes	(5,552)	—
Interest income	(44,384)	(37,164)
Interest expenses	536	—
Adjustment to carrying amount of loans receivable	—	(107,720)
Share of results of associates	(179,130)	(46,863)
Reversal of impairment loss on interests in associates, net	(50,057)	(82,630)
Impairment loss on available-for-sale investments	848	—
Dividend income from available-for-sale investments	(3,492)	—
Unrealised foreign exchange loss (gain)	9,138	(3,589)
Operating cash flows before movements in working capital	(16,823)	54,359
Decrease in inventories	—	24,823
Increase in trade and other receivables	(1,761)	(11,341)
(Decrease) increase in trade and other payables	(5,961)	2,295
(Increase) decrease in equity investments at fair value through profit or loss	(103,672)	4,527
Cash (used in) from operations	(128,217)	74,663
Income tax (paid) refunded	(1,378)	65
Net cash (used in) from operating activities	(129,595)	74,728

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(28)	(1,051)
Purchase of available-for-sale investments		(2,539)	(3,624)
Investment in convertible notes		(110,000)	(9,320)
Investment in loan notes		(19,516)	(156,094)
Redemption of loan notes		156,209	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	34	—	963
Payments for conversion of convertible notes		(10,588)	—
Net proceeds from disposal of equity investments converted from convertible notes		19,230	—
New loans granted		(375,091)	(225,000)
Repayment of loans receivable		202,450	256,427
Placements of pledged bank deposits		(23,802)	(67,113)
Withdrawal of pledged bank deposits		140,079	—
Investments in associates		(194,060)	—
Transaction costs paid for acquisition of an associate		(1,306)	—
Dividend received from an associate		39,652	—
Dividend received from available-for-sale investments		3,492	—
Interest received		35,904	18,533
Net cash (used in) from investing activities		(139,914)	584,596
FINANCING ACTIVITIES			
Payments on repurchase of ordinary shares		(161,054)	—
Dividend paid		(13,633)	—
Interest paid		(473)	—
New other borrowings raised		62,000	—
Repayments of other borrowings		(18,500)	—
Net cash used in financing activities		(131,660)	—
Net (decrease) increase in cash and cash equivalents		(401,169)	659,324
Effect of foreign exchange rate changes		4,165	(2,888)
Cash and cash equivalents at beginning of the year		805,687	149,251
Cash and cash equivalents at end of the year, represented by bank balances and cash		408,683	805,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 and subsidiaries (collectively referred to as the "**Group**") are principally engaged in primary strategic investment, resource investment, commodity business and principal investment and financial services.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements but resulted in additional disclosures as set out below:

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

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

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Amendments to HKAS 7 "Disclosure Initiative" (Continued)

A reconciliation between the opening and closing balances of these items is provided in note 28. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 28, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[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 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.

Except for the new and revised HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and revised HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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

New and revised HKFRSs in issue but not yet effective (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 financial assets are measured at their fair value at 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; and

- 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 "Financial instruments: recognition and measurement". 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 "Financial Instruments" (Continued)

Based on the Group's financial instruments and risk management policies as at 30 June 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Debt instruments classified as loans and receivables carried at amortised cost as disclosed in notes 19, 20 and 21 respectively: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9;

- Convertible notes designated at fair value through profit or loss ("**FVTPL**") as disclosed in note 18: these are required to be measured at FVTPL under HKFRS 9 as they are not solely payments of principal and interest on the principal amount outstanding. Accordingly, these financial assets will be reclassified from financing assets designated at FVTPL to financial assets at FVTPL upon application of HKFRS 9;

- Listed and unlisted equity securities classified as available-for-sale investments carried at fair value as disclosed in note 17: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, investment revaluation reserve of HK$116,115,000 related to these available-for-sale investments will be transferred to accumulated profits as at 1 July 2018;

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 17: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value with subsequent fair value change to be recognised in profit or loss. Upon initial application of HKFRS 9, the fair value change related to these securities representing the differences between cost less impairment and fair value would be adjusted to accumulated profits as at 1 July 2018;

- The Group reassessed its investments in equity securities classified as equity investments at FVTPL under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at date of initial application, certain of the Group's investments were no longer held for trading but continued to be measured at FVTPL; and

- All other financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under HKAS 39.

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 "Financial Instruments" (Continued)

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 July 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on certain loan notes, loans receivable and trade and other receivables. Such further impairment recognised under expected credit loss model would decrease the opening accumulated profits and increase the deferred tax assets at 1 July 2018.

HKFRS 15 "Revenue from Contracts with Customers"

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

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

New and revised HKFRSs in issue but not yet effective (Continued)

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.

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 flows. Upon application of 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 by the Group.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of HK$2,119,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of HK$721,000 as right under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

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 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 at the end of each reporting period, 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 Payment", 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".

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.

For financial instruments which is transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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 the investment over the Group's share of the net fair value of the identifiable assets and 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 and 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) upon disposal/partial disposal of the relevant associate.

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.

Any excess of share of carrying amount of net assets attributable to the additional interests in associates acquired over the consideration paid are recognised in the profit or loss in the period in which the addition interest are acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

Disposal of partial interests in associates

For disposal of partial interests in an associate that does not result in the Group losing significant influence over the associate, the difference between the carrying amount of the associate attributable to the interests disposed of and the consideration is taken into account in the determination of the gain or loss on the disposal of partial interests. In addition, the Group accounts for 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. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

Dividend and interest income

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognised at the rates of exchange as 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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, on 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. For partial disposals (i.e. partial disposal of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss because income or expense that are taxable or deductible in other years and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in 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 in subsidiaries and interests in associates 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

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 assets 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

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 relevant 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 asset individually, 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 (or a cash-generating unit) 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.

Borrowing costs

The borrowing costs, other than those directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the year in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at 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 FVTPL

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
- on initial recognition, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

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.

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

Available-for-sale financial assets

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

Equity securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets (Continued)

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).

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 loss on 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on of financial assets (Continued)

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, loans receivable and loan notes, 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, loans receivable and loan note is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

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

Impairment losses on available-for-sale equity investments previously recognised in profit or loss are not 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

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

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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

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 judgements, 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.

Reversal of impairment loss of the Group's interest in MGX (as defined in note 16)

Determining whether impairment loss recognised in prior periods in relation to interest in MGX should be reversed 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 the present value of the future cash flows expected to arise from dividends to be received from 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, a suitable discount rate with reference to comparable companies and historical dividend payout ratio of MGX. The fair value less costs of disposal of MGX was determined based on the closing price of shares of MGX listed on the Australian Securities Exchange ("**ASX**"). Where the actual cash flows are 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 causing the value in use amount higher than the fair values less costs of disposal (which is currently determined as recoverable amount), the recoverable amount may change and an additional reversal of impairment loss may arise.

As at 30 June 2018, the carrying amount of the Group's interest in MGX was HK$891,020,000 (2017: HK$641,113,000). A reversal of impairment loss of HK$67,506,000 (2017: HK$82,630,000) was recognised in profit or loss during the year.

5. REVENUE

	2018 HK$'000	2017 HK$'000
Revenue from trading of commodities	**123,531**	97,112
Interest income from loans receivable	**26,329**	3,364
Interest income from convertible notes	**5,519**	—
Interest income from loan notes	**741**	—
	156,120	100,476

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 operating and reportable segments are therefore as follows:

(i) Commodity business (trading of commodities);

(ii) Resource investment (trading of and investment in listed and unlisted securities of energy and natural resources companies); and

(iii) Principal investment and financial services (provision of loan financing and investments in loan notes, convertible notes and other financial assets since 1 March 2017 and receiving interest income from these financial assets).

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit by each segment without allocation of central administration costs, directors' salaries, profit or loss items in relation to associates, gain arising from disposal of a subsidiary, gain arising from disposal of available-for-sale investments, adjustment to carrying amount of loans receivable, unallocated corporate income and gains, unallocated losses 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 operating and reportable segments is presented below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For year ended 30 June 2018

	Commodity business HK$'000	Resource investment HK$'000	Principal investment and financial services HK$'000	Total HK$'000
Revenue	123,531	—	32,589	156,120
Gross sales proceeds from resource investment	—	474,321	—	474,321
Segment results	8,778	65,575	31,198	105,551
Share of results of associates				179,130
Reversal of impairment loss on interests in associates, net				50,057
Gain arising from acquisition of additional interest in an associate				5,076
Loss arising from acquisition of an associate				(8,061)
Finance costs				(536)
Unallocated income and gains				23,472
Unallocated expenses and losses				(33,544)
Profit before taxation				321,145

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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
Gains 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 income and gains				35,936
Unallocated expenses and losses				(27,947)
Profit before taxation				617,373

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

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 2018 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)	3,407	6	1	8,381	11,795
Fair value changes of equity investments at FVTPL, net	—	69,224	—	—	69,224
Fair value changes of convertible notes	—	—	5,349	203	5,552
Net foreign exchange gain (loss)	1,125	(5,120)	(9,063)	10,432	(2,626)

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
Convertible notes	—	—	—	11,263	11,263

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

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 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 changes of equity investments at FVTPL, net	—	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
Convertible notes	—	—	—	9,320	9,320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2018 HK$'000	2017 HK$'000
Commodity business	280,443	286,310
Resource investment	600,711	488,524
Principal investment and financial services	524,244	238,812
Total segment assets	1,405,398	1,013,646
Interests in associates	1,023,743	678,479
Available-for-sale investments	559,539	533,381
Loan notes	31,515	190,362
Unallocated	91,300	500,782
Consolidated assets	3,111,495	2,916,650
Commodity business	2,237	16,899
Resource investment	9,801	8,845
Total segment liabilities	12,038	25,744
Unallocated	47,133	2,556
Consolidated liabilities	59,171	28,300

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

- all assets are allocated to operating and reportable segments other than interests in associates, property, plant and equipment, loan notes and convertible notes not managed under principal investment and financial services segment, available-for-sale investments not managed under resources investment segment, certain other receivables and certain bank balances and cash.

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

6. SEGMENT INFORMATION (Continued)

Geographical information

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

Information about the Group's revenue from commodity business is analysed by the location of customers; the Group's revenue derived from interest income from loans receivable is analysed by the location where the loan financing is provided; and the Group's revenue derived from interest income of loan notes and convertible notes is analysed by the location where these investments are managed by the Group.

Information about the Group's non-current assets which is presented based on geographical location of assets (where the property, plant and equipment are located and where the associates are incorporated/listed).

Details about geographical locations of the Group's revenue from external customers and its non-current assets are presented below:

	Revenue from external customers		Non-current assets	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Australia	3,036	—	984,511	641,113
Hong Kong	94,555	59,628	501	1,073
The PRC	58,529	40,848	39,498	37,396
	156,120	100,476	1,024,510	679,582

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:

	2018 HK$'000	2017 HK$'000
Customer A	83,657	N/A[1]
Customer B	N/A[1]	56,264
Customer C	21,432	N/A[1]
Customer D	N/A[1]	20,385
Customer E	N/A[1]	14,815

1 No revenue attributed from the relevant customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

7. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Fair value changes of equity investments at FVTPL, net	**69,224**	55,402
Fair value changes of convertible notes	**5,552**	—
Reversal of impairment loss on interests in associates, net	**50,057**	82,630
Adjustment to carrying amount of loans receivable *(note (i))*	**—**	107,720
Gain arising from acquisition of additional interest in an associate	**5,076**	—
Loss arising from acquisition of an associate	**(8,061)**	—
Gain arising from disposal of a subsidiary *(Note 34)*	**—**	22,753
Gains arising from derecognition of interests in associates	**—**	189,599
Gains arising from disposal of available-for-sale investments	**—**	82,921
Impairment loss on available-for-sale investments	**(848)**	—
Loss on deemed disposal of partial interest in an associate	**—**	(3,164)
Net foreign exchange (loss) gain *(note (ii))*	**(2,626)**	13,248
	118,374	551,109

Notes:

(i) In previous years, there was a 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, which carried fixed interest rate of 24% per annum and matured on 28 January 2016. 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 as at 30 June 2016 to reduce the carrying amount of the Loan Balance to its estimated recoverable amount at an original effective interest rate of 24% per annum.

During the year ended 30 June 2017, the Group recognised effective interest income of 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 HK$11,122,000) to the Group. On 22 January 2017, the Borrower repaid the remaining balance of RMB216,170,000 (equivalent to HK$245,305,000). Accordingly, there was an adjustment of HK$107,720,000 to increase the carrying amount of the Loan Balance to the amount settled.

(ii) Net foreign exchange loss for the year ended 30 June 2018 mainly comprised exchange loss of HK$9,992,000 (2017: gain of HK$5,490,000) arising on remeasurement of foreign currency denominated loans receivable, exchange gain of HK$419,000 (2017: loss of HK$645,000) arising on remeasurement of foreign currency denominated loan notes, exchange gain of HK$9,959,000 (2017: gain of HK$898,000) arising on remeasurement of foreign currency denominated bank balances, exchange loss of HK$5,027,000 (2017: gain of HK$4,350,000) arising on settlement of foreign currency denominated equity investments at FVTPL and exchange gain of HK$1,940,000 (2017: gain of HK$1,956,000) arising on remeasurement of foreign currency denominated intra-group current accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

8. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Interest income from bank deposits	5,210	5,562
Interest income from loan notes	5,445	10,935
Interest income from loans receivable	—	16,808
Interest income from convertible notes	1,140	495
Dividend income from equity investments at FVTPL	3,063	12,808
Dividend income from available-for-sale investments	3,492	—
Others	4,951	986
	23,301	47,594

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interests on other borrowings	536	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

10. PROFIT BEFORE TAXATION

	2018 HK$'000	2017 HK$'000
Profit before taxation has been arrived at after charging:		
Staff costs, including directors' emoluments		
— salaries and allowances	**16,900**	17,566
— staff quarters	**1,056**	1,080
— retirement benefits schemes contributions	**318**	414
Total staff costs	**18,274**	19,060
Auditor's remuneration	**900**	800
Cost of goods recognised as an expense	**114,832**	94,944
Loss on written-off of property, plant and equipment (included in administrative expense)	**—**	3
Depreciation of property, plant and equipment	**364**	431

11. INCOME TAX CREDIT (EXPENSE)

	2018 HK$'000	2017 HK$'000
Current tax		
Hong Kong Profits Tax	**—**	—
PRC Enterprise Income Tax ("**EIT**")	**—**	—
Australian capital gains tax	**—**	(61,893)
	—	(61,893)
Overprovision in prior years		
Hong Kong Profits Tax	**20**	—
PRC EIT	**—**	65
	20	(61,828)
Deferred tax *(Note 26)*	**6,950**	(6,950)
	6,970	(68,778)

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

11. INCOME TAX CREDIT (EXPENSE) (Continued)

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 years ended 30 June 2018 and 2017 as the companies of the Group operated in Hong Kong had no assessable profits for both years.

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. No provision for EIT was made for both years as the Group operated in the PRC had no assessable profits for both years.

Under the Australian tax rules, the provision for Australian capital gains tax is calculated at 30% on the capital gain derived from the sale of certain shares in Australian companies, which may probably constitute taxable Australian Property as defined in relevant Australian tax rules, by a non-resident company in Australia.

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

	2018 **HK$'000**	2017 HK$'000
Profit before taxation	**321,145**	617,373
Tax at Hong Kong Profits Tax rate of 16.5%	**(52,989)**	(101,867)
Tax effect of expenses not deductible for tax purpose	**(11,169)**	(4,816)
Tax effect of income not taxable for tax purpose	**37,020**	98,916
Tax effect of tax losses not recognised	**(2,377)**	(990)
Tax effect of utilisation of tax losses previously not recognised	**—**	1,091
Tax effect of share of results of associates	**29,556**	7,732
Overprovision in prior years	**20**	65
Australian capital gains tax	**—**	(61,893)
Deferred tax on Australian capital gains tax	**6,950**	(6,950)
Others	**(41)**	(66)
Income tax credit (expense) for the year	**6,970**	(68,778)

As at 30 June 2018, the Group had unused tax losses of HK$181,036,000 (2017: HK$166,630,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

An analysis of emoluments paid and payable to directors of the Company for the years ended 30 June 2018 and 2017 is set out as follows:

Year ended 30 June 2018

	Fee HK$'000	Salaries, allowances and other benefits HK$'000	Bonus HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors					
Mr. Andrew Ferguson *(note (a))*	—	4,474	750	18	5,242
Mr. Brett Robert Smith	—	1,423	—	118	1,541
Non-executive directors					
Mr. Lee Seng Hui	120	—	—	—	120
Mr. So Kwok Hoo	120	—	—	—	120
Mr. Arthur George Dew *(note (b))*	—	281	385	—	666
Mr. Wong Tai Chun, Mark, alternate director of Mr. Arthur George Dew *(note (b))*	—	137	92	7	236
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
	810	6,315	1,227	143	8,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Year ended 30 June 2017

	Fee HK$'000	Salaries and allowances and other benefits HK$'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	—	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 (b))*	95	135	383	—	613
Mr. Wong Tai Chun, Mark, alternate director of Mr. Arthur George Dew *(note (b))*	—	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

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) 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 30 (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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The bonus was determined in accordance with the performance of the Group and individual performance.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 30 June 2018 and 2017.

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 2018 and 2017.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2017: two) are directors of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining three (2017: three) individuals are set out as follows:

	2018 HK$'000	2017 HK$'000
Salaries and allowances	6,623	5,467
Retirement benefits schemes contributions	54	54
	6,677	5,521

Their emoluments are within the following bands:

	2018 No. of employees	2017 No. of employees
HK$1,500,001 to HK$2,000,000	2	3
HK$3,000,001 to HK$3,500,000	1	—
	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

13. EARNINGS PER SHARE

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

	2018 HK$'000	2017 HK$'000
Earnings		
Earnings for the purpose of calculating basic earnings per share:		
Profit for the year attributable to owners of the Company	328,115	548,595

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	856,372,709	919,165,198

For the years ended 30 June 2018 and 2017, no separate diluted earnings per share information has been presented as there was no potential ordinary shares of the Company outstanding.

The calculation of earnings per share for the year ended 30 June 2017 was assumed that the Company's share consolidation as detailed in note 27(a) was in effect since 1 July 2016.

14. DIVIDENDS

Dividends recognised as distribution during the year:

	2018 HK$'000	2017 HK$'000
2017 interim dividend declared — HK1.5 cents	13,787	—

An interim dividend of HK1.5 cents (2017: nil) per ordinary share, in an aggregate amount of approximately HK$13,787,000 (2017: nil), was declared in respect of the year ended 30 June 2017 and an amount of approximately HK$13,633,000 was paid during the year ended 30 June 2018 (2017: nil). Subsequent to the end of the reporting period, the directors of the Company declared an interim dividend of HK6 cents per share (in lieu of a final dividend) for the year ended 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

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 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
Additions	—	14	14	—	28
At 30 June 2018	3,339	116	1,436	1,789	6,680
DEPRECIATION					
At 1 July 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
Charge for the year	330	2	31	1	364
At 30 June 2018	2,723	104	1,326	1,760	5,913
CARRYING AMOUNTS					
At 30 June 2018	616	12	110	29	767
At 30 June 2017	946	—	127	30	1,103

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

16. INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Interests in associates before impairment *(note)*	**1,697,582**	1,402,375
Impairment losses recognised	**(673,839)**	(723,896)
	1,023,743	678,479
Fair value of listed investments	**984,511**	641,113

The balance includes cost of investments in associates, after adjustment for sharing of the post-acquisition results and other comprehensive income of associates, dividend received and exchange differences.

Details of the Group's associates as at 30 June 2018 and 2017 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 2018	2017	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	**32.20%**	29.53%	Mining of hematite iron ore in Western Australia.
Tanami Gold NL ("**Tanami**") *(note (b))*	Listed	Australia	Ordinary	**38.09%**	N/A	Gold exploration in Tanami Desert straddling the Western Australian and Northern Territory border.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

16. INTERESTS IN ASSOCIATES (Continued)

Notes:

(a) During the year ended 30 June 2018, the Group's shareholdings in MGX increased from 29.53% as at 30 June 2017 to 32.20% as at 30 June 2018 due to acquisition of 29,262,489 shares in MGX. The cash consideration for the acquisition was Australian Dollars ("**A$**") 12,285,000 (equivalent to HK$73,007,000).

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 restricted shares to its staff and ordinary shares upon exercise of performance rights by its staff during the prior year. Accordingly, a loss on deemed disposal of partial interests of HK$3,164,000 was recognised in profit or loss.

(b) On 2 February 2018, the Group entered into a share sale agreement with Allied Properties Resources Limited, an indirect wholly-owned subsidiary of Allied Properties (H.K.) Limited ("**APL**"), the Company's substantial shareholder exercising significant influence over the Company, for acquisition of 38.09% of the total issued share capital of Tanami at a cash consideration of A$20,142,575. The acquisition was completed on 5 June 2018. The Group recognised a loss of HK$8,061,000 in respect of the acquisition of Tanami, representing the difference between the consideration paid and the fair value of the Group's interest in Tanami at the date of completion. Such amount is presented as "loss arising from acquisition of an associate" and included in "other gains and losses" in the consolidated statement of profit or loss for the year ended 30 June 2018.

Reversal of impairment loss on the Group's interest in MGX

At the end of the reporting period, in view of increase (2017: increase) in share price of MGX during the year, management of the Group carried out review on reversal of impairment loss 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 the present value of the future cash flows expected to arise from dividends to be received from 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, a discount rate of 10% (2017: 10%), which was reference to comparable companies, and historical dividend payout ratio of MGX. The fair value less costs of disposal of MGX was determined based on the closing price of the shares of MGX listed on the ASX at the end of each reporting period. As at 30 June 2018, the recoverable amount of the Group's interest in MGX, which represented the fair value less costs of disposal of HK$891,020,000 (2017: HK$641,113,000), was higher than its carrying amount, accordingly, a reversal of impairment loss of HK$67,506,000 (2017: HK$82,630,000) was recognised in profit or loss during the year ended 30 June 2018.

Impairment assessment on the Group's interest in Tanami

At the end of the reporting period, in view of decrease in share price of Tanami since the acquisition of equity interests in Tanami by the Group, management of the Group carried out review on impairment on the carrying amount of its interest in Tanami by comparing its recoverable amount with its carrying amount. In view of the material uncertainty associated with the exploration for and evaluation of the mineral resources possessed by Tanami, no sufficient information is available to estimate future cash flows used in the value in use calculation. Therefore, the recoverable amount of the Group's interest in Tanami was based on its fair value less costs of disposal, which was determined based on the closing price of the shares of Tanami listed on the ASX at the end of the reporting period. As at 30 June 2018, the recoverable amount of the Group's interest in Tanami, which represented the fair value less costs of disposal of HK$93,491,000, was lower than its carrying amount. Accordingly, an impairment loss of HK$17,449,000 was recognised in profit or loss during the year ended 30 June 2018.

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

	2018 HK$'000	2017 HK$'000
Non-current assets	567,919	100,864
Current assets	2,854,953	2,876,142
Current liabilities	(303,312)	(228,574)
Non-current liabilities	(237,037)	(234,430)
Net assets	2,882,523	2,514,002
Revenue	1,612,663	1,019,941
Profit for the year	600,376	154,154
Other comprehensive income for the year	3,458	4,246
Total comprehensive income for the year	603,834	158,400
Dividend paid by MGX	133,848	—
The Group's share of profit of MGX for the year	178,491	45,317
The Group's share of other comprehensive income of MGX for the year	1,033	1,259
The Group's share of total comprehensive income for the year	179,524	46,576
Dividend paid by MGX attributable to the Group	39,652	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

16. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the Group's associates (Continued)

MGX (Continued)

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

	2018 HK$'000	2017 HK$'000
Net assets of MGX attributable to owners of MGX	2,872,006	2,514,002
Proportion of the Group's ownership interest in MGX	32.20%	29.53%
Share of net assets of MGX	924,786	742,385
Goodwill	622,624	622,624
Impairment loss recognised	(656,390)	(723,896)
Carrying amount of the Group's interest in MGX	891,020	641,113

Tanami

	2018 HK$'000
Non-current assets	213,676
Current assets	84,458
Current liabilities	(337)
Non-current liabilities	(6,539)
Net assets	291,258
Revenue	—
Loss since the date of Group's acquisition	(478)
Other comprehensive income since the date of Group's acquisition	2,611
Total comprehensive income for the year since the date of Group's acquisition	2,133
The Group's share of loss of Tanami since the date of Group's acquisition	(185)
The Group's share of other comprehensive income of Tanami since the date of Group's acquisition	1,010
The Group's share of total comprehensive income since the date of Group's acquisition	825

Note: The Group shared the result of Tanami since the date of completion of the acquisition of Tanami.

16. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the Group's associates (Continued)

Tanami (Continued)

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

	2018 HK$'000
Net assets of Tanami attributable to owners of Tanami	291,258
Proportion of the Group's ownership interest in Tanami	38.09%
Share of net assets of Tanami	110,940
Impairment loss recognised	(17,449)
Carrying amount of the Group's interest in Tanami	93,491

Aggregate information of associates that are not individually material

	2018 HK$'000	2017 HK$'000
The Group's share of profit	824	1,546
The Group's share of other comprehensive income	1,042	(481)
The Group's share of total comprehensive income	1,866	1,065
Aggregate carrying amount of the Group's interests in these associates	39,232	37,366

Derecognition of interests in associates

Metals X Limited ("MLX")

On 15 July 2016, the Group disposed of 21,500,000 shares in MLX, which is a mining company listed on ASX in the market for a cash consideration of A$31,820,000 (equivalent to HK$185,491,000) and the direct costs in relation to this transaction is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

16. INTERESTS IN ASSOCIATES (Continued)

Derecognition of interests in associates (Continued)

Metals X Limited ("MLX") (Continued)

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 A$1.48 (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.

Alufer Mining Limited ("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 United States dollar ("**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 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 US$1,602,000 (equivalent to HK$12,521,000) at the date of the Group's cease to have significant influence over Alufer. Accordingly, a gain of HK$12,521,000 arising from derecognition of interests in Alufer was credited to profit or loss during the year ended 30 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

17. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK$'000	2017 HK$'000
Equity securities:		
Unlisted, at cost *(note (a))*	**39,966**	37,501
Less: impairment losses recognised	**(35,988)**	(35,214)
	3,978	2,287
Unlisted, at fair value *(note (b))*	**34,532**	16,145
Listed in Australia, at fair value *(note (c))*	**559,539**	533,381
	598,049	551,813

Notes:

(a) These unlisted equity investments represent investments in unlisted equity securities issued by five (2017: five) private entities incorporated in the British Virgin Islands ("**BVI**"), the United Kingdom, the United States of America and Australia (2017: the BVI, 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. These unlisted equity investments are measured at fair values and the details of the fair value measurement are set out in note 33.

The fair value measurement was carried out by Vigers Appraisal & Consulting Limited ("**Vigers**"), 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 BVI through disposal of a subsidiary. Details of the disposal of the subsidiary are set out in the note 34.

(c) These listed equity investments represent 55,907,571 shares in MLX and 27,953,786 shares in Westgold Resources Limited. Both are available-for-sale investments listed on the ASX.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

18. CONVERTIBLE NOTES

	2018 HK$'000	2017 HK$'000
Convertible notes issued by FDG Kinetic Limited ("**FDG**") *(note (a))*	**104,986**	—
Convertible notes issued by a private entity *(note (b))*	**11,263**	9,320
	116,249	9,320
The carrying amount of the convertible notes is presented as		
— Current assets	**104,986**	—
— Non-current assets	**11,263**	9,320
	116,249	9,320

Notes:

(a) On 30 October 2017, the Group acquired the convertible notes issued by FDG, which carry 8% coupon interest per annum with principal amount of HK$110,000,000 and would mature on 4 August 2018, from an independent third party (the "**Vendor**") at a cash consideration of HK$110,000,000. The convertible notes are guaranteed by the ultimate holding company of the Vendor. The principal activities of FDG are research and development, manufacturing and trading of cathode materials for lithium-ion batteries, and direct investments, including securities trading, loan financing and asset investment. The Group is entitled to convert the convertible notes into ordinary shares of FDG at conversion price of HK$0.34 per conversion share and by paying an additional amount of HK$0.36 per conversion share to the Vendor's guarantor by way of cash at any time from the purchase date (i.e. 30 October 2017) to the maturity date. The Group designated these convertible notes at FVTPL. During the year ended 30 June 2018, HK$10,000,000 FDG's convertible notes were converted by the Group into 29,411,764 ordinary shares of FDG and these shares were substantially disposed of during the year and completely disposed of subsequent to the year end. In the opinion of the directors of the Company, the fair value in relation to the Group's obligation to pay the Vendor's guarantor upon conversion of these convertible notes was minimal due to the market price of FDG's share was lower than the amount required to pay as at 30 June 2018. As at 30 June 2018, the fair value of these convertible notes was HK$104,986,000 taking into account the conversion option was out of money. Subsequent to the end of the reporting period, the Group has received the remaining principal amount and the outstanding coupon interests of the FDG's convertible notes.

The fair values of these convertible notes are estimated by Vigers using valuation techniques based on the discounted cash flow analysis for the debt component using the discount rate derived from comparable notes after an adjustment and Binomial Option Pricing model for the derivative component using an expected volatility with reference to historical share price of FDG. The key inputs adopted in the valuation model are set out in note 33.

(b) During the year ended 30 June 2017, the Group subscribed convertible notes, which were designated at FVTPL, with a nominal value of US$1,200,895 from Alufer, which carry 12% coupon interest per annum and will mature on 30 November 2022. The interests, at Alufer's option, are payable in cash quarterly or on the maturity date of the convertible notes or settled by the allotment and issue of the conversion shares. 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 2018, the fair value of these convertible notes was HK$11,263,000 (2017: HK$9,320,000).

The fair values of these convertible notes are estimated by Vigers using valuation techniques based on the discounted cash flow analysis for the debt component using discount rate derived from comparable notes after an adjustment and Binomial Option Pricing model for the derivative component using an expected volatility with reference to historical volatility of the aluminium price index traded on the London Metal Exchange. The key inputs adopted in the valuation model are set out in note 33.

19. LOANS RECEIVABLE

	2018 HK$'000	2017 HK$'000
Fixed rate loans receivable, unsecured	399,276	232,138
The carrying amount of the loans receivable is presented as		
— Current assets	162,964	232,138
— Non-current assets	236,312	—
	399,276	232,138

Fixed rate loans receivable comprises:

Principal amount	Maturity date	Guarantee	Effective interest rate	Carrying amount 2018 HK$'000	Carrying amount 2017 HK$'000
HK$45,000,000 in aggregate	27 September 2018	No	14.5% per annum	48,321	—
HK$31,000,000	28 June 2019	No	15.0% per annum	31,038	—
RMB70,000,000 in aggregate[d]	20 December 2018 and 10 January 2019	Yes[a]	6.0% per annum	83,605	—
RMB199,000,000[c][e]	30 September 2019	Yes[b]	8.0% per annum	236,312	—
RMB199,000,000[e]	23 March 2018	Yes[b]	6.0% per annum	—	232,138
				399,276	232,138

Notes:

(a) The loans are guaranteed by ultimate holding company of the borrower which is a company incorporated in Taiwan with limited liability and its shares are listed on the Taiwan Stock Exchange Corporation.

(b) The loans are guaranteed by the ultimate holding company of the borrower which is a company incorporated in Bermuda and its shares are listed on the Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

19. LOANS RECEIVABLE (Continued)

Notes: (Continued)

(c) The loan was extended to 21 September 2018 upon maturity and further extended to 30 September 2019 on 21 June 2018.

(d) The amount is equivalent to HK$83,468,000 out of the loan limit of HK$84,000,000.

(e) The amount is equivalent to HK$223,804,000 out of the loan limit of HK$225,000,000.

The movements of loans receivable during the year are set out as follows:

	HK$'000
At 1 July 2016	131,899
Interest income	20,172
Interest received	(1,716)
Adjustment to carrying amount	107,720
New grant of loan	225,000
Repayment of loan	(256,427)
Exchange difference	5,490
At 30 June 2017	232,138
Interest income	26,329
Interest received	(21,840)
New grant of loans	375,091
Repayment of loans	(202,450)
Exchange difference	(9,992)
At 30 June 2018	399,276

20. LOAN NOTES

	2018 HK$'000	2017 HK$'000
Loan notes issued by Mulpha SPV Limited ("**Mulpha**")	–	159,019
Loan notes issued by Sun Hung Kai & Co. (BVI) Limited ("**SHK BVI**")	51,420	31,343
	51,420	190,362

The movements of loan notes during the year are set out as follows:

	HK$'000
At 1 July 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
Investment in loan notes	19,516
Redemption of loan notes	(156,209)
Interest income	6,186
Interest received	(8,854)
Exchange difference	419
At 30 June 2018	51,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

20. LOAN NOTES (Continued)

Loan notes issued by Mulpha

During the year ended 30 June 2017, the two loan notes from Mulpha with nominal values of US$30,000,000 (equivalent to HK$232,674,000) carrying 8.5% coupon interest per annum and US$10,000,000 (equivalent to HK$77,558,000) carrying 8.0% coupon interest per annum were redeemed by Mulpha.

On 6 September 2016, the Group subscribed loan notes from Mulpha with a nominal value of US$20,000,000 (equivalent to HK$156,094,000) which carry 6% coupon interest per annum and will mature on 6 September 2019.

On 1 December 2017, Mulpha early redeemed its loan notes at a cash consideration of US$20,883,000 (equivalent to HK$163,120,000) (inclusive of the principal of HK$156,209,000 and accrued interest of HK$6,911,000).

These loan notes can be early redeemed by Mulpha before the maturity date at the nominal amount of the loan notes plus accrued 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.

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 BVI, which carry 4.75% coupon interest per annum and will mature on 31 May 2021.

On 1 September 2017, the Group subscribed loan notes with a nominal value of US$2,500,000 (equivalent to HK$19,516,000) from SHK BVI, which carry 4.65% coupon interest per annum and will mature on 8 September 2022.

Loan notes issued by SHK BVI are guaranteed by Sun Hung Kai & Co. Limited, a limited liability company incorporated in Hong Kong whose shares are listed on the Stock Exchange.

21. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	21,432	16,069
Other deposits, other receivables and prepayments	3,842	4,208
Receivable from securities brokers	2,846	6,577
	28,120	26,854

21. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows an average credit period of 90 days to its trade customers from commodity 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:

	2018 HK$'000	2017 HK$'000
0 to 30 days	**21,432**	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 2018, there were no trade receivables which were past due but not impaired.

22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	**26,694**	18,139
— Equity securities listed in the United Kingdom	**20,388**	9,331
— Equity securities listed in Australia	**221,869**	103,203
— Equity securities listed in Canada	**169,560**	122,553
— Equity securities listed in the United States of America	**17,352**	22,501
	455,863	275,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

23. 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 1.69% (2017: 0.01% to 1.60%) 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 1.65% (2017: 0.25% to 0.91%) per annum.

24. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	953	15,379
Other payables	14,718	6,036
	15,671	21,415

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

	2018 HK$'000	2017 HK$'000
0 to 90 days	953	15,379

The trade payables are immediately due upon receipt notice of payment from the supplier.

25. OTHER BORROWINGS

During the year ended 30 June 2018, the Group obtained new other borrowings of HK$62,000,000 (30 June 2017: Nil) from a related company, namely AP Finance Limited ("**AP Finance**"), which is a wholly-owned subsidiary of APL, and HK$18,500,000 was repaid before the end of the reporting period. As at 30 June 2018, the remaining other borrowings of HK$43,500,000 carries variable interest at Hong Kong Interbank Offered Rate plus 3% per annum and is unsecured and repayable on 30 October 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

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	6,950
Credit to other comprehensive income	(1,463)
At 30 June 2017	5,487
Credit to profit or loss	(5,487)
At 30 June 2018	—

27. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares:		
Authorised:		
At 1 July 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 and 30 June 2018 of HK$1.00 each	2,000,000,000	2,000,000
Issued and fully paid:		
At 1 July 2016 of HK$0.10 each	9,191,651,985	919,165
Shares consolidation *(note (a))*	(8,272,486,787)	—
At 30 June 2017 of HK$1.00 each	919,165,198	919,165
Repurchase of ordinary shares *(note (b))*	(123,887,883)	(123,888)
At 30 June 2018 of HK$1.00 each	795,277,315	795,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

27. SHARE CAPITAL (Continued)

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 HK$919,165,000 comprising 919,165,198 shares.

(b) On 4 December 2017, the Company passed an ordinary resolution on a cash offer to the shareholders of the Company to repurchase up to 183,833,040 shares of the Company at an offer price of HK$1.30 per share. On 28 December 2017, the Company completed the repurchase of 123,887,883 of its own shares at an aggregate amount of HK$161,054,000. The repurchased shares were then cancelled accordingly and the issued share capital of the Company was reduced by the nominal value thereof.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other borrowings HK$'000 *(Note 25)*	**Other payables** HK$'000 *(note (i))*	**Total** HK$'000
At 1 July 2017	—	—	—
Dividends declared	—	13,787	13,787
Financing cash flows *(note (ii))*	43,500	(14,106)	29,394
Finance costs recognised *(Note 9)*	—	536	536
At 30 June 2018	43,500	217	43,717

Notes:

(i) The closing balance is included in other payables.

(ii) The financing cash flows represented the net amount of proceeds from other borrowings, dividend paid and interest paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

29. OPERATING LEASE COMMITMENTS

The Group as lessee

	2018 HK$'000	2017 HK$'000
Minimum lease payments under operating leases in respect of rented premises and equipment during the year	3,090	3,259

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:

	2018 HK$'000	2017 HK$'000
Within one year	1,922	1,939
After one year but not more than five years	197	718
	2,119	2,657

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 three years.

30. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the consolidated financial statements, the Group entered the following related party transactions:

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

	2018 HK$'000	2017 HK$'000
Subsidiaries of an associate, MGX		
Purchase of commodities	112,943	68,218
Trade payables	953	15,379
Other receivables	1,153	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

30. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

The Group entered into several commodity contracts with MGX to purchase certain quantities of iron ores from MGX for which the prices were based on the respective lump and fines Platts Iron Ore Price. The Group is required to take physical delivery of the iron ores from MGX in accordance with terms of the commodity contracts.

During the year, the Group had certain transactions and balances with APL and Allied Group Limited ("**AGL**"), a parent company of APL:

	2018 HK$'000	2017 HK$'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, internal audit, management information system consultancy 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
1 July 2017 to 31 December 2017	1,014	—
1 January 2018 to 30 June 2018	924	—
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
1 July 2017 to 31 December 2017	165	—
1 January 2018 to 30 June 2018	180	—
Amount due to AGL (included in other payables)	462	420

30. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

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

	2018 HK$'000	2017 HK$'000
Rental and building management expenses	820	658

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

	2018 HK$'000	2017 HK$'000
Interest income from loan notes	2,228	1,476

During the year, the Group had the following transactions with AP Finance:

	2018 HK$'000	2017 HK$'000
Finance costs	536	—

(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:

	2018 HK$'000	2017 HK$'000
Short-term employee benefits	8,692	8,593
Post-employment benefits	148	245
	8,840	8,838

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

30. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of senior management personnel

Included in the key management personnel of the Group are three (2017: three) senior management personnel of which two (2017: 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:

	2018 HK$'000	2017 HK$'000
Short-term employee benefits	6,987	6,748
Post-employment benefits	141	229
	7,128	6,977

Their emoluments were within the following bands:

	2018 No. of employees	2017 No. of employees
Nil to HK$1,000,000	1	1
HK$1,500,001 to HK$2,000,000	1	—
HK$2,000,001 to HK$2,500,000	—	1
HK$4,000,001 to HK$4,500,000	—	1
HK$5,000,001 to HK$5,500,000	1	—

One key management personnel of the Group received remuneration from AGL and APL which provided management services to the Group and charged the Group fees for services provided by these personnel. Details of the management services and the related expenses are set out in note 30(a).

31. 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 (2017: HK$30,000).

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

The total cost charged to profit or loss of HK$318,000 (2017: HK$414,000) represents contributions payable to the schemes by the Group at rates specified in the rules of the respective schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

32. 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, other reserves 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.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Equity investments at FVTPL	**455,863**	275,727
Convertible notes	**116,249**	9,320
Available-for-sale investments	**598,049**	551,813
Loans and receivables (including cash and cash equivalents)	**916,068**	1,397,810
Financial liabilities		
Amortised cost	**59,171**	21,325

Financial risk management objectives

The Group's major financial instruments include equity investments at FVTPL, available-for-sale investments, convertible notes, trade and other receivables, loans receivable, loan notes, pledged bank deposits, bank balances and cash, trade and other payables and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

33. FINANCIAL INSTRUMENTS (Continued)

Market risk

Foreign currency risk

Several subsidiaries of the Company have foreign currency transactions. 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, loan notes, loans receivables and trade and other receivables are as follows:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**320,671**	232,138	**—**	—
US$	**57,653**	229,765	**—**	—
A$	**169,383**	319,395	**—**	—

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.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in HK$ against foreign currency and all other variables were held constant. 10% (2017: 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% (2017: 10%) change in foreign currencies rates. A positive number below indicates an increase in post-tax profit for the year where foreign currency strengthen 10% (2017: 10%) against HK$. For a 10% (2017: 10%) weakening of foreign currency against HK$ there would be an equal and opposite impact on the post-tax profit for the year.

	RMB Impact		A$ Impact	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase in post-tax profit	**32,067**	23,214	**16,938**	31,940

33. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and other borrowings as at 30 June 2018 (2017: variable-rate pledged bank deposits and bank balance). The Group is exposed to fair value interest rate risk in relation to fixed-rate loans receivable, convertible notes and loan notes as at 30 June 2018 and 2017. The Group currently does not have any interest rate hedging policy. The directors of the Company monitor the interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

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

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

Other price risk

Foreign currency price risk

The Group is engaged in equity securities trading and investments which are denominated in foreign currencies and is therefore exposed to foreign currency price risk. 88% (2017: 97%) of the Group's equity investments, including equity investments at FVTPL 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 equity investments at FVTPL and available-for-sale investments at the end of the reporting period are set out as follows:

	2018 HK$'000	2017 HK$'000
US$	20,379	26,939
A$	785,386	636,584
Pound sterling	17,361	4,198
Canadian dollars	169,560	122,553

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 A$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

33. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Other price risk (Continued)

Foreign currency price risk (Continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in HK$ against foreign currencies and all other variables are held constant. US$ is not included in sensitivity analysis, as HK$ is pegged to US$, the Group does not expect any significant movements in the US$/HK$ exchange rate. 10% (2017: 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) for the year where foreign currencies strengthen 10% (2017: 10%) against HK$. For a 10% (2017: 10%) weakening of foreign currencies against HK$ there would be an equal and opposite impact on the post-tax profit or investment revaluation reserve (net of tax) for the year.

	2018 HK$'000	2017 HK$'000
Increase in post-tax profit for the year	40,879	20,371
Increase in investment revaluation reserve for the year, net of tax	56,331	56,018

Equity price risk

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

33. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Other price risk (Continued)

Equity price risk (Continued)

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 (2017: 30% higher/lower) and all other variables are held constant:

- post-tax profit for the year ended 30 June 2018 would increase/decrease by HK$136,759,000 (2017: HK$82,718,000). This is mainly due to the changes in fair value of equity investments at FVTPL; and

- investment revaluation reserve for the year ended 30 June 2018 would increase/decrease by HK$167,861,000 (2017: HK$160,014,000) as a result of changes in fair value of available-for-sale investments of HK$559,539,000 (2017: HK$533,381,000).

The sensitivity analyses below have been determined based on the unlisted available-for-sale investments' exposure to price risk at the end of the reporting period. It equity price (in the relevant currencies in which the investments are denominated) had been 30% higher/lower (2017: 30% higher/lower) and all other variables are held constant:

- investment revaluation reserve for the year ended 30 June 2018 would increase/decrease by HK$10,360,000 (2017: HK$4,844,000) as a result of changes in fair value of unlisted available-for-sale investments of HK$34,532,000 (2017: HK$16,145,000).

Other price risk

The Group was exposed to other price risk through its convertible notes designated at FVTPL by the Group which were issued by a private company set out in note 18, at the end of the reporting period with changes in fair value to be recognised in the profit or loss. The fair value adjustment of these convertible notes designated at FVTPL would be affected positively or negatively, amongst others, by the changes in equity price of the issuer.

Sensitivity analysis

As at 30 June 2018, if the equity price of these convertible notes designated at FVTPL had been 30% (2017: 30%) higher/lower and all other variables were held constant, the fair value of these convertible notes designated at FVTPL will increase/decrease and the Group's post-tax profit would increase/decrease by approximately HK$3,147,000 (2017: HK$2,889,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

33. FINANCIAL INSTRUMENTS (Continued)

Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 30 June 2018, the Group had concentration of credit risk on pledged bank deposits of HK$23,554,000 (2017: HK$145,167,000) in a bank in Hong Kong and bank balance of HK$24,160,000 (2017: HK$83,018,000) in a bank in the PRC. 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 2018, the Group had concentration of credit risk in respect of certain loans receivable of HK$319,917,000 (2017: HK$232,138,000) from two borrowers. Management of the Group reviewed the public announcements and financial information of the guarantors of these loans receivable as well as the continuous settlements of interests in order to assess their credit quality. In this regards, the directors of the Company considered the Group's concentration of credit risk in respect of the certain material loans receivable as at 30 June 2018 was significantly reduced.

As at 30 June 2018, the Group had concentration of credit risk in respect of trade receivables of HK$21,432,000 (2017: HK$16,069,000) into one customer (2017: two customers). Taking into account of subsequent 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 2018, the Group had concentration of credit risk in respect of loan notes of HK$51,420,000 (2017: HK$190,362,000) into one entity (2017: two entities). Management of the Group reviewed the financial information of the counterparties and public announcements of their guarantors as well as subsequent settlements of interests in order to assess their credit quality. In this regard, the directors of the Company considered that the Group's credit risk in respect of these loan notes was significantly reduced.

As at 30 June 2018, the Group had concentration of credit risk in respect of certain convertible notes of HK$104,986,000 issued by one entity. Management of the Group reviewed the public announcements and financial information of the counterparty and the guarantor to assess their credit quality. In this regard, the directors of the Company considered that the Group's credit risk in respect of these convertible notes was significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

33. 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 and banking 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.

	Weighted average interest rate	Repayable on demand	Within one year	Total contractual undiscounted cash flow	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2018					
Non-derivative financial liabilities					
Trade and other payables	**—**	**—**	**15,671**	**15,671**	**15,671**
Other borrowings	**4.2**	**—**	**44,130**	**44,130**	**43,500**
		—	**59,801**	**59,801**	**59,171**
At 30 June 2017					
Non-derivative financial liabilities					
Trade and other payables	—	—	21,325	21,325	21,325

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.

Fair value measurements of financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

33. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

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 30.6.2018	Fair value as at 30.6.2017	Fair value hierarchy	Valuation technique(s) and key input(s)
(1)	Equity investments at FVTPL	Listed equity securities — HK$455,863,000	Listed equity securities — HK$275,727,000	Level 1	2018 and 2017 Quoted bid prices in active markets
(2)	Available-for-sale investments	Unlisted equity securities — HK$34,532,000	Unlisted equity securities — HK$16,145,000	Level 3	2018 and 2017 Discounted cash flow and a discount rate of 38.7% (2017: 38%) for business valuation Black Scholes Option Pricing model and an expected volatility of 22% (2017: 16%) for equity allocation
		Listed equity securities — HK$559,539,000	Listed equity securities — HK$533,381,000	Level 1	2018 and 2017 Quoted bid prices in active markets
(3)	Convertible notes	Issued by a private entity — HK$11,263,000	Issued by a private entity — HK$9,320,000	Level 3	2018 and 2017 Discounted cash flow and a discount rate of 24.6% (2017: 23.3%) for debt component Binomial Option Pricing model and an expected volatility of 22% (2017: 16%) for derivative component
		Issued by a listed company — HK$104,986,000	Issued by a listed company — nil	Level 3	2018 and 2017 Discounted cash flow and a discount rate of 11.7% (2017: nil) for debt component Binomial Option Pricing model and an expected volatility of 93% (2017: nil) for derivative component

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

33. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Available-for-sale investments HK$'000	Convertible notes HK$'000	Total HK$'000
At 1 July 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
Acquired during the year	—	110,000	110,000
Fair value change recognised in other comprehensive income	18,387	—	18,387
Fair value change recognised in profit or loss	—	5,552	5,552
Interest income	—	7,154	7,154
Conversion into ordinary shares	—	(15,882)	(15,882)
Exchange difference	—	105	105
At 30 June 2018	34,532	116,249	150,781

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

34. 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 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 was an amount of HK$15,237,000 which represented 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.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Country of incorporation/ establishment and operation	Particulars of issued and paid up capital	As at 30 June 2018 Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	As at 30 June 2017 Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Accardo Investments Limited	BVI	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
APAC Resources Asia Limited	Hong Kong	HK$1 ordinary share	100%	100%	–	100%	100%	–	Resource investment
APAC Resources Assets Limited	BVI	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
APAC Resources Beijing Limited	Hong Kong	HK$1 ordinary share	100%	100%	–	100%	100%	–	Principal investments and financial services
APAC Resources Commodity Trading Limited	BVI	US$1 ordinary share	100%	100%	–	100%	100%	–	Resource investment
APAC Resources Investments Limited	BVI	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 Mining Limited	BVI	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
APAC Resources Strategic Holdings Limited	BVI	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
APAC Resources Treasury Management Limited	BVI	US$1 ordinary share	100%	100%	–	100%	100%	–	Principal investments and financial services
Asia Cheer Trading Limited	Hong Kong	HK$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
Fortune Arm Limited	BVI	US$1 ordinary share	100%	–	100%	100%	–	100%	Principal investments and financial services
Fortune Desire Investments Limited	BVI	US$1 ordinary share	100%	100%	–	100%	100%	–	Investment holding
Mount Sun Investments Limited	BVI	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 of commodities
亞太資源 (青島) 有限公司 *(note)*	The PRC	US$29,800,000	100%	–	100%	100%	–	100%	Trading of commodities
瑞域 (上海) 投資諮詢有限公司 *(note)*	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

Note: 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.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The Company

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Investment in an associate		**22,716**	22,716
Investments in subsidiaries		**5,383**	5,383
Amounts due from subsidiaries		**1,612,110**	—
		1,640,209	28,099
Current assets			
Amounts due from subsidiaries		**235,559**	1,543,811
Other receivables and prepayments		**943**	1,989
Bank balances		**76,716**	533,776
		313,218	2,079,576
Total assets		**1,953,427**	2,107,675
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**795,277**	919,165
Share premium and other reserves	*a*	**311,659**	348,825
Accumulated profits	*a*	**800,029**	837,237
		1,906,965	2,105,227
Current liabilities			
Other payables		**2,962**	2,448
Other borrowings		**43,500**	—
Total liabilities		**46,462**	2,448
Total equity and liabilities		**1,953,427**	2,107,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

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

The Company (Continued)

Note:

a. Movement of the Company's reserves

	Share premium		Other reserves		Accumulated profits	
	2018	2017	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At beginning of the year	209,248	209,248	139,577	139,577	837,237	825,772
(Loss) profit for the year	—	—	—	—	(23,421)	11,465
Repurchase of ordinary shares	(37,166)	—	—	—	—	—
Dividends recognised as distribution	—	—	—	—	(13,787)	—
At end of the year	172,082	209,248	139,577	139,577	800,029	837,237

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				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	156,120	100,476	123,103	256,372	774,512
Profit (loss) before taxation	321,145	617,373	(15,705)	(850,392)	912,653
Income tax credit (expense)	6,970	(68,778)	(1,140)	2,466	(5,393)
Profit (loss) for the year attributable to owners of the Company	328,115	548,595	(16,845)	(847,926)	907,260

ASSETS AND LIABILITIES

	As at 30 June				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	3,111,495	2,916,650	2,228,979	2,006,763	3,337,036
Total liabilities	(59,171)	(28,300)	(20,613)	(79,050)	(207,835)
Equity attributable to owners of the Company	3,052,324	2,888,350	2,208,366	1,927,713	3,129,201