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APAC RESOURCES LIMITED

亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED 30 JUNE 2016

The board of directors (the “**Board**”) of APAC Resources Limited (the “**Company**” or “**APAC**”) announces the audited consolidated final results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 30 June 2016 together with comparative figures for the year ended 30 June 2015 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Revenue from sales of goods	2	123,103	256,372
Cost of sales		(96,846)	(248,471)
		26,257	7,901
Other gains and losses	4	(181,981)	585,591
Other income		68,966	84,756
Administrative expenses		(36,122)	(30,540)
Finance costs	5	(135)	(6,915)
Share of results of associates		107,310	(1,491,185)
Loss before taxation	6	(15,705)	(850,392)
Income tax (expense) credit	7	(1,140)	2,466
Loss for the year attributable to owners of the Company		(16,845)	(847,926)
Loss per share (expressed in HK cents)			
— basic	9	(0.19)	(13.84)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		486	907
Interests in associates	<i>10</i>	1,145,649	1,035,383
Available-for-sale investments		49,492	42,475
Loan notes	<i>11</i>	31,161	313,976
Deposits		<u>—</u>	<u>921</u>
		<u>1,226,788</u>	<u>1,393,662</u>
Current assets			
Inventories		24,823	—
Loan notes	<i>11</i>	314,304	—
Other receivables and deposits		15,078	13,587
Investments held for trading	<i>12</i>	286,881	194,760
Loans receivable	<i>13</i>	131,899	223,062
Tax recoverable		—	725
Pledged bank deposits		79,955	79,659
Bank balances and cash		<u>149,251</u>	<u>101,308</u>
		<u>1,002,191</u>	<u>613,101</u>
Total assets		<u><u>2,228,979</u></u>	<u><u>2,006,763</u></u>

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	919,165	612,777
Reserves		291,875	300,765
Accumulated profits		<u>997,326</u>	<u>1,014,171</u>
		<u>2,208,366</u>	<u>1,927,713</u>
Current liabilities			
Trade and other payables	14	19,215	15,964
Derivative financial instruments		—	3,627
Borrowings		—	56,688
Tax payable		<u>1,398</u>	<u>2,771</u>
		<u>20,613</u>	<u>79,050</u>
Total equity and liabilities		<u><u>2,228,979</u></u>	<u><u>2,006,763</u></u>
Net current assets		<u><u>981,578</u></u>	<u><u>534,051</u></u>
Total assets less current liabilities		<u><u>2,208,366</u></u>	<u><u>1,927,713</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. BASIS FOR PREPARATION AND ACCOUNTING POLICIES

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.

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

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

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

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2017.

³ Effective for annual periods beginning on or after 1 January 2018.

⁴ Effective for annual periods beginning on or after 1 January 2019.

⁵ Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial instruments

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

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

HKFRS 15 Revenue from contracts with customers

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract

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

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

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

HKFRS 16 Leases

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

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

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

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

2. REVENUE

	2016 HK\$’000	2015 HK\$’000
Revenue from trading of commodities	<u>123,103</u>	<u>256,372</u>

3. SEGMENT INFORMATION

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

- (i) Commodity business (trading of commodities); and
- (ii) Resource investment (trading of and investment in listed and unlisted securities).

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

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

Segment revenue and results

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

For year ended 30 June 2016

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

For year ended 30 June 2015

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

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

Other segment information

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

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

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

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

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

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

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

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

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

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

Segment assets and liabilities

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

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

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

- all assets are allocated to reportable segments other than interests in associates, property, plant and equipment, loan notes, loans receivable, other receivables and certain bank balances and cash.
- all liabilities are allocated to reportable segments other than certain other payables and tax payable.
- borrowings are included under liabilities and are allocated while the finance costs are not allocated to respective operating and reportable segments.

Geographical information

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

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

Information about major customers

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

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

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

4. OTHER GAINS AND LOSSES

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

Notes:

- (i) Net realised gain of HK\$14,714,000 (2015: net realised loss of HK\$16,019,000) on disposal of investments held for trading are included in fair value change of investments held for trading.
- (ii) The amount represents the difference between the outstanding balance of the loans receivable at 30 June 2016 and the present value of estimated future cash flows at the loans receivable's original effective interest rate of 24% per annum after the Group revises its estimate of the time for the loans to be repaid.

5. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Bank borrowings	—	235
Securities margin financing	<u>135</u>	<u>6,680</u>
	<u>135</u>	<u>6,915</u>

6. LOSS BEFORE TAXATION

2016	2015
<i>HK\$'000</i>	<i>HK\$'000</i>

Loss before taxation has been arrived at after charging:

Staff costs, including directors' emoluments

— salaries and allowances	15,823	16,003
— staff quarters	1,104	1,006
— retirement benefits schemes contributions	244	235

Total staff costs	17,171	17,244
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Auditor's remuneration	1,000	895
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Cost of goods recognised as an expense	96,846	248,471
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Depreciation of property, plant and equipment	421	564
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7. INCOME TAX EXPENSE (CREDIT)

2016	2015
<i>HK\$'000</i>	<i>HK\$'000</i>

Current tax

Hong Kong Profits Tax	1,398	—
PRC Enterprise Income Tax	—	140

1,398	140
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Overprovision in prior periods	(258)	(2,606)
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Total income tax expense (credit)	1,140	(2,466)
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Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit. No provision for Hong Kong Profits Tax was made for the year ended 30 June 2015 as the companies of the Group operated in Hong Kong incurred a tax losses for the prior year.

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

8. DIVIDENDS

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

9. LOSS PER SHARE

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

Loss

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

Number of shares

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

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

10. INTERESTS IN ASSOCIATES

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

Details of the Group's associates at 30 June 2016 and 2015 are 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		Principal activities
				2016	2015	
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")	Listed	Australia	Ordinary	29.67%	26.61%	Mining of direct shipping hematite iron ore from two mines in Western Australia-Extension Hill and Koolan Island.
Metals X Limited ("MLX")	Listed	Australia	Ordinary	20.72%	23.89%	Mining of gold from the Higginsville and South Kalgoorlie gold projects and tin from the Renion tin mine; developing the Central Murchison Gold Project, Fortnum Gold Project and Rover Gold Project; and exploration of the Wingellina Nickel Project.
Alufer Mining Limited ("Alufer")	Unlisted	Bailiwick of Guernsey	Ordinary	25.83%	25.83%	Mineral exploration and development of bauxite in the Republic of Guinea.

11. LOAN NOTES

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

These loan notes are guaranteed by Mulpha International Bhd., a company incorporated in Malaysia whose shares are listed on the Main Market of Bursa Malaysia Securities Berhad. These loan notes can be early redeemed by Mulpha before the maturity date at the nominal amount of the loan notes plus accrued unpaid interest up to the date of redemption. The early redemption option by Mulpha is closely related to the host debt and is therefore not separately accounted for.

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

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

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

These loan notes are guaranteed by Sun Hung Kai & Co. Limited, a limited liability company incorporated in Hong Kong whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited. These loan notes can be early redeemed by SHK BVI before the maturity date at the nominal amount of the loan notes plus accrued unpaid interest up to the date of redemption. The early redemption option by SHK BVI is closely related to the host debt and is therefore not separately accounted for.

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

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

	2016 HK\$'000	2015 HK\$'000
The carrying amount of the loan notes presented as:		
— Current assets	314,304	—
— Non-current assets	<u>31,161</u>	<u>313,976</u>
	<u>345,465</u>	<u>313,976</u>
12. INVESTMENTS HELD FOR TRADING		
	2016 HK\$'000	2015 HK\$'000
Listed securities:		
— Equity securities listed in Hong Kong	189,802	60,388
— Equity securities listed in the United Kingdom	6,194	9,353
— Equity securities listed in Australia	82,700	121,262
— Equity securities listed in Canada	<u>8,185</u>	<u>3,757</u>
	<u>286,881</u>	<u>194,760</u>
13. LOANS RECEIVABLE		
	2016 HK\$'000	2015 HK\$'000
Carrying amount of fixed-rate loan	<u>131,899</u>	<u>223,062</u>
14. TRADE AND OTHER PAYABLES		
	2016 HK\$'000	2015 HK\$'000
Trade payables	16,425	—
Other payables	<u>2,790</u>	<u>15,964</u>
	<u>19,215</u>	<u>15,964</u>

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

	2016 HK\$'000	2015 HK\$'000
0 to 90 days	<u>16,425</u>	<u>—</u>

15. SHARE CAPITAL

Authorised and issued share capital

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

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

Primary Strategic Investment

Our two Primary Strategic Investments are Mount Gibson Iron Limited (“**Mount Gibson**”) and Metals X Limited (“**Metals X**”), both listed and operating in Australia. The net attributable profit from our Primary Strategic Investments for FY 2016 was HK\$107,310,000 (FY 2015: Net loss of HK\$1,491,185,000). Mount Gibson reported a modest underlying net profit which was boosted by gains from the insurance settlement relating to Koolan Island. Metals X delivered a net loss as it continued to ramp up its gold projects and made a significant exploration write down.

Mount Gibson

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

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

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

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

The Iron Hill deposit at Extension Hill South remains a meaningful development opportunity for Mount Gibson. Iron Hill’s mineral resource of 8.8 million tonnes at 58.3% Fe was released in August 2015, and the company is now working through the approvals process. Mount Gibson aims to commence mining at Iron Hill in 2017, when mining at Extension Hill ends, subject to iron ore prices and permitting.

The Platts IODEX 62% CFR China index has surprised most commentators with its strength in 2016, rallying off its lows of US\$38/dry metric tonne (“dmt”) and trading up to a high of US\$70/dmt, before moderating and ending FY 2016 around US\$55/dmt. The increase in iron ore prices in 2nd half of FY 2016 was driven by generally stronger steel demand, but we expect iron ore prices to remain capped in the short term given weak non-China steel demand and continuing supply growth in Brazil and Australia.

Metals X

Metals X is an Australian based and listed emerging diversified resource group with exposure to gold with the Higginsville, South Kalgoorlie and Central Murchison projects, tin via its 50% interest in the producing Renison mine in Tasmania, copper through the recently acquired Nifty mine of Aditya Birla Minerals Limited (“ABY”), and nickel through its world scale Wingellina nickel development project.

In July 2016, APAC disposed of 21.5 million shares in Metals X through an on-market transaction. The disposal ties in with APAC’s decision to place Metals X under strategic review.

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

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

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

mine, both of which are delivering higher grade tonnes and cash flow to the South Kalgoorlie Operations in FY 2016. Commissioning of the Central Murchison Gold Project (CMGP) commenced in October 2015 and the various underground and open pit mines are ramping up. The project is expected to reach full capacity of greater than 200,000 ounces per annum over a 5 year ramp up period.

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

During FY 2016, Renison produced 6,361 tonnes of tin in concentrate (100% basis), down 10% compared to FY 2015. The drop in production was driven by lower grades, although partially offset by higher mine output. Average realised tin price of A\$21,316 per tonne in FY 2016 was down 6% compared to FY 2015, but improved in the past few months on the back of stronger demand and temporarily low Indonesian export volumes. At the time of writing, the spot tin price is around A\$24,300 per tonne. We remain bullish on the medium to long-term outlook for tin due to the lack of significant supply growth as most development projects require a minimum tin price of US\$30,000 per tonne to US\$40,000 per tonne to be economically viable.

Metals X reported a net loss of A\$23.6 million for FY 2016.

Resource Investment

The investments in this division comprise mostly minor holdings in various natural resource companies listed on major stock exchanges including Australia, Canada, Hong Kong, and the United Kingdom.

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

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

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

While a loss is always a disappointing result, all of the fair value loss came from one investment, ABM Resources NL, which accounted for HK\$56,787,000 of the loss in Resource Investment, which would have been profitable otherwise.

Precious Metals

ABM Resources NL (“**ABM**”) is an Australian listed gold company with assets located in the Northern Territory. It has a large acreage footprint in the Tanami-Arunta region, and is now focused on exploration as it has completed mining the Old Pirate project. The performance of the Old Pirate mine was disappointing and mined grades were well below the original resource. During the year, ABM proposed a rights issue which we viewed as unreasonable. As a significant shareholder in ABM, APAC took decisive action which included calling for an extraordinary general meeting, and the Takeovers Panel declared the rights issue to be unacceptable. ABM has now refreshed its board and management team, and avoided the capital raising which may have shifted control to the sub-underwriter. At the end of FY 2016, ABM had A\$10 million available cash and no debt.

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

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

Bulk

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

Base Metal

Base Metals segment (a mix of copper, nickel and aluminium companies) delivered a fair value loss of HK\$12,234,000 in FY 2016 as the copper, aluminium and nickel prices fell by roughly 16%, less than 1% and 19% respectively. The Base Metal segment includes our investment in China Hongqiao Group

(Stock code: 1378) listed in Hong Kong, which generated a fair value loss of HK\$8,202,000 in FY 2016 and had a carrying value as at 30 June 2016 of HK\$25,641,000 (As at 30 June 2015: HK\$7,811,000).

Energy

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

Others

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

Commodity Business

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

Loans Receivable

The loan receivable of HK\$218,320,000 (the “**Loan**”) granting to a borrower (the “**Borrower**”), a property developer in the People’s Republic of China (the “**PRC**”), bears fixed-rate interests of 24% per annum and matured on 28 January 2016 pursuant to the second supplemental loan agreement dated 30 April 2015. The loan is guaranteed by the sole shareholder of the Borrower and is secured by a floating charge on the assets of the Borrower, mortgage of shares of the Borrower and one of the Borrower’s subsidiaries incorporated in the PRC (“**PRC CoA**”), mortgage of a parcel of land and properties held by the PRC CoA, assignment of loan due by a company incorporated in the PRC (“**PRC CoB**”), in which the PRC CoA has a non-controlling interest in PRC CoB, to the PRC CoA and the pre-sale agreement in relation to certain properties signed between the Group and the PRC CoB which will be cancelled upon repayment of the loan and which was entered into at the time of granting of the loan as part of the overall arrangements for securing the loan repayment. A note will be included in the consolidated financial statements in the annual report for the year ended 30 June 2016 detailing the terms of all the various security documents including the pre-sale agreement.

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

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

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

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

Money Lending

We have not engaged in any money lending activities since our money lenders license was granted under the Money Lenders Ordinance of Hong Kong in August 2015.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2016, our non-current assets amounted to HK\$1,226,788,000 (2015: HK\$1,393,662,000) and net current assets amounted to HK\$981,578,000 (2015: HK\$534,051,000) with a current ratio of 48.6 times (2015: 7.8 times) calculated on the basis of its current assets over current liabilities. Included in non-current assets and current assets are loan notes of HK\$345,465,000 (2015: HK\$313,976,000) and loans receivable of HK\$131,899,000 (2015: HK\$223,062,000) respectively which form part of the on-going treasury management arrangements of the Group.

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

Foreign Exchange Exposure

For the year under review, the Group's assets were mainly denominated in Australian Dollars while the liabilities were mainly denominated in Hong Kong Dollars. As a substantial portion of the assets is held as long-term investments, there would be no material immediate effect on the cash flows of the Group from adverse movements in foreign exchange. In light of this, the Group did not actively hedge for the risk arising from the Australian Dollars denominated assets.

Pledge of Assets

As at 30 June 2016, the Group's bank deposits of HK\$79,955,000 (2015: HK\$79,659,000) were pledged to a bank to secure various trade and banking facilities granted to the Group.

Employees and Remuneration Policy

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

As at 30 June 2016, the Group, including its subsidiaries but excluding associates, had 19 (2015: 19) employees. Total remuneration together with pension contributions incurred for the year ended 30 June 2016 amounted to HK\$10,822,000 (2015: HK\$10,496,000).

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

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

Capital Commitments

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

Contingent Liabilities

As at the date of this announcement and as at 30 June 2016, the Board is not aware of any material contingent liabilities.

Company Strategy

APAC leverages its in-house natural resources expertise to identify and manage both Primary Strategic Investments and Resource Investments which drives growth in the business. We aim to focus on high quality companies with strong free cash flow yield, high quality growth and yield companies and see good risk-reward in companies trading at a discount to cash. Value and cash flow can be generated through capital appreciation, dividends, direct project ownership and securing offtake agreements.

Subsequent Event

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

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

Forward Looking Observations

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

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

Mount Gibson still boasts an impressive cash balance, ending FY 2016 with A\$400 million or A\$0.366 per share in cash, with a further A\$34 million received after the end of FY 2016. We announced our plan to put our investment in Metals X under strategic review, and intend to seek shareholder approval for the possible disposal. Our new investment portfolios will be used as the platform for future mining and energy investments. We remain defensive and selective with our investments in the near term, and continue to look for high quality opportunities which will generate attractive returns over the long run.

DIVIDEND

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2016.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) which sets out the principles of good corporate governance. During the year ended 30 June 2016, the Company has fully complied with the code provisions of the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code for securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code during the year ended 30 June 2016.

REVIEW OF RESULTS BY AUDIT COMMITTEE

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the FY 2016 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the FY 2016. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

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

Hong Kong, 22 September 2016

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

* *For identification purpose only*