

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**APAC RESOURCES LIMITED**

亞太資源有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

**ANNOUNCEMENT OF THE FINAL RESULTS  
FOR THE YEAR ENDED 30 JUNE 2019**

The board of directors (the “**Board**”) of APAC Resources Limited (the “**Company**” or “**APAC**”) is pleased to announce the audited consolidated final results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 30 June 2019 together with comparative figures for the year ended 30 June 2018 are as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 30 June 2019*

|   | <i>Notes</i> | <b>2019</b><br><b>HK\$’000</b> | 2018<br>HK\$’000 |
|---|--------------|--------------------------------|------------------|
| Revenue   |              |                                |                  |
| Trading of goods  |              | <b>51,099</b>                  | 123,531          |
| Interest income   |              | <b>58,128</b>                  | 32,589           |
| Total revenue   | 2            | <b>109,227</b>                 | 156,120          |
| Cost of sales   |              | <b>(51,818)</b>                | (114,832)        |
| Gross profit  |              | <b>57,409</b>                  | 41,288           |
| Other gains and losses                                      | 4            | <b>(341,250)</b>               | 68,317           |
| Other income  |              | <b>16,803</b>                  | 23,301           |
| Reversal of impairment loss on interests in associates, net | 9            | <b>643,439</b>                 | 50,057           |
| Administrative expenses                                     |              | <b>(38,871)</b>                | (40,412)         |
| Finance costs   |              | <b>(2,020)</b>                 | (536)            |
| Share of results of associates                              |              | <b>273,750</b>                 | 179,130          |
| Profit before taxation                                      | 5            | <b>609,260</b>                 | 321,145          |
| Income tax (expense) credit                                 | 6            | <b>(828)</b>                   | 6,970            |
| Profit for the year attributable to owners of the Company   |              | <b>608,432</b>                 | 328,115          |
|   |              |                                | (Restated)       |
| Earnings per share (expressed in HK cents)                  |              |                                |                  |
| — basic   | 8            | <b>68.04</b>                   | 37.45            |

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

*For the year ended 30 June 2019*

|  | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Profit for the year  | <u><b>608,432</b></u>          | <u>328,115</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                       | <b>(55,017)</b>                | (38,695)                |
| Exchange difference arising from translation of<br>other foreign operations      | <b>(4,731)</b>                 | 4,270                   |
| Reversal upon derecognition of deferred tax liability                            | —                              | (1,463)                 |
| Fair value changes on available-for-sale investments, net of tax                 | —                              | 44,545                  |
| Share of other comprehensive income of associates                                | <u><b>4,044</b></u>            | <u>2,043</u>            |
|  | <u><b>(55,704)</b></u>         | <u>10,700</u>           |
| Total comprehensive income for the year attributable to<br>owners of the Company | <u><u><b>552,728</b></u></u>   | <u><u>338,815</u></u>   |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

|   | <i>Notes</i> | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>ASSETS</b>   |              |                                |                         |
| <b>Non-current assets</b>                               |              |                                |                         |
| Property, plant and equipment                           |              | <b>1,368</b>                   | 767                     |
| Interests in associates                                 | 9            | <b>1,904,461</b>               | 1,023,743               |
| Available-for-sale investments                          |              | —                              | 598,049                 |
| Financial assets at fair value through profit or loss   |              | <b>307,880</b>                 | —                       |
| Convertible notes                                       |              | —                              | 11,263                  |
| Loan notes  |              | <b>51,168</b>                  | 51,420                  |
| Loans receivable  |              | <u>—</u>                       | <u>236,312</u>          |
|   |              | <b><u>2,264,877</u></b>        | <u>1,921,554</u>        |
| <b>Current assets</b>                                   |              |                                |                         |
| Inventories   |              | <b>53,802</b>                  | —                       |
| Convertible notes                                       |              | —                              | 104,986                 |
| Trade and other receivables                             | 10           | <b>26,072</b>                  | 28,120                  |
| Financial assets at fair value through profit or loss   |              | <b>392,102</b>                 | —                       |
| Equity investments at fair value through profit or loss |              | —                              | 455,863                 |
| Loans receivable  |              | <b>401,418</b>                 | 162,964                 |
| Pledged bank deposits                                   |              | <b>74,711</b>                  | 29,325                  |
| Bank balances and cash                                  |              | <u><b>814,547</b></u>          | <u>408,683</u>          |
|   |              | <b><u>1,762,652</u></b>        | <u>1,189,941</u>        |
| <b>Total assets</b>                                     |              | <b><u>4,027,529</u></b>        | <u>3,111,495</u>        |

|  | <i>Notes</i> | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>EQUITY AND LIABILITIES</b>              |              |                                |                         |
| <b>Capital and reserves</b>                |              |                                |                         |
| Share capital                              | <i>12</i>    | <b>1,218,894</b>               | 795,277                 |
| Other reserves                             |              | <b>287,231</b>                 | 396,798                 |
| Accumulated profits                        |              | <b><u>2,508,362</u></b>        | <u>1,860,249</u>        |
|  |              | <b><u>4,014,487</u></b>        | <u>3,052,324</u>        |
| <b>Current liabilities</b>                 |              |                                |                         |
| Trade and other payables                   | <i>11</i>    | <b>12,811</b>                  | 15,671                  |
| Bank and other borrowings                  |              | —                              | 43,500                  |
| Tax payable                                |              | <b><u>231</u></b>              | <u>—</u>                |
|  |              | <b><u>13,042</u></b>           | <u>59,171</u>           |
| <b>Total liabilities</b>                   |              | <b><u>13,042</u></b>           | <u>59,171</u>           |
| <b>Total equity and liabilities</b>        |              | <b><u>4,027,529</u></b>        | <u>3,111,495</u>        |
| <b>Net current assets</b>                  |              | <b><u>1,749,610</u></b>        | <u>1,130,770</u>        |
| <b>Total assets less total liabilities</b> |              | <b><u>4,014,487</u></b>        | <u>3,052,324</u>        |

## NOTES

For the year ended 30 June 2019

### 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.

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.

#### **New and revised HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

|                       |  |
|-----------------------|--|
| HKFRS 9               | Financial Instruments  |
| HKFRS 15              | Revenue from Contracts with Customers and the related Amendments           |
| HK(IFRIC)-Int 22      | Foreign Currency Transactions and Advance Consideration                    |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions         |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4<br>Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014–2016 Cycle               |
| Amendments to HKAS 40 | Transfers of Investment Property   |

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

#### **HKFRS 15 “Revenue from Contracts with Customers”**

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the following major sources:

- Trading of commodities; and
- Provision of loan financing and investments in loan notes, convertible notes and other financial assets and receiving interest income from these financial assets.

Among the above revenue stream of the Group, interest income from loan financing, loan notes, convertible notes and other financial assets are not applied within the scope of HKFRS 15 and interest income from these financial assets are within scope of HKFRS 9 “Financial Instruments”.

The application of HKFRS 15 has no material impact on the amounts recognised in the consolidated financial statements and classification of items in the consolidated statement of financial position as at 30 June 2019 and opening accumulated profits as at 1 July 2018.

### **HKFRS 9 “Financial Instruments”**

In the current year, the Group has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

### Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 July 2018.

|  | Equity investments at FVTPL<br>HK\$'000 | Available-for-sale investments<br>HK\$'000 | Convertible notes<br>HK\$'000 | Financial assets at FVTPL required by HKFRS 9<br>HK\$'000 | Trade receivables at amortised cost (previously classified as loans and receivables)<br>HK\$'000 | Loans receivables at amortised cost (previously classified as loans and receivables) required by HKFRS 9<br>HK\$'000 | Trade receivables at FVTPL required by HKFRS 9<br>HK\$'000 | Investment revaluation reserve<br>HK\$'000 | Accumulated profits<br>HK\$'000 |
|--|---|--|-------------------------------|---|--|--|--|--|---------------------------------|
| Closing balances as at 30 June 2018                                    |   |  |                               |   |  |  |  |  |                                 |
| — HKAS 39  | 455,863                                 | 598,049                                    | 116,249                       | —   | 21,432   | 399,276  | —  | 103,375                                    | 1,860,249                       |
| Effect arising from initial application of HKFRS 9:                    |   |  |                               |   |  |  |  |  |                                 |
| Reclassification:  |   |  |                               |   |  |  |  |  |                                 |
| From equity investments at fair value through profit or loss (“FVTPL”) | (455,863)                               | —  | —                             | 455,863   | —  | —  | —  | —  | —                               |
| From available-for-sale investments                                    | —                                       | (598,049)                                  | —                             | 598,049   | —  | —  | —  | (88,475)                                   | 88,475                          |
| From convertible notes   | —                                       | —  | (116,249)                     | 116,249   | —  | —  | —  | —  | —                               |
| From loans and receivables   | —                                       | —  | —                             | —   | (21,432)   | —  | 21,432   | —  | —                               |
| Remeasurement:   |   |  |                               |   |  |  |  |  |                                 |
| Impairment under ECL model   | —                                       | —  | —                             | —   | —  | (1,160)  | —  | —  | (1,160)                         |
| From cost less impairment to fair value                                | —                                       | —  | —                             | 83  | —  | —  | —  | —  | 83                              |
| Opening balances as at 1 July 2018                                     | —                                       | —  | —                             | 1,170,244   | —  | 398,116  | 21,432   | 14,900                                     | 1,947,647                       |

## 2. REVENUE

### Disaggregation of revenue

2019  
HK\$'000

Recognised at a point in time for contracts with customers under HKFRS 15:

|                          |               |
|--------------------------|---------------|
| Trading of goods         |               |
| — Commodities (iron ore) | <u>51,099</u> |

Recognised under other HKFRSs:

|                      |               |
|----------------------|---------------|
| Interest income from |               |
| — Loans receivable   | 56,011        |
| — Loan notes         | 911           |
| — Convertible notes  | <u>1,206</u>  |
|                      | <u>58,128</u> |

Total revenue 109,227

*Geographical markets of the Group's revenue from external customers are presented below:*

|  | <b>Trading of<br/>goods</b> | <b>Interest<br/>income</b> | <b>Total</b>    |
|--|-----------------------------|----------------------------|-----------------|
|  | <i>HK\$'000</i>             | <i>HK\$'000</i>            | <i>HK\$'000</i> |
| Hong Kong                                  | —                           | 11,916                     | 11,916          |
| The People's Republic of China (the "PRC") | 51,099                      | 19,279                     | 70,378          |
| Australia                                  | —                           | 2,016                      | 2,016           |
| Southeast Asia region                      | <u>—</u>                    | <u>24,917</u>              | <u>24,917</u>   |
| Total revenue                              | <u>51,099</u>               | <u>58,128</u>              | <u>109,227</u>  |



|                                |         |
|--------------------------------|---------|
| Recognised under HKAS 18:      |         |
| Trading of goods               |         |
| — Commodities (iron ore)       | 123,531 |
| Recognised under other HKFRSs: |         |
| Interest income from           |         |
| — Loans receivable             | 26,329  |
| — Loan notes                   | 741     |
| — Convertible notes            | 5,519   |
|                                | 32,589  |
| Total revenue                  | 156,120 |

### 3. SEGMENT INFORMATION

Information reported to and reviewed by the executive directors of the Company, being the chief operating decision maker (the “CODM”), 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 and receiving interest income from these financial assets).

Segment results represent the profit (loss) by each segment without allocation of share of results of associates, net reversal of impairment loss on interests in associates, loss arising from deemed disposal of partial interest in an associate, gain arising from acquisition of additional interest in an associate, loss arising from acquisition of an associate, finance costs, net loss arising from changes in fair value of certain financial assets at FVTPL, unallocated income and gains and unallocated expenses and losses which include central administration costs and directors’ salaries. 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.

### 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 2019

|   | <b>Commodity<br/>business<br/>HK\$'000</b> | <b>Resource<br/>investment<br/>HK\$'000</b> | <b>Principal<br/>investment<br/>and financial<br/>services<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|---|--|---|---|---------------------------|
| Revenue from contracts with customers   | 51,099                                     | —   | —   | 51,099                    |
| Interest income   | <u>—</u>                                   | <u>—</u>                                    | <u>58,128</u>   | <u>58,128</u>             |
| Total revenue   | <u><u>51,099</u></u>                       | <u><u>—</u></u>                             | <u><u>58,128</u></u>  | <u><u>109,227</u></u>     |
| Gross sales proceeds from resource investment                                     | <u><u>—</u></u>                            | <u><u>343,030</u></u>                       | <u><u>—</u></u>   | <u><u>343,030</u></u>     |
| Segment results   | (3,808)                                    | (86,646)                                    | 47,371  | (43,083)                  |
| Share of results of associates  |  |   |   | 273,750                   |
| Reversal of impairment loss on interests in associates, net                       |  |   |   | 643,439                   |
| Loss arising from deemed disposal of partial interest in an associate             |  |   |   | (3,762)                   |
| Loss arising from changes in fair value of certain financial assets at FVTPL, net |  |   |   | (229,936)                 |
| Finance costs   |  |   |   | (2,020)                   |
| Unallocated income and gains  |  |   |   | 4,063                     |
| Unallocated expenses and losses   |  |   |   | <u>(33,191)</u>           |
| Profit before taxation  |  |   |   | <u><u>609,260</u></u>     |

For year ended 30 June 2018

|  | Commodity<br>business<br><i>HK\$'000</i> | Resource<br>investment<br><i>HK\$'000</i> | Principal<br>investment<br>and financial<br>services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|---|---|--------------------------|
| Revenue  | <u>123,531</u>                           | <u>—</u>                                  | <u>32,589</u>   | <u>156,120</u>           |
| Gross sales proceeds from resource investment                        | <u>—</u>                                 | <u>474,321</u>                            | <u>—</u>  | <u>474,321</u>           |
| 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                                      |  |   |   | <u>(33,544)</u>          |
| Profit before taxation   |  |   |   | <u>321,145</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 2019 are as follows:

Amounts included in the measure of segment profit or loss:

|  | <b>Commodity<br/>business<br/>HK\$'000</b> | <b>Resource<br/>investment<br/>HK\$'000</b> | <b>Principal<br/>investment<br/>and financial<br/>services<br/>HK\$'000</b> | <b>Unallocated<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|--|---|---|---------------------------------|---------------------------|
| Interest income (included in other income)   | 2,986                                      | 9   | 1   | 3,944                           | 6,940                     |
| Dividend income from financial assets at FVTPL   | —  | 9,132                                       | —   | —                               | 9,132                     |
| (Loss) gain arising from changes in fair value of financial assets mandatorily measured at FVTPL, net                  | —  | (89,953)                                    | 533   | (229,936)                       | (319,356)                 |
| Reversal of impairment loss on loans receivable, net   | —  | —   | 602   | —                               | 602                       |
| Gain arising from changes in fair value of provisional pricing arrangements in relation to trading of commodities, net | 4,054                                      | —   | —   | —                               | 4,054                     |
| Net foreign exchange loss  | <u>(5,422)</u>                             | <u>(4,365)</u>                              | <u>(11,561)</u>   | <u>(1,440)</u>                  | <u>(22,788)</u>           |

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:

|  | <b>Commodity<br/>business<br/>HK\$'000</b> | <b>Resource<br/>investment<br/>HK\$'000</b> | <b>Principal<br/>investment<br/>and financial<br/>services<br/>HK\$'000</b> | <b>Unallocated<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|--|---|---|---------------------------------|---------------------------|
| 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)                       | <u>1,125</u>                               | <u>(5,120)</u>                              | <u>(9,063)</u>  | <u>10,432</u>                   | <u>(2,626)</u>            |

## Segment assets and liabilities

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

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Commodity business                          | 541,765                 | 280,443                 |
| Resource investment                         | 477,278                 | 600,711                 |
| Principal investment and financial services | <u>422,619</u>          | <u>524,244</u>          |
| <br>  |                         |                         |
| Total segment assets                        | 1,441,662               | 1,405,398               |
| Interests in associates                     | 1,904,461               | 1,023,743               |
| Financial assets at FVTPL                   | 307,880                 | —                       |
| Available-for-sale investments              | —                       | 559,539                 |
| Loan notes                                  | 31,360                  | 31,515                  |
| Unallocated                                 | <u>342,166</u>          | <u>91,300</u>           |
| <br>  |                         |                         |
| Consolidated assets                         | <u><u>4,027,529</u></u> | <u><u>3,111,495</u></u> |
| <br>  |                         |                         |
| Commodity business                          | 6,675                   | 2,237                   |
| Resource investment                         | 609                     | 9,801                   |
| Principal investment and financial services | <u>231</u>              | <u>—</u>                |
| <br>  |                         |                         |
| Total segment liabilities                   | 7,515                   | 12,038                  |
| Unallocated                                 | <u>5,527</u>            | <u>47,133</u>           |
| <br>  |                         |                         |
| Consolidated liabilities                    | <u><u>13,042</u></u>    | <u><u>59,171</u></u>    |

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, certain property, plant and equipment, certain loan notes and certain financial assets at FVTPL (i.e. convertible notes) not managed under principal investment and financial services segment, certain financial assets at FVTPL (i.e. unlisted equity investments and listed equity securities not held within the trading portfolios) not managed under resource investment segment, certain other receivables and certain bank balances and cash (2018: interests in associates, certain property, plant and equipment, certain loan notes and convertible notes not managed under principal investment and financial services segment, available-for-sale investments not managed under resource 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 (2018: certain other payables and other borrowings).

## Geographical information

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

Information about the Group's non-current assets (excluding financial 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<br>external customers |                         | Non-current assets      |                         |
|-----------------------|------------------------------------|-------------------------|-------------------------|-------------------------|
|                       | 2019<br><i>HK\$'000</i>            | 2018<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
| Hong Kong             | 11,916                             | 94,555                  | 1,338                   | 501                     |
| The PRC               | 70,378                             | 58,529                  | 39,719                  | 39,498                  |
| Australia             | 2,016                              | 3,036                   | 1,864,772               | 984,511                 |
| Southeast Asia region | <u>24,917</u>                      | <u>—</u>                | <u>—</u>                | <u>—</u>                |
|                       | <u>109,227</u>                     | <u>156,120</u>          | <u>1,905,829</u>        | <u>1,024,510</u>        |

## Information about major customers

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

|            | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|------------|-------------------------|-------------------------|
| Customer A | N/A <sup>1</sup>        | 83,657                  |
| Customer B | 50,839                  | N/A <sup>1</sup>        |
| Customer C | <u>N/A<sup>1</sup></u>  | <u>21,432</u>           |

Revenue from customers contributing over 10% of total revenue of the Group of the corresponding year are under segment of principal investment and financial services and presented as follows:

|            |               |                  |
|------------|---------------|------------------|
| Customer D | 24,917        | N/A <sup>1</sup> |
| Customer E | <u>14,967</u> | <u>15,726</u>    |

<sup>1</sup> No revenue attributed from the relevant customer in respective year.

#### 4. OTHER GAINS AND LOSSES

|  | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i><br><i>(Note)</i> |
|--|-------------------------|--|
| Loss arising from changes in fair value of financial assets mandatorily measured at FVTPL, net:                        |                         |  |
| — Listed equity securities held-for-trading  | (89,953)                | —  |
| — Listed equity securities not held within the trading portfolios  | (214,912)               | —  |
| — Convertible notes  | (999)                   | —  |
| — Unlisted equity investments  | (13,492)                | —  |
| Fair value changes of equity investments at FVTPL, net   | —                       | 69,224                                   |
| Fair value changes of convertible notes  | —                       | 5,552                                    |
| Gain arising from acquisition of additional interest in an associate   | —                       | 5,076                                    |
| Reversal of impairment loss on loans receivable, net   | 602                     | —  |
| Impairment loss on available-for-sale investments  | —                       | (848)                                    |
| Loss arising from acquisition of an associate  | —                       | (8,061)                                  |
| Loss arising from deemed disposal of partial interest in an associate  | (3,762)                 | —  |
| Gain arising from changes in fair value of provisional pricing arrangements in relation to trading of commodities, net | 4,054                   | —  |
| Net foreign exchange loss  | <u>(22,788)</u>         | <u>(2,626)</u>                           |
|  | <u><b>(341,250)</b></u> | <u><b>68,317</b></u>                     |

*Note:* During the year ended 30 June 2019, the net reversal of impairment loss on interests in associates has been separately disclosed in the consolidated statement of profit or loss. Accordingly, the comparative information of this note has been represented to conform with current year's presentation.

#### 5. PROFIT BEFORE TAXATION

|  | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit before taxation has been arrived at after charging: |                         |                         |
| Staff costs, including directors' emoluments               |                         |                         |
| — salaries and allowances                                  | 18,953                  | 16,900                  |
| — staff quarters   | 1,080                   | 1,056                   |
| — retirement benefit schemes contributions                 | <u>312</u>              | <u>318</u>              |
| Total staff costs  | <b>20,345</b>           | 18,274                  |
| Auditor's remuneration                                     | 940                     | 900                     |
| Cost of goods recognised as an expense ( <i>note</i> )     | 51,818                  | 114,832                 |
| Depreciation of property, plant and equipment              | <u>316</u>              | <u>364</u>              |

*Note:* The amount for the year ended 30 June 2019 includes impairment loss of inventories of HK\$3,147,000 (2018: nil).

## 6. INCOME TAX (EXPENSE) CREDIT

|                              | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|------------------------------|-------------------------|-------------------------|
| Current tax                  |                         |                         |
| Hong Kong Profits Tax        | (231)                   | —                       |
| PRC Enterprise Income Tax    | <u>(597)</u>            | <u>—</u>                |
|                              | (828)                   | —                       |
| Overprovision in prior years |                         |                         |
| Hong Kong Profits Tax        | <u>—</u>                | <u>20</u>               |
|                              | (828)                   | 20                      |
| Deferred tax                 | <u>—</u>                | <u>6,950</u>            |
|                              | <u>(828)</u>            | <u>6,970</u>            |

## 7. DIVIDENDS

Dividends recognised as distribution during the year:

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| 2018 interim dividend declared — HK6 cents with a scrip dividend option<br>(2017 interim dividend declared — HK1.5 cents) | <u>47,717</u>           | <u>13,787</u>           |

During the year ended 30 June 2019, an interim dividend of HK6 cents (2018: HK1.5 cents) per ordinary share, in an aggregate amount of HK\$47,717,000 (2018: HK\$13,787,000), was declared in respect of the year ended 30 June 2018 (2018: year ended 30 June 2017) and an amount of HK\$28,072,000 (2018: HK\$13,633,000) was selected to be settled by cash and the remaining amount of HK\$19,645,000 (2018: nil) was selected to be settled by the issue of 17,318,628 new ordinary shares of the Company. During the year ended 30 June 2019, HK\$27,459,000 cash dividend was paid and 17,318,628 new ordinary shares of the Company were issued.

Subsequent to the end of the reporting period, the directors of the Company declared an interim dividend of HK10 cents per share (in lieu of a final dividend) for the year ended 30 June 2019 (2018 interim dividend (in lieu of a final dividend): HK6 cents).

## 8. EARNINGS PER SHARE

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

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Earnings</b>   |                         |                         |
| Earnings for the purpose of calculating basic earnings per share: |                         |                         |
| Profit for the year attributable to owners of the Company         | <u>608,432</u>          | <u>328,115</u>          |



## Number of shares

|  | 2019               | 2018<br>(Restated) |
|--|--------------------|--------------------|
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | <u>894,232,466</u> | <u>876,069,282</u> |

For the years ended 30 June 2019 and 2018, no separate diluted earnings per share information has been presented as there was no potential ordinary shares of the Company outstanding.

The earnings per share for the year ended 30 June 2018 was restated by adjusting the weighted average number of ordinary shares of the Company in issue for the bonus element in respect of the rights issue of the Company completed in April 2019 and as disclosed in note 12(b).

## 9. INTERESTS IN ASSOCIATES

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interests in associates before impairment | 1,934,861               | 1,697,582               |
| Impairment losses recognised              | <u>(30,400)</u>         | <u>(673,839)</u>        |
|   | <u>1,904,461</u>        | <u>1,023,743</u>        |
| Fair value of listed investments          | <u>1,864,772</u>        | <u>984,511</u>          |

During the year ended 30 June 2019, the Group recognised a net reversal of impairment loss of HK\$643,439,000 (2018: HK\$50,057,000) on interests in associates.

## 10. TRADE AND OTHER RECEIVABLES

|  | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables at amortised cost            | —                       | 21,432                  |
| Other receivables and deposits and prepayments | 16,731                  | 3,842                   |
| Receivable from securities brokers             | <u>9,341</u>            | <u>2,846</u>            |
|  | <u>26,072</u>           | <u>28,120</u>           |

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

The following is an ageing analysis of trade receivables at amortised cost presented based on the invoice date which approximates the revenue recognition date at the end of the reporting period:

|              |                         |
|--------------|-------------------------|
|              | 2018<br><i>HK\$'000</i> |
| 0 to 30 days | <u><u>21,432</u></u>    |

#### 11. TRADE AND OTHER PAYABLES

|                                    | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|------------------------------------|-------------------------|-------------------------|
| Trade payables at amortised cost   | —                       | 953                     |
| Trade payables designated at FVTPL | 5,415                   | —                       |
| Other payables                     | <u>7,396</u>            | <u>14,718</u>           |
|                                    | <u><u>12,811</u></u>    | <u><u>15,671</u></u>    |

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

|              |                         |
|--------------|-------------------------|
|              | 2019<br><i>HK\$'000</i> |
| 0 to 30 days | <u><u>5,415</u></u>     |

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

|              |                         |
|--------------|-------------------------|
|              | 2018<br><i>HK\$'000</i> |
| 0 to 30 days | <u><u>953</u></u>       |

## 12. SHARE CAPITAL

|  | Number<br>of shares  | Amount<br>HK\$'000 |
|--|----------------------|--------------------|
| Authorised and issued share capital                        |                      |                    |
| Ordinary shares of HK\$1.00 each:                          |                      |                    |
| Authorised:  |                      |                    |
| At 1 July 2017, 30 June 2018 and 30 June 2019              | <u>2,000,000,000</u> | <u>2,000,000</u>   |
| Issued and fully paid:                                     |                      |                    |
| At 1 July 2017   | 919,165,198          | 919,165            |
| Repurchase of ordinary shares ( <i>Note (a)</i> )          | <u>(123,887,883)</u> | <u>(123,888)</u>   |
| At 30 June 2018  | 795,277,315          | 795,277            |
| Issue of shares in lieu of cash dividend ( <i>Note 7</i> ) | 17,318,628           | 17,319             |
| Issue of shares under rights issue ( <i>Note (b)</i> )     | <u>406,297,971</u>   | <u>406,298</u>     |
| At 30 June 2019  | <u>1,218,893,914</u> | <u>1,218,894</u>   |

### Notes:

- (a) 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.
- (b) On 11 March 2019, the Company announced a fund raising proposal comprising a rights issue on the basis of one new ordinary share of the Company (“**Rights Share**”) for every two existing shares then held at the subscription price of HK\$1.10 per Rights Share (the “**Rights Issue**”). On 25 April 2019, the Company completed the Rights Issue and a total number of 406,297,971 Rights Shares were issued for gross proceeds of HK\$446,928,000 (net proceeds of HK\$438,584,000 after deduction of the direct costs in relation to the Rights Issue).

## 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\$608,432,000 for the twelve months ended 30 June 2019 (“**FY 2019**”), compared with a net profit attributable to shareholders of the Company of HK\$328,115,000 for the twelve months ended 30 June 2018 (“**FY 2018**”). We generated HK\$273,750,000 from our share of results of associates, and HK\$656,390,000 from a reversal of impairment loss on the carrying value of the Group’s investment in Mount Gibson Iron Limited (“**Mount Gibson**”) which was partially offset by HK\$319,356,000 loss from changes in fair value of financial assets at FVTPL, majority of which came from our investment in Metals X Limited (“**Metals X**”) and in our business segments we generated a loss of HK\$43,083,000.

### 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**”). The net attributable profit from our Primary Strategic Investment for FY 2019 was HK\$271,659,000 (FY 2018: Net profit of HK\$178,306,000). Mount Gibson reported a FY 2019 net profit after tax of A\$133 million.

### *Mount Gibson*

Mount Gibson is an Australian producer of high quality direct shipping grade iron ore products. Mount Gibson owns the Extension Hill/Iron Hill operations in the Mount Gibson Range south east of Geraldton in Western Australia, and the high grade Koolan Island mine off the Kimberley coast in the remote north-west of the State. Mining of Direct Shipping Ore from its Mid West mines ended in FY 2019 although sale of low grade material from Extension Hill is expected to continue into the twelve months ending 30 June 2020 (“**FY 2020**”).

Importantly, ore sales at the Koolan Island Restart Project started in April 2019, achieved commercial production in the June quarter 2019. The project has 21 million tonnes of 65.5% Fe reserves and the net present value of the project is A\$252 million assuming Platts 62% Fe of US\$55/dmt and A\$ of 0.75.

Mount Gibson reported a net profit after tax of A\$133 million for FY 2019 from sales of 3.2 million tonnes.

Mount Gibson costs increased in the second half of 2019 due to the ramp up at Koolan Island and it reported all in cash cost of A\$53 per tonne for FY 2019. Although costs will remain high in FY 2020 due to an initial high strip ratio, it is forecast to progressively decline over the mine life. Impressively, the Koolan Island mine was able to generate positive cash flow in its first month of commercial production despite it still being in ramp up mode.

Mount Gibson still boasts an impressive cash reserve, including term deposits and tradable investments, ending FY 2019 with A\$385 million or an equivalent of A\$0.34 per share, despite development spending on Koolan Island and paying a dividend in October 2018.

Mount Gibson sales guidance for the financial year ending 30 June 2020 is 3.7 million tonnes to 4.0 million tonnes at an all in group cash cost of A\$70-75/wmt FOB.

The Platts IODEX 62% CFR China index was very strong during FY 2019, as it increased from US\$60/dry metric tonne (“**dmt**”) to US\$110/dmt by the end of FY 2019 as Vale was ordered to halt up to 70Mtpa of production after a tailings dam collapse in June 2019. Since the end of the year, iron ore prices have fallen sharply as Vale has been given the green light to restart production and the high prices incentivized additional production from other producers. The iron ore price in late August has fallen to around US\$80/dmt and given weakness in the global economies, it is difficult to see strong steel demand. We continue to expect average iron ore prices to remain capped in the medium term given weak non-China steel demand and a continuing recovery in Brazil.

### ***Tanami Gold***

We currently own 43.55% of Tanami Gold.

Tanami Gold’s principal business activity is gold exploration. It holds 60% of the Central Tanami Project and has a cash balance of A\$28 million, after it exercised its first put option in July 2018 to sell 15% of the Project to Northern Star Resources Limited (“**Northern Star**”) for A\$20 million cash. The remaining 40% is owned by Northern Star. Under the terms of the joint venture, Northern Star will sole fund all expenditure until commercial production is achieved at the Central Tanami Project. After commercial production is reached, Northern Star can earn an additional 35% of the Central Tanami Project and Tanami Gold has a second put option to sell its remaining 25% of the project to Northern Star for A\$32 million. Northern Star continues exploration in the Central Tanami Project at various prospects.

## Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss mainly comprise the Group's investments in Metals X and Westgold Resources Limited (“**Westgold Resources**”) and Resource Investment. As at 30 June 2019, none of these investments represents 5% or more of the Group's total assets.

### *Metals X and Westgold Resources*

| Name of investee company   | Number of shares held | For the Year Ended 30 June 2019 |                               |                           |                             |                             | As at 30 June 2019         |      | % of carrying value to the Group's total assets |
|----------------------------|-----------------------|---------------------------------|-------------------------------|---------------------------|-----------------------------|-----------------------------|----------------------------|------|---|
|                            |                       | Investment cost<br>HK\$'000     | Dividend received<br>HK\$'000 | Realised loss<br>HK\$'000 | Unrealised loss<br>HK\$'000 | Fair value loss<br>HK\$'000 | Carrying value<br>HK\$'000 |      |   |
| Metals X Limited           | 65,407,571            | 265,650                         | —                             | —                         | 195,693                     | 195,693                     | 87,748                     | 2.2% |   |
| Westgold Resources Limited | 18,953,786            | 167,982                         | —                             | 10,652                    | 8,843                       | 19,495                      | 194,597                    | 4.8% |   |
|                            |                       | <u>433,632</u>                  | <u>—</u>                      | <u>10,652</u>             | <u>204,536</u>              | <u>215,188</u>              | <u>282,345</u>             |      |   |

Brief description of principal business of the respective investee companies.

| 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                          |

Following the first application of the HKFRS 9: Financial Instruments in the current year, the Group's equity investments in Metals X and Westgold Resources were reclassified from available-for-sale investments at fair value through other comprehensive income to financial assets at fair value through profit or loss. The carrying values of Metals X and Westgold Resources as at 30 June 2019 amounted to HK\$87,748,000 (As at 30 June 2018: HK\$259,497,000) and HK\$194,597,000 (As at 30 June 2018: HK\$300,042,000) respectively and represented approximately 2.2% (As at 30 June 2018: 8.3%) and 4.8% (As at 30 June 2018: 9.6%) of the total assets of the Group. In FY 2019, our investment in Metals X generated an unrealised loss of approximately HK\$195,693,000 (FY 2018: Gain of HK\$34,739,000) and our investment in Westgold Resources reported a loss of approximately HK\$19,495,000 (FY 2018: Loss of HK\$8,581,000) which were accounted for in profit or loss.

Westgold Resources produced 255,221 ounces of gold in FY 2019 up 1% year-on-year (“**YoY**”) despite the sale of the South Kalgoorlie project and driven by a strong ramp up at the Cue Gold Project (CGO). Westgold Resources forecasts that production will reach 275,000 to 300,000 ounces in FY 2020 as its growth projects continue to ramp up.

The gold price has fluctuated around expectations for Fed tightening or loosening, but has recently strengthened after the Fed cut its benchmark rate by 25 basis points in July. The weakness in global economies and concerns about recession has led to expectations for further loosening in global economies. The gold price is now trading around US\$1,500 per ounce and we expect the gold price to remain linked to sentiment around the pace of interest rate cuts and the economic outlook.

The Group's strategy is to capture returns on its investment portfolio at opportune times subject to prevailing share prices and market sentiment. The "Trade War" between China and US, international political turmoil and rising risk aversion have led the Group to reconsider the investment value of gold. The Board has decided that the current environment represents an appropriate time to include the Group's interest in Westgold Resources in the resource investment portfolio. As a result of this decision, the classification of Westgold Resources in the consolidated statement of financial position will change from non-current assets to current assets subsequent to the year end date.

At Metals X, the Renison mine produced 3,562 tonnes of tin (net 50% basis) up 6% YoY, while the average realised tin price of A\$27,920 per tonne was up 5% YoY. Metals X has commissioned the ore sorter, which removes waste feed before it enters the processing circuit.

In May 2019, Metals X has announced a "reset plan" for the Nifty mine which targets production of 35ktpa by March 2021. In the June 2019 quarter production was running at a disappointingly low annualized rate of 12,288 tonnes per annum.

In September 2019, APAC gave notices to Metals X requesting the directors of Metals X to call a general meeting of Metals X given the destruction of shareholder value since the acquisition of the Nifty Copper Mine. At the time of the notice, APAC called the board of Metals X to remove Mr. Peter Newton, Chairman of Metals X, and Mr. Milan Jerkovic, Non-Executive Director of Metals X, from their position as directors of Metals X and to appoint Mr. Brett Smith as a director of Metals X. Metals X intends to hold its annual general meeting in October 2019.

Tin prices traded around US\$19,000 per tonne to US\$20,000 per tonne range for the 1H of 2019 and then ran briefly traded up to nearly US\$22,000 in 2H of 2019 before falling back to US\$19,000 per tonne at year end. Since then, tin prices have fallen notably to below US\$16,000 per tonne, driven by weakness in the semiconductor sector. We remain bullish on the medium term outlook for tin due to the lack of significant supply growth. During FY 2019 copper prices traded in a range of US\$5,800 per tonne to US\$6,600 per tonne, moving along with sentiment related to the trade war.

### ***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 loss of HK\$89,953,000 in FY 2019 (FY 2018: Gain of HK\$69,224,000), which after accounting for segment related dividend and other investment income and expenses, resulted in a segment loss of HK\$86,646,000 (FY 2018: Profit of HK\$65,575,000).

Our Resource Investment division includes the results of the two new resource portfolios which were announced in August 2016. In general, the metals sector has been subdued in FY 2019, dragged down by the concerns relating to the trade war, although the gold sector retains its safe haven status and along with iron ore, were bright spots in the commodity complex. During FY 2019 the average performance from a number of small cap resources indices averaged -12% (includes the Dow Jones US Mining Index, FTSE AIM Basic Resources Index, ASX Small Resources Index and the TSX Venture Composite Index among others). Oil prices have been volatile during FY 2019 and WTI fell 21% during the year as it has similarly been impacted by concerns of weakening demand given the slowdown in the global economy. US and Canadian gas prices have also remained weak. The average performance of several small cap oil and gas indices has averaged -32% in FY 2019 (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\$7,487,000 in FY 2019 while the gold price was up 13%. As at 30 June 2019, the carrying value of the Precious segment was HK\$80,468,000 (As at 30 June 2018: HK\$73,130,000). Our largest gold investment in the Resource Investment division is in Prodigy Gold (ASX: PRX) which generated a fair value loss of HK\$2,000,000 with carrying value as at 30 June 2019 of HK\$27,817,000. This was comfortably offset by gains in a number of smaller positions including Roxgold (TSX: ROXG) which generated a fair value gain of HK\$3,069,000 and Eldorado Gold (TSX: EGO) which generated a fair value gain of HK\$3,706,000.

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 Gladiator Resources. Its major shareholders include two reputable ASX listed gold companies, St Barbara and Independence Group. At 30 June 2019 Prodigy Gold has A\$6.4 million cash and no debt, and in August 2019 it raised an additional A\$12 million cash, with funds to be used for its ongoing exploration program.

### *Bulk*

Bulk commodities (predominantly iron ore) generated a fair value gain of HK\$8,432,000 as iron ore prices steadily trended upwards during FY 2019. As at 30 June 2019, the carrying value was HK\$72,784,000 (As at 30 June 2018: HK\$11,010,000). Within this segment, our significant investments include Shougang Fushan (HKEX: 639) which generated a fair value gain of HK\$383,000 with carrying value as at 30 June 2019 of HK\$72,784,000 and IRC (HKEX: 1029), which generated a fair value gain of HK\$4,175,000 in FY 2019.



Shougang Fushan is a coking coal producer listed on the Hong Kong Stock Exchange. It has 3 mines located in China with reserves of 84Mt of raw coking coal at 31 December 2018 and during six months ended 30 June 2019 Shougang Fushan produced 2.2Mt raw coking coal. The market cap of Shougang Fushan in early September 2019 is around HK\$9.0 billion, while its working capital reported at 30 June 2019 is HK\$4.6 billion and it generated EBITDA of HK\$1.2 billion in six months ended 30 June 2019.

### *Base Metals*

Base Metals segment (a mix of copper, nickel, aluminium and cobalt companies) delivered a fair value loss of HK\$97,489,000 in FY 2019 as the copper, aluminium and cobalt prices fell by 9%, 18% and 65% respectively. The Base Metals segment includes our investment in Cobalt 27 (TSX: KBLT) which generated a fair value loss of HK\$24,884,000 in FY 2019 and had a carrying value of HK\$27,125,000 as at 30 June 2019 (As at 30 June 2018: HK\$45,484,000), and China Molybdenum (HKEX: 3993) which generated a fair value loss of HK\$7,861,000 in FY 2019 and had a carrying value as at 30 June 2019 of HK\$22,221,000 (As at 30 June 2018: Nil).

### *Energy*

The Energy segment (mainly oil and uranium exposure) had a fair value loss of HK\$7,743,000 in FY 2019 driven by an oil price drop of 21%. Our significant Energy investments include Carnarvon Petroleum (ASX: CVN), which generated a fair value gain of HK\$8,873,000 and had a carrying value as at 30 June 2019 of HK\$6,571,000 (As at 30 June 2018: HK\$3,646,000) and Global Atomic Corp (TSX: GLO), which generated a fair value gain of HK\$4,247,000 and had a carrying value as at 30 June 2019 of HK\$12,220,000 (As at 30 June 2018: Nil).

### *Others*

We also have a fair value loss of HK\$640,000 from the remaining commodity (diamonds, manganese and mineral sands among others) and non-commodity investments in FY 2019 and had a carrying value as at 30 June 2019 of HK\$28,556,000 (As at 30 June 2018: HK\$67,786,000). This segment includes our investment in Alibaba Pictures (HKEX: 1060), which generated a fair value gain of HK\$8,200,000 and had a carrying value as at 30 June 2019 of HK\$16,800,000.

### **Commodity Business**

Our iron ore offtake at Koolan Island recommenced as the mine restarted operations, although commercial production was only reached in late FY 2019. We continue to look for new offtake opportunities across a range of commodities. For FY 2019, our Commodity Business generated a loss of HK\$3,808,000 (FY 2018: Profit of HK\$8,778,000).

### **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 2019, this segment generated a profit of HK\$47,371,000 (FY 2018: Profit of HK\$31,198,000).

## Money Lending

The Group engaged in money lending activities under the Money Lenders Ordinance of Hong Kong. For FY 2019, 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 2019, our non-current assets amounted to HK\$2,264,877,000 (As at 30 June 2018: HK\$1,921,554,000) and net current assets amounted to HK\$1,749,610,000 (As at 30 June 2018: HK\$1,130,770,000) with a current ratio of 135.2 times (As at 30 June 2018: 20.1 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\$51,168,000 (As at 30 June 2018: HK\$51,420,000) and loans receivable of HK\$401,418,000 (As at 30 June 2018: HK\$399,276,000).

As at 30 June 2019, we had no borrowings (As at 30 June 2018: HK\$43,500,000) and had undrawn banking facilities amounting to HK\$321,824,000 secured against certain term deposits of the Group. As at 30 June 2019, we had a gearing ratio of nil (As at 30 June 2018: 0.01), calculated on the basis of total borrowings over equity attributable to owners of the Company.

As announced on 11 March 2019, the Company decided to implement the rights issue on the basis of one rights share for every two existing shares in issue by issuing 406,297,971 rights shares at the subscription price of HK\$1.10 per rights share raising gross proceeds of approximately HK\$447 million and the rights issue was completed in April 2019. As at 30 June 2019, details of use of proceeds from the rights issue were as follows:

### Intended use of proceeds

### Actual use of proceeds

- |   |  |
|---|--|
| (i) Approximately HK\$244 million will be used for enhancing the Group's capacity to further invest in companies involved in the resources sector                       | Approximately HK\$6.8 million was used. The Company will continue to find investment opportunities to apply unused proceeds in investments in the resources sector |
| (ii) Approximately HK\$150 million will be used for repayment of the Group's existing outstanding loans and other related expenses owed to a bank and a related company | Approximately HK150 million was used   |
| (iii) Approximately HK\$44 million for general working capital for the Group  | Approximately HK\$44 million was used  |
| (iv) Approximately HK\$9 million will be used for expenses of the rights issue  | Approximately HK\$8.3 million was used. The unused amount of approximately HK\$0.7 million was used for general working capital for the Group                      |

## **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 2019, the Group's bank deposits of HK\$74,711,000 (As at 30 June 2018: HK\$29,325,000) were pledged to banks to secure various trade and banking facilities granted to the Group.

## **Employees and Emolument Policy**

The Group ensures 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 2019, the Group, including its subsidiaries but excluding associates, had 14 (As at 30 June 2018: 14) employees. Total remuneration together with pension contributions incurred for the year ended 30 June 2019 amounted to HK\$11,333,000 (FY 2018: HK\$10,681,000).

## **Principal Risks**

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

## **Financial Risk**

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

## **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, Associated Companies and Joint Ventures, and Future Plans for Material Investments or Capital Assets**

Save as disclosed in this announcement, during the year ended 30 June 2019, the Group did not hold any other significant investments nor have any material acquisitions or disposals of subsidiaries, associated companies and joint ventures. Save as disclosed in this announcement, as at 30 June 2019, the Group did not have any plan for material investments or capital assets.

## **Capital Commitments**

As at 30 June 2019 and 30 June 2018, 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 2019, the Board is not aware of any material contingent liabilities.

## **Important Events Affecting the Group After the End of the Financial Year**

There are no important events affecting the Group which have occurred after the end of the financial year and up to the date of this announcement.

## **Company Strategy**

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

## **Forward Looking Observations**

The outlook for the global economy is tenuous, and the trade war between the US and China provides ongoing pressure on the two largest economies in the world. Against this difficult backdrop, 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. Our mining and energy investment portfolios are the platform for future mining and energy investments. Our largest investment is in Mount Gibson which is underpinned by a large cash reserve, and its Koolan Island mine reached commercial production in June and has already generated a robust cash flow given the current relative strength in iron ore prices.

## **DIVIDEND**

The Board has declared an interim dividend of HK10 cents per share (in lieu of a final dividend) for the year ended 30 June 2019 (2018 interim dividend (in lieu of a final dividend): HK6 cents per share), payable on or around Thursday, 31 October 2019 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 16 October 2019.

## **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 2019.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the year ended 30 June 2019, the Company has applied the principles of, and fully complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **REVIEW OF RESULTS BY AUDIT COMMITTEE**

The Group's final results for the year ended 30 June 2019 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 2019 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 2019. 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, 25 September 2019

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, Mr. Robert Moyse Willcocks and Mr. Wang Hongqian

\* *For identification purpose only*