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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 2013**

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 2013.

#### **RESULTS HIGHLIGHTS**

APAC’s results for the year ended 30 June 2013 have been driven by volatility in the resources sector and continued weakness in commodity prices. During this period, investors around the world have focused on the potential for slower Chinese growth and remain concerned about the effect of the US tapering its Quantitative Easing programme.

#### **For the year ended 30 June 2013**

(compared to the year ended 30 June 2012 (as restated))

- Attributable profit from Primary Strategic Investment at HK\$347 million (2012: Profit of HK\$219 million)
- Resource Investment posted a loss of HK\$269 million (2012: Loss of HK\$296 million)
- Commodity Business reported revenue of HK\$1,105 million (2012: HK\$1,050 million), with a profit of HK\$17 million (2012: Profit of HK\$6 million)
- Impairment provision of HK\$2,111 million (2012: HK\$73 million) against the carrying value of interests in associates
- Profit attributable to owners before impairment provision of HK\$32 million (2012: Loss of HK\$170 million), with earnings per share of HK0.46 cents (2012: Loss per share of HK2.48 cents)
- Loss attributable to owners at HK\$2,080 million (2012: Loss of HK\$243 million) with loss per share of HK30.53 cents (2012: Loss per share of HK3.55 cents)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

To align with the early application of the new accounting standard on the treatment of mine waste stripping costs by Mount Gibson Iron Limited, one of the Primary Strategic Investments of APAC Resources Limited (the “**Company**” or “**APAC**”, together with its subsidiaries, the “**Group**”), and having consulted with its auditor, the Group considered it appropriate to early apply the equivalent accounting standard on the treatment of mine waste stripping costs issued by the Hong Kong Institute of Certified Public Accountants. The early application of the new accounting standard by the Group resulted in the restatement of its previously reported results for the year ended 30 June 2012 (“**FY 2012**”) and the consolidated statement of financial position then ended. Further details are set out in note 1 of the consolidated financial statements on page 13 of this announcement.

For comparison purposes, current year results are compared with that of the prior year — as restated.

For the year ended 30 June 2013 (“**FY 2013**”), against a challenging economic environment, the Group reported a net loss attributable to owners of HK\$2,079,687,000 for FY 2013 compared with a net loss of HK\$242,967,000 reported for FY 2012. The significant loss has been driven by an impairment provision of HK\$2,111,359,000 against the carrying value of the Group’s two principal listed associates, which is an accounting related adjustment and as such does not result in a material impact on the financial strength of the Group. Before taking into account of the impairment provision, the Group had generated an operating profit of HK\$31,672,000, an improvement in profitability when compared with the loss before impairment provision of HK\$169,664,000 for FY 2012.

### FY 2013 VS FY 2012

#### *Primary Strategic Investment*

Our two Primary Strategic Investments are Mount Gibson Iron Limited (“**Mount Gibson**”) and Metals X Limited (“**Metals X**”), both located in Australia. The net attributable profit from our Primary Strategic Investments for the FY 2013 was HK\$347,152,000 (FY 2012: HK\$218,792,000). Mount Gibson and Metals X delivered solid operational results.

#### *Mount Gibson*

Mount Gibson is an Australian listed iron ore producer. Annual production capacity is up to 10 million tonnes from its Koolan Island, Tallering Peak, and Extension Hill mines. All three projects are located in Western Australia and are Direct Shipping Ore (DSO) operations, which have a substantial cost advantage over mines that require beneficiation prior to sale.

For FY 2013, Mount Gibson increased total ore sales by 68% to 8.8 million tonnes, and even after removing 0.7 million tonnes of low grade sales, met its FY 2013 sales guidance of 8.0 million tonnes to 8.5 million tonnes. The increase was driven by the successful commissioning of rail and port facilities in the Mid West region. For the year ending 30 June 2014, Mount Gibson released sales

guidance of 9.0 million tonnes to 9.5 million tonnes, which includes low grade sales. Despite a strong operational performance, net profit after tax decreased marginally from A\$162 million to A\$157 million in FY 2013 as a result of a weaker average realised iron ore price of US\$108/dry metric tonne (“**dmt**”) in FY 2013, down from US\$124/dmt in FY 2012. Nonetheless, Mount Gibson ended the year with an impressive cash balance of A\$376 million, implying an A\$83 million cash build in FY 2013 after a dividend payment of A\$40 million.

Mount Gibson has renewed and strengthened its management team with the appointment of Mr. Peter Kerr as the new CFO and Mr. Andrew Thomson as the new COO in September 2012. In addition, the Foreign Investment Review Board (FIRB) decreed in July 2012 that it is satisfied that the structure of Mount Gibson’s board is consistent with the ASX Corporate Governance Principles.

In FY 2013, we saw significant volatility in iron ore prices. Overcapacity in the Chinese steel sector remains a medium-term concern but Chinese steel production has remained stubbornly around 780 million tonnes per year. The market is concerned about significant new iron ore supply over the next 24 months, at a time when China’s steel growth is slowing, however we believe high cost Chinese domestic producers will continue to provide some price support.

### *Metals X*

Metals X is an Australian based and listed emerging diversified resource group with exposure to tin via its 50% interest in the producing Renison mine in Tasmania, nickel through its world scale Wingellina nickel development project, and gold with the Central Murchison and Rover projects.

During FY 2013, Renison produced 6,317 tonnes of tin in concentrate (100% basis), up 26% from FY 2012. Metals X is now accessing higher grade areas at Renison which increased production despite interruptions from a change in mining contractor during the year. This is reflected in the company’s annual results, which show a significantly improved net profit after tax of A\$8.7 million for FY 2013 compared to a net loss of A\$43.7 million for FY 2012.

Metals X received an average realised tin price of A\$20,930 per tonne in FY 2013, up 5% compared to FY 2012 (A\$20,006 per tonne). Tin prices have been volatile this year, reaching a high of around US\$25,000 per tonne in January 2013 before falling back to US\$19,500 per tonne in July 2013 and has recovered since. We remain bullish on the medium to long-term outlook of tin due to the lack of supply growth. We believe that the majority of the new development projects require a tin price of US\$30,000 to US\$40,000 per tonne to be economically viable. In addition, continued depletion in existing resources in China, Indonesia, and Peru will help to underpin the long-term price outlook.

In October 2012, Metals X completed the merger with Westgold Resources Limited by a scheme of arrangement. As a result, Metals X has added two new gold projects which have a substantial resource of 6.2 million ounces of gold.

Metals X announced in June 2013 that it has postponed the engineering works on the Wingellina Definitive Feasibility Study. The short deferral of feasibility works will conserve cash, and we believe this is a sensible decision given cyclically low nickel prices and challenging equity market conditions. In the meantime, Metals X will continue to progress other long-lead time items such as the completion of the Public Environmental Review.

Irrespective of the strong operational improvements, we have opted to take a write-down on the carrying value of our Group's interests in associates, which equates to a FY 2013 loss of HK\$2,111,359,000 (FY 2012: Loss of HK\$73,303,000). We reiterate that the impairment provision has been taken to reflect a more conservative carrying value, and is an accounting adjustment only. At the date of this announcement, share prices of both Mount Gibson and Metals X have recovered to A\$0.76 and A\$0.14 respectively.

### ***Resource Investment***

Resource Investment posted a loss of HK\$268,911,000 in FY 2013 (FY 2012: loss of HK\$296,401,000). 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. Some of our positions are exploration or development stage companies and this section of the market is particularly sensitive to risk aversion and lower commodity prices. During FY 2013, commodity prices were under substantial pressure, driven by a weaker Chinese growth outlook, lackluster economic growth in Europe, and concerns over the effects of tapering in the US. The resource sector remained weak during the reporting period, as shown by resource sector benchmarks such as the ASX Small Resources Index down 49%; the FTSE AIM Basic Resources Index dropping 39%, and the TSX Venture Composite Index falling 28%. We have maintained a high cash position throughout FY 2013 and also increased the defensiveness of the portfolio, increasing our weighting in producing stage companies with strong balance sheets and cash flows, and generally avoiding earlier stage, unfunded explorers. The loss is a disappointing result, but we remain confident that our high quality core positions, many of which are well capitalised, will weather the challenging market conditions and deliver superior returns in the long run.

### ***ABM***

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 currently focused on the Old Pirate and Buccaneer projects, both of which sit inside the Twin Bonanza Gold Camp.

Old Pirate is one of Australia's highest grade open-pit mine projects, with a resource of 723,800 ounces of gold at 11.96g/t. ABM is conducting a trial mining and processing project at Old Pirate, which involves the extraction and processing of 10,000 tonnes of ore as a means to significantly de-risk the project.

The trial mining exercise will help to verify the resource grade and gravity recoveries, as well as determine the costs and feasibility of a full-scale mine. If successful, the company will proceed with a number of low cost, staged expansions of mining capacity and the gravity pilot plant to increase gold production. The key benefit of this staged approach is minimising upfront capital expenditure and “self-funding” future growth, to maximise shareholder value.

After a run up in price to US\$1,796 per ounce in October 2012, gold dropped throughout FY 2013, bottoming at US\$1,200 per ounce. The sell-off was driven by lower near-term inflation expectations, as well as indications that the US would begin tapering its QE program earlier than expected. Recently, increased physical buying plus growing instability in Syria has supported the gold price, which has recovered to the US\$1,300 to US\$1,400 per ounce level. ABM should be well insulated given the high grade nature of the project which is expected to generate robust margins even in a lower gold price environment.

### ***Commodity Business***

The Commodity Business mainly comprises two offtake agreements with Mount Gibson and the shipments are sold on the spot market to steel mills and traders in China.

For FY 2013, Commodity Business generated a profit of HK\$16,556,000 (FY 2012: HK\$5,571,000), a pleasing result given the continued volatility in the iron ore market. The Platts IODEX 62% CFR China index started FY 2013 at US\$135 per tonne, fell to the lows of US\$88 per tonne in September 2012 due to aggressive de-stocking, before recovering in early-2013 and ended FY 2013 at US\$116 per tonne.

Iron ore prices have held up surprisingly well since January 2013 as steel production has remained stronger than expected despite concerns about the Chinese growth outlook. That being said, we expect the inventory cycle to keep iron ore prices volatile.

### **Liquidity, Financial Resources and Capital Structure**

As at 30 June 2013, our non-current assets amounted to HK\$1,428,755,000 (2012: HK\$3,651,523,000) and net current assets amounted to HK\$829,878,000 (2012: HK\$990,292,000) with a current ratio of 4.1 times (2012: 9.4 times) calculated on the basis of its current assets over current liabilities.

As at 30 June 2013, we had borrowings of HK\$242,500,000 (2012: Nil) and had undrawn banking and loan facilities amounting to HK\$656,592,000 secured against certain of our interests in listed associates and term deposits and corporate guarantee of the Company. As at 30 June 2013, we had a gearing ratio of 0.11 (2012: Nil), calculated on the basis of total borrowings over equity attributable to owners of the Company.

## **Foreign Exchange Exposure**

For the year under review, the Group's assets were mainly denominated in Australian Dollars while the liabilities were mainly denominated in 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 2013, certain of the Group's interests in listed associates of HK\$862,277,000 (2012: HK\$2,492,254,000) were pledged to a stock-broking firm to secure against securities margin loan facilities made available to the Group. The Group's bank deposits of HK\$345,502,000 (2012: HK\$79,748,000) were pledged to banks 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, share option scheme and Mandatory Provident Fund Scheme (subject to the applicable laws and regulations of the People's Republic of China (the "PRC")) for its employees in the PRC).

As at 30 June 2013, the Group, including its subsidiaries but excluding associates, had 25 (2012: 22) employees. Total remuneration together with pension contributions incurred for the year ended 30 June 2013 amounted to HK\$15,073,000 (2012: HK\$14,563,000).

## **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 2013, 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 2013, the Group does not have plan for any other material investments or acquisition of material capital assets.

## **Capital Commitments**

As at 30 June 2013 and 30 June 2012, 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 2013, 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 profit from the value curve of resources projects from exploration to production, though currently see good risk-reward in select mid-tier producers. Value and cash flow can be generated through capital appreciation, direct project ownership and securing offtake agreements.

## **Forward Looking Observations**

The global macroeconomic climate is dominated by several issues. While recent PMI data in China suggests the economy has bottomed, there are still concerns over the scale-down of loose U.S. monetary policy, which has been driven by a strengthening US economy. In the short-term, the market is concerned about the unrest in Syria and general instability across the Middle Eastern Region. As a result, resource equities and commodity prices are likely to remain volatile.

However, we believe the market weakness in recent years has already started to guide the resources industry back to a more sustainable path, addressing some of the distortions and complacencies that have built up over the last decade of boom times. Costs are being aggressively cut, discretionary spending reeled in, and management teams are being forced to focus on cash flow generation and adding shareholder value. At the same time, greater value has begun to emerge in companies which have robust free cash flow, healthy balance sheets, exercise discipline in the use of capital, and prioritise shareholder interests. Going forward, this sets up an increasingly interesting risk-reward proposition.

We believe our Primary Strategic Investments and the core positions in our Resource Investment portfolio possess these traits, and are well positioned for long-term growth. Mount Gibson has demonstrated its ability to manage costs and deliver production in a volatile iron ore environment, and has continued to build its cash balance. We remain confident that tin prices will strengthen in the mid-term which will benefit Metals X's position as a producer. ABM will soon commence production from its trial mining programme which will significantly de-risk the project, and while gold prices are likely to fluctuate, we expect the project to remain robust given its high grades.

We remain defensive and selective with our investments in the near term, and continue to look for deep value opportunities which will generate attractive returns over the long run.

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 30 June 2013*

|                                                         | <i>Notes</i> | <b>2013</b><br><b>HK\$'000</b> | 2012<br>HK\$'000<br>(restated) |
|---------------------------------------------------------|--------------|--------------------------------|--------------------------------|
| Revenue from sales of goods                             | 2            | <b>1,104,617</b>               | 1,050,205                      |
| Cost of sales                                           |              | <u><b>(1,092,065)</b></u>      | <u>(1,046,751)</u>             |
|                                                         |              | <b>12,552</b>                  | 3,454                          |
| Other gains and losses                                  | 4            | <b>(2,387,295)</b>             | (377,396)                      |
| Other income                                            |              | <b>15,545</b>                  | 12,037                         |
| Administrative expenses                                 |              |                                |                                |
| — General administrative expenses                       |              | <b>(44,770)</b>                | (46,257)                       |
| — Equity-settled share option expenses                  |              | <b>(14,021)</b>                | (28,612)                       |
| Finance costs                                           | 5            | <b>(6,195)</b>                 | (23,095)                       |
| Share of results of associates                          |              | <u><b>347,152</b></u>          | <u>218,792</u>                 |
| Loss before taxation                                    | 6            | <b>(2,077,032)</b>             | (241,077)                      |
| Income tax expense                                      | 7            | <u><b>(2,655)</b></u>          | <u>(1,890)</u>                 |
| Loss for the year attributable to owners of the Company |              | <u><b>(2,079,687)</b></u>      | <u>(242,967)</u>               |
| Loss per share (expressed in HK cents)                  |              |                                |                                |
| — basic and diluted                                     | 9            | <u><b>(30.53)</b></u>          | <u>(3.55)</u>                  |



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

*For the year ended 30 June 2013*

|                                                                                    | <b>2013</b><br><b>HK\$'000</b>   | 2012<br>HK\$'000<br>(restated) |
|------------------------------------------------------------------------------------|----------------------------------|--------------------------------|
| Loss for the year                                                                  | <u><b>(2,079,687)</b></u>        | <u>(242,967)</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>(302,890)</b>                 | (123,746)                      |
| Exchange difference arising from translation of other foreign operations           | <b>10,092</b>                    | 4,487                          |
| Fair value change of available-for-sale investments                                | <b>(557)</b>                     | (21,731)                       |
| Impairment losses on available-for-sale investments                                | —                                | 22,320                         |
| Reclassification adjustment upon disposal of partial interest in an associate      | —                                | (311)                          |
| Reclassification adjustment upon deemed disposal of partial interest in associates | <b>(7,359)</b>                   | —                              |
| Share of investment revaluation reserve of associates                              | <u><b>(16,479)</b></u>           | <u>10,363</u>                  |
|                                                                                    | <u><b>(317,193)</b></u>          | <u>(108,618)</u>               |
| Total comprehensive expense for the year attributable to owners of the Company     | <u><u><b>(2,396,880)</b></u></u> | <u><u>(351,585)</u></u>        |

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 30 June 2013*

|                                                                     | <i>Notes</i> | <b>30.6.2013</b><br><b>HK\$'000</b> | 30.6.2012<br>HK\$'000<br>(restated) | 1.7.2011<br>HK\$'000<br>(restated) |
|---------------------------------------------------------------------|--------------|-------------------------------------|-------------------------------------|------------------------------------|
| <b>ASSETS</b>                                                       |              |                                     |                                     |                                    |
| <b>Non-current assets</b>                                           |              |                                     |                                     |                                    |
| Property, plant and equipment                                       |              | <b>2,011</b>                        | 1,589                               | 1,370                              |
| Interests in associates                                             | <i>10</i>    | <b>1,301,491</b>                    | 3,459,522                           | 3,418,854                          |
| Available-for-sale investments                                      |              | <b>18,686</b>                       | 71,465                              | 52,527                             |
| Financial assets designated at fair value<br>through profit or loss |              | <b>77,953</b>                       | 118,947                             | —                                  |
| Loan receivable                                                     | <i>11</i>    | <b>28,614</b>                       | —                                   | —                                  |
|                                                                     |              | <b><u>1,428,755</u></b>             | <b><u>3,651,523</u></b>             | <b><u>3,472,751</u></b>            |
| <b>Current assets</b>                                               |              |                                     |                                     |                                    |
| Inventories                                                         |              | —                                   | 61,932                              | —                                  |
| Trade and other receivables and loan<br>receivable                  | <i>11</i>    | <b>27,178</b>                       | 183,237                             | 54,641                             |
| Investments held for trading                                        | <i>12</i>    | <b>233,091</b>                      | 410,611                             | 1,440,946                          |
| Pledged bank deposits                                               |              | <b>345,502</b>                      | 79,748                              | 339,158                            |
| Bank balances and cash                                              |              | <b>492,785</b>                      | 372,642                             | 384,090                            |
|                                                                     |              | <b><u>1,098,556</u></b>             | <b><u>1,108,170</u></b>             | <b><u>2,218,835</u></b>            |
| <b>Total assets</b>                                                 |              | <b><u><u>2,527,311</u></u></b>      | <b><u><u>4,759,693</u></u></b>      | <b><u><u>5,691,586</u></u></b>     |

|                                       | <i>Notes</i> | <b>30.6.2013</b><br><b>HK\$'000</b> | 30.6.2012<br>HK\$'000<br>(restated) | 1.7.2011<br>HK\$'000<br>(restated) |
|---------------------------------------|--------------|-------------------------------------|-------------------------------------|------------------------------------|
| <b>EQUITY AND LIABILITIES</b>         |              |                                     |                                     |                                    |
| <b>Capital and reserves</b>           |              |                                     |                                     |                                    |
| Share capital                         | 13           | <b>681,193</b>                      | 681,305                             | 686,329                            |
| Reserves                              |              | <b>3,054,187</b>                    | 3,428,398                           | 3,548,806                          |
| Accumulated (losses) profits          |              | <u><b>(1,476,747)</b></u>           | <u>532,112</u>                      | <u>746,880</u>                     |
|                                       |              | <u><b>2,258,633</b></u>             | <u>4,641,815</u>                    | <u>4,982,015</u>                   |
| <b>Current liabilities</b>            |              |                                     |                                     |                                    |
| Trade and other payables              | 14           | <b>25,381</b>                       | 115,572                             | 6,773                              |
| Bank borrowing                        |              | <b>242,500</b>                      | —                                   | 689,530                            |
| Tax payable                           |              | <u><b>797</b></u>                   | <u>2,306</u>                        | <u>13,268</u>                      |
|                                       |              | <u><b>268,678</b></u>               | <u>117,878</u>                      | <u>709,571</u>                     |
| <b>Total equity and liabilities</b>   |              | <u><b>2,527,311</b></u>             | <u>4,759,693</u>                    | <u>5,691,586</u>                   |
| Net current assets                    |              | <u><b>829,878</b></u>               | <u>990,292</u>                      | <u>1,509,264</u>                   |
| Total assets less current liabilities |              | <u><b>2,258,633</b></u>             | <u>4,641,815</u>                    | <u>4,982,015</u>                   |

Notes:

## 1. BASIS OF 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, the Group has applied the following amendments and interpretations (“**new and revised HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

|                       |                                                                              |
|-----------------------|------------------------------------------------------------------------------|
| Amendments to HKAS 1  | Presentation of items of other comprehensive income;                         |
| Amendments to HKAS 1  | As part of the annual improvements to HKFRSs 2009–2011 cycle issued in 2012; |
| Amendments to HKAS 12 | Deferred tax: Recovery of underlying assets; and                             |
| HK(IFRIC)-INT 20      | Stripping costs in the production phase of a surface mine.                   |

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

### **Amendments to HKAS 1 Presentation of items of other comprehensive income**

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Upon application of the amendments to HKAS 1, the Group’s statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

### **Amendments to HKAS 1 Presentation of financial statements (as part of the annual improvements to HKFRSs 2009–2011 cycle issued in June 2012)**

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009–2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In the current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of

financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied HK(IFRIC)-INT 20 “Stripping costs in the production phase of a surface mine” for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1 July 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 July 2011 without the related notes.

#### **Early application of HK(IFRIC)-INT 20 “Stripping costs in the production phase of a surface mine”**

During the current year, the Group has early applied HK(IFRIC)-INT 20, as one of its associates has early applied the equivalent interpretation. HK(IFRIC)-INT 20 has no impact to other associates and group entities.

HK(IFRIC)-INT 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (“**production stripping costs**”). Under the interpretation, the costs from this waste removal activity (“**stripping**”) which provide improved access to ore is recognised as a non-current asset (“**stripping activity asset**”) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with HKAS 2 “Inventories”. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

Prior to the issuance of HK(IFRIC)-INT 20, the relevant associate adopted a life-of-mine approach and deferred all costs attributable to waste stripping and recognised as an expense the amortisation of capitalised waste stripping costs over the remaining ore reserves of the relevant mine. Amortisation was provided on the units-of-production method, with separate calculations being made for each mineral resource. Estimated future capital and waste development costs to be incurred in accessing the reserves and measured resources were taken into account in determining amortisation charges. The units-of-production method resulted in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

The requirements in accordance with HK(IFRIC)-INT 20 differs from the associate’s previous policies in that only waste stripping costs which provide improved access to ore can be capitalised when certain criteria are met, and the capitalisation and amortisation of waste stripping costs is undertaken at the level of individual deposits or components thereof rather than on a whole-of-mine basis. In addition, specific transitional rules are provided to deal with any opening deferred stripping balances recognised under the previous accounting policies.

The equivalent of HK(IFRIC)-INT 20 has been applied by the associate prospectively to production stripping costs incurred on or after the beginning of the earliest period presented, which is 1 July 2011. Such early application has affected the amounts reported in the Group's consolidated financial statements (see the tables below). Any previously recognised asset balance that resulted from stripping activity undertaken during the production phase (predecessor stripping asset) is reclassified as a part of an existing asset to which the stripping activity related, to the extent that there remains an identifiable component of the orebody with which the predecessor stripping asset can be associated. Such balances are then amortised over the remaining expected useful life of the identified component of the orebody to which each predecessor stripping asset balance relates. If there is no identifiable component of the orebody to which the predecessor asset relates, it has been written off through opening accumulated profits at the beginning of the earliest period presented, being 1 July 2011.

Given the nature of the associate's mining operations and the way the associate plans to mine the remaining components of the orebodies, it has been determined that part of the associate's predecessor stripping asset relates to components of the orebodies where the associated ore has already been extracted.

### *Summary of the effects*

The effects of early application described above on the results for the year ended 30 June 2012 by line items presented in the consolidated statement of profit or loss and statement of profit or loss or other comprehensive income are as follows:

|                                                                                                                        | 2012<br>HK\$'000      |
|------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Decrease in share of results of associates                                                                             | (23,374)              |
| Decrease in impairment loss recognised on interest in an associate                                                     | <u>307,926</u>        |
| Decrease in loss for the year                                                                                          | <u><u>284,552</u></u> |
| Decrease in exchange difference arising from translation of associates<br>and other comprehensive expense for the year | <u><u>22,485</u></u>  |

The effects of the above early application in accounting policy on the financial positions of the Group as at 1 July 2011 and 30 June 2012 are as follows:

|                         | <b>As at<br/>1.7.2011</b>      |                    | <b>As at<br/>1.7.2011</b> |                                | <b>As at<br/>30.6.2012</b> |                   |
|-------------------------|--------------------------------|--------------------|---------------------------|--------------------------------|----------------------------|-------------------|
|                         | <b>(originally<br/>stated)</b> | <b>Adjustments</b> | <b>(restated)</b>         | <b>(originally<br/>stated)</b> | <b>Adjustments</b>         | <b>(restated)</b> |
|                         | <i>HK\$'000</i>                | <i>HK\$'000</i>    | <i>HK\$'000</i>           | <i>HK\$'000</i>                | <i>HK\$'000</i>            | <i>HK\$'000</i>   |
|                         |                                |                    |                           |                                | <i>(Note)</i>              |                   |
| Interests in associates | <u>3,835,439</u>               | <u>(416,585)</u>   | <u>3,418,854</u>          | <u>3,569,070</u>               | <u>(109,548)</u>           | <u>3,459,522</u>  |
| Accumulated profits     | 1,157,921                      | (411,041)          | 746,880                   | 658,601                        | (126,489)                  | 532,112           |
| Exchange reserve        | <u>693,045</u>                 | <u>(5,544)</u>     | <u>687,501</u>            | <u>550,970</u>                 | <u>16,941</u>              | <u>567,911</u>    |
| Total effects on equity | <u>1,850,966</u>               | <u>(416,585)</u>   | <u>1,434,381</u>          | <u>1,209,571</u>               | <u>(109,548)</u>           | <u>1,100,023</u>  |

*Note:* The accumulated impact on early application of HK(IFRIC)-INT 20 resulted in reduction in interests in associates of HK\$417,474,000 and accumulated profits of HK\$434,415,000 respectively as at 30 June 2012, while such effect is reduced by the adjustment of impairment loss recognised in respect of interest in an associate of HK\$307,926,000 due to the reduction in the carrying value of the associate.

The effects of the above early application in accounting policy on the Group's basic and diluted loss per share for the year ended 30 June 2012 are as follows:

|                                                                                   |                         |
|-----------------------------------------------------------------------------------|-------------------------|
|                                                                                   | 2012<br><i>HK cents</i> |
| Figures before adjustments                                                        | (7.70)                  |
| Adjustments arising from changes in the Group's accounting policy in relation to: |                         |
| — application of HK(IFRIC)-INT 20                                                 | <u>4.15</u>             |
| Figures after adjustments                                                         | <u>(3.55)</u>           |

The Group has not disclosed the relevant financial impacts for the year ended 30 June 2013 and as at 30 June 2013 resulting from the early application of HK(IFRIC)-INT 20, as the associate in question has determined that it is not practicable to quantify such impact.



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

|                                               |                                                                                                                                       |
|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| Amendments to HKFRSs                          | Annual improvements to HKFRSs 2009–2011 cycle <sup>1</sup>                                                                            |
| Amendments to HKFRS 7                         | Disclosures — Offsetting financial assets and financial liabilities <sup>1</sup>                                                      |
| Amendments to HKFRS 9 and HKFRS 7             | Mandatory effective date of HKFRS 9 and transition disclosures <sup>3</sup>                                                           |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance <sup>1</sup> |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27  | Investment entities <sup>2</sup>                                                                                                      |
| HKFRS 9                                       | Financial instruments <sup>3</sup>                                                                                                    |
| HKFRS 10                                      | Consolidated financial statements <sup>1</sup>                                                                                        |
| HKFRS 11                                      | Joint arrangements <sup>1</sup>                                                                                                       |
| HKFRS 12                                      | Disclosure of interests in other entities <sup>1</sup>                                                                                |
| HKFRS 13                                      | Fair value measurement <sup>1</sup>                                                                                                   |
| HKAS 19 (as revised in 2011)                  | Employee benefits <sup>1</sup>                                                                                                        |
| HKAS 27 (as revised in 2011)                  | Separate financial statements <sup>1</sup>                                                                                            |
| HKAS 28 (as revised in 2011)                  | Investments in associates and joint ventures <sup>1</sup>                                                                             |
| Amendments to HKAS 32                         | Offsetting financial assets and financial liabilities <sup>2</sup>                                                                    |
| Amendments to HKAS 36                         | Recoverable amount disclosures for non-financial assets <sup>2</sup>                                                                  |
| Amendments to HKAS 39                         | Novation of derivatives and continuation of hedge accounting <sup>2</sup>                                                             |
| HK(IFRIC)-INT 21                              | Levies <sup>2</sup>                                                                                                                   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015.

## **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.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. 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.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that the application of HKFRS 9 for the annual period beginning 1 July 2015 will affect the classification and measurement in respect of the Group's available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### **HKFRS 13 Fair value measurement**

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad and it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 will be applied in the Group's consolidated financial statements for the annual period beginning 1 July 2013 and that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

### **Amendments to HKAS 36 Recoverable amount disclosures for non-financial assets**

The amendments to HKAS 36 remove the requirement to disclose recoverable amounts when there has been no impairment or reversal of impairment but require the following disclosures (in addition to the others already required by HKAS 36) when an impairment is recognised or reversed and recoverable amount is based on fair value less costs of disposal:

- the level of the HKFRS 13 "fair value hierarchy" within which the fair value measurement of the asset or cash-generating unit has been determined.
- for fair value measurements at level 2 or level 3 of the fair value hierarchy: a description of the valuation techniques used and any changes in that valuation technique; key assumptions used in the measurement of fair value, including the discount rate(s) used in the current measurement and previous measure if fair value less costs of disposal is measured using a present value technique.

The directors of the Company anticipate that the amendments to HKAS 36 will be applied in the Group's consolidated financial statements for the annual period beginning 1 July 2014 and that the application of the amendments may result in more extensive disclosures in the consolidated financial statements retrospectively.

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

|                                     | 2013<br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| Revenue from trading of commodities | <u><u>1,104,617</u></u> | <u><u>1,050,205</u></u> |

## 3. SEGMENT INFORMATION

Information regularly reviewed by the chief operating decision maker, 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 business and operations. The Group's reportable and operating segments under HKFRS 8 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, impairment losses on interests in associates, net gain on deemed disposal of partial interests in associates, gain on disposal of partial interest in an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

### Segment revenue and result

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

***For year ended 30 June 2013***

|                                                                | <b>Commodity<br/>business<br/>HK\$'000</b> | <b>Resource<br/>investment<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|----------------------------------------------------------------|--------------------------------------------|---------------------------------------------|---------------------------|
| Revenue                                                        | <u>1,104,617</u>                           | <u>—</u>                                    | <u>1,104,617</u>          |
| Gross sales proceeds from resource investment                  | <u>—</u>                                   | <u>206,137</u>                              | <u>206,137</u>            |
| Segment profit (loss)                                          | 16,556                                     | (268,911)                                   | (252,355)                 |
| Share of results of associates                                 |                                            |                                             | 347,152                   |
| Impairment losses on interests in associates                   |                                            |                                             | (2,111,359)               |
| Net gain on deemed disposal of partial interests in associates |                                            |                                             | 3,359                     |
| Unallocated corporate income                                   |                                            |                                             | 203                       |
| Unallocated corporate expenses                                 |                                            |                                             | (57,837)                  |
| Finance costs                                                  |                                            |                                             | <u>(6,195)</u>            |
| Loss before taxation                                           |                                            |                                             | (2,077,032)               |
| Income tax expense                                             |                                            |                                             | <u>(2,655)</u>            |
| Loss for the year                                              |                                            |                                             | <u>(2,079,687)</u>        |

***For year ended 30 June 2012***

|                                                      | <b>Commodity<br/>business<br/>HK\$'000</b> | <b>Resource<br/>investment<br/>HK\$'000</b> | <b>Total<br/>HK\$'000<br/>(restated)</b> |
|------------------------------------------------------|--------------------------------------------|---------------------------------------------|------------------------------------------|
| Revenue                                              | <u>1,050,205</u>                           | <u>—</u>                                    | <u>1,050,205</u>                         |
| Gross sales proceeds from resource investment        | <u>—</u>                                   | <u>1,342,203</u>                            | <u>1,342,203</u>                         |
| Segment profit (loss)                                | 5,571                                      | (296,401)                                   | (290,830)                                |
| Share of results of associates                       |                                            |                                             | 218,792                                  |
| Impairment loss on interest in an associate          |                                            |                                             | (73,303)                                 |
| Gain on disposal of partial interest in an associate |                                            |                                             | 812                                      |
| Unallocated corporate income                         |                                            |                                             | 123                                      |
| Unallocated corporate expenses                       |                                            |                                             | (73,576)                                 |
| Finance costs                                        |                                            |                                             | <u>(23,095)</u>                          |
| Loss before taxation                                 |                                            |                                             | (241,077)                                |
| Income tax expense                                   |                                            |                                             | <u>(1,890)</u>                           |
| Loss for the year                                    |                                            |                                             | <u>(242,967)</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 2013 are as follows:

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

|                                                                                          | Commodity<br>business<br>HK\$'000 | Resource<br>investment<br>HK\$'000 | Unallocated<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------|-------------------------|-------------------|
| Interest income                                                                          | 8,041                             | 522                                | 46                      | 8,609             |
| Fair value change of investments held for trading                                        | —                                 | (212,840)                          | —                       | (212,840)         |
| Fair value change of financial assets designated<br>at fair value through profit or loss | —                                 | (13,022)                           | —                       | (13,022)          |
| Reversal of allowance for inventories                                                    | 5,867                             | —                                  | —                       | 5,867             |
| Reversal of allowance for trade receivable                                               | <u>3,317</u>                      | <u>—</u>                           | <u>—</u>                | <u>3,317</u>      |

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

|                                              |          |          |                    |                    |
|----------------------------------------------|----------|----------|--------------------|--------------------|
| Interests in associates                      | —        | —        | 1,301,491          | 1,301,491          |
| Share of results of associates               | —        | —        | 347,152            | 347,152            |
| Impairment losses on interests in associates | <u>—</u> | <u>—</u> | <u>(2,111,359)</u> | <u>(2,111,359)</u> |

Other segment information included in the consolidated statement of profit or loss for the year ended 30 June 2012 are as follows:

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

|                                                                                          | Commodity<br>business<br>HK\$'000 | Resource<br>investment<br>HK\$'000 | Unallocated<br>HK\$'000<br>(restated) | Total<br>HK\$'000<br>(restated) |
|------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------|---------------------------------------|---------------------------------|
| Interest income                                                                          | 10,009                            | 553                                | 37                                    | 10,599                          |
| Fair value change of investments held for trading                                        | —                                 | (272,334)                          | —                                     | (272,334)                       |
| Fair value change of financial assets designated at<br>fair value through profit or loss | —                                 | (1,173)                            | —                                     | (1,173)                         |
| Impairment losses on available-for-sale investments                                      | —                                 | (22,320)                           | —                                     | (22,320)                        |
| Allowance for inventories                                                                | (27,812)                          | —                                  | —                                     | (27,812)                        |
| Allowance for trade receivable                                                           | <u>(3,317)</u>                    | <u>—</u>                           | <u>—</u>                              | <u>(3,317)</u>                  |

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

|                                             |          |          |                 |                 |
|---------------------------------------------|----------|----------|-----------------|-----------------|
| Interests in associates                     | —        | —        | 3,459,522       | 3,459,522       |
| Share of results of associates              | —        | —        | 218,792         | 218,792         |
| Impairment loss on interest in an associate | <u>—</u> | <u>—</u> | <u>(73,303)</u> | <u>(73,303)</u> |

## Segment assets and liabilities

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

|                           | <b>2013</b><br><b>HK\$'000</b> | 2012<br>HK\$'000<br>(restated) |
|---------------------------|--------------------------------|--------------------------------|
| Commodity business        | <b>772,078</b>                 | 593,939                        |
| Resource investment       | <b>400,686</b>                 | 651,198                        |
| Total segment assets      | <b>1,172,764</b>               | 1,245,137                      |
| Interests in associates   | <b>1,301,491</b>               | 3,459,522                      |
| Unallocated               | <b>53,056</b>                  | 55,034                         |
| Consolidated assets       | <b>2,527,311</b>               | 4,759,693                      |
| Commodity business        | <b>265,529</b>                 | 113,397                        |
| Resource investment       | <b>117</b>                     | 88                             |
| Total segment liabilities | <b>265,646</b>                 | 113,485                        |
| Unallocated               | <b>3,032</b>                   | 4,393                          |
| Consolidated liabilities  | <b>268,678</b>                 | 117,878                        |

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, other receivables and certain bank balances and cash.
- all liabilities are allocated to reportable segments other than certain other payables and tax payable.
- bank borrowing is allocated while the finance costs are not allocated to respective 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<br>external customers |                  | Non-current assets |                                |
|-----------------------|------------------------------------|------------------|--------------------|--------------------------------|
|                       | 2013<br>HK\$'000                   | 2012<br>HK\$'000 | 2013<br>HK\$'000   | 2012<br>HK\$'000<br>(restated) |
| Australia             | 67,639                             | —                | 1,237,391          | 3,425,975                      |
| Bailiwick of Guernsey | —                                  | —                | 27,971             | —                              |
| Hong Kong             | 1,036,518                          | 389,885          | 1,586              | 1,449                          |
| The PRC               | 460                                | 660,320          | 36,155             | 33,687                         |
| United Kingdom        | —                                  | —                | 399                | —                              |
|                       | <u>1,104,617</u>                   | <u>1,050,205</u> | <u>1,303,502</u>   | <u>3,461,111</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:

|            | 2013<br>HK\$'000       | 2012<br>HK\$'000 |
|------------|------------------------|------------------|
| Customer A | 778,361                | 317,187          |
| Customer B | 162,154                | N/A <sup>1</sup> |
| Customer C | N/A <sup>1</sup>       | 441,128          |
| Customer D | <u>N/A<sup>1</sup></u> | <u>163,715</u>   |

<sup>1</sup> 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

|                                                                                       | 2013<br>HK\$'000          | 2012<br>HK\$'000        |
|---------------------------------------------------------------------------------------|---------------------------|-------------------------|
| Fair value change of investments held for trading ( <i>Note</i> )                     | (212,840)                 | (272,334)               |
| Fair value change of financial assets designated at fair value through profit or loss | (13,022)                  | (1,173)                 |
| Impairment losses on available-for-sale investments                                   | —                         | (22,320)                |
| Impairment losses on interests in associates                                          | (2,111,359)               | (73,303)                |
| Impairment loss on loan receivable                                                    | (6,388)                   | (7,294)                 |
| Gain on disposal of partial interest in an associate                                  | —                         | 812                     |
| Net gain on deemed disposal of partial interests in associates                        | 3,359                     | —                       |
| Net foreign exchange loss                                                             | (8,359)                   | (1,784)                 |
| Gain on disposal of an available-for-sale investment                                  | 285                       | —                       |
| Loss on deemed disposal of an available-for-sale investment                           | <u>(38,971)</u>           | <u>—</u>                |
|                                                                                       | <u><b>(2,387,295)</b></u> | <u><b>(377,396)</b></u> |

*Note:* Net realised loss of HK\$18,991,000 (2012: HK\$43,174,000) on disposal of investments held for trading are included in fair value change of investments held for trading.

#### 5. FINANCE COSTS

|                                                            | 2013<br>HK\$'000    | 2012<br>HK\$'000     |
|------------------------------------------------------------|---------------------|----------------------|
| Interest on borrowings wholly repayable within five years: |                     |                      |
| Bank borrowing                                             | 6,195               | 10,089               |
| Securities margin financing                                | <u>—</u>            | <u>13,006</u>        |
|                                                            | <u><b>6,195</b></u> | <u><b>23,095</b></u> |



## 6. LOSS BEFORE TAXATION

|                                                                                                                                                                                 | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Loss before taxation has been arrived at after charging (crediting):                                                                                                            |                  |                  |
| Staff costs, including directors' emoluments                                                                                                                                    |                  |                  |
| — salaries and allowances                                                                                                                                                       | 17,262           | 16,840           |
| — equity-settled share option expenses (included in administrative expenses)                                                                                                    | 13,071           | 26,668           |
| — staff quarters                                                                                                                                                                | 869              | 822              |
| — retirement benefits schemes contributions                                                                                                                                     | 407              | 251              |
|                                                                                                                                                                                 | <u>31,609</u>    | <u>44,581</u>    |
| Total staff costs                                                                                                                                                               | 31,609           | 44,581           |
| Auditor's remuneration                                                                                                                                                          | 830              | 750              |
| Cost of goods recognised as an expense including a reversal of allowance for inventories of HK\$5,867,000 (2012: allowance for inventories of HK\$27,812,000) ( <i>Note a</i> ) | 979,551          | 944,851          |
| Depreciation of property, plant and equipment                                                                                                                                   | 701              | 687              |
| (Reversal of allowance) allowance for trade receivable ( <i>Note b</i> )                                                                                                        | <u>(3,317)</u>   | <u>3,317</u>     |

*Notes:*

- (a) Excess inventory provision was reversed when the relevant inventories were sold.
- (b) Allowance recognised on trade receivables was reversed when the relevant amounts were settled.

## 7. INCOME TAX EXPENSE

|                                       | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| Current tax                           |                  |                  |
| Hong Kong Profits Tax                 | (106)            | 144              |
| PRC Enterprise Income Tax             | 1,508            | 2,490            |
|                                       | <u>1,402</u>     | <u>2,634</u>     |
| Under(over)provision in prior periods | 1,253            | (744)            |
|                                       | <u>2,655</u>     | <u>1,890</u>     |
| Total income tax expense              | 2,655            | 1,890            |

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

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

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

|                                                                               | <b>2013</b><br><b>HK\$'000</b> | 2012<br>HK\$'000<br>(restated) |
|-------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| Loss before taxation                                                          | <u><b>(2,077,032)</b></u>      | <u><b>(241,077)</b></u>        |
| Tax at Hong Kong profits tax rate of 16.5%                                    | <b>(342,710)</b>               | (39,778)                       |
| Tax effect of expenses not deductible for tax purpose                         | <b>398,142</b>                 | 72,236                         |
| Tax effect of income not taxable for tax purpose                              | <b>(2,977)</b>                 | (2,106)                        |
| Tax effect of tax losses not recognised                                       | <b>6,160</b>                   | 7,276                          |
| Tax effect of share of results of associates                                  | <b>(57,280)</b>                | (36,101)                       |
| Under(over)provision in prior periods                                         | <b>1,253</b>                   | (744)                          |
| Effect of different tax rate of subsidiaries operating in other jurisdictions | <b>361</b>                     | 1,107                          |
| Others                                                                        | <u><b>(294)</b></u>            | <u>—</u>                       |
| Tax charge for the year in respect of Hong Kong and the PRC                   | <u><b>2,655</b></u>            | <u><b>1,890</b></u>            |

At 30 June 2013, the Group had unused tax losses of HK\$117,363,000 (2012: HK\$80,030,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

## 8. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil) as the Company has negative distributable reserve.

## 9. LOSS PER SHARE

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

### Loss per share

The calculation of basic and diluted loss per share is based on the loss for the year ended 30 June 2013 attributable to owners of the Company of HK\$2,079,687,000 (2012: loss for the year HK\$242,967,000 (restated)) and weighted average number of 6,811,995,682 (2012: 6,849,283,278) ordinary shares in issue during the year.

### Number of shares

|                                                                                                        | <b>2013</b>                 | 2012                        |
|--------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share | <u><b>6,811,995,682</b></u> | <u><b>6,849,283,278</b></u> |

For the years ended 30 June 2013 and 2012, the calculation of the diluted loss per share did not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

## 10. INTERESTS IN ASSOCIATES

|                                                                                             | <b>30.6.2013</b><br><b>HK\$'000</b> | 30.6.2012<br><i>HK\$'000</i><br>(restated) |
|---------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------------|
| Cost of investments in associates                                                           |                                     |                                            |
| Listed in Australia                                                                         | <b>2,223,339</b>                    | 2,223,339                                  |
| Unlisted                                                                                    | <b>50,687</b>                       | 22,716                                     |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | <b>1,212,127</b>                    | 1,286,770                                  |
| Impairment losses recognised                                                                | <u><b>(2,184,662)</b></u>           | <u>(73,303)</u>                            |
|                                                                                             | <u><b>1,301,491</b></u>             | <u>3,459,522</u>                           |
| Fair value of listed investments                                                            | <u><b>1,237,392</b></u>             | <u>2,439,826</u>                           |

Details of the Group's associates at 30 June 2013 and 2012 are as follows:

| Name of entity            | Listed/unlisted | Place of incorporation/<br>establishment and operation | Class of shares held | Proportion of ownership interest and voting power held |        | Principal activities                                                                                                                                                                                                                                                                                   |
|---------------------------|-----------------|--------------------------------------------------------|----------------------|--------------------------------------------------------|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                           |                 |                                                        |                      | 2013                                                   | 2012   |                                                                                                                                                                                                                                                                                                        |
| 平港 (上海) 貿易有限公司            | Unlisted        | The PRC                                                | N/A                  | <b>40%</b>                                             | 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 | Listed          | Australia                                              | Ordinary             | <b>26.61%</b>                                          | 26.74% | Mining of hematite deposits at Talling Peak and Koolan Island; development of hematite mining operations at Extension Hill; and exploration of hematite deposits in Western Australia.                                                                                                                 |
| Metals X Limited          | Listed          | Australia                                              | Ordinary             | <b>24.07%</b>                                          | 30.20% | Exploration for and the mining, treatment and marketing of tin concentrate and nickel in Australia; exploration for phosphate in Australia; the development and construction of tin mine projects and exploration for precious and base metals.                                                        |
| Alufer Mining Limited     | Unlisted        | Bailiwick of Guernsey                                  | Ordinary             | <b>26.17%</b>                                          | —      | Mineral exploration and development of bauxite in the Republic of Guinea.                                                                                                                                                                                                                              |

## 11. TRADE AND OTHER RECEIVABLES AND LOAN RECEIVABLE

|                                | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|--------------------------------|------------------|------------------|
| Trade receivables              | 4,919            | 130,502          |
| Loan receivable                | 28,614           | 35,002           |
| Other deposits and prepayment  | <u>22,259</u>    | <u>17,733</u>    |
|                                | <u>55,792</u>    | <u>183,237</u>   |
| Presented as non-current asset | 28,614           | —                |
| Presented as current assets    | <u>27,178</u>    | <u>183,237</u>   |
|                                | <u>55,792</u>    | <u>183,237</u>   |

The Group allows an average credit period of 90 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition dates:

|                | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|----------------|------------------|------------------|
| 0 to 90 days   | 4,919            | 125,649          |
| 91 to 180 days | —                | —                |
| Over 180 days  | <u>—</u>         | <u>4,853</u>     |
|                | <u>4,919</u>     | <u>130,502</u>   |

## 12. INVESTMENTS HELD FOR TRADING

|                                                            | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|------------------------------------------------------------|------------------|------------------|
| Listed securities:                                         |                  |                  |
| — Equity securities listed in Hong Kong                    | —                | 871              |
| — Equity securities listed in the United Kingdom           | 44,233           | 19,269           |
| — Equity securities listed in the United States of America | 1,622            | 2,882            |
| — Equity securities listed in Australia                    | 152,797          | 321,504          |
| — Equity securities listed in Canada                       | <u>34,439</u>    | <u>66,085</u>    |
|                                                            | <u>233,091</u>   | <u>410,611</u>   |

### 13. SHARE CAPITAL

#### Authorised and issued share capital

|                                  | 2013                  |                    | 2012                  |                    |
|----------------------------------|-----------------------|--------------------|-----------------------|--------------------|
|                                  | Number of<br>shares   | Amount<br>HK\$'000 | Number of<br>shares   | Amount<br>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         | 6,813,047,990         | 681,305            | 6,863,287,990         | 686,329            |
| Shares repurchased and cancelled | <u>(1,120,000)</u>    | <u>(112)</u>       | <u>(50,240,000)</u>   | <u>(5,024)</u>     |
| At end of the year               | <u>6,811,927,990</u>  | <u>681,193</u>     | <u>6,813,047,990</u>  | <u>681,305</u>     |

### 14. TRADE AND OTHER PAYABLES

|                | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|----------------|------------------|------------------|
| Trade payables | 20,407           | 112,485          |
| Other payables | <u>4,974</u>     | <u>3,087</u>     |
|                | <u>25,381</u>    | <u>115,572</u>   |

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

|              | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|--------------|------------------|------------------|
| 0 to 90 days | <u>20,407</u>    | <u>112,485</u>   |

## **DIVIDEND**

Given the Company has negative distributable reserve, the Board does not recommend the payment of a dividend for the year ended 30 June 2013 (2012: Nil).

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities on The Stock Exchange of Hong Kong Limited.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Practices**

The Company has adopted the Code on Corporate Governance Practices (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules which sets out the principles of good corporate governance. During the year ended 30 June 2013, the Company has fully complied with the code provisions of the CG Code.

### **Investor Relations**

For the year ended 30 June 2013, Ms. Chong Sok Un, Chairman of the Board and member of the remuneration committee chaired the annual general meeting of the Company on 5 December 2012 (the “**2012 AGM**”). Ms. Chong together with other members of the remuneration committee, namely Dr. Wong Wing Kuen, Albert, Mr. Chang Chu Fai, Johnson Francis and Mr. Robert Moyse Willcocks who also attended the 2012 AGM were available to answer questions thereat.

## **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, the Company confirmed that all Directors had complied with the required standards set out in the Model Code during the year ended 30 June 2013.

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

The Group's final results for the year ended 30 June 2013 have been reviewed by the audit committee of the Company.

## **EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT**

The following is an extract from the Independent Auditor's Report:

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **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 2013 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 2013. 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**  
**Chong Sok Un**  
*Chairman*

Hong Kong, 25 September 2013

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

#### *Executive Directors*

Ms. Chong Sok Un (*Chairman*), Mr. Andrew Ferguson (*Chief Executive Officer*) and Mr. Kong Muk Yin

#### *Non-Executive Directors*

Mr. Lee Seng Hui, Mr. So Kwok Hoo and Mr. Peter Anthony Curry

#### *Independent Non-Executive Directors*

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

\* *For identification purpose only*