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APAC RESOURCES LIMITED

亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

PROPOSED REDUCTION OF SHARE PREMIUM

The Board proposes to put forward to the Shareholders a proposal of the Reduction of Share Premium pursuant to the laws of Bermuda and the Bye-laws. The Board considers that the proposed Reduction of Share Premium will give the Company more flexibility in the use of the Company's funds such as for the payment of dividends to Shareholders as and when the Board considers appropriate.

A circular containing, *inter alia*, further details of the Reduction of Share Premium together with the notice of the AGM, will be despatched to the Shareholders as soon as practicable.

THE REDUCTION OF SHARE PREMIUM

The Board proposes to put forward to the Shareholders a proposal to reduce the Share Premium Account of the Company by an amount of HK\$2,500,000,000 and to transfer such amount to the contributed surplus account of the Company where it may be utilised as the Board considers appropriate (including to set-off the accumulated losses of the Company, which amounted to approximately HK\$863,117,000 as at 30 June 2014) in accordance with the Bye-laws and all applicable laws. The proposed Reduction of Share Premium is to be effected in compliance with all applicable laws and regulations as well as the constitutional documents of the Company.

Reasons for Reduction of Share Premium

According to section 40(2) of the Act, the Share Premium Account may be applied for limited purposes without constituting a reduction of share capital of the Company, for instance, in paying up unissued Shares to be issued to the Shareholders as fully-paid bonus Shares or in writing off expenses of an issue of Shares. Whereas the contributed surplus account of the Company is a distributable reserve

which may be applied by the Company in a more general manner as the Board may think fit, including but not limited to the payment of dividends to Shareholders and elimination of accumulated losses in accordance with the Act and the Bye-laws.

The transfer of an amount to the contributed surplus account of the Company will give the Company more flexibility in the use of the Company's funds such as for the payment of dividends to Shareholders as and when the Board considers appropriate.

Conditions of the Reduction of Share Premium

The proposed Reduction of Share Premium is conditional upon:

- (1) the publication of a notice in Bermuda in accordance with the provisions of the Act for the Reduction of Share Premium on a date not more than 30 days and not less than 15 days before the date on which the Reduction of Share Premium is to have effect;
- (2) on the date the Reduction of Share Premium is to be effected, there being no reasonable grounds for believing that the Company is, or after such reduction would be, unable to pay its liabilities as they become due; and
- (3) the passing of a special resolution by the Shareholders at the AGM approving the Reduction of Share Premium.

Subject to all conditions being fulfilled, the Reduction of Share Premium will take effect on the date of the AGM approving the relevant resolution.

Effect of the Reduction of Share Premium

The implementation of the Reduction of Share Premium does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or the trading arrangements concerning the Shares. The implementation of the Reduction of Share Premium will not affect the underlying assets, business operations, management or financial position of the Group or the proportionate interests of the Shareholders, other than related expenses to be incurred which are immaterial. Save for the aforesaid expenses, the Directors consider that the Reduction of Share Premium will not cause any loss in the Shareholders' funds and will not have a material adverse effect on the financial position of the Group.

In view of the current financial position of the Group, the Directors consider that the Reduction of Share Premium is beneficial to the Company and its Shareholders as a whole.

GENERAL

A circular containing, *inter alia*, further information on the Reduction of Share Premium together with a notice to convene the AGM will be despatched by the Company to the Shareholders as soon as practicable.

DEFINITIONS

“Act”	the Companies Act 1981 of Bermuda
“AGM”	the annual general meeting of the Company to be convened and held at Lower Lobby, Plaza 3, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Wednesday, 3 December 2014 at 2:30 p.m.
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“Company”	APAC Resources Limited, a limited liability company incorporated in Bermuda, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1104)
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Reduction of Share Premium”	the proposed reduction of an amount of HK\$2,500,000,000 standing to the credit of the Share Premium Account and the transfer of such amount to the contributed surplus account of the Company as at the date of passing of the relevant resolution at the AGM
“Share Premium Account”	the share premium account of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	the holder(s) of Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
APAC Resources Limited
Chong Sok Un
Chairman

Hong Kong, 30 October 2014

As at the date of this announcement, the Directors 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. Peter Anthony Curry as his alternate*) and Mr. So Kwok Hoo

Independent Non-Executive Directors

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

* *for identification purposes only*