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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser immediately.

If you have sold or transferred all your securities in APAC Resources Limited, you should at once hand this circular, together with the accompanying election form, to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Executive Directors:

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

Non-Executive Directors:

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

Independent Non-Executive Directors:

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

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31 October 2018

To the shareholders of APAC Resources Limited

Dear Sir or Madam,

**SCRIP DIVIDEND SCHEME
IN RELATION TO THE INTERIM DIVIDEND
FOR THE YEAR ENDED 30 JUNE 2018**

* For identification purpose only

INTRODUCTION

On 21 September 2018, the board (the “**Board**”) of directors of APAC Resources Limited (the “**Company**”) declared an interim dividend (in lieu of a final dividend) for the year ended 30 June 2018 (the “**Interim Dividend**”) of HK6 cents per share of the Company (the “**Share(s)**”), with an option to receive the Interim Dividend wholly or partly in the form of new fully paid shares in lieu of cash (“**Scrip Dividend Scheme**”), payable to the shareholders of the Company (the “**Shareholder(s)**”) whose names appear on the register of members of the Company on Friday, 12 October 2018 (the “**Record Date**”).

For determining the entitlement to the Interim Dividend, the register of members of the Company was closed from Wednesday, 10 October 2018 to Friday, 12 October 2018, both days inclusive, during which period no transfer of Shares was effected. In order for a Shareholder to qualify for the Interim Dividend, all transfers of share ownership, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong not later than 4:30 p.m. on Tuesday, 9 October 2018.

The purpose of this circular is to set out the procedures and conditions which apply in relation to the Scrip Dividend Scheme and the action which should be taken by the eligible Shareholders if they wish to participate in the Scrip Dividend Scheme.

DETAILS OF THE SCRIP DIVIDEND SCHEME

Eligible Shareholders may elect to receive the Interim Dividend in one of the following forms:

- (a) a cash dividend of HK6 cents per Share; or
- (b) an allotment and issue of such number of new Share(s) credited as fully paid under the Scrip Dividend Scheme (the “**Scrip Share(s)**”) having an aggregate market value (as determined below), save for adjustment for fractions, equal to the total amount of the Interim Dividend which such Shareholder would otherwise be entitled to receive in cash; or
- (c) partly by payment in cash and partly by allotment and issue of Scrip Shares.

For the purpose of calculating the number of the Scrip Shares to be allotted and issued pursuant to the Scrip Dividend Scheme, the market value of the Scrip Shares has been fixed at HK\$1.1343 per Share (the “**Market Value**”), which is 95% of the average closing price per Share as quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the five consecutive trading days up to and including the Record Date, rounding down to four decimal places. Accordingly, the number of Scrip Shares which the Shareholders will receive in respect of

the Shares registered in their names as at the Record Date under the Scrip Dividend Scheme will be calculated as follows:

$$\begin{array}{rcccl} \text{Number of Scrip} & & \text{Number of registered Shares held} & & \text{HK\$0.06} \\ \text{Shares to be} & = & \text{on the Record Date and elected for} & \times & \text{(Interim Dividend per Share)} \\ \text{received} & & \text{Scrip Shares} & & \text{HK\$1.1343} \\ & & & & \text{(Market Value per Scrip Share)} \end{array}$$

The number of Scrip Shares to be allotted to each eligible Shareholder will be rounded down to the nearest whole number. No cash in lieu of fractional entitlements to Scrip Shares will be paid to the Shareholders as the Company considers that it is not cost effective to do so after taking into account the amounts of fractional entitlements in cash and the administrative expenses that will be incurred. As such, fractional entitlements to the Scrip Shares in respect of alternatives (b) and (c) above will not be allotted and issued and benefit thereof will accrue to the Company. The Scrip Shares to be issued will rank *pari passu* in all respects with the existing issued Shares, and will rank in full for all future dividends and distributions which may be declared, made or paid (except for the Interim Dividend).

EFFECT OF THE SCRIP DIVIDEND SCHEME

As at the Record Date, there were 795,277,315 Shares in issue. If all the eligible Shareholders elect to receive their entitlements to the Interim Dividend wholly in the form of Scrip Shares in lieu of cash and based on the Market Value, a maximum of 42,067,035 Scrip Shares will be issued by the Company pursuant the Scrip Dividend Scheme. If all the eligible Shareholders elect to receive the Interim Dividend in cash, the total cash dividend payable by the Company would be approximately HK\$47,717,000.

Shareholders should note that the Scrip Shares to be issued under the Scrip Dividend Scheme may give rise to disclosure requirements under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Shareholders who are in any doubt as to how these provisions may affect them as a result of the Scrip Shares are recommended to seek their own professional advice.

Shareholders who are in any doubt as to their taxation position are also recommended to seek their own professional advice.

ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme will give Shareholders an opportunity to increase their investment in the Company at the Market Value without incurring brokerage fees, stamp duty and related dealing costs. The Scrip Dividend Scheme will also benefit the Company to the extent that such cash which would otherwise have been paid to Shareholders who elect to receive the Scrip Shares, in whole or in part in lieu of a cash dividend, will be retained for use as working capital by the Company.

ELECTION FORM

A form of election (the “**Election Form**”) in relation to the Scrip Dividend Scheme for eligible Shareholders to elect to receive their entitlements to the Interim Dividend wholly or partly in the form of Scrip Shares in lieu of cash is enclosed with this circular.

If you wish to receive your entitlements to the Interim Dividend wholly in cash, you need not take any action.

If you wish to receive your entitlements to the Interim Dividend wholly or partly in the form of Scrip Shares in lieu of cash, you should complete the enclosed Election Form in accordance with the instructions printed thereon, sign and return to the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 21 November 2018. Failure to complete and return the Election Form in accordance with the instructions printed thereon will result in the relevant Shareholder’s Interim Dividend being paid wholly in the form of cash. No acknowledgement of receipt of the Election Form will be issued. No elections in respect of the Interim Dividend may, after the relevant Election Forms are signed and returned to the Company’s branch share registrar in Hong Kong, be in any way withdrawn, revoked, superseded or altered. If you have signed the Election Form but do not specify the number of Shares in respect of which you elect to receive Scrip Shares, or if you elect to receive Scrip Shares in respect of a greater number of Shares than your registered holding on the Record Date, you will be deemed to have elected to receive Scrip Shares in respect of all the Shares registered under your name on the Record Date.

The closing time for returning the Election Form will be extended, as the case may be, in accordance with (a) or (b) below if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 21 November 2018, the closing time for returning the Election Form will be extended to 5:00 p.m. on the same business day; or
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:30 p.m. on Wednesday, 21 November 2018, the closing time for returning the Election Form will be extended to 4:30 p.m. on the next business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:30 p.m..

OVERSEAS SHAREHOLDERS

This circular will not be registered or filed under the securities laws or equivalent legislation of any jurisdiction. If you are resident outside Hong Kong, you should consult your professional advisers as to whether or not you are permitted to participate in the Scrip Dividend Scheme or whether any government or other consents are required or other formalities need to be observed. No Shareholders receiving a copy of this circular and/or an Election Form in any territory outside Hong

Kong may treat the same as an invitation to elect for Scrip Shares unless in the relevant territory such invitation could lawfully be made to them without the Company having to comply with any registration or other legal requirements, governmental or regulatory procedures or any other similar formalities. Shareholders residing in a jurisdiction where it would be illegal for the Company to make such an invitation will be deemed to have received this circular for information only.

As at the Record Date, there were five Shareholders with registered addresses outside Hong Kong (the “**Overseas Shareholders**”), namely, one in Australia, two in Germany, one in Switzerland and one in the United Kingdom. The Company has made enquiry in respect of the legal restrictions under the laws of the relevant jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions for the Company to extend the Scrip Dividend Scheme to the Overseas Shareholders. Based on the advice of legal advisers where such Overseas Shareholders are based, the Overseas Shareholders are allowed to participate in the arrangements to receive the Interim Dividend in the form of Scrip Shares.

It is the responsibility of any Overseas Shareholder who wishes to receive Scrip Shares under the Scrip Dividend Scheme to comply with the laws of the relevant jurisdictions including procedures or any other similar formalities. Persons who will receive Scrip Shares in lieu of the cash dividend must also comply with any restrictions on the resale of the Shares which may apply outside Hong Kong.

This circular and the Election Form do not constitute or form part of an offer or solicitation of any offer to buy securities of the Company, and the Election Form is non-transferable.

LISTING AND DEALINGS

The Scrip Dividend Scheme is conditional upon listing approval being granted by the Stock Exchange in respect of the Scrip Shares to be issued pursuant thereto. Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Scrip Shares.

It is expected that the dividend warrants and/or share certificates for Scrip Shares will be sent to the Shareholders by ordinary post at the risk of those entitled thereto on or around Monday, 17 December 2018 and the dealings in the Scrip Shares are expected to commence on Tuesday, 18 December 2018. One share certificate will be issued for all the Scrip Shares a Shareholder is entitled to. In the unlikely event that the Scrip Shares are not admitted to listing by the Stock Exchange before 17 December 2018, the Election Form will be disregarded and the full cash dividend will be paid to the entitled Shareholders according to their registered shareholdings.

The Shares are only listed on the Stock Exchange. No part of the share capital of the Company is listed or dealt in on any other stock exchange and the Company is not currently seeking to list its Shares on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Scrip Shares to be allotted and issued pursuant to the Scrip Dividend Scheme on the Stock Exchange, such Scrip Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”). All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Dealings in the Shares may be settled through CCASS and you should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such settlement arrangements will affect your rights and interests.

RECOMMENDATION AND ADVICE

Whether or not it is to your advantage to receive cash or the Scrip Shares, in whole or in part, depends upon your own individual circumstances, and the decision in this regard and all effects resulting therefrom are the sole responsibility of each Shareholder. If you are in any doubt as to what to do, you should consult your professional advisers.

Shareholders who are trustees are recommended to take professional advice as to whether the choice of electing to receive Scrip Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

GENERAL

Scrip Shares to be issued to the eligible Shareholders pursuant to an election to receive the Interim Dividend wholly or partly in the form of Scrip Shares may be allocated in odd lots (of fewer than a board lot of 20,000 Shares). No special dealing arrangements will be put in place by the Company to facilitate the trading or disposal of the Scrip Shares to be issued in odd lots. Eligible Shareholders should be aware that odd lots are usually traded at a discount to the price of board lots.

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

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