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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 your 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 shares in APAC Resources Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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APAC RESOURCES

APAC RESOURCES LIMITED

亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTION

LOAN TRANSACTION AND NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on pages 5 to 13 of this circular. A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 29 of this circular.

A notice convening a Special General Meeting ("SGM") of APAC Resources Limited to be held at Plaza 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 9 July 2019 at 10:00 a.m. is set out on pages II-1 to II-2 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 373) and is a substantial shareholder of APL and the Company;
“Allied Properties Investments”	Allied Properties Investments (1) Company Limited, a controlling shareholder which holds 437,872,014 Shares, representing approximately 35.92% of the total issued share capital of the Company as at the Latest Practicable Date and is indirectly wholly-owned by APL;
“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 56), is a substantial shareholder of the Company;
“Annual Cap(s)”	annual aggregate maximum amounts for the principal loan outstanding and the interest due under the Loan Agreement as set out in the section headed “The proposed Annual Caps and basis for determination of the proposed Annual Caps” of this circular;
“Board”	the board of Directors;
“Borrower”	Best Advantage Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Guarantor, being the borrower under the Loan Agreement;
“China Elite Holdings Limited”	China Elite Holdings Limited, a controlling shareholder who holds 733,269,096 ordinary shares of the Guarantor, representing approximately 48.66% of the total number of issued shares of the Guarantor as at the Latest Practicable Date and is indirectly wholly-owned by APL;
“Company”	APAC Resources Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1104);

DEFINITIONS

“Director(s)”	the director(s) of the Company;
“Drawdown”	a drawdown of the Loan Facility under the Loan Agreement;
“Group”	the Company and its subsidiaries;
“Guarantor”	Tian An China Investments Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 28), and is the holding company of the Borrower, being the guarantor under the Loan Agreement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board, comprising all of the independent non-executive Directors excluding Mr. Chang Chu Fai, Johnson Francis (who is also an independent non-executive director of the Guarantor), formed to advise the Independent Shareholders with respect to the Loan Agreement, the Transaction and the proposed Annual Caps;
“Independent Financial Adviser”	Pelican Financial Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Loan Agreement, the Transaction and the proposed Annual Caps;
“Independent Shareholder(s)”	the holder(s) of the ordinary share(s) of the Company other than APL and its associates (including Allied Properties Investments) which are required to abstain from voting at the SGM;
“Interest Period”	one (1) month;
“Interest Rate”	5.5% per annum;

DEFINITIONS

“Latest Practicable Date”	17 June 2019, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein;
“Lender”	Ultra Effort Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, being the lender under the Loan Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Agreement”	the loan agreement entered into between the Lender as the lender, the Borrower as the borrower and the Guarantor as the guarantor dated 23 May 2019 relating to the Loan Facility;
“Loan Facility”	a revolving loan in the amount not exceeding HK\$235,000,000 (or an amount equivalent to HK\$235,000,000 in such alternative currency as acceptable to and agreed by the Lender) made available by the Lender to the Borrower on the terms and subject to the conditions set out in the Loan Agreement;
“PRC”	the People’s Republic of China, for the purpose of this circular only, excludes Taiwan, Hong Kong and Macau Special Administrative Region of the People’s Republic of China;
“Repayment Date”	twenty-four (24) months from the date of first Drawdown or such other date as agreed in writing between the Lender and the Borrower;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be held at Plaza 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 9 July 2019 at 10:00 a.m., or any adjournment thereof for the Independent Shareholders to consider and, if thought fit, approve the Loan Agreement, the Transaction and the proposed Annual Caps;

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transaction contemplated under the Loan Agreement; and
“%”	per cent.

In this circular, the terms “associate”, “connected person”, “controlling shareholder”, “percentage ratios” and “substantial shareholder” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

LETTER FROM THE BOARD



APAC RESOURCES

APAC RESOURCES LIMITED

亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

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

Mr. Wang Hongqian

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head office and

principal place of business:

Room 2304, 23rd Floor

Allied Kajima Building

138 Gloucester Road

Wanchai, Hong Kong

20 June 2019

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTION

LOAN TRANSACTION AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Company's announcement dated 23 May 2019. On 23 May 2019, the Lender (a wholly-owned subsidiary of the Company) as the lender entered into the Loan Agreement with the Borrower as the borrower and the Guarantor as the guarantor, pursuant to which, the Lender agreed to, among other things, make available to the Borrower the Loan Facility on the terms and subject to the conditions therein. The Company will convene a SGM to seek approval from the Independent Shareholders in respect of the Loan Agreement, the Transaction and the proposed Annual Caps.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Loan Agreement, the Transaction and the proposed Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM.

THE PRINCIPAL TERMS OF THE LOAN AGREEMENT

The principal terms of the Loan Agreement are set out as below:

Date:	23 May 2019
Parties:	(1) the Lender as the lender under the Loan Agreement; (2) the Borrower as the borrower under the Loan Agreement; and (3) the Guarantor as the guarantor under the Loan Agreement.
Loan Facility:	A revolving loan in the amount not exceeding HK\$235,000,000 (or an amount equivalent to HK\$235,000,000 in such alternative currency as acceptable to and agreed by the Lender)
Availability Period:	The period commencing on the date of the Loan Agreement and ending on the date falling one (1) month prior to the Repayment Date
Condition Precedent:	The Loan Agreement is conditional upon, among others, the approval by the Independent Shareholders of the Loan Agreement and the Transaction and all other consents and acts required under the Listing Rules being obtained and completed
Repayment Date:	Twenty-four (24) months from the date of first Drawdown or such other date as agreed in writing between the Lender and the Borrower
Purpose:	The Loan Facility shall be applied and used by the Borrower for its general working capital
Interest Rate:	5.5% per annum
Interest Period:	One (1) month

LETTER FROM THE BOARD

Guarantee:	The Guarantor provided a guarantee and indemnity in favour of the Lender pursuant to the terms of the Loan Agreement to secure the payment of all sums outstanding under the Loan Agreement and the performance of the Borrower of all its obligations under the Loan Agreement
Default:	If the Borrower fails to pay any sum payable under the Loan Agreement when due, the Borrower shall pay interest on such sum from and including the due date to the date of actual payment at the rate of the Interest Rate plus 3% per annum

THE PROPOSED ANNUAL CAPS AND BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS

The following table sets out the maximum principal amount outstanding, the maximum interest amount and the proposed Annual Caps of the Loan Facility to be granted by the Lender to the Borrower under the Loan Agreement for each of the following periods:

	Financial year ending 30 June 2020 (Note 1) HK\$	Financial year ending 30 June 2021 HK\$	Financial year ending 30 June 2022 (Note 3) HK\$
Maximum principal amount outstanding	235,000,000	235,000,000	235,000,000
Maximum interest amount (Note 2)	14,900,000	14,900,000	1,300,000
Proposed Annual Caps	249,900,000	249,900,000	236,300,000

Notes:

1. The proposed Annual Cap for this period is calculated on the assumption that the expected date of first Drawdown upon fulfilment of the conditions precedent set forth in the Loan Agreement is 2 July 2019.
2. The maximum interest amount is adjusted upwards by approximately 15% as reasonable buffer taking into account of any currency appreciation in the event that the Loan Facility is drawn in an alternative currency.
3. Interest for an additional Interest Period is added to the proposed Annual Cap for this period for any potential delay of the said expected date of first Drawdown by up to one month.

The above proposed Annual Caps were determined with reference to, among others, the maximum principal amount outstanding under the Loan Facility to be granted by the Lender, the maximum interest amount payable under the Loan Agreement, based on the assumption that the Borrower will borrow the maximum principal in the amount of HK\$235,000,000 for each of the above periods respectively and the assumptions stated in the notes of the table immediately above.

LETTER FROM THE BOARD

Pursuant to the Loan Agreement, it is agreed that the Borrower shall pay interest on the aggregate principal amount outstanding under the Loan Facility from time to time at the Interest Rate and such interest shall be paid to the Lender on the last date of each Interest Period.

INTERNAL CONTROL MEASURES GOVERNING THE LOAN AGREEMENT

The major risk associated with the Loan Facility is the potential default of payment of the Borrower. To deal with such risk, the Group has adopted or will adopt the following internal control measures (the “**Internal Control Measures**”) to safeguard the interests of the Company and the Shareholders:

- (i) Reviewing the backgrounds and financial positions of the Borrower and the Guarantor in accordance with the credit policy of the Group;
- (ii) The designated staff of the accounting department of the Company will, on a weekly basis and before allowing drawdown by the Borrower each time, monitor and report the liquidity status of the Group to the financial controller of the Company. The financial controller of the Company will then assess the cash position of the Company before approving any drawdown under the Loan Facility and ensure that the Company has sufficient cash flow for its business operations after drawdown by the Borrower each time;
- (iii) The designated staff of accounting department of the Company will closely monitor the outstanding loan balances and report the latest status to the financial controller of the Company on a monthly basis to ensure that it does not exceed the stipulated Annual Caps (stated in the relevant circular of the Company);
- (iv) The financial controller of the Company will report to the senior management on a monthly basis and Directors (including the independent non-executive Directors) on half year basis in relation to the status of the Transaction, including outstanding loan balances, interests and any event of default;
- (v) The senior management of the Company will discuss with the independent non-executive Directors if there is any potential compliance issue during the performance of the Loan Agreement and where necessary, seek advice from professional parties such as legal advisers and/or auditors;
- (vi) The independent non-executive Directors will perform annual review pursuant to Rule 14A.55 of the Listing Rules on whether the transactions under the Loan Agreement are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Loan Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

LETTER FROM THE BOARD

- (vii) The Company's auditor will confirm pursuant to Rule 14A.56 of the Listing Rules, among others, whether (a) the transactions under the Loan Agreement have been approved by the Board; (b) the transactions were entered into, in all material respects, in accordance with the Loan Agreement governing the transactions; and (c) the proposed Annual Caps have not been exceeded.

ASSESSMENT OF CREDIT RISKS IN ASSOCIATION WITH THE LOAN AGREEMENT

In evaluating the risks associated with the Loan Agreement, the Directors have considered the following factors:

- (i) the net assets value of the Borrower after taking into account its principal investment, being a joint venture in the PRC, covers the Loan Facility;
- (ii) the Borrower and/or its holding company will have adequate source of funds for the repayment of the Loan Facility; and
- (iii) the Guarantor, the shares of which are listed on the main board of the Stock Exchange, has market capitalisation of approximately HK\$5.9 billion as at 23 May 2019, being the date of the Loan Agreement. As disclosed in its 2018 annual report, the Guarantor recorded profits for the year attributable to owners of the Guarantor of over HK\$1 billion in each of the last five years. As at 31 December 2018, it had total assets in excess of HK\$39 billion and equity attributable to owners of the Guarantor of approximately HK\$23.9 billion. Its net current asset and cash and cash equivalents at 31 December 2018 amounted to approximately HK\$4.6 billion and HK\$2.3 billion respectively.

As such, the Directors are of the view that the financial strength and performance of the Guarantor should be sufficient to cover potential default risk of the Borrower and securities are not required.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Transaction, which forms part of the Group's financial services activities, allows the Group to apply its funds in an effective manner with a view to obtain a higher return to the Group. The terms of the Loan Agreement, including the Interest Rate applicable, and the proposed Annual Caps, were arrived at after arm's length negotiations between the Lender and the Borrower having taken into account the current market norm in relation to similar transactions.

LETTER FROM THE BOARD

In view of the above and the Internal Control Measures, the Directors (excluding Mr. Lee Seng Hui (“**Mr. Lee**”) and Mr. Chang Chu Fai, Johnson Francis (“**Mr. Chang**”) who have abstained from voting at the relevant Board meeting and the members of the Independent Board Committee whose opinion is set out in the “Letter from the Independent Board Committee” in this circular) are of the view that:

- (i) the Group has established adequate and appropriate internal control procedures to review the continuing connected transaction, and such procedures can effectively ensure that the continuing connected transaction under the Loan Agreement will be conducted on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole; and
- (ii) the terms of the Loan Agreement are on normal commercial terms and the terms of the Transaction (including the proposed Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE COMPANY, THE GROUP, THE LENDER, THE BORROWER AND THE GUARANTOR

The Company and the Group

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange.

The Group is an established investment fund and commodity trading house which owns strategic interests in natural resource companies with the main business lines comprising of primary strategic investment, resource investment, and commodity trading business, focused primarily on metals, mining and energy and investment in financial assets.

The Lender

The Lender is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. The principal business activity of the Lender is principal investments and financial services.

The Borrower

The Borrower is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Guarantor. The principal business activity of the Borrower is investment holding.

LETTER FROM THE BOARD

The Guarantor

The Guarantor is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange. The principal business activity of the Guarantor is investment holding. The Guarantor and its subsidiaries are principally engaged in the development of apartments, villas, office buildings and commercial properties, property investment and property management on the mainland in the PRC, as well as property investment and property management in Hong Kong. The Guarantor is owned as to approximately 48.66% by China Elite Holdings Limited, being an indirect wholly-owned subsidiary of APL.

LISTING RULES IMPLICATIONS

As the Lender is a wholly-owned subsidiary of the Company, the Transaction entered into by the Lender shall be a deemed transaction of the Company under the Listing Rules as the definition of “listed issuer” under Chapter 14 of the Listing Rules shall include the listed issuer’s subsidiaries. The Transaction constitutes a discloseable transaction for the Company on the basis that the relevant percentage ratio(s) of the Company exceeds 5% but is below 25%.

As at the Latest Practicable Date, the Company is owned as to approximately 35.92% by Allied Properties Investments, being an indirect wholly-owned subsidiary of APL, a controlling shareholder of the Company and hence a connected person of the Company. APL also indirectly holds approximately 48.66% of the total number of issued shares of the Guarantor and the Borrower is a wholly-owned subsidiary of the Guarantor. Hence, the Borrower is an associate of APL under Rule 14A.13(3) of the Listing Rules and a connected person of the Company. As a result, the Transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules, and accordingly, is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

APL and its associates (including Allied Properties Investments) have a material interest in the Transaction and accordingly they shall abstain from voting at the SGM on the resolution to approve the Loan Agreement, the Transaction and the proposed Annual Caps.

DIRECTORS’ INTERESTS IN THE TRANSACTION

Mr. Lee, being a non-executive Director, is also the chief executive and an executive director of each of AGL and APL, and the chairman and a non-executive director of the Guarantor. Mr. Lee is one of the trustees of Lee and Lee Trust, being a discretionary trust which together with Mr. Lee’s personal interest, controls approximately 74.95% interest in the total number of issued shares of AGL, which is directly and indirectly interested in an aggregate of approximately 74.99% of the total number of issued shares of APL. APL is indirectly interested in approximately 35.92% of the total issued share capital of the Company and approximately 48.66% of the total number of issued shares of the Guarantor and the Borrower is a wholly-owned subsidiary of the Guarantor. Accordingly, Mr. Lee is deemed to be interested in the Transaction and therefore has abstained from voting at the relevant Board meeting for approving, among others, the Transaction.

LETTER FROM THE BOARD

Mr. Chang, being an independent non-executive Director, is also an independent non-executive director of the Guarantor, has abstained from voting at the relevant Board meeting for approving, among others, the Transaction to avoid any potential conflicts of interest.

Save as disclosed above, none of the Directors has abstained (or is required to abstain) from voting on the Board resolution for considering and approving the Loan Agreement, the Transaction and the proposed Annual Caps.

SGM

The Directors have resolved to convene the SGM to consider and, if thought fit, to approve the Loan Agreement, the Transaction and the proposed Annual Caps.

As at the Latest Practicable Date, APL held 437,872,014 Shares, representing approximately 35.92% of the total issued share capital of the Company. Accordingly, APL and its associates (including Allied Properties Investments, an indirectly wholly-owned subsidiary of APL) will abstain from voting on the resolution to be proposed at the SGM. To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save as and except for APL and its associates (including Allied Properties Investments), no other Shareholder has a material interest in the Transaction such that he or she or it shall abstain from voting at the SGM on the resolution to approve the Loan Agreement, the Transaction and the proposed Annual Caps.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, there was (i) no voting trust or other agreement or arrangement or understanding entered into or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

The notice of SGM is set out on pages II-1 to II-2 of this circular. A proxy form for use at the SGM is enclosed herewith. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form or proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll (except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands). Accordingly, the resolution to be proposed at the SGM as set out in notice of the SGM shall be voted by poll.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Loan Agreement and the Transaction, including the proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

The letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 29 of this circular and the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 14 to 15 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the opinion that (i) the terms of the Loan Agreement and the Transaction, including the proposed Annual Caps are fair and reasonable; and (ii) the Transaction is on normal commercial terms, in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Loan Agreement, the Transaction and the proposed Annual Caps.

The Board (excluding Mr. Lee and Mr. Chang who have abstained from voting at the relevant Board meeting and the members of the Independent Board Committee whose opinion is set out in the “Letter from the Independent Board Committee” in this circular) considers that the terms of the Loan Agreement and the Transaction (including the proposed Annual Caps) are on normal commercial terms and fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Loan Agreement, the Transaction and the proposed Annual Caps.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
APAC Resources Limited
Andrew Ferguson
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Loan Agreement, the Transaction and the proposed Annual Caps:



APAC RESOURCES LIMITED

亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

20 June 2019

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTION

LOAN TRANSACTION

We refer to the circular dated 20 June 2019 issued by the Company (the “**Circular**”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Loan Agreement, the Transaction and the proposed Annual Caps and to advise the Independent Shareholders as to the fairness and reasonableness of the aforesaid matters, and to recommend how the Independent Shareholders should vote at the SGM. Pelican Financial Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 13 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Loan Agreement, the Transaction and the proposed Annual Caps, as set out on pages 16 to 29 of the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account of the advice and recommendation of the Independent Financial Adviser, we consider that the Loan Agreement is on normal commercial terms, and that the Transaction together with the proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the best interests of the Company and the Shareholders as a whole, and the Transaction is in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Loan Agreement, the Transaction and the proposed Annual Caps.

Yours faithfully,
For and on behalf of

**Independent Board Committee of
APAC Resources Limited**

Wong Wing Kuen, Albert

Robert Moyse Willcocks
Independent Non-Executive Directors

Wang Hongqian

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Pelican Financial Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement, the Transaction and the proposed Annual Caps for the purpose of inclusion in this circular.



PELICAN FINANCIAL LIMITED

15/F, East Exchange Tower, 38-40 Leighton Road, Causeway Bay, Hong Kong

20 June 2019

*To the Independent Board Committee and the Independent Shareholders of
APAC Resources Limited*

Dear Sirs,

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTION

LOAN TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement, the Transaction and the proposed Annual Caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 20 June 2019 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 23 May 2019, the Lender (a wholly-owned subsidiary of the Company) as lender entered into the Loan Agreement with the Borrower as the borrower and the Guarantor as the guarantor, pursuant to which, the Lender agreed to, among other things, make available to the Borrower the Loan Facility, on the terms and subject to the conditions therein.

LISTING RULES IMPLICATIONS

As the Lender is a wholly-owned subsidiary of the Company, the Transaction entered into by the Lender shall be a deemed transaction of the Company under the Listing Rules as the definition of “listed issuer” under Chapter 14 of the Listing Rules shall include the listed issuer’s subsidiaries. The Transaction constitutes a discloseable transaction for the Company on the basis that the relevant percentage ratio(s) exceeds 5% but is below 25%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Board Letter, the Transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules, and accordingly, is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board currently comprises two executive Directors, three non-executive Directors and four independent non-executive Directors. The Independent Board Committee, comprising all the independent non-executive Directors – Dr. Wong Wing Kuen, Albert, Mr. Robert Moyse Willcocks and Mr. Wang Hongqian excluding Mr. Chang Chu Fai, Johnson Francis (who is also an independent non-executive director of the Guarantor and therefore has abstained from voting at the relevant Board meeting for approving, among others, the Transaction to avoid any potential conflicts of interest), has been formed to advise the Independent Shareholders regarding the Loan Agreement, the Transaction and the proposed Annual Caps. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Pelican Financial Limited is not connected with the Directors, chief executive or substantial shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the last two years, there was no engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as independent financial adviser, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Loan Agreement, the Transaction and the proposed Annual Caps are in the ordinary and usual course of business and on normal commercial terms or better; (ii) whether the terms of the Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the the Loan Agreement, the Transaction and the proposed Annual Caps at the SGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Loan Agreement, the computation of the proposed Annual Caps, the

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relevant announcement of the Company dated 23 May 2019, the annual report of the Company for the financial year ended 30 June 2018 (the “**Annual Report**”), and the Circular. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the terms of the Loan Agreement, the Transaction and the proposed Annual Caps, we have considered the following principal factors and reasons:

1. Background information of the Group, the Lender, the Borrower, the Guarantor and the reasons for and benefits of entering into the Transaction

(a) Background Information of the Group

The Company is incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange.

The Group is an established investment fund and commodity trading house which owns strategic interests in natural resource companies with its main businesses comprising of primary strategic investment, resources investment, commodity trading and investment in financial assets.

Set out below is a summary of the financial information of the Group for the two years ended 30 June 2018 as extracted from the Annual Report.

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	For the year ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Audited)	(Audited)
Revenue		
– Trading of commodities	123,531	97,112
– Interest income from loans receivable	26,329	3,364
– Interest income from convertible notes	5,519	–
– Interest income from loan notes	741	–
	<u>156,120</u>	<u>100,476</u>
Total	156,120	100,476
 (Cost of sales)	 (114,832)	 (94,944)
 Gross Profit	 41,288	 5,532
 Profit of the Year	 328,115	 548,595

According to the Annual Report, the revenue of the Group increased from HK\$100.5 million for the year ended 30 June 2017 to HK\$156.1 million for the year ended 30 June 2018, representing an increase of approximately 55.4%. The growth of the Group's revenue was mainly attributed to the increase in the revenue from trading commodities and interest income from loan receivable. On the other hand, the Group reported a net profit attributable to shareholders of the Company of HK\$328.1 million for the year ended 30 June 2018, compared to HK\$548.6 million for the year ended 30 June 2017, as the Group recorded certain one-off gains from its disposal of an associate and available-for-sale investments and adjustment to the carrying amount of certain loans receivable in 2017.

Looking forward, volatility in the commodity market is expected to remain. Factors affecting the performance of the equities in the Group's portfolio include commodity prices, interest rate movements, geo-political conditions and performance of the macro economy. To mitigate the associated risks, the Group will review its investment strategy regularly and react promptly and appropriately to changes in market condition. In addition, the Group has already developed new investment portfolios focusing on future mining and energy investments and will continue to seek new potential investment opportunities to diversify its investment portfolio, which will, in turn, maximise value for its shareholders.

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(b) *Background Information of the Lender, the Borrower and the Guarantor*

The Lender

The Lender is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. The principal business activity of the Lender is principal investments and financial services.

The Borrower

The Borrower is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Guarantor. The principal business activity of the Borrower is investment holding.

The Guarantor

The Guarantor is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange. The principle business activity of Guarantor is investment holding. The Guarantor and its subsidiaries are principally engaged in the development of apartments, villas, office buildings and commercial properties, property investment and property management on the mainland in the PRC, as well as property investment and property management in Hong Kong.

(c) *Assessment of credit risks in association with the Loan Agreement*

In evaluating the risks associated with the Loan Agreement, the Directors have considered the following factors:

- (i) the net assets value of the Borrower after taking into account its principal investment, being a joint venture in the PRC, covers the Loan Facility;
- (ii) the Borrower and/or its holding company will have adequate source of funds for the repayment of the Loan Facility; and

- (iii) the Guarantor, the shares of which are listed on the main board of the Stock Exchange, has market capitalisation of approximately HK\$5.9 billion as at 23 May 2019, being the date of the Loan Agreement. As disclosed in its 2018 annual report, the Guarantor recorded profits for the year attributable to owners of the Guarantor of over HK\$1 billion in each of the last five years. As at 31 December 2018, it had total assets in excess of HK\$39 billion and equity attributable to owners of the Guarantor of approximately HK\$23.9 billion. Its net current asset and cash and cash equivalents at 31 December 2018 amounted to approximately HK\$4.6 billion and HK\$2.3 billion respectively.

As such, we concur with the Directors that the financial strength and performance of the Guarantor should be sufficient to cover potential default risk of the Borrower and securities are not required.

(d) Reasons for and Benefits of Entering into the Transaction

With reference to the Board Letter, the Transaction, which forms part of the Group's financial services activities, allows the Group to apply its funds in an effective manner with a view to obtain a higher return for the Group. The terms of the Loan Agreement, including the applicable Interest Rate and the proposed Annual Caps, were arrived at after arm's length negotiations between the Lender and the Borrower having taken into account the current market norm in relation to similar transactions (Please refer to the section titled "Market Comparables and Terms of the Loan Agreement" below for details).

As discussed with the management, the Directors expects that the Group will continue to provide loans to the Borrower going forward as the revenue generated from the Loan Agreement can provide an additional and stable source of income for the Group. The Directors also believes that the demand for the Loan Facility from the Borrower represents an opportunity for the Group to expand its financial services business and achieve better economies of scale. The Loan Agreement can provide a framework to regulate the provision of Loan Facility by the Group to the Borrower for the three years ending 30 June 2022 in compliance with Rules 14A.34 and 14A.51 of the Listing Rules.

Having considered the above, we are of the view that the Group's entering into of the Loan Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

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2. Principal terms of the Loan Agreement

The principal terms of the Loan Agreement are set out as below:

Date:	23 May 2019
Parties:	(1) the Lender as the lender under the Loan Agreement; (2) the Borrower as the borrower under the Loan Agreement; and (3) the Guarantor as the guarantor under the Loan Agreement.
Loan Facility:	A revolving loan in the amount not exceeding HK\$235,000,000 (or an amount equivalent to HK\$235,000,000 in such alternative currency as acceptable to and agreed by the Lender)
Availability Period:	The period commencing on the date of the Loan Agreement and ending on the date falling one (1) month prior to the Repayment Date
Condition Precedent:	The Loan Agreement and the Transaction are conditional upon, among others, the approval by the Independent Shareholders and all other consents and acts required under the Listing Rules being obtained and complete
Repayment Date:	Twenty-four (24) months from the date of first Drawdown or such other date as agreed in writing between the Lender and the Borrower
Purpose:	The Loan Facility shall be applied and used by the Borrower for its general working capital
Interest Rate:	5.5% per annum
Interest Period:	One (1) month
Guarantee:	The Guarantor provided a guarantee and indemnity in favour of the Lender pursuant to the terms of the Loan Agreement to secure the payment of all sums outstanding under the Loan Agreement and the performance of the Borrower of all its obligations under the Loan Agreement
Default:	If the Borrower fails to pay any sum payable under the Loan Agreement when due, the Borrower shall pay interest on such sum from and including the due date to the date of actual payment at the rate of the Interest Rate plus 3% per annum

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(a) *Market Comparables and Terms of the Loan Agreement*

In assessing the fairness and reasonableness of the terms of the Loan Agreement, in view that the Loan Facility is provided by the Group to its connected person, we have reviewed similar transactions involving the provision of loan to a connected person with a fixed interest rate by companies listed on the Stock Exchange the past twelve months immediately preceding and up to the Latest Practicable Date. To the best of our knowledge, we found twenty-six transactions (the “**Market Comparables**”) which meet the said criteria and such list is exhaustive as far as we are aware. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as those of the Market Comparables. However, we consider that the loan agreements of the Market Comparables were determined under similar market conditions and sentiment and hence reflect the general market trend of provision of loan in the open market. Therefore, we are of the view that the Market Comparables provide a general reference in assessing the fairness and reasonableness of the terms of the Loan Facility.

Date of Announcement	Stock Code	Company Name	Collateral/ Guarantee (Y/N)	Term (years)	Interest rate per annum
9-May-19	380	Softpower International Limited	Y	3	10.5
29-Apr-19	8083	China Youzan Limited	N	2.67	7.125
17-Apr-19	223	Elife Holdings Limited	N	3	5.125
21-Mar-19	250	Sino-i Technology Limited	Y	2	8
30-Jan-19	2357	AviChina Industry & Technology Company Limited	N	1	7
3-Jan-19	2000	Sim Technology Group Limited	N	1	4.35
31-Dec-18	1285	Jiashili Group Limited	N	1	6
28-Dec-18	106	Landsea Green Group Co., Ltd.	N	3	4.35
28-Dec-18	106	Landsea Green Group Co., Ltd.	N	3	4.35
28-Dec-18	2314	Lee & Man Paper Manufacturing Limited	N	2	3.8
28-Dec-18	848	Maoye International Holdings Limited	Y	1	10.5
14-Dec-18	268	Kingdee International Software Group Company Limited	N	3	5
12-Dec-18	2608	Sunshine 100 China Holdings Ltd	N	1	12
9-Nov-18	966	China Taiping Insurance Holdings Company Limited	N	5	5.2
9-Nov-18	966	China Taiping Insurance Holdings Company Limited	N	5	5.3
9-Nov-18	966	China Taiping Insurance Holdings Company Limited	N	5	5.3
9-Nov-18	966	China Taiping Insurance Holdings Company Limited	N	5	5.3

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Date of Announcement	Stock Code	Company Name	Collateral/ Guarantee (Y/N)	Term (years)	Interest rate per annum
19-Oct-18	2357	AviChina Industry & Technology Company Limited	N	1	6
19-Sep-18	1884	eprint Group Limited	N	1	10
17-Sep-18	196	Honghua Group Limited	Y	1	4.35
1-Aug-18	560	Chu Kong Shipping Enterprises (Group) Co., Ltd.	N	1	3
24-Jul-18	1035	BBI Life Sciences Corporation	Y	3	4.75
21-Jun-18	1039	Fortunet E-Commerce Group Limited	N	1	6.5
15-Jun-18	950	Lee's Pharmaceutical Holdings Limited	N	1	4
13-Jun-18	1281	Longitech Smart Energy Holding Limited	Y	1	9
12-Jun-18	572	Future World Financial Holdings Limited	Y	2	8
			Maximum	5	12.0
			Minimum	1	3.0
			Median	2	5.3
			Average	2.26	6.3

Interest Rate

As illustrated by the above table, the interest rate of the Market Comparables ranges from 3.0% to 12.0%, with an average of approximately 6.3% and a median of approximately 5.3%. The comparison shows that the Interest Rate of 5.5% falls within the range of interest rate of the Market Comparables and is in line with their median interest rate. We are also of the view that the slight discrepancy between the Interest Rate of 5.5% and the average interest rate of the Market Comparables of 6.3% to be reasonable, as more than half of the Market Comparables have an interest rate below 5.5%, suggesting that the Interest Rate is in line with the market rates. Accordingly, we consider the Interest Rate of the Loan Agreement fair and reasonable.

Term to maturity

As illustrated by the above table, the term to maturity of the Market Comparables ranges from approximately one year to five years with an average of approximately two years and three months. The duration of the Loan Agreement of two years is in line with the aforesaid range and average of the Market Comparables. Accordingly, we consider the term to maturity of the Loan Agreement fair and reasonable.

Collateral/guarantee

As illustrated in the table above, seven out of the twenty-six Market Comparables were secured by a collateral or guarantee. As such, it is not uncommon in the market that a loan agreement between connected persons is secured by a collateral or guarantee similar to the Loan Agreement, which reduces the default risk. The comparison also shows that the Loan Agreement, which is secured by the Guarantor, is more secured than the Market Comparables in the market.

The Loan Facility to Borrower is secured by the Guarantor under the Loan Agreement. With reference to the Board Letter, the Lender is a wholly-owned subsidiary of the Company, while the Company is owned as to approximately 35.92% by Allied Properties Investments, being an indirect wholly-owned subsidiary of APL, hence, APL is a controlling shareholder of the Company and a connected person of the Company. Meanwhile, APL also indirectly holds approximately 48.66% of the total number of issued shares of the Guarantor and the Borrower is a wholly-owned subsidiary of the Guarantor. As such, APL has an indirect interest in the Company, the Lender, the Borrower and the Guarantor. With APL, the Company and the Guarantor all being listed companies on the main board of the Stock Exchange, we are of the view that and their respective managements would actively monitor the usage of the Loan Facility and minimize the default risk.

Taking into consideration that, (i) the Interest Rate, term to maturity and collateral and/or guarantee arrangement of the Loan Facility are in line with those from the Market Comparables; (ii) the Loan Facility is secured by the Guarantor; and (iii) APL, the Company and the Guarantor would actively monitor the usage of the Loan Facility and minimize the default risk, we are of view that the terms of the Loan Agreement are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and the Transaction is in the ordinary and usual course of business of the Group.

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(b) *Proposed Annual Caps of the Loan Agreement*

Under the Loan Agreement, the proposed Annual Caps for the maximum principal loan outstanding and the maximum interest amount of the Loan Facility are as follows:

	Financial year ending 30 June 2020 (Note 1)	Financial year ending 30 June 2021	Financial year ending 30 June 2022 (Note 3)
Maximum principal amount outstanding	HK\$235,000,000	HK\$235,000,000	HK\$235,000,000
Maximum interest amount (Note 2)	HK\$14,900,000	HK\$14,900,000	HK\$1,300,000
Proposed Annual Caps	HK\$249,900,000	HK\$249,900,000	HK\$236,300,000

Note 1: The proposed Annual Cap for this period is calculated on the assumption that the expected date of first Drawdown upon fulfilment of the conditions precedent set forth in the Loan Agreement is 2 July 2019.

Note 2: The maximum interest amount is adjusted upwards by approximately 15% as reasonable buffer taking into account of any currency appreciation in the event that the Loan Facility is drawn in an alternative currency.

Note 3: Interest for an additional Interest Period is added to the proposed Annual Caps for this period for any potential delay of the expected date of first Drawdown by up to one month.

The above proposed Annual Caps are determined with reference to, among others, the maximum principal amount outstanding under the Loan Facility to be granted by the Lender, the maximum interest amount payable under the Loan Agreement, based on the assumption that the Borrower will borrow the maximum principal in the amount of HK\$235,000,000 for each of the above periods respectively and the assumptions stated in the notes of the table immediately above.

In addition, we have reviewed the schedules of the calculation of the loan interests and the maximum amount for the three years ended 30 June 2022 and found them to be proper.

Pursuant to the Loan Agreement, it is agreed that the Borrower shall pay interest on the aggregate principal amount outstanding under the Loan Facility from time to time at the Interest Rate and such interest shall be paid to the Lender on the last day of each Interest Period.

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To further assess the fairness and reasonableness of the proposed Annual Caps of Loan Agreement, we have also taken into consideration the following aspects:

- (i) the total cash and bank balances (including time deposits, cash and cash equivalents) of the Group of approximately HK\$408.7 million as at 30 June 2018 and HK\$233.2 million as at 31 December 2018, respectively;
- (ii) the rights issue of the Company completed on 25 April 2019 and the net proceeds therefrom of approximately HK\$438 million;
- (iii) there is no obligation or commitment for the Borrower to utilise the proposed Annual Caps in full if lower interest rate is offered by independent financial institutions. As such, the proposed Annual Caps are set to provide additional flexibility to the parties involved to meet their capital needs;
- (iv) there is no additional external financing cost incurred to the Group in relation to the Loan Facility and no charge to the Borrower whatsoever in relation to the proposed Annual Caps; and
- (v) the assumption that the status of the Borrower and the Guarantor will remain unchanged during the term of the agreement (i.e. the Borrower will remain a wholly-owned subsidiary of the Guarantor and APL has an indirect interest in the Borrower).

In view of the above and taking into account the Group's future development and its relatively large balance of cash and cash equivalents, we concur with the Directors' view that the proposed Annual Caps during the term of the Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and Shareholders as a whole.

(c) Internal Control Measure

Before entering into any Transaction, the following will be adopted by the Company to ensure that (i) the Transaction will be conducted in accordance with the terms under the Loan Agreement and in compliance with the Listing Rules; and (ii) the default risk is minimised:

- (i) The finance department will review the backgrounds and financial positions of the Borrower and the Guarantor in accordance with the credit policy of the Group;

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- (ii) The designated staff of the accounting department of the Company will, on a weekly basis and before allowing drawdown by the Borrower each time, monitor and report the liquidity status of the Group to the financial controller of the Company. The financial controller of the Company will then assess the cash position of the Company before approving any drawdown under the Loan Facility and ensure that the Company has sufficient cash flow for its business operations after drawdown by the Borrower each time;
- (iii) The designated staff of accounting department of the Company will closely monitor the outstanding loan balances and report the latest status to the financial controller of the Company on a monthly basis to ensure that it does not exceed the stipulated Annual Caps (stated in the relevant circular of the Company);
- (iv) The financial controller of the Company will report to the senior management on a monthly basis and Directors (including the independent non-executive Directors) on half year basis in relation to the status of the Transaction, including outstanding loan balances, interests and any event of default;
- (v) The senior management of the Company will discuss with the independent non-executive Directors if there is any potential compliance issue during the performance of the Loan Agreement and where necessary, seek advice from professional parties such as legal advisers and/or auditors;
- (vi) The independent non-executive Directors will perform annual review pursuant to Rule 14A.55 of the Listing Rules on whether the transactions under the Loan Agreement are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Loan Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (vii) The Company's auditor will confirm pursuant to Rule 14A.56 of the Listing Rules, among others, whether (a) the transactions under the Loan Agreement have been approved by the Board; (b) the transactions were entered into, in all material respects, in accordance with the Loan Agreement governing the transactions; and (c) the proposed Annual Caps have not been exceeded.

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We have discussed with the Company on the implementation of the aforesaid internal control procedures and consider them to be effective in helping to ensure (i) the terms offered by the Lender to the Borrower will be on market and normal commercial terms or better and will be fair and reasonable to the Company and in the interest of its Shareholders as a whole; (ii) the Transaction will be conducted within the proposed Annual Caps during the terms of the Loan Agreement pursuant to the requirements under Listing Rules and in compliance with the Listing Rules; and (iii) the default risk is minimized.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Loan Agreement, the Transaction and the proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolution(s) to be proposed at the SGM to approve the Loan Agreement, the Transaction and the proposed Annual Caps.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Director

* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity in which interests are held	Number of Shares/ underlying Shares held		Approximate percentage of shareholding (Note 1)
		Interests in Shares	Total interests	
Mr. Lee Seng Hui	Other interests	437,872,014 (Note 2)	437,872,014	35.92%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company’s issued share capital of 1,218,893,914 Shares as at the Latest Practicable Date.
2. Mr. Lee Seng Hui together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controls approximately 74.95% of the total number of issued shares of AGL (inclusive of Mr. Lee Seng Hui’s personal interests) and is therefore deemed to be interested in 437,872,014 Shares in which AGL is deemed to be interested through a wholly-owned subsidiary of APL, its 74.99%-owned subsidiary.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, the following Directors were directors of companies which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Messrs. Lee Seng Hui and Arthur George Dew are directors of APL and Mr. Wong Tai Chun, Mark, alternate director to Mr. Arthur George Dew, is a director of APL. APL, through its subsidiary, is deemed to be interested in, for the purpose of the SFO, 437,872,014 Shares, representing approximately 35.92% of the total issued share capital of the Company.
- (b) Messrs. Lee Seng Hui and Arthur George Dew are directors of AGL. Mr. Wong Tai Chun, Mark is an employee of AGL. APL is a non wholly-owned subsidiary of AGL. Accordingly, AGL is also deemed to be interested in, for the purpose of the SFO, 437,872,014 Shares, representing approximately 35.92% of the total issued share capital of the Company.
- (c) Mr. So Kwok Hoo is a director of Shougang Fushan Resources Group Limited which, through its wholly-owned subsidiary, is deemed to be interested in, for the purpose of the SFO, 215,100,000 Shares, representing approximately 17.64% of the total issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed directors of the Company (if any) was a director or employee of a company which had any interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, the interests of substantial shareholders (as defined in the Listing Rules) (other than the Directors and chief executives of the Company) in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO were as follow:

Long positions in the Shares and underlying Shares

Name of Shareholders	Capacity in which interests are held	Number of Shares/ underlying Shares held		Approximate percentage of shareholding (Note 1)
		Interests in Shares	Total interests	
Shougang Fushan Resources Group Limited	Interest of a controlled corporation (Note 2)	215,100,000	215,100,000	17.64%
APL	Interest of a controlled corporation (Note 3)	437,872,014	437,872,014	35.92%
AGL	Interest of a controlled corporation (Note 5)	437,872,014	437,872,014 (Note 4)	35.92%
Lee and Lee Trust	Interest of a controlled corporation (Note 6)	437,872,014	437,872,014 (Note 4)	35.92%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 1,218,893,914 Shares as at the Latest Practicable Date.
2. These Shares are held by Benefit Rich Limited ("**Benefit Rich**"), a wholly-owned subsidiary of Shougang Fushan Resources Group Limited ("**Shougang Fushan**"). Accordingly, Shougang Fushan is deemed to have an interest in the Shares in which Benefit Rich is interested.
3. The interests include 437,872,014 Shares held by Allied Properties Investments, a wholly-owned subsidiary of Allied Properties Overseas Limited which in turn is a wholly-owned subsidiary of APL. APL is therefore deemed to have an interest in the Shares in which Allied Properties Investments is interested.
4. This represents the same interests of APL in 437,872,014 Shares.
5. APL is a non wholly-owned subsidiary of AGL. AGL is therefore deemed to have an interest in the Shares in which APL is interested.
6. Mr. Lee Seng Hui, Director, together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controls approximately 74.95% of the total number of issued shares of AGL (inclusive of Mr. Lee Seng Hui's personal interests) and is therefore deemed to have an interest in the Shares in which AGL is interested through APL.

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTOR'S INTERESTS IN ASSETS AND CONTRACTS

APAC Resources Management Limited ("**ARML**"), a wholly-owned subsidiary of the Company, as the sub-tenant entered into a sub-tenancy agreement dated 21 May 2019 with AGL as the landlord in respect of the tenancy of portion of 23rd Floor of Allied Kajima Building, No. 138 Gloucester Road, Wanchai, Hong Kong ("**Premises**") (which was leased to AGL as the tenant by Art View Properties Limited, a joint venture of APL, as the landlord under a head tenancy agreement dated 25 March 2019) for a term of two years commencing on 1 April 2019 and expiring on 31 March 2021 (both days inclusive) at the rent of HK\$133,600 and HK\$134,100 per calendar month from 1 April 2019 to 30 April 2019 and from 1 May 2019 to 31 March 2021 respectively.

Since Mr. Lee Seng Hui, a non-executive Director, is one of the trustees of Lee and Lee Trust, being a discretionary trust which, together with his personal interests, controls approximately 74.95% interests in the total number of issued shares of AGL, which in turn owns approximately 74.99% of the total number of issued shares of APL as at Latest Practicable Date, Mr. Lee is deemed to have an interest in the Premises leased to ARML.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any interest, direct or indirect, in any assets which have since 30 June 2018, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As disclosed in the announcements of the Company dated 24 May 2016 and 1 September 2017, on 24 May 2016 and 1 September 2017, APAC Resources Treasury Management Limited, a wholly-owned subsidiary of the Company, subscribed for US\$4.0 million of the five-year guaranteed 4.75% note due 31 May 2021 (the "**SHK Loan Note I**") and US\$2.5 million of the five-year guaranteed 4.65% note due 8 September 2022 (the "**SHK Loan Note II**") respectively both issued by Sun Hung Kai & Co. (BVI) Limited ("**SHK BVI**") and guaranteed by Sun Hung Kai & Co. Limited ("**SHK**"). SHK BVI is a wholly-owned subsidiary of SHK.

Mr. Lee Seng Hui, a non-executive Director, is one of the trustees of Lee and Lee Trust, being a discretionary trust which, together with his personal interests, controls approximately 74.95% interests in the total number of issued shares of AGL, which in turn owns approximately 74.99% of the total number of issued shares of APL, and which in turn indirectly owns approximately 35.92% of the total number of issued shares of the Company as at Latest Practicable Date. Since APL indirectly owns approximately 61.64% interests in the total number of issued shares of SHK as at Latest Practicable Date, Mr. Lee is deemed to be interested in the subscriptions of the SHK Loan Note I and the SHK Loan Note II.

Mr. Chang Chu Fai, Johnson Francis, an Independent Non-Executive Director, has also subscribed for certain notes in the SHK Loan Note I programme in his personal capacity and was therefore interested in the subscription of the SHK Loan Note I.

As at the Latest Practicable Date, save as disclosed above, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

6. MATERIAL ADVERSE CHANGE

The Group reported a net loss attributable to Shareholders of HK\$185.6 million for the six months ended 31 December 2018.

Save as aforesaid, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2018, being the date to which the latest published audited financial statements of the Group were made up.

7. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

Name	Qualification
Pelican Financial Limited	a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity

As at the Latest Practicable Date, the expert had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

The expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or statements and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, the expert had no interest, direct or indirect, in any assets which since 30 June 2018, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors were aware, the following Directors (not being independent non-executive Directors) were considered to have interests in the businesses listed below which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules as set out below:

- (i) Mr. Arthur George Dew is a director of each of AGL and APL and Mr. Wong Tai Chun, Mark, alternate director to Mr. Arthur George Dew, is a director of APL. AGL and APL, through their subsidiaries, are partly engaged in the business of money lending and through certain of their subsidiaries and close associates, are partly involved in the investment and trading in securities in the resources and related industries and financial instruments;
- (ii) Mr. Lee Seng Hui is a director of each of AGL, APL and the Guarantor, and also one of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of AGL, APL, SHK, SHK Hong Kong Industries Limited ("**SHK HK IND**") and the Guarantor which, through their subsidiaries and close associates, are partly engaged in the businesses as follows:
 - AGL and APL, through their subsidiaries, are partly engaged in the business of money lending and through certain of their subsidiaries and close associates, are partly involved in the investment and trading in securities in the resources and related industries and financial instruments;
 - SHK, through certain of its subsidiaries, is partly engaged in the business of money lending;
 - SHK HK IND, through certain of its subsidiaries, is partly engaged in the trading in listed securities and investment in bonds; and
 - the Guarantor, through certain of its subsidiaries, is partly engaged in the business of money lending;
- (iii) Mr. Lee Seng Hui is a director of Mount Gibson Iron Limited ("**Mount Gibson**") and Mr. Andrew Ferguson is an alternate director to Mr. Lee Seng Hui in Mount Gibson which, through certain of its subsidiaries, is partly involved in the investment and trading in listed securities in the resources and related industries; and
- (iv) Mr. Arthur George Dew and Mr. Wong Tai Chun, Mark are both directors of SHK HK IND which, through certain of its subsidiaries, is partly engaged in the trading in listed securities and investment in bonds.

Although the above-mentioned Directors have competing interests in other companies by virtue of their respective common directorship or shareholding, they will fulfil their fiduciary duties in order to ensure that they will act in the best interests of the Shareholders and the Company as a whole at all times. Hence, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

Save as disclosed above, none of the Directors or their respective close associates were interested in any business apart from the Group's businesses, which competes or was likely to compete, whether directly or indirectly, with the businesses of the Group as at the Latest Practicable Date.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (except public holidays) at the Company's principal place of business in Hong Kong from the date of this circular up to and including the date of the SGM:

- (i) this circular;
- (ii) the Loan Agreement;
- (iii) the letter from the Independent Board Committee as set out in this circular;
- (iv) the letter from the Independent Financial Adviser as set out in this circular;
and
- (v) the written consent of the Independent Financial Adviser referred to under "Expert's Qualification and Consent" in this appendix.

10. MISCELLANEOUS

The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.



APAC RESOURCES

APAC RESOURCES LIMITED

亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

NOTICE IS HEREBY GIVEN that the special general meeting (the “SGM”) of APAC Resources Limited (the “Company”) will be held at Plaza 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 9 July 2019 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as the ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the loan agreement dated 23 May 2019 (the “**Loan Agreement**”) entered into between Ultra Effort Limited (the “**Lender**”), a wholly-owned subsidiary of the Company, as lender, and Best Advantage Limited (the “**Borrower**”) as borrower, and Tian An China Investments Company Limited as guarantor, in relation to the loan facility in the amount of up to HK\$235,000,000 (or an amount equivalent to HK\$235,000,000 in such alternative currency as acceptable to and agreed by the Lender) which the Lender has conditionally agreed to grant to the Borrower constituting a continuing connected transaction (the “**Continuing Connected Transaction**”) for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (details of the Loan Agreement are set out in the Company’s circular dated 20 June 2019 (the “**Circular**”) and a copy of the Loan Agreement marked “A” has been produced to the SGM and initiated by the chairman of the SGM for the purpose of identification) and the Continuing Connected Transaction be and are hereby approved, confirmed and ratified;
- (b) the proposed Annual Caps (as defined and more particularly described in the Circular) in respect of the Continuing Connected Transaction be and are hereby approved and confirmed; and
- (c) any one of the directors of the Company be and is hereby authorised to do such acts and execute such other documents as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Loan Agreement, the proposed Annual Caps and the Continuing Connected Transaction.”

By order of the Board
APAC Resources Limited
Andrew Ferguson
Executive Director

Hong Kong, 20 June 2019

* For identification purpose only

Notes:

1. Any member entitled to attend and vote at the meeting will be entitled to appoint a proxy or, if such member is a holder of two or more shares, proxies to attend and vote in such member's stead. A proxy need not be a member of the Company but must attend the meeting in person to represent the appointing member.
2. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjournment thereof (as the case may be) and in such event the instrument appointing the proxy shall be deemed to be revoked.
4. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. To ascertain shareholders' eligibility to attend and vote at the meeting, the register of members of the Company will be closed from Thursday, 4 July 2019 to Tuesday, 9 July 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the meeting, all transfers of share ownership, accompanied by the relevant share certificates, must be lodged with the branch share registrar of the Company 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, 3 July 2019.

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

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

Mr. Wang Hongqian