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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 AND CONNECTED TRANSACTION

**ACQUISITION OF THE TARGET COMPANY AND
ASSIGNMENT OF THE SHAREHOLDER'S LOAN**

THE SALE AND PURCHASE AGREEMENT

On 14 May 2021, the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor.

Pursuant to the Sale and Purchase Agreement and subject to the fulfillment (or waiver where applicable) of the Conditions, (i) the Purchaser shall acquire and the Vendor shall sell the Sale Share, representing the entire issued share capital of the Target Company; and (ii) the Shareholder's Loan shall be assigned by the Vendor to the Purchaser, at the Consideration of HK\$102,581,817.50.

As at the date of this announcement, the principal asset of the Target Company is its 41,032,727 shares in Dragon Mining, which represents approximately 25.83% of the issued share capital of Dragon Mining.

LISTING RULES IMPLICATIONS

As the Purchaser is a wholly-owned subsidiary of the Company, the Transaction entered into by the Purchaser 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. As at the date of this announcement, as the Vendor is a substantial shareholder of the Company through its interest in Allied Properties Investments, the Vendor is a connected person of the Company.

As the relevant applicable percentage ratio(s) in respect of the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable and connected transaction for the Company, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement. The Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the fairness and reasonableness of the Transaction.

GENERAL

The SGM will be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Transaction. A circular containing, among other things, (i) further information on the Transaction; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the SGM, is expected to be despatched to the Shareholders on or before 7 June 2021.

Shareholders and potential investors of the Company should note that the Transaction may or may not proceed as it is subject to a number of Conditions, which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the shares of the Company.

THE SALE AND PURCHASE AGREEMENT

On 14 May 2021, the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor.

The principal terms of the Sale and Purchase Agreement are summarised below:

Date

14 May 2021

Parties

- (i) The Purchaser
- (ii) The Vendor

Subject matter

Pursuant to the Sale and Purchase Agreement and subject to the fulfillment (or waiver where applicable) of the Conditions, (i) the Purchaser shall acquire and the Vendor shall sell the Sale Share, representing the entire issued share capital of the Target Company; and (ii) the Shareholder's Loan shall be assigned by the Vendor to the Purchaser.

As at the date of this announcement, the principal asset of the Target Company is its 41,032,727 shares in Dragon Mining, which represents approximately 25.83% of the issued share capital of Dragon Mining.

Based on the information provided by the Vendor, as the Target Company was established by the Vendor and not acquired by the Vendor from a third party, there is no original acquisition cost for the Sale Share.

Consideration

The Consideration for the Transaction shall be HK\$102,581,817.50 and for illustrative purpose only, is equivalent to HK\$2.50 per share of Dragon Mining. The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor taking into account (i) the past financial performance for the previous two years and the growth potential of Dragon Mining; (ii) the enterprise value of Dragon Mining, which was competitive as compared to other listed companies engaged in the same business segment on major global stock exchanges including the Australian Securities Exchange; (iii) the impracticality of acquiring a significant minority position in Dragon Mining through on-market transactions given its low market liquidity; (iv) the valuation analysis of the shares of Dragon Mining in the average price ranged between HK\$2.45 and HK\$2.52 per share prepared by an independent valuer as at 10 May 2021 with reference to the control premium imposed in a considerable amount of comparable transactions in the mining industry which related to acquisitions of a controlling interest in an entity; and (v) the closing market value of 41,032,727 shares of Dragon Mining in the amount of approximately HK\$1.96 per share as at 13 May 2021.

The Consideration shall be financed by internal resources of the Group and payable by the Purchaser to the Vendor (or its nominee(s)) upon Completion.

Conditions

Completion is conditional upon the fulfillment (or the waiver thereof in accordance with the Sale and Purchase Agreement) of each of the following Conditions:

- (i) the passing of the resolution(s) by both (a) the requisite majority of the Shareholders who are entitled to vote on the relevant resolution(s) under the Listing Rules and other applicable laws and regulations; and (b) the Company, in its capacity as the sole shareholder of the Purchaser, to approve the Purchaser entering into and undertaking its obligations as set out in the Sale and Purchase Agreement, the Transaction and any other transactions contemplated thereunder;
- (ii) the passing of the resolution(s) by the requisite majority of the shareholders of Dragon Mining approving the Sale and Purchase Agreement, the Transaction and any other transactions contemplated thereunder in accordance with the relevant laws of Australia;
- (iii) all other necessary governmental and regulatory approvals, consents, waivers, authorisation, registrations, filings and compliance with all the requirements under the Listing Rules and other applicable laws and regulations in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained and not revoked prior to Completion;

- (iv) all necessary consents, waivers and/or authorisations from any relevant third parties (where applicable) in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained and not revoked prior to Completion;
- (v) the representations, warranties and undertakings given or made by the Vendor in the Sale and Purchase Agreement remaining true and accurate and not misleading in any material respect as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and the Completion Date; and
- (vi) the representations, warranties and undertakings given or made by the Purchaser in the Sale and Purchase Agreement remaining true and accurate and not misleading in any material respect as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and the Completion Date.

Conditions (i) to (iv) cannot be waived by the Purchaser and the Vendor. The Purchaser may in its absolute discretion at any time waive Condition (v), while the Vendor may in its absolute discretion at any time waive Condition (vi).

If any of the Conditions is not satisfied or waived by the Purchaser or the Vendor (as the case may be) on or before 5:00 p.m. on the Long Stop Date, (i) the Sale and Purchase Agreement will be terminated immediately at that time and date; (ii) all the rights, obligations and liabilities of the Purchaser and the Vendor under the Sale and Purchase Agreement will cease and determine save for any antecedent rights and obligations already accrued before the termination; and (iii) none of the Purchaser and the Vendor shall have any claim against each other, except in respect of claims arising out of any antecedent breach of any provision of the Sale and Purchase Agreement.

As at the date of this announcement, none of the Conditions has been fulfilled.

Completion

Upon the fulfillment of the Conditions (or waiver where applicable) on or before the Long Stop Date, Completion shall take place on the Completion Date.

Upon Completion, the Target Company shall become an indirect wholly-owned subsidiary of the Company.

INFORMATION ON THE COMPANY, THE GROUP, THE PURCHASER, THE VENDOR AND THE TARGET COMPANY

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 Purchaser

The Purchaser is a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company. The principal business activity of the Purchaser is investment holding.

The Vendor

Based on the information provided by the Vendor, the Vendor is a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of AGL. The principal business activity of the Vendor is investment holding.

The principal business activity of AGL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, provision of elderly care services, property management, cleaning and security guarding services in Hong Kong, the provision of finance and investments in listed and unlisted securities.

The Target Company

Based on the information provided by the Vendor, the Target Company is a company incorporated in BVI with limited liability and an investment holding company. As at the date of this announcement, the principal asset of the Target Company is its 41,032,727 shares in Dragon Mining, which represents approximately 25.83% of the issued share capital of Dragon Mining.

Set out below is the financial information of the Target Company for the two years ended 31 December 2020 as extracted from its unaudited financial statements:

	For the year ended 31 December 2019 (Unaudited) (Approximate) (HK\$'000)	For the year ended 31 December 2020 (Unaudited) (Approximate) (HK\$'000)
Net profit/(loss) before tax	(11)	1,733
Net profit/(loss) after tax	(11)	1,733

According to the unaudited financial information of the Target Company as at 30 April 2021, the Target Company had net assets of approximately HK\$85,194,000 excluding the Shareholder's Loan.

REASONS FOR AND BENEFITS OF THE TRANSACTION

It is the Group's focus to look for investment opportunities in listed and unlisted securities globally in the resources sector in both resource investment and primary strategic investment business segments.

Since the Target Company owns approximately 25.83% of the issued share capital of Dragon Mining as at the date of this announcement, considering (i) the favourable financial performance and growth potential of the gold mining and processing business of Dragon Mining, including but not limited to its increase in proved and probable ore reserves as at 31 December 2020 and the net profit after tax in the amount of approximately A\$6,311,000 and A\$10,193,000 for the years ended 31 December 2019 and 2020, respectively; (ii) the enterprise value of Dragon Mining was competitive as compared to other listed companies engaged in the same business segment on major global stock exchanges including the Australian Securities Exchange; and (iii) the impracticality of acquiring a significant minority position in Dragon Mining through on-market transactions given its low market liquidity, the Directors believe the Transaction is an attractive investment opportunity for the Group to further extend its natural resources investment in gold mining and enhance the returns on investment for the Group.

In view of the above and having considered the basis of determining the Consideration, the Directors (excluding Messrs. Arthur George Dew, Brett Robert Smith and Lee Seng Hui who have abstained from voting on the relevant Board resolutions and other than the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) are of the view that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable, the Transaction is on normal commercial terms in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Purchaser is a wholly-owned subsidiary of the Company, the Transaction entered into by the Purchaser 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. As at the date of this announcement, as the Vendor is a substantial shareholder of the Company through its interest in Allied Properties Investments, the Vendor is a connected person of the Company.

As the relevant applicable percentage ratio(s) in respect of the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable and connected transaction for the Company, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement. The Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the fairness and reasonableness of the Transaction.

Mr. Arthur George Dew, being the Chairman and a non-executive Director, is also the chairman and a non-executive director of each of AGL and Dragon Mining, and holds approximately 0.14% of the issued share capital of Dragon Mining. Mr. Brett Robert Smith, being the Deputy Chairman and an executive Director, is also the chief executive officer and an executive director of Dragon Mining, and holds approximately 0.07% of the issued share capital of Dragon Mining. Mr. Lee Seng Hui, being a non-executive Director, is also the chief executive and an executive director of AGL. Mr. Lee Seng Hui is one of the trustees of Lee and Lee Trust, being a discretionary trust which together with his personal interest, controls approximately 74.96% interest in the total number of issued shares of AGL, which is indirectly interested in (i) the entire issued share capital of the Vendor; and (ii) approximately 39.86% of the issued share capital of the Company through Allied Properties Investments. Accordingly, Messrs. Arthur George Dew, Brett Robert Smith and Lee Seng Hui are deemed to be interested in the Transaction and therefore have abstained from voting on the relevant Board resolutions.

Apart from the above, none of the Directors has any material interest in the Transaction and is required to abstain from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

GENERAL

The SGM will be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Transaction.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save as and except for AGL 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 Transaction.

A circular containing, among other things, (i) further information on the Transaction; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the SGM, is expected to be despatched to the Shareholders on or before 7 June 2021.

Shareholders and potential investors of the Company should note that the Transaction may or may not proceed as it is subject to a number of Conditions, which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“A\$”	Australian dollars, the lawful currency of Australia;
“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), being a substantial shareholder of the Company;
“Allied Properties Investments”	Allied Properties Investments (1) Company Limited, a company incorporated in BVI with limited liability, being a direct wholly-owned subsidiary of the Vendor and a substantial shareholder of the Company which owns approximately 39.86% of the issued share capital of the Company as at the date of this announcement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day on which banks in Hong Kong are open for business in the ordinary course, other than public holidays, Saturdays and Sundays;
“BVI”	the British Virgin Islands;
“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);
“Completion”	the completion of the Transaction pursuant to the terms of the Sale and Purchase Agreement;
“Completion Date”	the next Business Day after fulfillment (or waiver where applicable) of all Conditions, or such later date as may be agreed by the Purchaser and the Vendor in writing;
“Conditions”	the conditions precedent to Completion as set out in the Sale and Purchase Agreement, which are required to be satisfied or waived (where applicable) on or before the Long Stop Date;
“connected person”	has the meaning ascribed to it under the Listing Rules;

“Consideration”	the total consideration payable by the Purchaser to the Vendor for the Transaction, being HK\$102,581,817.50;
“Director(s)”	the director(s) of the Company;
“Dragon Mining”	Dragon Mining Limited ACN 009 450 051, a company incorporated in Western Australia with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1712);
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent committee of the Board (comprising all the independent non-executive Directors) established for the purpose of advising the Independent Shareholders in respect of the Transaction;
“Independent Financial Adviser”	the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction;
“Independent Shareholder(s)”	Shareholder(s) (other than AGL and its associates (including Allied Properties Investments)) who are not interested in the Sale and Purchase Agreement and are not required under the Listing Rules to abstain from voting at the SGM to approve the same and the transactions contemplated thereunder;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	14 August 2021 or such other date as may be agreed between the Purchaser and the Vendor in writing and that is the later to occur of: (a) three months after the date of the Sale and Purchase Agreement; and (b) the date as may be approved by the Australian Securities & Investments Commission;
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction;
“Purchaser”	Genuine Legend Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company, being the purchaser under the Sale and Purchase Agreement;

“Sale and Purchase Agreement”	the sale and purchase agreement dated 14 May 2021 entered into between the Purchaser and the Vendor in relation to the Transaction;
“Sale Share”	one ordinary share of par value of US\$1.00 in the capital of the Target Company legally and beneficially owned by the Vendor, representing the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement and as at Completion;
“SGM”	a special general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Transaction;
“Shareholder(s)”	the holder(s) of the ordinary share(s) of the Company;
“Shareholder’s Loan”	the shareholder’s loan in the principal amount of HK\$412,260,336 due to the Vendor by the Target Company subject to adjustment by reducing such amount due from a broker and the bank balances of the Target Company provided that it shall not exceed HK\$412,260,336 at Completion;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Allied Properties Resources Limited, a company incorporated in BVI with limited liability, being a direct wholly-owned subsidiary of the Vendor as at the date of this announcement;
“Transaction”	the acquisition of the Sale Share and the assignment of the Shareholder’s Loan pursuant to the Sale and Purchase Agreement;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Vendor”	Allied Properties Overseas Limited, a company incorporated in BVI with limited liability, being an indirect wholly-owned subsidiary of AGL, and the vendor under the Sale and Purchase Agreement; and
“%”	per cent.

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

Hong Kong, 14 May 2021

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

Executive Directors

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

Non-Executive Directors

Mr. Arthur George Dew (*Chairman*) (*Mr. Wong Tai Chun, Mark as his alternate*),
Mr. Lee Seng Hui and Ms. Lam Lin Chu

Independent Non-Executive Directors

Dr. Wong Wing Kuen, Albert, Mr. Chang Chu Fai, Johnson Francis and Mr. Wang Hongqian

* *For identification purpose only*