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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) (Warrant Code: 324)

DISCLOSEABLE TRANSACTION

**CONDITIONAL ACQUISITION OF THE ENTIRE
ISSUED SHARE CAPITAL OF GOOD CHINA LIMITED,
ISSUE OF CONSIDERATION SHARES
AND
RESUMPTION OF TRADING**

CONDITIONAL ACQUISITION

On 13 July 2008, Leaping Far as the vendor and ARI (a direct wholly-owned subsidiary of the Company) as the purchaser entered into the Agreement, pursuant to which Leaping Far has conditionally agreed to sell the Sale Shares and assign the Loan, and ARI has conditionally agreed to purchase the Sale Shares and accept the assignment of the Loan, at an aggregate consideration of HK\$1,200,000,000.

The aggregate consideration in the sum of HK\$1,200,000,000 will be satisfied as to (i) HK\$600,000,000 by cash and (ii) HK\$600,000,000 by the issue to Leaping Far of the Consideration Shares (at HK\$1.00 per Share) by the Company upon Completion.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

The transactions contemplated under the Agreement are conditional and may or may not proceed. Accordingly, Shareholders and prospective investors are reminded to exercise extreme caution when trading in the Shares.

The transactions contemplated in the Agreement constitute discloseable transactions for the Company under Rule 14.06(2) of the Listing Rules, on the basis that the calculation of the relevant percentage ratios are within the range of 2% and 25%.

The Company will despatch a circular which contains, amongst other things, details of the terms of the Agreement, to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

Trading in the shares and warrants of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 14 July 2008, pending the release of this announcement. The Company has applied for a resumption of trading in the shares and warrants of the Company with effect from 9:30 a.m. on 17 July 2008.

THE CONDITIONAL ACQUISITION AND THE ASSIGNMENT OF THE LOAN

On 13 July 2008, Leaping Far as the vendor and ARI (a direct wholly-owned subsidiary of the Company) as the purchaser entered into the Agreement, pursuant to which Leaping Far has conditionally agreed to sell the Sale Shares and assign the Loan, and ARI has conditionally agreed to purchase the Sale Shares and accept the assignment of the Loan, at an aggregate consideration of HK\$1,200,000,000.

THE AGREEMENT

Date

13 July 2008.

Parties

- (1) Leaping Far as vendor.
- (2) ARI as purchaser.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Leaping Far and the ultimate beneficial owner of Leaping Far are third parties independent of the Company and connected persons of the Company.

The Sale Shares and the Assignment of the Loan

The Sale Shares represent the entire issued share capital of Good China as at the date of this announcement. The Sale Shares will be acquired free from any encumbrance and together with all rights and benefits attaching or accruing to it on or after the date of Completion (including the right to receive all dividends and other distributions declared, made or paid on or after the date of Completion).

Good China is the legal and beneficial owner of the entire issued share capital of Upper China which in turn owns 49% equity interests in the Joint Venture Company which is engaged in the business of iron ore mining and production of iron ore materials in the PRC. The main assets of the Joint Venture Company are the Iron Ore Mine and its related infrastructure. In accordance with the business licence of the Joint Venture Company, the business operation of the Joint Venture Company includes exploitation of iron ore, processing and selling of iron ore and iron ore concentrates, selling of steel materials, mining machinery and accessories.

The Loan will be assigned by Leaping Far to ARI pursuant to the terms of the Agreement.

Consideration

The aggregate consideration for the Acquisition and the assignment of the Loan is HK\$1,200,000,000 comprising (i) the Consideration Shares at HK\$1.00 per Share and the cash sum of HK\$474,420,000 for the Acquisition and (ii) the cash sum of HK\$125,580,000 for the assignment of the Loan. The aggregate consideration was arrived at after arm's length negotiations between Leaping Far and ARI by reference to (i) prevailing market selling price of iron ore concentrates in the PRC and (ii) iron ore resources of not less than 210,000,000 tonnes (metric) which is sufficient to allow production in quantity of at least 1,000,000 tonnes (metric) of iron ore concentrates at a grade of 64-65% iron ore contents per year for at least 20 years.

The source of funding of ARI for the acquisition of the Sale Shares and the assignment of the Loan will be generated from internal resources and/or borrowings. The actual method of financing the Acquisition has not yet been determined by the Company.

The aggregate consideration in the sum of HK\$1,200,000,000 will be satisfied as to (a) HK\$600,000,000 by cash and (b) HK\$600,000,000 by the allotment and issue to Leaping Far of the Consideration Shares at HK\$1.00 per Share by the Company upon Completion.

The market value of the Consideration Shares is HK\$600,000,000 by reference to the average closing price of HK\$1.00 per Share as quoted on the Stock Exchange on the last fifteen trading days of the Shares immediately before the date of this announcement.

The market value per share of the Consideration Shares to be issued by the Company represents:–

- (i) a discount of approximately 12.28% over the closing price of HK\$1.14 per Share as quoted on the Stock Exchange on the last trading day of the Shares immediately before the date of this announcement;
- (ii) a discount of approximately 12.28% over the average closing price of HK\$1.14 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before the date of this announcement;
- (iii) a discount of approximately 4.76% over the average closing price of HK\$1.05 per Share as quoted on the Stock Exchange for the last ten trading days of the Shares immediately before the date of this announcement; and
- (iv) an equivalence in value in terms of the net asset value of HK\$1.00 per Share as stated in the audited consolidated accounts of the Company for the year ended 31 December 2007.

The Consideration Shares represent approximately 12.69% of the existing issued share capital of the Company and 11.26% of the enlarged issued share capital of the Company upon issue of the Consideration Shares. The Consideration Shares are issued pursuant to the general mandate granted to the Directors at the annual general meeting (“AGM”) of the Company held on 6 June 2008. The maximum number of Shares to be issued under the general mandate is 945,314,211. Since the AGM, no Shares in the Company had been issued under the general mandate.

The Company will apply to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, the Consideration Shares.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

Conditions

Completion is conditional upon fulfilment of a number of conditions which include, among others:–

- (i) Leaping Far’s warranties remaining true and accurate and not misleading in any material respect as given as of the date of the Agreement and as of Completion and as if given at all times between the date of the Agreement and Completion;
- (ii) ARI’s warranties remaining true and accurate and not misleading in any material respect as given as of the date of the Agreement and as of Completion and as if given at all times between the date of the Agreement and Completion;
- (iii) Leaping Far having duly performed and observed all of the obligations, undertakings and covenants required to be performed and observed by them under the Agreement, on or prior to Completion;
- (iv) ARI having duly performed and observed all of the obligations, undertakings and covenants required to be performed and observed by them under the Agreement, on or prior to Completion;
- (v) all necessary approvals, authorisations, consents, licences, certificates, permits, concessions, agreements or other permissions of any kind, from or by all relevant governmental or regulatory authorities, agencies or bodies, or any other third party (including banks and/or relevant regulatory authorities of the relevant jurisdictions (if required)), required for the implementation of the transactions contemplated in the Agreement being obtained and maintained;

- (vi) where applicable, having complied to the satisfaction of the Stock Exchange and the SFC with all requirements under the Listing Rules and, where applicable, the Takeovers Code in relation to (i) the purchase of the Sale Shares; (ii) the allotment and issue of the Consideration Shares to the Vendor and/or its nominee(s); and (iii) other transactions contemplated herein;
- (vii) legal, financial, valuation, business and technical due diligence reviews having been conducted by ARI over Good China, Upper China, the Joint Venture Company and the business carried on by the Joint Venture Company to the sole satisfaction of ARI;
- (viii) listing of and permission to deal in the Consideration Shares having been granted by the Listing Committee of the Stock Exchange (and such listing and permission not subsequently being revoked prior to Completion);
- (ix) the Iron Ore Mine having iron ore resources of not less than 210,000,000 tonnes (metric) in total as at Completion, which is sufficient to allow production in quantity of at least 1,000,000 tonnes (metric) of iron ore concentrates at a grade of 64-65% iron ore contents per year for at least 20 years;
- (x) the Joint Venture Company having obtained and/or renewed the safety production permits for the Iron Ore Mine;
- (xi) the Joint Venture Company having obtained and/or renewed (where applicable) the Mining Right Permit for the Iron Ore Mine;
- (xii) the Joint Venture Company having obtained and/or renewed all necessary, requisite and valid licences, permits, authorisations and approvals, which are required under and by PRC law in respect of and in connection with the business carried on by the Joint Venture Company; and
- (xiii) the Joint Venture Company providing to ARI undated resolution(s) duly passed by its board of directors approving the appointment of three (3) directors nominated by ARI and one of the directors so nominated by ARI shall act as chairman and legal representative of the Joint Venture Company.

Leaping Far and ARI will use their respective best endeavours to render such assistance to each other as may be required or expedient or necessary to facilitate the fulfillment of all the conditions. If any of the conditions as set out in the Agreement is not fulfilled or waived by ARI or Leaping Far (as the case may be) on or before 13 October 2008 (or such later date as may be agreed by Leaping Far and ARI in writing), ARI has the right to proceed or not to proceed to Completion.

Leaping Far undertakes to ARI that all the Sale Shares and all the issued shares of Upper China shall be deposited with an escrow agent acceptable to both Leaping Far and ARI within 7 business days from the date of this Agreement.

The transactions contemplated under the Agreement are conditional and may or may not proceed. Accordingly, Shareholders and prospective investors are reminded to exercise extreme caution when trading in the Shares.

Completion

Subject to the fulfilment of the conditions set out in the Agreement, Completion will take place on the fifth business day after the day on which Leaping Far has received confirmation from ARI that all the conditions have been fulfilled and/or waived (as the case may be) (or such other date as may be agreed by Leaping Far and ARI in writing) but in any event no later than 13 October 2008 (or such other date as may be agreed by Leaping Far and ARI in writing) at the offices of the solicitors for ARI in Hong Kong (or such other place as may be agreed by Leaping Far and ARI in writing).

EFFECT OF THE ISSUE OF THE CONSIDERATION SHARES

The shareholding of the following parties in the Company immediately before and after completion of the issue of the Consideration Shares are and will be as follows:–

Name	Approximate shareholding in the Company			
	Immediately before the issue of the Consideration Shares		Immediately after the issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Percentage</i>	<i>Number of Shares</i>	<i>Percentage</i>
Benefit Rich Limited (<i>Note 1</i>)	600,000,000	12.69%	600,000,000	11.26%
Easymade Investments Limited (<i>Note 1</i>)	100,000,000	2.11%	100,000,000	1.88%
Shougang Holding (Hong Kong) Limited (<i>Note 1</i>)	700,000,000	14.80%	700,000,000	13.14%
COL Capital Limited (<i>Note 2</i>)	601,120,000	12.71%	601,120,000	11.28%
Ms. Chong Sok Un (<i>Note 2</i>)	601,120,000	12.71%	601,120,000	11.28%
Profit Harbour Investments Limited (<i>Note 3</i>)	368,399,602	7.80%	368,399,602	6.91%
Mr. Yue Jialin (<i>Note 3</i>)	368,399,602	7.80%	368,399,602	6.91%
Leaping Far	–	–	600,000,000	11.26%
Total	1,669,519,602	35.31%	2,269,519,602	42.59%
Public	3,059,051,453	64.69%	3,059,051,453	57.41%
Number of Shares in issue	<u>4,728,571,055</u>	<u>100.00%</u>	<u>5,328,571,055</u>	<u>100.00%</u>

Notes:

- Benefit Rich Limited (“**Benefit**”) and Easymade Investments Limited (“**Easymade**”) were wholly-owned subsidiaries of Shougang Holding (Hong Kong) Limited (“**Shougang**”). As a result, Shougang was deemed to have interests in the Shares in which Benefit and Easymade were interested.

2. These shares are held by Sparkling Summer Limited (“**Sparkling Summer**”), which is an indirectly owned subsidiary of COL Capital Limited (“**COL**”). COL is 38.59% owned by Vigor Online Offshore Limited which in turn is a wholly-owned subsidiary of China Spirit Limited (“**China Spirit**”) in which Ms. Chong Sok Un maintains 100% beneficial interest. COL was therefore deemed to have interests in the Shares in which Sparkling Summer was interested. Ms. Chong Sok Un was therefore deemed to have interests in the Shares through her 100% interest in China Spirit. Ms. Chong Sok Un is an executive Director of the Company.
3. The entire issued share capital of Profit Harbour Investments Limited (“**Profit Harbour**”) was owned by Mr. Yue Jialin. Mr. Yue Jialin was therefore deemed to have interests in the Shares in which Profit Harbour was interested. Mr. Yue Jialin is an executive Director of the Company.
4. For the avoidance of doubt, the underlying shares (as defined under the Securities and Futures Ordinance) held by the above mentioned parties were not included therein.
5. The percentage of shareholding is calculated on the basis of the Shares in issue of 4,728,571,055 as at 16 July 2008.

Save as disclosed above, the Directors are not aware that there is any party who, as at the date of this announcement, was directly or indirectly, interested in 5% or more of the nominal value of the ordinary share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group in respect of such Shares.

Leaping Far does not hold any Shares. The beneficial owner of Leaping Far directly or indirectly holds 0.88% of the issued Shares which is substantially less than 30% of the entire issued share capital of the Company. To the best of the Company’s knowledge, information and belief and having made all reasonable enquiries with Leaping Far and its beneficial owner, there are no parties acting in concert with Leaping Far and its beneficial owner at the date of this announcement. Leaping Far will become a substantial shareholder of the Company after the Acquisition as it will hold 11.26% of the enlarged issued share capital of the Company upon allotment and issue of the Consideration Shares.

After the allotment and issue of the Consideration Shares, the Company is able to maintain 25% minimum public float requirements under Rule 13.32(1) of the Listing Rules.

INFORMATION ABOUT ARI

ARI is a company incorporated in the B.V.I. with limited liability. The principal business activity of ARI is investment holding.

ARI is a direct wholly-owned subsidiary of the Company.

INFORMATION ABOUT GOOD CHINA

Good China is a company incorporated in the Cayman Islands with limited liability. The principal business activity of Good China is investment holding. The 100% equity interests in Upper China is the sole asset of Good China.

INFORMATION ABOUT LEAPING FAR

The Directors are advised that Leaping Far is a company incorporated in the B.V.I. with limited liability. It is engaged principally in investment holding.

There is no prior transaction between the Company and its subsidiaries, and Leaping Far and its ultimate beneficial owner.

The beneficial owner of Leaping Far is a business acquaintance of Mr. Liu Yongshun, the Chief Executive Officer of the Company. The transaction came to fruition as a result of their discussions and arms' length negotiations between the parties to the Agreement.

INFORMATION ABOUT THE GROUP

The Company is a company incorporated in Bermuda with limited liability. Its securities are listed on the Main Board of the Stock Exchange.

The Group is principally engaged in (i) trading in base metals and commodities trading portfolio primarily focused on natural resources and related sectors; (ii) trading in fabric products and other merchandises with investment in the resources and related industries; and (iii) trading and investment in listed securities.

SUMMARY OF FINANCIAL RESULTS OF GOOD CHINA

A summary of the unaudited consolidated accounts of Good China (including Upper China) as at 30 June 2008 is as follows:–

	As at 30 June 2008 <i>US\$</i>
Non-current assets	16,076,000.00
Current assets	24,000.00
Current liabilities	<u>(16,125,575.13)</u>
Net current liabilities	<u><u>(25,575.13)</u></u>

No audited consolidated financial statements of Good China have been prepared since the date of its incorporation on 23 April 2007. The unaudited consolidated accounts of Good China are prepared in accordance with Generally Accepted Accounting Principles of Hong Kong.

The loss of Good China for the period from 23 April 2007 (date of incorporation) to 30 June 2008 per its unaudited consolidated accounts provided by Leaping Far was US\$25,585.13.

After the completion of the Acquisition, the Company will own the entire issued share capital of Good China, and the accounts of Good China will be consolidated into the Company's accounts.

SUMMARY OF FINANCIAL RESULTS OF THE JOINT VENTURE COMPANY

A summary of the audited results of the Joint Venture Company provided by Leaping Far for the two financial years ended 31 December 2006 and 31 December 2007 is as follows:–

	Year ended 31st December	
	2006	2007
	<i>RMB</i>	<i>RMB</i>
Total holders' equity	239,015,671.41	237,628,599.32
Net profit (before tax)	81,788,315.80	235,986,831.57
Net profit (after tax)	53,412,046.84	153,918,522.84

The audited accounts of the Joint Venture Company are prepared in accordance with the Generally Accepted Accounting Principles of the PRC.

Upper China is the legal and beneficial owner of 49% equity interests of the Joint Venture Company. The rest of 51% equity interests of the Joint Venture Company are owned by other shareholders including 北京首鋼礦業投資有限公司 which is a substantial shareholder of the Joint Venture Company. 北京首鋼礦業投資有限公司 and Shougang Holding (Hong Kong) Limited are fellow subsidiaries of Shougang Corporation. Shougang Holding (Hong Kong) Limited is a substantial shareholder of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company has endeavoured and will continue to seek to become a significant natural resources trading and investment company through the identification, evaluation and acquisition of strategic interests in quality natural resources assets (either indirectly through investment in, and support of, resources corporations or by direct investment in mineral projects) as a means to build an extensive portfolio of long term cash generating investments. This is to enhance the Company's value in the context of natural resources industry consolidation by becoming a substantial stakeholder therein. The Company is still on the lookout for good investment opportunities to maximise return for the Shareholders.

The Acquisition is thus consistent with the strategy of the Company of exploring geographic regions in terms of natural resources and commodity markets which it believes present attractive opportunities and where rationalisation and consolidation is likely to occur. The Acquisition is anticipated to produce a higher return on assets with increase in profit and value of the Company to the benefit of the Shareholders as a whole because the market demand for iron ore concentrates is increasing and of the continued increase in market price of iron ore concentrates in the PRC, and the relevant company owns the entire issued share capital of Upper China which in turn owns 49% equity interests in the Joint Venture Company which is engaged in the business of iron ore mining and production of iron ore concentrates in the PRC. Therefore, the Acquisition can bring increase in profit and value of the Company through the business of the Joint Venture Company. Upon completion of the Acquisition, Leaping Far will procure three directors nominated by ARI to sit on the board of directors (with a total membership of 7) of the Joint Venture Company and one of the directors so nominated by ARI shall act as chairman and legal representative of the Joint Venture Company. The chairman of the Joint Venture Company has no casting vote under the existing articles of association of the Joint Venture Company.

Having regard to the nature of and the benefits resulting from the Acquisition and in view of the current market conditions which refer to the rising demand for raw materials and metals and commodities in the current market condition with increasing market price of iron ore concentrates, the Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders taken as a whole. It represents a good opportunity for the Company to increase its investment further in the natural resources industry upon which to build a significant investment as well as natural resources and commodities trading company primarily focused on the natural resources and related sectors.

LISTING RULES IMPLICATIONS

The transactions contemplated in the Agreement constitute discloseable transactions for the Company under Rule 14.06(2) of the Listing Rules, on the basis that the calculation of the relevant percentage ratios are within the range of 2% and 25%.

GENERAL

The Company will despatch a circular, which contains, amongst other things, details of the terms of the Agreement, to the Shareholders as soon as practicable.

Resumption of trading

Trading in the shares and warrants of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 14 July 2008, pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:30 a.m. on 17 July 2008.

DEFINITIONS

“Acquisition”	the purchase of the Sale Shares by ARI
“Agreement”	the sale and purchase agreement dated 13 July 2008 entered into between Leaping Far and ARI with respect to the conditional Acquisition and the assignment of the Loan
“ARI”	APAC Resources Investments Limited, a company incorporated in the B.V.I. with limited liability, being a direct wholly-owned subsidiary of the Company
“associates”	having the meaning ascribed to it under the Listing Rules
“B.V.I.”	British Virgin Islands
“Company”	APAC Resources Limited, a company incorporated in Bermuda with limited liability, with its shares listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition and the assignment of the Loan pursuant to the Agreement
“connected person”	having the meaning ascribed to it under the Listing Rules
“Consideration Shares”	600,000,000 new Shares
“Directors”	directors of the Company
“Good China”	Good China Limited, a company incorporated in the Cayman Islands with limited liability, which is wholly owned by Leaping Far

“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
“Iron Ore Mine”	iron ore open pit mine which include the Tie Ma Mining District (鐵馬採區), the Ying Tao Gou Mining District (櫻桃溝採區) and the Tie Ma Xi Shan Mining District (鐵馬西山採區), being operated by the Joint Venture Company using the open pit mining method as set out in the Mining Right Permit
“Joint Venture Company”	灤平縣偉源礦業有限責任公司 (Lan Ping Xian Wei Yuan Mining Co. Ltd.)*, a company incorporated in the PRC with limited liability, in which Upper China is the legal and beneficial owner of 49% equity interests
“Leaping Far”	Leaping Far Investments Limited, a company incorporated in the B.V.I. with limited liability, which is wholly owned by an independent third party
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan”	the loan in the amount of US\$16,100,000 equivalent to HK\$125,580,000 at the exchange rate of US\$1 to HK\$7.8 due by Good China to Leaping Far
“Mining Right Permit”	the mining right permit (採礦許可證, 證號: 1300000440265), which is granted to the Joint Venture Company and confers on the Joint Venture Company a valid and legal right to exploit, mine and operate the Iron Ore Mine

“PRC”	People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Shares”	10 issued shares of par value of US\$1 each, representing the entire issued share capital of Good China as at the date of this announcement
“SFC”	The Securities and Futures Commission of Hong Kong
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Upper China”	Upper China Industrial Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by Good China
“US\$”	United States Dollars, the lawful currency of the United States of America
“%”	per cent.

On behalf of the Board
APAC RESOURCES LIMITED
Cao Zhong
Chairman

Hong Kong, 16 July 2008

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

Executive Directors: Mr. Cao Zhong (*Chairman*), Mr. Liu Yongshun (*Chief Executive Officer*), Mr. Zhou Luyong (*Deputy Chief Executive Officer*), Ms. Chong Sok Un, Mr. Chen Zhaoqiang and Mr. Yue Jialin

Independent Non-executive Directors: Mr. Wong Wing Kuen, Albert, Mr. Chang Chu Fai, Johnson Francis, Mr. Alan Stephen Jones and Mr. Robert Moyse Willcocks

* *For identification purpose only*