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APAC RESOURCES LIMITED

亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

POSSIBLE VERY SUBSTANTIAL DISPOSAL IN RELATION TO A MANDATE FOR FUTURE DISPOSAL

Reference is made to the announcements of the Company dated 1 June 2016 and 15 July 2016 relating to the disposal of the Group's shareholding interest in Metals X.

FUTURE DISPOSAL OF THE METALS X SHARES

As at the date of this announcement, the Group held 77,907,571 Metals X Shares, representing approximately 12.86% of the total issued shares of Metals X. The Future Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules and require Shareholders' approval in a general meeting of the Company.

Given the volatility of the stock market and the demands and commercial terms of potential purchasers, disposing of shares at the best possible price requires prompt actions at the right timing and it is not practicable to seek prior Shareholders' approval for each disposal of the Metals X Shares. To allow flexibility in effecting the Future Disposal at appropriate timing and manner, the Company proposes to seek from its Shareholders the Disposal Mandate subject to the parameters set out in this announcement.

LISTING RULES IMPLICATIONS

As at and based on the information available up to the date of this announcement, the applicable percentage ratios (as defined in the Listing Rules) for the Future Disposal are more than 75% and therefore the Future Disposal constitutes a very substantial disposal of the Company and is subject to the announcement, reporting and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal Mandate and the grant of the Disposal Mandate. The aforesaid approvals shall be obtained by way of a poll.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Future Disposal and the Disposal Mandate. Accordingly, it is expected that no Shareholder is required to abstain from voting at the SGM.

A circular containing, among other things, further details of the Future Disposal and the grant of the Disposal Mandate, together with a notice convening the SGM will be dispatched to the Shareholders on or before 16 November 2016.

GENERAL

Shareholders and potential investors should note that (i) the grant of the Disposal Mandate is subject to Shareholders' approval at the SGM and therefore the Future Disposal may or may not proceed; and (ii) there is no assurance that the Company will proceed with the Future Disposal after obtaining the Disposal Mandate. The timing and whether the Company will proceed with the Future Disposal depends on a number of factors including, *inter alia*, the then prevailing market prices and market conditions. As such, Shareholders and potential investors of the Company are urged to exercise caution when dealing in the Shares.

Reference is made to the announcements of the Company dated 1 June 2016 and 15 July 2016 relating to the disposal of the Group's shareholding interest in Metals X.

The Board announced on 1 June 2016 that the Company has determined to place its investment in Metals X under the Strategic Review with an aim to maximizing Shareholders' value. As part of this review, an option would include the disposal of the Company's entire interest in the Metals X Shares. Accordingly, the Company proposes to seek from the Shareholders a Disposal Mandate authorizing the Board to effect the Future Disposal which may amount to a very substantial disposal of the Company under Chapter 14 of the Listing Rules.

The Company announced on 15 July 2016 that it had already disposed of in aggregate 21,500,000 shares in Metals X at a price of A\$1.48 per share for a total consideration of A\$31,820,000 (approximately HK\$188,569,000). Such disposal had constituted a discloseable transaction for the Company under the Listing Rules. As a result of and immediately following the disposal, the Group's interest in Metals X dropped from approximately 20.72% to approximately 16.24%, the Group is considered to have

ceased having significant influence over Metals X. Accordingly Metals X ceased to be an associate of the Group and the Group's interest in Metals X has since been recognised as an available-for-sale investment of the Group.

FUTURE DISPOSAL OF THE METALS X SHARES

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Given the volatility of the stock market and the demands and commercial terms of potential purchasers, disposing of shares at the best possible price requires prompt actions at the right timing and it is not practicable to seek prior Shareholders' approval for each disposal of the Metals X Shares. To allow flexibility in effecting the Future Disposal at appropriate timing and manner, the Company proposes to seek from its Shareholders the Disposal Mandate subject to the parameters set out below.

DISPOSAL MANDATE

Mandate Period

12 months period commencing on the date of passing of the resolutions approving the Disposal Mandate at the SGM.

Maximum number of Metals X Shares to be Disposed

Up to 77,907,571 Metals X Shares, subject to adjustments as set out in the sub-heading "Capital Restructuring of Metals X" below.

Scope of Authority

The Board be authorized and empowered to determine, decide, execute and implement with full discretion all matters relating to the Future Disposal, including but not limited to (a) the timing; (b) one or a number of batches of disposals, the number of Metals X Shares to be sold in each disposal; (c) the manner of disposal (subject to the parameters set out under the sub-heading "Manner of Disposal" below); (d) the target purchaser(s); and (e) the disposal price (subject to the parameters set out under the sub-heading "Mechanism for Setting Sale Price" below).

It is expected that the purchaser(s) of the Metals X Shares to be disposed of under the Disposal Mandate and their ultimate beneficial owner(s) will be third parties independent of and not connected with the Company and its connected persons. In the

event that any purchaser of the Future Disposal is a connected person of the Company, the Company will strictly comply with the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Manner of Disposal

The Board be authorized and empowered to determine and decide with full discretion the manner of disposal, whether by way of sale in the open market or through block trade(s). The Future Disposal will be conducted through reputable third party placing agent(s) and/or broker(s). As at the date of this announcement, the Board has not yet appointed or identified any placing agent or broker.

Mechanism for Setting Sale Price

Under the Future Disposal, if a particular disposal of the Metals X Shares is made in the open market, it shall be sold at the market price. The Board shall ensure that regardless of the manner of disposal, the selling price per share of the Metals X Shares shall represent no more than 10% discount to the volume weighted average closing price of the Metals X Shares in the 10 trading day period immediately prior to the date of any definitive agreement or the date of the transaction. In any event, the Board shall ensure that, regardless of the manner of disposal, the relevant Metals X Shares shall be sold at a price of not less than A\$0.85 per share.

The minimum disposal price per share of the Metals X Shares of A\$0.85 was determined with reference to (i) the lowest closing price per Metals X Share of approximately A\$0.86 as quoted on the ASX for the past 12 months; (ii) the lowest closing price per Metals X Share of approximately A\$0.62 as quoted on the ASX for the past 24 months; (iii) the net asset value per share of the Metals X Shares as at 30 June 2015 of approximately A\$0.83 and as at 30 June 2016 of approximately A\$0.82, (based on the audited financial statements of Metals X for each of the two financial years ended 30 June 2015 and 30 June 2016); (iv) the average closing price per share of the Metals X Shares of approximately A\$0.90 as quoted on the ASX for the past 5 years; and (v) the prevailing market conditions.

However, setting a minimum disposal price does not in any way limit the potential premium that the Metals X Shares may be disposed for. Given the strategic size of the investment and the ongoing strength in the Australian dollar gold price, the Board believes it is reasonable to expect that the Strategic Review will uncover significant interest in Metals X.

The Company considers that the minimum disposal price will allow flexibility for the Board to accommodate fluctuation in market conditions in the exercise of the Disposal Mandate and at the same time reflect the lowest acceptable price to dispose of the Metals X Shares, and is thus fair and reasonable as far as the Company and the Shareholders as a whole are concerned.

Capital Restructuring of Metals X

If and when there shall be, during the period between the day after the SGM and the end date of the Mandate Period (both days inclusive):

- (a) any alteration to the nominal value of Metals X Shares as a result of consolidation, subdivision or reclassification, or issue of new shares of Metals X to the Company by way of capitalization of profits or reserves or by way of a scrip dividend, the minimum disposal price of the Metals X Shares as set out under the sub-heading “Mechanism for Setting Sale Price” above and/or the number of Metals X Shares approved under the Disposal Mandate shall be adjusted accordingly;
- (b) an issue of new shares of Metals X to the Company by way of a rights issue or open offer, the minimum disposal price of the Metals X Shares as set out under the sub-heading “Mechanism for Setting Sale Price” above and/or the number of Metals X Shares approved under the Disposal Mandate shall be adjusted accordingly; or
- (c) given Metals X’s proposed ordinary resolution to be resolved in its forthcoming extraordinary general meeting on 24 November 2016 to separate its gold assets from Metals X by way of the Demerger, following such Demerger or any other future proposed demerger(s) of Metals X’s business(es) into one or more SpinCo(s) and the distribution of shares of the SpinCo(s) to the shareholders of Metals X, the minimum disposal price of the remaining Metals X Shares after such demerger (i.e. the shares of Demerged Metals X) and the minimum disposal price of the shares of the SpinCo(s) shall be based on the following formula:

$$X+aY = A\$0.85$$

Key:

X = the disposal price of the shares of the Demerged Metals X or the last closing price of the shares of the Demerged Metals X immediately preceding the date of disposal of the shares of the SpinCo(s), as the case may be.

a = the share ratio of the SpinCo(s) to the shares of Metals X being distributed under the demerger. The following table is for illustrative purposes:

a = 0.5 if the distribution under demerger is one (1) share of the SpinCo(s) for every two (2) shares of Metals X;

a = 1 if the distribution under demerger is one (1) share of the SpinCo(s) for every one (1) share of Metals X;

a = 2 if the distribution under demerger is two (2) shares of the SpinCo(s) for every one (1) share of Metals X;

a = 3 if the distribution under demerger is three (3) shares of the SpinCo(s) for every one (1) share of Metals X;

Y = the disposal price of the shares of the SpinCo(s) or the last closing price of the shares of the SpinCo(s) immediately preceding the disposal of the shares of the Demerged Metals X, as the case may be.

Scenarios:

- (i) In the case that the shares of the Demerged Metals X are being disposed of, X shall be the minimum disposal price of the shares of the Demerged Metals X and Y shall be the last closing price of the shares of the SpinCo(s) immediately preceding the date of disposal of the shares of the Demerged Metals X.
- (ii) In the case that the shares of the SpinCo(s) are being disposed of, X shall be the last closing price of the shares of the Demerged Metals X immediately preceding the date of disposal of the shares of the SpinCo(s) and Y shall be the minimum disposal price of the shares of the SpinCo(s).
- (iii) In the case of both the shares of the SpinCo(s) and the shares of the Demerged Metals X are being disposed of concurrently, X shall be the disposal price of shares of the Demerged Metals X and Y shall be the disposal price of the shares of the SpinCo(s), and the amount of $X+aY$ shall be no less than A\$0.85.

INFORMATION ON THE COMPANY

The Group is an established natural resource 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 and energy.

INFORMATION ON METALS X

Metals X is listed on the ASX (Stock Code: MLX), a diversified group exploring and developing minerals and metals in Australia. It is Australia's largest tin producer, a top ten gold producer and holds a pipeline of assets from exploration to development including the Wingellina Nickel-Cobalt Project.

Set out below is the audited financial information of Metals X for the three years ended 30 June 2014, 30 June 2015 and 30 June 2016 as extracted from its published annual reports, which are available on the website of the ASX. The published annual reports of Metals X have been prepared in accordance with the relevant Australian Accounting Standards, which in all material respects, are consistent with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants adopted by the Company in the preparation of its financial statements:

	For the year ended 30 June		
	2014	2015	2016
	<i>A\$'000</i>	<i>A\$'000</i>	<i>A\$'000</i>
Revenue	238,600	315,250	352,281
Profit (loss) before income tax	37,452	40,949	(27,909)
Net profit (loss) after tax	37,452	40,949	(23,624)

The audited consolidated net asset value of Metals X as at 30 June 2015 and 30 June 2016 are A\$346,267,000 (approximately HK\$2,064,513,000) and A\$394,908,000 (approximately HK\$2,274,078,000) as set out in the annual report of Metals X for the year ended 30 June 2015 and 30 June 2016 respectively.

On 17 October 2016, Metals X issued a notice of extraordinary general meeting, pursuant to which an ordinary resolution has been proposed to its shareholders to approve the Demerger. The Demerger will take place via an in-specie distribution of the shares of Westgold to the shareholders of Metals X, and concurrent listing of Westgold on the ASX. Shareholders of Metals X are being asked to consider and, if thought fit, pass an ordinary resolution authorising Metals X to reduce its issued share capital by distributing in-specie to shareholders of Metals X all of the shares in Westgold held by Metals X in proportion to their respective shareholdings in Metals X.

The proposed extraordinary general meeting of Metals X will be held on 24 November 2016 and, in the event that Metals X proceeds with the Demerger, the normal trading of the shares in Westgold on the ASX shall commence on 2 December 2016. The occurrence of the Demerger is conditional upon, among others, the approval by the

shareholders of Metals X, relevant regulatory approvals and consents, and satisfaction by the board of directors of Metals X on the terms of approval from relevant regulators in respect of the listing of Westgold on the ASX.

REASONS FOR FUTURE DISPOSAL AND USE OF SALE PROCEEDS

The Group's strategy is to realize profits with cash inflow from realization of its investments, including Metals X, and to capture return at opportune times, subject to favorable prevailing share prices and market sentiment.

The Group has been an investor in Metals X since 2007. The Australian dollar gold price sits near all time highs around A\$1,700 per ounce which has led to a significant increase in valuations and corporate interest for Australian gold provider such as Metals X. The Board believes that the current environment represents an appropriate time to consider a divestment of the Group's interest in Metals X and to maximise Shareholders' value and to investigate and reinvest in other alternative investments. The Group is retaining its other major investment in the natural resources sector, namely Mount Gibson Iron Limited.

On 15 July 2016, as a result of the disposal of the 21,500,000 shares in Metals X by the Group, the remaining 77,907,571 Metals X Shares held by the Group were reclassified from an investment in associate to an available-for-sale investment and their carrying value was adjusted upward, based on the fair market value of A\$1.48 per share, to approximately A\$115,303,000 (approximately HK\$682,052,000). Details of this together with the expected gain therefrom were set out in the discloseable transaction announcement of the Company dated 15 July 2016. For illustrative purpose and based on the assumption that all of the Metals X Shares under the Disposal Mandate are sold on the date of this announcement, the expected loss on the Future Disposal is approximately HK\$95,113,000 (calculated from the last closing price of the Metals X Shares of A\$1.335 immediately preceding the date of this announcement), after taking into account of estimated maximum potential tax payable; and before taking into account of any advisory or placing expenses (if any). Accordingly, the actual amount of the proceeds, accounting gain or loss and the effects on the net assets and earnings of the Group in relation to the Future Disposal may vary depending on the actual sale price(s) of the relevant Metals X Shares, the actual number and timing of the Metals X Shares to be disposed of by the Group and the actual tax payable (if any) arising from such disposal(s).

It has been, and remains, the Group's focus to continue to look for investment opportunities in listed and unlisted securities globally in the resources sector, which are expected to generate attractive returns. The net sales proceeds from the Future Disposal will be added to the Group's readily available internal financial resources, allowing the Group to take advantage of reinvesting in further investment opportunities in both Resources Investment and Primary Strategic Investment business segments and medium-term treasury instruments, such as the 6% 3 year loan notes of US\$20,000,000 which the Group subscribed for on 5 September 2016 (details are set out in the discloseable transaction announcement of the Company dated 6 September 2016) on a timely basis as and when such opportunities are identified. The Group announced on 25 August 2016 that it had created two new investment portfolios focusing on the areas of (i) energy (oil and gas); and (ii) mining (base metals, precious metals, bulks, resources companies where the primary asset is cash etc.) respectively, which will form the new platform for the Group's future investment in the Resources Investment segment. Since their creation, the Group has proceeded to invest out of these funds.

As at the date of this announcement, the Company has been reviewing further potential investment targets in the natural resources sector and elsewhere under the two investment portfolios but has not yet identified anything considered suitable and no material negotiations are taking place. The Company will publish further announcements as and when appropriate pursuant to the Listing Rules.

The Directors consider that the Future Disposal and the Disposal Mandate are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Board (including the independent non-executive Directors) considers that the Future Disposal represents a good opportunity for the Group to realise its investment in Metals X and thereby enhances the financial resources available to the Group for reinvestment purpose.

The Board is also of the view that the Disposal Mandate will give flexibility to the Directors to dispose of the Metals X Shares at appropriate times and prices in order to maximize the return to the Group.

LISTING RULES IMPLICATIONS

As at and based on the information available up to the date of this announcement, the applicable percentage ratios (as defined in the Listing Rules) for the Future Disposal are more than 75% and therefore the Future Disposal constitutes a very substantial disposal of the Company and is subject to the announcement, reporting and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal Mandate and the grant of the Disposal Mandate. The aforesaid approvals shall be obtained by way of a poll.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Future Disposal and the Disposal Mandate. Accordingly, it is expected that no Shareholder is required to abstain from voting at the SGM.

A circular containing, among other things, further details of the Future Disposal and the grant of the Disposal Mandate, together with a notice convening the SGM will be dispatched to the Shareholders on or before 16 November 2016.

GENERAL

Shareholders and potential investors should note that (i) the grant of the Disposal Mandate is subject to Shareholders' approval at the SGM and therefore the Future Disposal may or may not proceed; and (ii) there is no assurance that the Company will proceed with the Future Disposal after obtaining the Disposal Mandate. The timing and whether the Company will proceed with the Future Disposal depends on a number of factors including, *inter alia*, the then prevailing market prices and market conditions. As such, Shareholders and potential investors of the Company are urged to exercise caution when dealing in the Shares.

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
“ASX”	Australian Securities Exchange
“Board”	board of Directors
“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)
“Demerged Metals X”	Metals X after its proposed Demerger
“Demerger”	the proposed demerger of Westgold by Metals X to be approved in the extraordinary general meeting of Metals X to be held on 24 November 2016

“Director(s)”	director(s) of the Company
“Disposal Mandate”	the specific mandate to be granted by the Shareholders to the Directors to effect the Future Disposal during the Mandate Period of the Metals X Shares, which may amount to a very substantial disposal of the Company under Chapter 14 of the Listing Rules
“Future Disposal”	the possible disposal of the Metals X Shares by the Company under the Disposal Mandate from time to time
“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
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mandate Period”	being the period from the date of passing the resolutions approving the Disposal Mandate at the SGM to the date falling 12 months thereafter
“Metals X”	Metals X Limited, a company whose shares are listed on the ASX
“Metals X Shares”	77,907,571 shares of Metals X held by the Group representing approximately 12.86% of the total issued share capital of Metals X as at the date of this announcement
“SGM”	the special general meeting to be convened by the Company to consider and, if thought fit, approve the Future Disposal and the grant of the Disposal Mandate
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SpinCo(s)”	the company(ies) separated from Metals X as a result of its potential demerger(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Review”	strategic review on the Group’s investment in Metals X being conducted by Deutsche Bank AG
“Westgold”	Westgold Resources Pty Ltd, a company currently being a wholly-owned subsidiary of Metals X with its principal business activity as an Australian gold producer, which is proposed to be demerged from Metals X under the Demerger
“%”	per cent

Unless otherwise stated, amounts in A\$ have been translated into HK\$ at the exchange rates on the relevant dates as set out in this announcement which are within the range of HK\$5.7585 to HK\$5.9622 to A\$1 for illustration purpose only. No representation has been made that any amounts in A\$ or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

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

Hong Kong, 26 October 2016

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 Mr. So Kwok Hoo

Independent Non-Executive Directors

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

* *For identification purpose only*