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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 MAJOR TRANSACTION IN RELATION TO A MANDATE FOR FUTURE ACQUISITION

FUTURE ACQUISITION OF METALS X SHARES

The Group has continuously been looking for investment opportunities in listed securities globally in the resources sector in both resources investment and primary strategic investment business segments, and has from time to time acquired as well as disposed of Metals X Shares through on-market transactions on the ASX. As at the date of this announcement, the Group holds 138,896,319 Metals X Shares, representing approximately 15.31% of the total number of issued shares of Metals X.

The Company wishes to be able to acquire Metals X Shares in the future by participating, as a shareholder and/or a sub-underwriter, in any Potential Equity Raisings. Given the potential tight timeline of Potential Equity Raisings, the acquisition of any Metals X Shares pursuant to the Future Acquisition is likely to require prompt action, meaning it would not be practicable to seek prior approval from Shareholders at the time. To allow flexibility in effecting the Future Acquisition in an appropriate manner with optimum timing, the Company proposes to seek from its Shareholders the Acquisition Mandate.

THE PREVIOUS ACQUISITIONS

The Group acquired an aggregate of 75,488,748 Metals X Shares within a 12-month period prior to the date of this announcement (representing approximately 8.32% of the total number of issued shares of Metals X as at the date of this announcement) through on-market transactions conducted on the ASX and/or the Previous Equity Raising for an aggregate consideration of approximately A\$13,016,000 (equivalent to approximately HK\$68,965,000) (exclusive of transaction costs), representing approximately A\$0.17 (equivalent to approximately HK\$0.91) per share. 2,000,000 Metals X Shares acquired by the Group have been disposed of through on-market disposals on the ASX within a 12-month period prior to the date of this announcement. For the avoidance of doubt, none of the applicable percentage ratio(s) for the disposal of 2,000,000 Metals X Shares exceed 5%, and as such, the disposal is not subject to disclosure requirements under Chapter 14 of the Listing Rules.

LISTING RULES IMPLICATIONS

As the applicable percentage ratio(s) for the Future Acquisition, on both a stand-alone basis and when aggregated with the Previous Acquisitions, is more than 25% but less than 100%, the Future Acquisition (if it materialises), together with the Previous Acquisitions will constitute a major transaction for the Company and will therefore be subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, (i) further details of the Future Acquisition and the Acquisition Mandate; (ii) the financial information of the Group; (iii) the public financial information of Metals X; and (iv) a notice of the SGM to be convened and held to consider and, if thought fit, to approve the Future Acquisition and to grant the Directors the Acquisition Mandate, is expected to be despatched to the Shareholders on or before 4 June 2020.

There has been no arrangement with Metals X on the Future Acquisition. As the Future Acquisition may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

FUTURE ACQUISITION OF METALS X SHARES

The Group has continuously been looking for investment opportunities in listed securities globally in the resources sector in both resources investment and primary strategic investment business segments, and has from time to time acquired and disposed of Metals X Shares through on-market transactions on the ASX. As at the date of this announcement, the Group holds 138,896,319 Metals X Shares, representing approximately 15.31% of the total number of issued shares of Metals X.

The Company wishes to be able to acquire Metals X Shares in the future by participating, as a shareholder and/or a sub-underwriter, in any Potential Equity Raisings. Given the potential tight timeline of the Potential Equity Raisings, the acquisition of any Metals X Shares pursuant to the Future Acquisition is likely to require prompt action, meaning it would not be practicable to seek prior approval from Shareholders at the time. To allow flexibility in effecting the Future Acquisition in an appropriate manner with optimum timing, the Company proposes to seek from its Shareholders the Acquisition Mandate subject to the parameters set out below.

ACQUISITION MANDATE

Mandate Period

12 months period commencing on the date of passing of an ordinary resolution approving the Acquisition Mandate at the SGM.

Shareholding in Metals X after the Future Acquisition

At any time during the Mandate Period the Group may own an aggregate of up to 40% of the total issued share capital of Metals X as a result of the Future Acquisition and including any Metals X Shares held by the Group immediately prior to the Future Acquisition.

The Future Acquisition is subject to regulatory approval by FIRB, and the Company will make an application to FIRB for its approval of the Future Acquisition.

Scope of Authority

The Acquisition Mandate, if granted, will authorise and empower the Board to determine, decide, execute and implement with full discretion all matters relating to the Future Acquisition, including but not limited to (a) the timing; (b) one or a number of batches of acquisitions, and the number of the Metals X Shares to be acquired in each acquisition; and (c) the manner of acquisition (subject to the parameters set out under the sub-heading “Manner of Acquisition” below).

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save for Mr. Brett Robert Smith's common directorship in Metals X and the Company and his holding of approximately 0.02% of the total number of issued shares of Metals X as at the date of this announcement, Metals X and its ultimate beneficial owner(s) are Independent Third Parties.

Manner of Acquisition

The Acquisition Mandate, if granted, will authorise and empower the Board to determine and decide with full discretion the manner of acquisitions in the participation, whether as a shareholder and/or a sub-underwriter, in the Potential Equity Raisings, subject to the terms and conditions of the Potential Equity Raisings (including the subscription price of the Metals X Shares).

In addition, upon completion of the subscription of and/or sub-underwriting of the Metals X Shares to be offered under the Potential Equity Raisings, the Group shall satisfy the conditions that (i) the Group shall not own more than 40% of the total issued share capital of Metals X (including any Metals X Shares held by the Group immediately prior to the subscription and/or the sub-underwriting); and (ii) the total consideration of the Future Acquisition (i.e. the aggregate consideration to be paid in subscribing and/or sub-underwriting any Metals X Shares under the Potential Equity Raisings during the Mandate Period) shall not exceed A\$35,000,000 (equivalent to approximately HK\$176,925,000) (exclusive of transaction costs).

Consideration

The total maximum consideration of the Future Acquisition shall be up to A\$35,000,000 (equivalent to approximately HK\$176,925,000) (exclusive of transaction costs) and shall be fully settled in cash from the Company's internal resources.

The maximum consideration of the Future Acquisition of A\$35,000,000 (equivalent to approximately HK\$176,925,000) (exclusive of transaction costs) has been determined after taking into account the financial resources of the Group which adequately funds the maximum consideration. Therefore, the Directors are of the view that the Future Acquisition, which is subject to the maximum consideration, is fair and reasonable as far as the Company and the Shareholders as a whole are concerned.

THE PREVIOUS ACQUISITIONS

The Group acquired an aggregate of 75,488,748 Metals X Shares within a 12-month period prior to the date of this announcement (representing approximately 8.32% of the total number of issued shares of Metals X as at the date of this announcement) through on-market transactions conducted on the ASX and/or the Previous Equity Raising for an aggregate consideration of approximately A\$13,016,000 (equivalent to approximately HK\$68,965,000) (exclusive of transaction costs), representing approximately A\$0.17 (equivalent to approximately HK\$0.91) per share. 2,000,000 Metals X Shares acquired by the Group have been disposed of through on-market disposals on the ASX within a 12-month period prior to the date of this announcement. For the avoidance of doubt, none of the applicable percentage ratio(s) for the disposal of 2,000,000 Metals X Shares exceed 5%, and as such, the disposal is not subject to disclosure requirements under Chapter 14 of the Listing Rules.

INFORMATION ON 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.

INFORMATION ON METALS X

Metals X is a company limited by shares incorporated in Australia, the shares of which are listed on the ASX (Stock Code: MLX). Metals X is a diversified resource company. It is Australia's largest tin producer and owns the Nifty Copper Mine which is under care and maintenance, and the undeveloped Wingellina Nickel-Cobalt Project.

Based on the audited consolidated financial statements of Metals X, the consolidated net losses before and after taxation for the financial years ended 30 June 2018 and 2019 and the consolidated net assets of Metals X as at 30 June 2018 and 2019 are as follows:

	For the year ended 30 June			
	2019		2018	
	A\$'000	HK\$'000	A\$'000	HK\$'000
Consolidated net loss before taxation	116,969	640,487	26,297	152,573
Consolidated net loss after taxation	116,969	640,487	26,297	152,573

	As at 30 June	
	2019	2018
	<i>A\$'000</i>	<i>HK\$'000</i>
Consolidated net assets	101,593	556,293
	170,450	988,934

Note: The translation of A\$ into HK\$ is based on the exchange rate of HK\$5.8019 to A\$1 and HK\$5.4757 to A\$1 as at 30 June 2018 and 30 June 2019 respectively.

In December 2019, Mr. Brett Robert Smith, an executive Director and the deputy Chairman of the Company, was appointed as a director of Metals X.

REASONS FOR AND BENEFITS OF THE FUTURE ACQUISITION

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

Metals X is Australia's largest tin producer and owns copper assets including the Nifty Copper Mine which is under care and maintenance, and the undeveloped Wingellina Nickel-Cobalt Project. As at the date of this announcement, the Group holds 138,896,319 shares in Metals X, representing approximately 15.31% of the total issued share capital of Metals X.

The Metals X share price has deteriorated significantly since it acquired Aditya Birla Minerals Limited in 2016 which owned the Nifty Copper Mine, which was put on care and maintenance after an operational review in late 2019. More recently, the share price of Metals X has dropped further with the COVID-19 pandemic driving a market wide sell-off. As the Renison Tin Mine is a valuable asset for Metals X and the copper assets, including the Nifty Copper Mine plus nearby exploration tenements has been put under a strategic review with the aim to divest part or all of the copper assets, the Directors believe that acquiring shares in Metals X at an appropriate price is a worthwhile investment and can enhance the returns on investment for the Company in the long run.

To the best knowledge, information and belief of the Directors based on publicly available information, it is anticipated that Metals X may conduct equity raising activities for its activities in the near future. On 18 December 2019, Metals X announced that it has been considering the timing and options for a capital raising in the first half of 2020 to ensure the balance sheet remains robust. As disclosed in the half-year report for the six months ended 31 December 2019 of Metals X which was published on 20 February 2020, Metals X completed two capital raisings for the six months ended 31 December 2019 and raised an aggregate of approximately A\$32.7 million (before costs), and the directors of Metals X have also determined that future equity raisings may be required in the financial year ending 30 June 2020.

Having considered the (i) prospects of Metals X; and (ii) the likely benefit to Metals X of conducting the Potential Equity Raisings, the Directors believe that the participation in the Potential Equity Raisings should be a worthwhile investment with the potential to enhance the returns on investment for the Company in the long run, and that the Future Acquisition and the grant of the Acquisition Mandate gives the Directors the flexibility to acquire shares in Metals X as and when appropriate by way of participating in the Potential Equity Raisings. As such, the Directors consider that the Future Acquisition and the Acquisition Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratio(s) for the Future Acquisition, on both a stand-alone basis and when aggregated with the Previous Acquisitions, is more than 25% but less than 100%, the Future Acquisition (if it materialises), together with the Previous Acquisitions will constitute a major transaction for the Company and will therefore be subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, (i) further details of the Future Acquisition and the Acquisition Mandate; (ii) the financial information of the Group; (iii) the public financial information of Metals X; and (iv) a notice of the SGM to be convened and held to consider and, if thought fit, to approve the Future Acquisition and to grant the Directors the Acquisition Mandate, is expected to be despatched to the Shareholders on or before 4 June 2020.

There has been no arrangement with Metals X on the Future Acquisition. As the Future Acquisition may or may not proceed, Shareholders and potential investors of the Company should 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;
“Acquisition Mandate”	the specific mandate to be granted by the Shareholders to the Directors to effect the Future Acquisition during the Mandate Period;
“ASX”	Australian Securities Exchange;
“Board”	the 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);
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness;
“Directors”	the directors of the Company;
“FIRB”	Foreign Investment Review Board of Australia, being Australia’s foreign investment regulator;
“Future Acquisition”	the possible acquisition of Metals X Shares by the Group under the Acquisition Mandate from time to time by participating, as a shareholder and/or a sub-underwriter, in any Potential Equity Raisings;
“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 Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Mandate Period”	being the period from the date of passing an ordinary resolution approving the Acquisition Mandate at the SGM to the date falling 12 months thereafter;
“Metals X”	Metals X Limited, a company limited by shares incorporated in Australia, the shares of which are listed on the ASX (Stock Code: MLX);
“Metals X Shares”	ordinary shares of Metals X;
“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;
“Potential Equity Raisings”	the possible equity raisings to be conducted by Metals X during the Mandate Period;
“Previous Acquisitions”	the acquisitions of 75,488,748 Metals X Shares in aggregate by the Group through on-market transactions conducted on the ASX and/or the Previous Equity Raising within a 12-month period prior to the date of this announcement for an aggregate consideration of approximately A\$13,016,000 (equivalent to approximately HK\$68,965,000) (exclusive of transaction costs);
“Previous Equity Raising”	the previous equity raising conducted by Metals X comprising (i) the institutional placement of approximately 103.4 million new Metals X Shares; and (ii) the non-renounceable entitlement offer of approximately 114.8 million new Metals X Shares, as announced by Metals X on 19 September 2019;
“SGM”	the special general meeting to be convened by the Company to consider and, if thought fit, to approve the Future Acquisition and to grant the Directors the Acquisition Mandate;
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

Unless otherwise stated, amounts in A\$ have been translated into HK\$ at the exchange rate of the Future Acquisition and the Previous Acquisitions at HK\$5.0550 and HK\$5.2985 respectively to A\$I for illustration purposes only. No representation has been made that any amount in A\$ or HK\$ can be or could have been converted at the relevant date at the above rate or any other rates at all.

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

Hong Kong, 14 May 2020

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. Wang Hongqian

* *For identification purpose only*