

CIRCULAR DATED 3 OCTOBER 2014

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Manhattan Resources Limited ("**Company**"), you should immediately forward this Circular together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the accuracy of any of the statements or opinions made or reports contained in this Circular. Approval by the SGX-ST for the listing and quotation of the Consideration Shares (as defined herein) is not an indication of the merits of the Call Option Agreement (as defined herein). **In relation to the Proposed Starsmind Acquisition (as defined herein), Shareholders should note that the Xinjiang Fengli Exploration Permit (as defined herein) will expire on 31 May 2015. There is no assurance that the Xinjiang Fengli Exploration Permit will be renewed or that Xinjiang Fengli will be able to obtain the exploitation licence in respect of the Xinjiang Fengli Target Area.** Shareholders should consider carefully the risk factors and all other information contained in this Circular in relation to the Proposed Diversification into the Mineral Resource Business and the Proposed Starsmind Acquisition. In particular, please refer to the risk factor entitled "The Group's mining operations are dependent on its ability to obtain, maintain and renew licences and approvals and maintain its mining concession from the relevant government and other relevant government authorities" in Appendix B of this Circular for more details.



MANHATTAN RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199006289k)

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE THE PROPERTY BUSINESS ("THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS");**
- (2) THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE THE MINERAL RESOURCE BUSINESS ("THE PROPOSED DIVERSIFICATION INTO THE MINERAL RESOURCE BUSINESS"); AND**
- (3) THE PROPOSED ACQUISITION OF UP TO 60% OF THE ENLARGED ISSUED SHARE CAPITAL OF STARSMIND CAPITAL PTE. LTD. ("PROPOSED STARSMIND ACQUISITION"), INCLUDING THE ISSUE OF UP TO 62,000,000 NEW SHARES IN THE CAPITAL OF THE COMPANY IN CONNECTION WITH THE PROPOSED STARSMIND ACQUISITION.**

IMPORTANT DATES AND TIMES:

Last Date and Time for lodgement of Proxy Forms	:	16 October 2014 at 9:30 a.m.
Date and Time of Extraordinary General Meeting	:	18 October 2014 at 9:30 a.m.
Place of Extraordinary General Meeting	:	One Farrer Hotel & Spa Napier Room, Level 6 1 Farrer Park Station Road Singapore 217562

CONTENTS

	PAGE
DEFINITIONS	2
LETTER TO SHAREHOLDERS	8
1. INTRODUCTION	8
2. THE PROPOSED DIVERSIFICATION	9
3. THE PROPERTY BUSINESS	12
4. THE MINERAL RESOURCE BUSINESS	15
5. MANAGEMENT OF THE PROPOSED NEW BUSINESSES	34
6. SGX-ST LISTING MANUAL	35
7. DIRECTORS' RECOMMENDATION	36
8. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	37
9. EXTRAORDINARY GENERAL MEETING	38
10. ACTION TO BE TAKEN BY SHAREHOLDERS	38
11. DIRECTORS' RESPONSIBILITY STATEMENT	39
12. INSPECTION OF DOCUMENTS	39
APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS	A-1
APPENDIX B – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE MINERAL RESOURCE BUSINESS	B-1
APPENDIX C – MAIN LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES IN THE PRC	C-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	N-1
PROXY FORM	

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

22 April 2014 Announcement	:	The announcement dated 22 April 2014 issued by the Company in relation to the Call Option Agreement
25 August 2014 Announcement	:	The announcement dated 25 August 2014 issued by the Company in relation to the Supplemental Agreement
21 May 2014 Announcement	:	The announcement dated 21 May 2014 issued by the Company in relation to, amongst others, the Conditional Sale and Purchase Agreement
Adjacent Properties	:	The two pieces of land adjacent to the Original Property measuring a total of 3,914 sq m (land parcels A1-1-b and A1-2)
Articles of Association	:	The Articles of Association of the Company
Associate	:	(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
Associated Company	:	A company in which at least 20% but not more than 50% of its shares are held by the Company or Group
Audit Committee	:	The audit committee of the Company for the time being
Call Option Agreement	:	The call option agreement between the Company and SCPL, which is described in the 22 April 2014 Announcement

DEFINITIONS

CDP	:	The Central Depository (Pte) Limited
Companies Act	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
Company	:	Manhattan Resources Limited
Conditional Sale and Purchase Agreement	:	The conditional sale and purchase agreement between the Company and KaiYi, MAPL, Dato' Dr Low Tuck Kwong and ACL, which is described in the 21 May 2014 Announcement
Consideration Shares	:	Such number of MRL Shares issued in connection with exercise at the issue price (that is, S\$0.645 for each Consideration Share) for each Consideration Share, according to Table A in Section 4.2.2 of this Circular
Controlling Shareholder	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the company. The Exchange may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over a company
Directors	:	The directors of the Company for the time being
EGM	:	The extraordinary general meeting of the Company, notice of which is set out in this Circular
EPS	:	Earnings per share
Executive Directors	:	The executive directors of the Company for the time being
FY	:	Financial year ended or, as the case may be, ending 31 December
GiantMiner	:	GiantMiner Pte Ltd
Group	:	The Company and its subsidiaries
Independent Directors	:	The independent directors of the Company for the time being

DEFINITIONS

<i>Independent Technical Report</i>	:	The independent technical report dated January 2014, commissioned by Xinjiang Fengli and prepared by SRK Consulting China Ltd, in relation to a high-magnesium serpentinite project in Tuoli County, Xinjiang Uygur Autonomous Region, the PRC. The report provides an independent technical assessment of the geology, exploration and resource aspects of the reviewed project based on all available technical data. The report has been prepared in accordance with the JORC Code.
<i>Investment Amount</i>	:	The consideration payable by the Company to SCPL for the Option Shares, the amount of which shall depend on the Call Option selected, as specified in Table A in Section 4.2.2 of this Circular
<i>JORC Code</i>	:	The standards of reporting under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, promulgated by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
<i>KaiYi</i>	:	KaiYi Investment Pte. Ltd.
<i>Latest Practicable Date</i>	:	The latest practicable date prior to the printing of this Circular, being 15 September 2014
<i>Listing Manual</i>	:	The listing manual of the SGX-ST
<i>Market Day</i>	:	A day on which the SGX-ST is open for trading in securities
<i>Mineral Resource Business</i>	:	The business of exploring, mining, extraction and sale of mineral resources in the PRC, further details of which are set out in Section 4 of this Circular
<i>Mineriver</i>	:	Mineriver Pte. Ltd.
<i>MRL Shares</i>	:	Ordinary shares from time to time in the capital of the Company
<i>MRN</i>	:	Manhattan Resources (Ningbo) Property Limited, a subsidiary of the Company established in the PRC
<i>Ningbo Project</i>	:	The building and development project by MRN to develop a mixed-use development of gross floor area of approximately 160,000 sq m at the South CBD in Yinzhou District in Ningbo City, Zhejiang Province in the PRC

DEFINITIONS

NTA	:	Net tangible assets
Option Period	:	The period of six (6) months commencing on the date of the Call Option Agreement (or such other date as the Company and SCPL may agree in writing)
Option Shares	:	Depending on the Call Option selected, such number of new ordinary shares in the capital of SCPL to be allotted and issued pursuant to the Company's exercise, representing such percentage of the enlarged issued share capital of SCPL at the time of issuance as set out in Table A in Section 4.2.2 of this Circular
Original Property	:	A piece of land measuring 19,467 sq m at the South CBD in Yinzhou District in Ningbo City, Zhejiang Province in the PRC (land parcel A1-1-a)
PRC	:	The People's Republic of China
Property	:	The Original Property and the Adjacent Properties
Property Business	:	The business of property development, investment, management and other related property activities in the PRC, further details of which are set out in Section 3 of this Circular
Proposed Diversification	:	The proposed diversification of the Group's business to include the Property Business and the Mineral Resource Business
Proposed New Businesses	:	The Property Business and the Mineral Resource Business
Proposed Singxin Acquisition	:	The proposed acquisition by the Company of the entire issued and paid-up share capital of Singxin Resources
Proposed Singxin Target Group	:	Singxin Resources, GiantMiner and Urumqi Jinshi Huilong
Proposed Starsmind Acquisition	:	The proposed acquisition by the Company of up to 60% of the enlarged issued share capital of SCPL
Proposed Starsmind Target Group	:	SCPL, Mineriver and Xinjiang Fengli
SCPL	:	Starsmind Capital Pte. Ltd.
SGX-ST	:	Singapore Exchange Securities Trading Limited

DEFINITIONS

Shareholders	:	Registered holders of Shares except that where the registered holder is CDP, the term Shareholders shall, in relation to such Shares and where the context admits, mean the Depositors whose securities accounts are credited with Shares
Shares	:	Ordinary shares in the capital of the Company
Share Options	:	Options to subscribe for new Shares granted pursuant to share option schemes/plans implemented by the Company
Singxin	:	Singxin Resources Pte. Ltd.
SWPL	:	Singxin Water Pte. Ltd.
South CBD	:	South Commercial Park
Supplemental Agreement	:	The supplemental agreement between the Company and KaiYi, MAPL, Dato' Dr Low Tuck Kwong and ACL, amending the Conditional Sale and Purchase Agreement, which is described in the 25 August 2014 Announcement
Target Minerals	:	Serpentine, chrome, nickel and other minerals
Urumqi Jinshi Huilong	:	Urumqi Jinshi Huilong Mining Co., Ltd (乌鲁木齐金石徽龙矿业有限公司)
VALMIN Report	:	The valuation report to be prepared by SRK Consulting China Ltd (or such party as may be agreed between the Company and the Vendors) in relation to the technical review of the Target Minerals within the Target Areas that meets the standards of reporting under the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports promulgated by the VALMIN Committee, or such other standards as may be approved by the SGX-ST or required by the Company from time to time
Wuqia Kunlun	:	Wuqia County Kunlun Mineral Water Co., Ltd (乌恰县昆仑矿泉水有限责任公司)
Xinjiang Fengli	:	Xinjiang Fengli Deyuan Trading Co., Ltd (新疆丰利德源贸易有限公司)

DEFINITIONS

Currencies, units and others

<i>m</i>	:	metres
<i>RMB</i>	:	Renminbi
<i>sq m</i>	:	Square metres
<i>S\$</i>	:	Singapore dollars
<i>US\$</i>	:	United States dollars
% or <i>per cent.</i>	:	Per centum or percentage

The expression ***subsidiaries*** shall have the meaning ascribed to it in the Companies Act.

The terms ***Depositor***, ***Depository***, ***Depository Agent***, ***Depository Register*** and ***Sub-Account Holder*** shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

Any reference in this Circular to “we”, “our”, “us” or their other grammatical variations is a reference to our Company, or our Group, or any member of our Group, as the context requires.

LETTER TO SHAREHOLDERS

MANHATTAN RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199006289k)

Directors:

Liow Keng Teck (Independent Chairman)
Low Yi Ngo (Chief Executive Officer and Managing Director)
Elaine Low (Executive Director)
Choo Hsun Yang (Executive Director)
Oliver Khaw Kar Heng (Non-Executive Director)
Lim Say Tai (Independent Director)
Tung Zhihong, Paul (Independent Director)

Registered Office:

10 Collyer Quay
#10-01 Ocean Financial Centre
Singapore 049315

3 October 2014

To: The Shareholders of
Manhattan Resources Limited

Dear Sir/Madam

- (1) **THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE THE PROPERTY BUSINESS ("PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS");**
- (2) **THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE THE MINERAL RESOURCE BUSINESS ("THE PROPOSED DIVERSIFICATION INTO THE MINERAL RESOURCE BUSINESS"); AND**
- (3) **THE PROPOSED ACQUISITION OF UP TO 60% OF THE ENLARGED ISSUED SHARE CAPITAL OF STARS MIND CAPITAL PTE. LTD. ("PROPOSED STARS MIND ACQUISITION"), INCLUDING THE ISSUE OF UP TO 62,000,000 NEW SHARES IN THE CAPITAL OF THE COMPANY IN CONNECTION WITH THE PROPOSED STARS MIND ACQUISITION.**

1. INTRODUCTION

1.1 EGM

The Group currently provides logistics and other support services to the coal mining and oil and gas industries in Indonesia.

The Chairman's Statement in the Company's Annual Report 2013, noted that "Notwithstanding uncertain industry outlook, the Group continues to actively pursue growth opportunities and enhance business scope through organic growth and strategic acquisitions so as to achieve long term sustainable growth. The Group is currently in preliminary discussions with certain parties on potential business opportunities, involving strategic investments in the mining, energy and healthcare sectors. However, the Company wishes to emphasize that such discussions are only preliminary and nothing definitive has been reached at this juncture. The Company will make relevant announcements when any of these opportunities crystallises."

LETTER TO SHAREHOLDERS

In connection with the Group's plans to enhance its business scope, the Directors are convening the EGM to be held on 18 October 2014 to seek Shareholders' approval for the following:

- (a) The Proposed Diversification into the Property Business; and
- (b) The Proposed Diversification into the Mineral Resource Business, including the Proposed Starsmind Acquisition.

(collectively, the **"Proposed Transactions"**).

1.2 Circular

The purpose of this Circular is to provide Shareholders with information relating to the Proposed Transactions to be tabled at the EGM. The SGX-ST assumes no responsibility for the correctness of any of the statements or opinions made or reports contained in this Circular.

2. THE PROPOSED DIVERSIFICATION

2.1 Existing business of the Group

The current core business of the Group is the provision of logistics and other support services to the coal and mining and oil and gas industries in Indonesia, including ship chartering and provision of freight services and leasing of mining equipment and machinery.

2.2 Proposed New Businesses

Upon receipt of Shareholders' approval for the Proposed Diversification, the Group intends to expand its core business to include the Property Business and Mineral Resource Business.

2.3 The Rationale of the Proposed Diversification

The Proposed Diversification is part of the corporate strategy of the Group to provide Shareholders with diversified returns and long term growth. The Directors believe that the Proposed Diversification will reduce the Group's reliance on its existing business, offer new business opportunities, provide the Group with new revenue streams and improve its prospects, so as to enhance Shareholders' value for the Company.

The Company notes that the PRC has enjoyed rapid economic development, and this has led to rising income levels. There is also increasing urbanisation in the PRC. Accordingly, the Directors are of the view that these will lead to an increased demand for housing, and encourage individual and corporate investments in property, which give rise to suitable investment opportunities in the Property Business that can add value to the Company and bring benefits to the Shareholders.

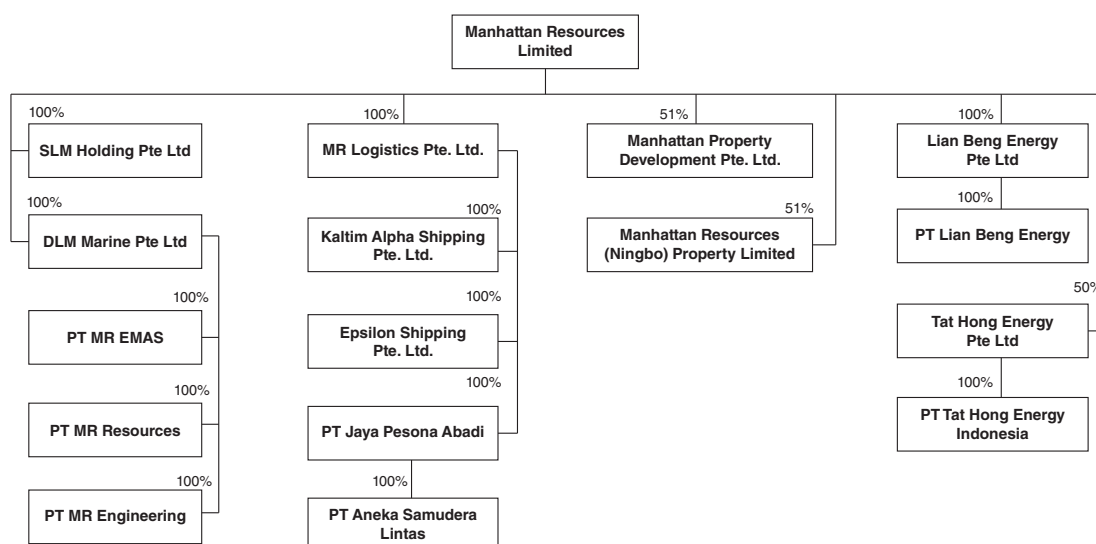
LETTER TO SHAREHOLDERS

In addition, the continued economic growth and rising global population will lead to an increase in the demand for mineral resources worldwide. Moreover, mineral resources have a wide spectrum of applications spanning various industries including construction, transportation and manufacturing industries. Accordingly, the Company believes that the Mineral Resource Business presents access to niche markets which will provide suitable investment opportunities, strategic earnings and growth opportunities for the Group and bring benefits to the Shareholders.

Accordingly, the Board is of the opinion that the Proposed Diversification is in the best interests of the Group. In view of the time sensitive nature of commercial transactions, it would be advantageous to the Company to obtain a mandate to include the Proposed New Businesses as core businesses of the Group. If approved, the Proposed Diversification will eliminate, amongst others, the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential projects arise within the scope of the Proposed New Businesses. This will substantially reduce the administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the Group's corporate objectives and adversely affecting its business opportunities. It would instead allow the Group to seize such opportunities as and when they arise. However, if so required by the listing rules of the SGX-ST, the Group will seek approval of the Shareholders prior to undertaking any major projects or corporate actions.

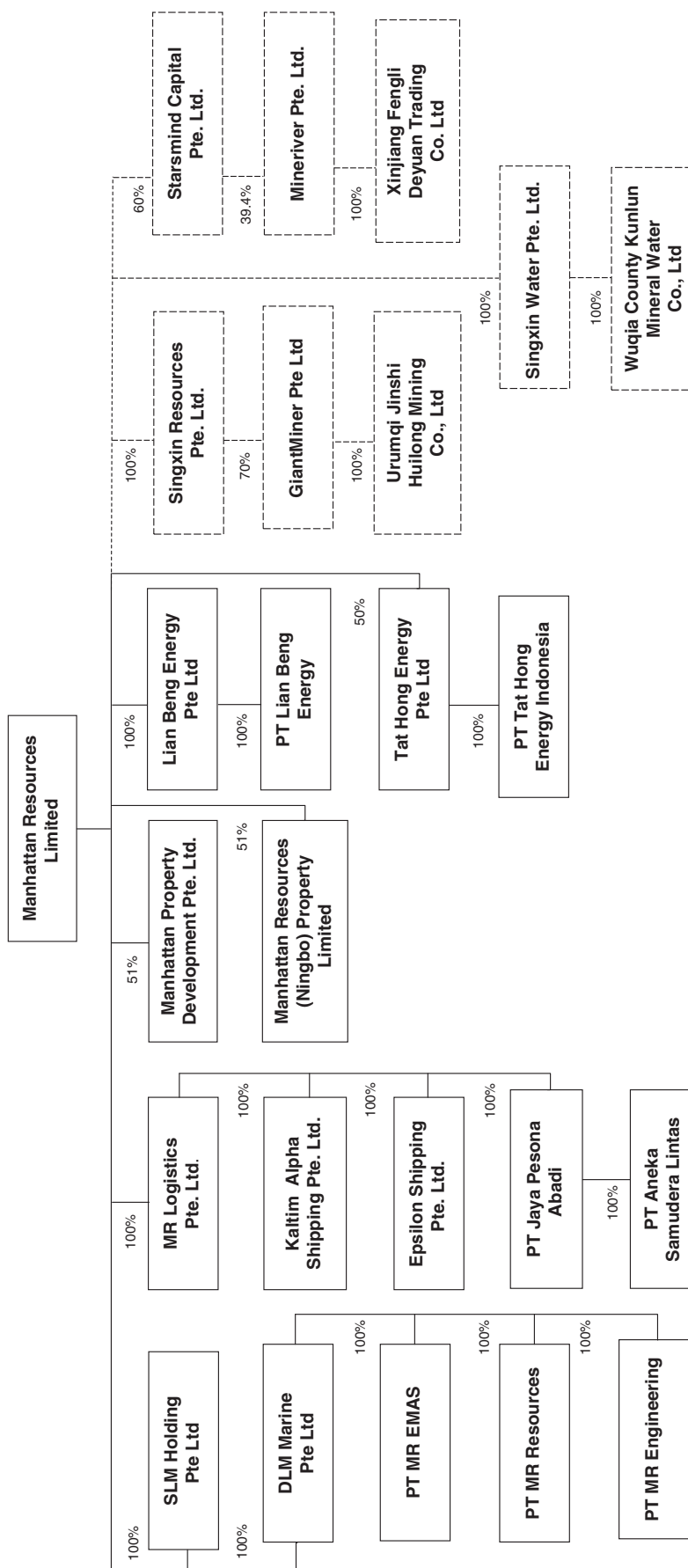
2.4 Group Structure

The following sets out the existing Group structure prior to the Proposed Diversification:



LETTER TO SHAREHOLDERS

Following the Proposed Diversification, assuming that the Proposed Starsmind Acquisition, the Proposed Singxin Acquisition and the SW Acquisition are completed, the Group structure will be as follows:



----- Proposed acquisition

LETTER TO SHAREHOLDERS

3. THE PROPERTY BUSINESS

3.1 Background

On 12 January 2011, the Company announced that it had entered into a joint venture agreement with Ningbo Da Li Shipping Co Ltd, KaiYi and Mr Xu Yi You to establish MRN. MRN was registered as a Sino Foreign Joint Venture Company (limited liability) with registered capital of US\$68,500,000 and, as at the date of this Circular, the Company has contributed US\$34,935,000, representing a 51% interest in MRN.

On 9 June 2011, the Company announced that MRN had succeeded in its tender for the right, for 40 years, to use and develop a piece of land at the South Commercial Park ("**South CBD**") in Yinzhou District in Ningbo City, Zhejiang Province in the PRC, measuring 19,467 sq m for RMB100,930,945 (land parcel A1-1-a) ("**Original Property**"). The intention then was to develop an office and commercial building of gross floor area of approximately 160,000 sq m, subject to final planning approval being obtained.

On 12 September 2013, the Company announced that, pursuant to a court-mediated settlement, Ningbo Da Li Shipping Co Ltd and Mr Xu Yi You offered their entire existing equity interest with an aggregate proportion of 27% in MRN to KaiYi in consideration for RMB80 million. Pursuant to the articles of association of MRN, this offer was also extended to the Company, which declined the offer and waived its pre-emptive rights in respect of the offer, after having considered the terms of the offer as well as the recommendation by the Company's management to (i) preserve capital resources for the Company's core bargaining operations in Indonesia; and (ii) limit the Company's exposure to the new property development activities in the PRC. KaiYi accepted the offer and MRN is currently 51% held by the Company and 49% held by KaiYi. The risks and rewards in relation to MRN are in proportion to the equity held by the Company and KaiYi in MRN.

On 18 October 2013, MRN succeeded in its tender for the right, for 40 years commencing from 31 August 2011, to use and develop two pieces of land which are adjacent to the Original Property, measuring a total of 3,914 sq m for RMB27,682,000 (land parcels A1-1-b and A1-2) ("**Adjacent Properties**").

In connection with the Ningbo Project, the Company and KaiYi intend to undertake a restructuring of MRN, such that MRN will be wholly owned by a Singapore-incorporated company, which shall be 51% held by the Company and 49% held by KaiYi. In this regard, the Company has, on 25 September 2014, entered into a joint venture agreement with KaiYi in connection with the incorporation of a joint venture company in Singapore, namely, Manhattan Property Development Pte. Ltd. ("**MPDPL**"). It is intended that the incorporation of MPDPL is to facilitate potential future restructuring of certain investments of the Company, in particular, subject to all necessary approvals being obtained, the aforementioned restructuring of MRN. The Company will make further announcements as and when there are any material developments in relation to such a restructuring. The risks and rewards in relation to MPDPL are in proportion to the equity held by the Company and KaiYi in MPDPL.

LETTER TO SHAREHOLDERS

3.2 The Ningbo Project

(a) Information on Ningbo City, Zhejiang Province

Ningbo City is the second largest city in Zhejiang Province by population and gross domestic product and is a major trading city in the Yangtze River Delta region. It is one of the PRC's most important port cities with an economy geared towards manufacturing, export and services industries. Ningbo City's local population is among the most affluent in the PRC. All these, coupled with continuous economic growth and urbanization, is believed to lead to an increase in demand for quality residential and commercial properties.

(b) Information on the Property

The Property, comprising of the Original Property and the Adjacent Properties, is a leasehold property located at the South CBD in Yinzhou District in Ningbo City, Zhejiang Province in the PRC.

The details of the Property are as follows:

- (i) Total Land Area: 23,381 sq m
- (ii) Total Price of Land Use Rights: RMB128,612,945
- (iii) Land Use: Commercial (40 years)
- (iv) Maximum Plot Ratio: 6.84
- (v) Total Permissible Gross Floor Area: approximately 160,000 sq m
- (vi) Building Height: 270 m
- (vii) Coverage Ratio: 40%
- (viii) Green Ratio: 20%

(c) Information on South CBD, Yinzhou District

Yinzhou District is located in southern Ningbo City and is the biggest district in terms of land area and economic output. Close proximity to international airport, expressway and sea port enhances the regional transportation connectivity. South CBD has been planned as Yinzhou's new business core with strong government support for future development as one of Ningbo City's major new business centres which will include high quality offices as well as retail and supporting facilities.

(d) Development Plans of the Ningbo Project

The design plan for the Ningbo Project contemplates a total built-up area of 254,923.48 sq m consisting of above-ground gross floor area of 159,926.04 sq m and underground built-up area of 94,997.44 sq m. This design plan has been submitted to the local authorities for approval and as at the Latest Practicable Date, approval for the design plan has not been obtained.

LETTER TO SHAREHOLDERS

The Group intends to develop the Property into a mixed-use commercial development with a single high rise tower and attached podium structure, offering office, retail and SOHO components. The proposed development mix is 97,393.6 sq m for office, 50,509.6 sq m for retail and 24,348.4 sq m for SOHO.

(e) Project Timetable and Development Cost

Construction of the Ningbo Project is planned to commence on or before 1H 2015 and is anticipated to be completed within four years. As at the date of this Circular, MRN has appointed two independent consultants, namely, MCC Capital Engineering & Research Incorporation Ltd and P&T Group, to provide building design and construction drawings.

The estimated cost of development for the Ningbo Project is approximately US\$299 million. The Ningbo Project will be funded through a combination of internal sources of funds, progress payments on pre-sales of projects, and borrowings from financial institutions. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises by tapping the capital markets including but not limited to rights issues, share placements and/or issue of debt instruments.

3.3 **Scope of the Property Business**

The Group intends to undertake property development activities, which will include, amongst others, the acquisition, development and/or sales of residential and commercial and any other types of properties including mixed-use development properties which the Group may deem suitable. The Group may also engage in property investment by acquiring existing properties or investing in entities holding such properties, including, amongst others, acquisitions with a view of holding properties for long-term investment, capital appreciation and rental income. The Group currently intends to develop the Property Business only in the PRC.

Save for the Ningbo Project, the Group does not currently have any definitive commitment for the Property Business. The expansion of the business scope will allow the Group to enter into transactions within the Property Business (such as, the award of the construction and other related contracts) in a timely manner when suitable opportunities arise without having to seek Shareholders' approval. However, if so required by the listing rules of the SGX-ST, the Group will seek approval of the Shareholders prior to undertaking any such projects.

The Group may undertake the Property Business independently or in partnership/collaboration with third parties which have the relevant expertise and resources. The decision on whether a project should be undertaken by the Group on its own or in collaboration with third parties will be taken by the Board after taking into consideration various factors such as the nature and scale of the project, amount of investment required, nature of expertise required and the period of time that is required to complete the project. In making its assessment on the nature and the extent of its investment in the Property Business, the Group will consider, amongst others, the relevant market conditions, the joint venture partners, growth potential and projected returns to the Group.

LETTER TO SHAREHOLDERS

3.4 Financing the Property Business

It is anticipated that the Property Business requires substantial capital investments or cash outlay. The Company intends to fund the Property Business through a combination of internal sources of funds, progress payments on pre-sales of projects, and borrowings from financial institutions. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises by tapping the capital markets including but not limited to rights issues, share placements and/or issue of debt instruments.

3.5 Risk Factors relating to the Proposed Diversification into the Property Business

To the best of the Directors' knowledge and belief, all the risk factors that are material to the Shareholders in making an informed judgment on the Proposed Diversification into the Property Business are set out in Appendix A. Shareholders should carefully consider and evaluate the risk factors in Appendix A and all other information contained in this Circular before deciding on whether to vote in favour of the Proposed Diversification into the Property Business.

The risks described in Appendix A are not intended to be exhaustive and are not presented in any particular order of importance. There may be additional risks not presently known to the Group or that the Group may currently deem immaterial, which would affect its operations. If any of the considerations and uncertainties described in Appendix A develops into actual events, the business, results of operations, financial condition and prospects of the Group could be materially and adversely affected.

Shareholders should consider the risk factors in light of your own investment objectives and financial circumstances and should seek professional advice from your accountant, stock brokers, bank managers, solicitors or other professional advisers if you have any doubt about the actions you should take.

Notwithstanding the risks set out in Appendix A, the Directors, having considered the rationale for the Proposed Diversification into the Property Business as set out in Section 2.3 of this Circular, believe that it is to the benefit of the Group to diversify its current existing business to include the Property Business. The Directors will be mindful in managing the risks involved.

4. THE MINERAL RESOURCE BUSINESS

4.1 Scope of the Mineral Resource Business

The Group intends to own, invest in, acquire and operate mines, and carry out activities in mining, including activities such as to manage, explore, develop, mine, produce and process resources including but not limited to, water, nickel, serpentine, chrome and other mineral ores. In addition, the Group may also undertake trading and selling of various mining products including but not limited to, nickel, serpentine, chrome and other mineral ores. The Group currently intends to develop the Mineral Resource Business only in the PRC.

Save for the Call Option Agreement, the Conditional Sale and Purchase Agreement and the SW Conditional Sale and Purchase Agreement, the Group does not currently have any specific plans for Mineral Resource Business. However, the expansion of the business scope will allow the Group to enter into transactions within the Mineral Resource Business

LETTER TO SHAREHOLDERS

in a timely manner when suitable opportunities arise without having to seek Shareholders' approval. However, if so required by the listing rules of the SGX-ST, the Group will seek approval of the Shareholders prior to undertaking any major projects or corporate actions.

The Group will embark on appropriate strategies to develop and expand the Mineral Resource Business. The Group may explore acquisitions and/or joint ventures to carry out the Mineral Resource Business, or it may carry out the Mineral Resource Business independently.

In deciding on its investment plans, the Board will evaluate each investment after taking into consideration, amongst others, the quality of the joint venture partner (if any), the value of the proposed investment or acquisition, the location of the mine, the geological information of the mine based on the independent geological and/or valuation reports prepared by the geologists and valuers (where applicable), the growth potential, the projected rate of return, the potential costs involved, the funding requirements and the prevailing market conditions, the possession of the relevant licences, permits, consents and approvals by the target entity and the conditions and limitations attached thereto, research report(s) on, amongst others, the projected demand and supply of the minerals, and the findings from the legal and financial due diligence exercises.

4.2 The Proposed Starsmind Acquisition

On 22 April 2014, the Company announced that, it had on 21 April 2014 entered into a Call Option Agreement with SCPL, whereby the Company may, subject to the terms and conditions of the Call Option Agreement, exercise the call option ("**Call Option**") to require SCPL to allot and issue to the Company the Option Shares ("**Proposed Starsmind Acquisition**"). The Company is interested in investing in Mineriver through acquiring an equity stake in SCPL. This investment structure was proposed by Mr Ho Sing Ming, one of the vendors of the Mineriver Interest. The Company had no objections to the proposed structure (i) as long as the Company acquires proper title to the Mineriver Interest; and (ii) as the Company believes that this structure allows its interest to be aligned with that of Mr Xu Yuan Xing, the principal vendor of the Mineriver Interest through SCPL.

The Board believes that the Group's investment in the Proposed Starsmind Target Group is beneficial to the Group as the investment represents an opportunity for the Group to venture into the resources market and to broaden its earnings base.

The Company has decided to enter into the Call Option Agreement instead of proceeding immediately with the subscription of shares in SCPL, as it is of the view that the Call Option Agreement provides the Company with additional time to assess, amongst others, the outcome of all financial, commercial and legal due diligence investigations, and to decide whether to exercise the Call Option.

4.2.1 Information on the Proposed Starsmind Target Group

SCPL is an investment holding company and was incorporated in Singapore on 18 January 2013. Mineriver is an investment holding company and was incorporated in Singapore on 8 August 2013. Xinjiang Fengli is a wholly-owned foreign enterprise established in the PRC on 17 December 2007 and it is principally engaged in the business of resource investment.

LETTER TO SHAREHOLDERS

As at the Latest Practicable Date, SCPL is wholly owned by Mdm Cheng Yin Mui, who is the spouse of Mr Ho Sing Ming. The Company has been informed that upon the exercise of the Call Option, Mdm Cheng Yin Mui will transfer all the shares of SCPL to Mr Ho Sing Ming who will hold the shares of SCPL on trust for Mr Xu Yuan Xing. As at the Latest Practicable Date, the Company has not entered into any shareholders' agreement in relation to SCPL. In the event that the Company exercises the Call Option and enters into any such shareholders' agreement, the Company will make the relevant announcement(s).

SCPL has been granted an option by Mr Ho Sing Ming to acquire 39.4% of the equity interest in Mineriver ("**Mineriver Interest**"). Mineriver is the sole shareholder of Xinjiang Fengli. As at the Latest Practicable Date, Mineriver is 98.5% held by Mr Ho Sing Ming and 1.5% held by JES International Holdings Limited. The Company has been informed that Mr Ho Sing Ming is holding the shares of Mineriver on trust for Mr Xu Yuan Xing (37.8%) and Big Thumb (Beijing) Energy Investment Company, Ltd (56.7%) ("**Big Thumb**"). Mr Ho Sing Ming has also informed the Company that the Mineriver Interest will comprise shares held by him (2%) and shares held on trust for Mr Xu Yuan Xing (37.4%) ("**Mineriver Vendor Proportion**"). Mr Ho Sing Ming is also the sole legal and beneficial owner of 5% of the entire issued share capital of GiantMiner, which is part of the Proposed Singxin Target Group as set out in Section 4.3.2 of this Circular. As at the Latest Practicable Date, Mr Xu Yuan Xing is a substantial Shareholder of the Company as set out in Section 8.2 of this Circular and, to the best of the Company's knowledge and belief after having made reasonable enquiries, Big Thumb and its shareholders are unrelated third parties to the Company, its Directors, Controlling Shareholders and their associates.

Xinjiang Fengli holds one exploration permit named Xinjiang Tuoli County Akekerishi Copper Polymetallic Exploration permit, covering an area of 21.51 square kilometres, located approximately 100 kilometres south of the Tuoli County town in Xinjiang Uygur Autonomous Region, the PRC ("**Xinjiang Fengli Target Area**") conferring rights to explore for metals and minerals, including nickel ("**Xinjiang Fengli Exploration Permit**"). The Xinjiang Fengli Exploration Permit was first granted to Xinjiang Fengli in October 2008. **The Xinjiang Fengli Exploration Permit will expire on 31 May 2015. There is no assurance that the Xinjiang Fengli Exploration Permit will be renewed or that Xinjiang Fengli will be able to obtain the exploitation licence in respect of the Xinjiang Fengli Target Area.** Please refer to Appendix B of this Circular for more details on the risk factors relating to the Proposed Diversification into the Mineral Resource Business, in particular, the risk factor entitled "The Group's mining operations are dependent on its ability to obtain, maintain and renew licences and approvals and maintain its mining concession from the relevant government and other relevant government authorities". Please also refer to Appendix C of this Circular for more details on the main laws and regulations relating to mineral resources in the PRC, including the annual rates of exploration right usage fees and exploitation right usage fees as well as the process of obtaining exploitation licences.

It is intended that the Proposed Starsmind Target Group will be in the business of exploration and/or mining of minerals and resources including but not limited to nickel.

4.2.2 Investment Amount

Pursuant to the Call Option Agreement, SCPL grants to the Company during the Option Period the Call Option to require SCPL to allot and issue to the Company, free from all encumbrances and with all rights attaching thereto on the relevant date of exercise by the Company, the Option Shares, at the Investment Amount and on the terms and subject to the conditions of the Call Option Agreement.

LETTER TO SHAREHOLDERS

In this connection, the Call Option comprises four possible options, of which only one may be selected by the Company upon exercise:

Table A

Call Option	Number of Option Shares	Investment Amount	Number of Consideration Shares
1	Such number of Option Shares representing 15% of SCPL's enlarged issued share capital at the time of issuance	S\$10,000,000	15,500,000
2	Such number of Option Shares representing 30% of SCPL's enlarged issued share capital at the time of issuance	S\$20,000,000	31,000,000
3	Such number of Option Shares representing 45% of SCPL's enlarged issued share capital at the time of issuance	S\$30,000,000	46,500,000
4	Such number of Option Shares representing 60% of SCPL's enlarged issued share capital at the time of issuance	S\$40,000,000	62,000,000

The Investment Amount shall, depending on the Call Option exercised, be as set out in Table A above.

The Investment Amount shall be fully satisfied by the Company through the allotment and issuance of the Consideration Shares in accordance with Table A above, each credited as fully paid, to Mr Ho Sing Ming, for the purpose of and in connection with the exercise by SCPL of its option to acquire the Mineriver Interest. In this regard, the Company has been informed that the Consideration Shares will be held by Mr Ho Sing Ming for himself as well as on trust for Mr Xu Yuan Xing in accordance with the Mineriver Vendor Proportion. Consequently, in the event the Company exercises Call Option 4 and issues 62,000,000 Consideration Shares, Mr Ho Sing Ming will be holding 3,147,208 Consideration Shares (representing 0.55% of the Company's enlarged issued and paid up share capital) for himself and 58,852,792 Consideration Shares (representing 10.35% of the Company's enlarged issued and paid-up share capital) on trust for Mr Xu Yuan Xing.

The Consideration Shares, when issued, will be free from all encumbrances and will rank *pari passu* in all respects with the then existing MRL Shares.

The issue price for each Consideration Share of S\$0.645 represents approximately 5% discount to the volume weighted average traded price of S\$0.679 on 17 April 2014, being the market day preceding the date of the Call Option Agreement.

The Investment Amount was arrived at after arm's length negotiations on a willing-buyer, willing-seller basis. In arriving at the Investment Amount, the Company has taken into account, amongst others, the Independent Technical Report (which has been prepared in accordance with the JORC Code) which states that, based on studies conducted on the revised area which is located in the southwest of the permit area and covers an area of nearly 5 square kilometres, there is an estimated 4,202 million tonnes in measured and indicated mineral resources at the Xinjiang Fengli Target Area using a Magnesium Oxide cut-off grade of 30%. Accordingly, based on the Independent Technical Report and the due diligence investigations conducted as at the

LETTER TO SHAREHOLDERS

Latest Practicable Date, and having regard to the risk factors as set out in Appendix B of this Circular, including the expiry of the Xinjiang Fengli Exploration Permit on 31 May 2015 and that Xinjiang Fengli currently has no mining operations, the Directors are of the view that the Investment Amount for the Option Shares to be acquired is fair in view of the Mineriver Interest to be acquired and the market capitalisation of comparable peers (in magnesium fertiliser/magnesium related industries) of the Proposed Starsmind Target Group as follows:

Company⁽¹⁾	Resources (Million Tonnes)	Reserves (Million Tonnes)	Mkt. Cap⁽²⁾ (S\$' million)	T12M P/E (x)
Company A	–	78.1	332.3	10.5
Company B	43.0 ⁽³⁾	–	20.8	–
Company C	50.3 ⁽⁴⁾	–	19.0	–

Notes:

- (1) The companies are being disclosed on a confidential no-names basis as the Company has obtained the information from the Internet and online resources and has not sought consent from the relevant sources for disclosure of the information in this Circular.
- (2) As at January 2014, based on information obtained from online resources.
- (3) Measured and Indicated resources.
- (4) Inferred resources.

For illustrative purposes only, in the event the Company exercises Call Option 4 to acquire 60% of SCPL's enlarged issued share capital, the Company will hold an effective interest of 23.64% in Xinjiang Fengli, which may be calculated to have an attributed value as follows:

Estimated measured and indicated mineral resources at the Xinjiang Fengli Target Area based on the Independent Technical Report (million tonnes)	4,202
Estimated measured and indicated mineral resources attributable to the Company (million tonnes) ⁽¹⁾	993
Minimum selling price of magnesium fertiliser (S\$/tonne) ⁽²⁾	296
Net margin (%) ⁽³⁾	16.9
Calculated value attributable to the Company (S\$'million) ⁽⁴⁾	1,182
Market value of Consideration Shares (S\$'million) ⁽⁵⁾	42

Notes:

- (1) Calculated based on the effective interest of 23.64% in the 4,202 million tonnes estimated measured and indicated mineral resources at the Xinjiang Fengli Target Area.
- (2) Price information extracted from one of New Zealand's leading fertiliser specialists.
- (3) Based on information extracted from the FY2013 annual report of a comparable peer.
- (4) The calculated value attributable to the Company was computed on the assumptions that Xinjiang Fengli obtained the exploitation licence for a period of 10 years, the processing capacity is 10 million tonnes per annum and the magnesium fertiliser is sold at S\$296/tonne at 16.9% net margin. Shareholders should note that this calculation and the assumptions made are purely for illustrative purposes and there is no assurance that Xinjiang Fengli will obtain the exploitation licence for a period of 10 years or at all, or that any magnesium fertiliser produced can be sold at such price and at such margins.
- (5) In the event Call Option 4 is exercised and 62,000,000 Consideration Shares are issued, the market value of the Consideration Shares (calculated in accordance with Rule 1003(3) of the Listing Manual) is deemed to be S\$42,098,000, determined by multiplying the number of Consideration Shares to be issued by the volume weighted average traded price of S\$0.679 on 17 April 2014, being the market day preceding the date of the Call Option Agreement.

4.2.3 Exercise of the Call Option

The Call Option may be exercised only once by the Company at any time during the Option Period by service of a notice of exercise on SCPL, failing which the Call Option will lapse to have any effect.

LETTER TO SHAREHOLDERS

Save with the consent in writing of SCPL, the Call Option cannot be exercised after the expiration of the Option Period. The Option Period expires on 20 October 2014.

4.2.4 Condition Precedent and Completion

The Company may not exercise its Call Option unless the following conditions ("**Starsmind Conditions Precedent**") have been satisfied or waived in accordance with the Call Option Agreement:

- (a) the issue of an in-principle approval from the SGX-ST for the listing and quotation of the Consideration Shares in the SGX-ST having been obtained and if such approval or issuance is subject to conditions, such conditions being reasonably acceptable to the Company and if required by the SGX-ST, such conditions being fulfilled or satisfied before completion, and such approval remaining in full force and effect;
- (b) if required, the approval by the shareholders of the Company having been obtained at an extraordinary general meeting of the Company for the entry into, implementation and completion of the transactions contemplated under the Call Option Agreement; and
- (c) the satisfactory outcome of all financial, commercial and legal due diligence investigations by the Company on, amongst others, the financial, contractual, tax and trading positions, and prospects, of each target group company (that is, any member of the Proposed Starsmind Target Group) and title to its assets.

In the event that any of the Starsmind Conditions Precedent has not been fulfilled or waived in accordance with the Call Option Agreement on or before the expiry of the Option Period, the Call Option Agreement (save for certain specified clauses ("**Starsmind Surviving Clauses**")) shall automatically terminate and neither the Company nor SCPL shall have any claim of any nature whatsoever against the other party under the Call Option Agreement (save and except for any claims that may be made by any party in respect of any breach by any other party of its obligations under any of the Starsmind Surviving Clauses).

Completion shall take place in Singapore (or such other place as may be agreed between the parties) on the completion date (that is, a date falling within 30 days after the Company's notice to SCPL of the exercise of the Company's Call Option) or at such other venue, time and/or date as the parties may mutually agree in writing.

For more details on the Call Option Agreement, please refer to the 22 April 2014 Announcement.

4.2.5 Asset Value and Net Loss Attributable to the Assets Acquired

As SCPL is an investment holding company, it does not have any assets as at the date of this Announcement and has not carried on any business.

Based on the audited accounts of Xinjiang Fengli as at 31 December 2012 in accordance with the PRC GAAP, the book value and net tangible asset value of Xingjiang Fengli were approximately RMB827,367 and RMB795,506 respectively. Based on the said accounts, the net loss before tax for the year ended 31 December 2012 of Xingjiang Fengli was approximately RMB102,520.

LETTER TO SHAREHOLDERS

Based on the audited accounts of Xinjiang Fengli for the period from 1 January 2013 to 31 July 2013 in accordance with the PRC GAAP, the book value and net tangible asset value of Xingjiang Fengli were approximately RMB381,369 and RMB(82,293) respectively. Based on the said accounts, the net loss before tax of Xingjiang Fengli for the period from 1 January 2013 to 31 July 2013 was approximately RMB444,930.

4.2.6 Relative Figures computed on the Bases set out in Rule 1006

The relative figures (based on the Group's latest audited financial statements for the financial year ended 31 December 2013) computed on the bases set out in Rule 1006 of the Listing Manual under the four possible scenarios, are set out below:

		Assuming Call Option 1 is exercised	Assuming Call Option 2 is exercised	Assuming Call Option 3 is exercised	Assuming Call Option 4 is exercised
Rule 1006	Bases of calculation	Relative Figures (%)	Relative Figures (%)	Relative Figures (%)	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable to an acquisition of assets	Not applicable to an acquisition of assets	Not applicable to an acquisition of assets	Not applicable to an acquisition of assets
(b)	The net loss ⁽¹⁾ of the Proposed Target Group attributable to the Company, compared with the Group's net profits ⁽²⁾	0	0	0	0
(c)	The aggregate value of the consideration to be given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	3 ⁽³⁾	6 ⁽³⁾	9 ⁽³⁾	12 ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue	3	6	9	12

LETTER TO SHAREHOLDERS

		Assuming Call Option 1 is exercised	Assuming Call Option 2 is exercised	Assuming Call Option 3 is exercised	Assuming Call Option 4 is exercised
Rule 1006	Bases of calculation	Relative Figures (%)	Relative Figures (%)	Relative Figures (%)	Relative Figures (%)
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable to an acquisition of assets	Not applicable to an acquisition of assets	Not applicable to an acquisition of assets	Not applicable to an acquisition of assets

Notes:

- (1) The net loss of the Proposed Starsmind Target Group attributable to the Company ("**Net Loss Attributable to the Proposed Starsmind Target Group**") did not include the losses of SCPL and Mineriver as both of these companies have no operational activities and have minimal transactions since their respective dates of incorporation on 18 January 2013 and 8 August 2013. The Net Loss Attributable to the Proposed Starsmind Target Group used in the computation was based on the audited financial statements of Xingjiang Fengli for the financial year ended 31 December 2012, being the latest available audited financial statements as at the date of the 22 April 2014 Announcement.

Purely for comparison purposes, if the Net Loss Attributable to the Proposed Starsmind Target Group based on the latest available management accounts of Xinjiang Fengli for the financial year ended 31 December 2013 is used, the relative figures would be -1%, -1%, -2% and -2% under the above four possible scenarios.

- (2) For this purpose, "net profit/loss" is defined as profit/loss before income tax, minority interests and extraordinary items.
- (3) For the purpose of Rule 1006(c), in accordance with Rule 1003(3), the value of the Consideration Shares to be issued in the event Call Option 1, Call Option 2, Call Option 3 and Call Option 4 is exercised is determined by reference to the market value of such Consideration Shares (S\$10,524,500, S\$21,049,000, S\$31,573,500 and S\$42,098,000, respectively, determined by multiplying the number of Consideration Shares to be issued by the volume weighted average traded price of S\$0.679 on 17 April 2014, being the market day preceding the date of the Call Option Agreement) or the net asset value represented by such Consideration Shares (S\$3,331,429, S\$6,470,717, S\$9,434,020 and S\$12,235,733, respectively, determined by dividing the net asset value of the Company as at 31 December 2013 (being S\$112,192,000) by the enlarged share capital of the Company, multiplied by the number of Consideration Shares to be issued), whichever is higher. Accordingly, the value of the Consideration Shares to be issued in the event Call Option 1, Call Option 2, Call Option 3 and Call Option 4 is exercised is deemed to be S\$10,524,500, S\$21,049,000, S\$31,573,500 and S\$42,098,000, respectively, being the market value of the Consideration Shares to be issued. The Company's market capitalisation of S\$343.96 million is determined by multiplying the number of shares in issue by the volume weighted average traded price of S\$0.679 on 17 April 2014, being the market day preceding the date of the Call Option Agreement.

For each of the four possible scenarios, none of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, the Proposed Starsmind Acquisition therefore constitutes a discloseable transaction under Chapter 10 of the Listing Manual. However, as the Proposed Starsmind Acquisition is an important part of the Company's plans for a Proposed Diversification into the Mineral Resource Business, the Company is seeking shareholders' approval for the Proposed Starsmind Acquisition.

4.2.7 Financial Effects

The proforma financial effects of the Proposed Starsmind Acquisition are set out below, assuming that:

LETTER TO SHAREHOLDERS

- (a) the Proposed Starsmind Acquisition had been effected at the end of the financial year ended 31 December 2013 for the computation of the effect on the NTA per Share; and
- (b) the Proposed Starsmind Acquisition had been effected at the beginning of the financial year ended 31 December 2013 for the computation of the effect on the EPS.

Given that the proforma financial effects set out below are theoretical in nature and only for illustrative purposes, they do not represent the actual financial position and/or the results of the Company or the Group.

Based on the Group's latest audited financial statements for the financial year ended 31 December 2013, the proforma financial effects under the four possible scenarios are set out below:

Assuming Call Option 1 is exercised		
	Before the Acquisition (cents)	After the Acquisition (cents)
NTA per Share	22.15	23.41
EPS ⁽¹⁾	0.50	0.49

Assuming Call Option 2 is exercised		
	Before the Acquisition (cents)	After the Acquisition (cents)
NTA per Share	22.15	24.59
EPS ⁽¹⁾	0.50	0.47

Assuming Call Option 3 is exercised		
	Before the Acquisition (cents)	After the Acquisition (cents)
NTA per Share	22.15	25.71
EPS ⁽¹⁾	0.50	0.45

Assuming Call Option 4 is exercised		
	Before the Acquisition (cents)	After the Acquisition (cents)
NTA per Share	22.15	26.77
EPS ⁽¹⁾	0.50	0.44

Note:

- (1) The losses of SCPL and Mineriver were not included in the computation as both of these companies have no operational activities and have minimal transactions since their respective dates of incorporation on 18 January 2013 and 8 August 2013. The above figures have been computed based on the Net Loss Attributable to the Proposed Starsmind Target Group, based on the audited financial statements of Xinjiang Fengli for the seven-month period ended 31 July 2013. Purely for comparison purposes, there is no change to the above figures if the computation is made based on the the latest available management accounts of Xinjiang Fengli for the financial year ended 31 December 2013.

LETTER TO SHAREHOLDERS

4.2.8 Interests of Directors and Controlling Shareholders

Save for their shareholding interests in the Company, none of the Directors or the Controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Starsmind Acquisition.

As at the Latest Practicable Date, Mr Xu Yuan Xing is a substantial Shareholder of the Company as set out in Section 8.2 of this Circular. In the event the Company exercises Call Option 4 and issues 62,000,000 Consideration Shares, Mr Xu Yuan Xing will be deemed to be interested in the 58,852,792 Consideration Shares held by Mr Ho Sing Ming, and accordingly, be deemed to be interested in an aggregate of 100,852,792 Shares, representing 17.74% of the Company's enlarged issued and paid-up share capital.

For illustrative purposes only, in the event the Company exercises Call Option 4 and issues 62,000,000 Consideration Shares and assuming that there is no change in the share capital of the Company, the interests of the Directors and substantial Shareholder(s) of the Company in issued Shares are as follows:

	Before the Proposed Starsmind Acquisition			After the Proposed Starsmind Acquisition		
	Number of Shares		Total	Number of Shares		Total
	Direct Interest	Deemed Interest	% ⁽¹⁾	Direct Interest	Deemed Interest	% ⁽²⁾
Directors						
Liow Keng Teck	1,392,000	–	0.27	1,392,000	–	0.24
Low Yi Ngo	3,300,000	–	0.65	3,300,000	–	0.58
Elaine Low	–	–	–	–	–	–
Choo Hsun Yang	–	–	–	–	–	–
Oliver Khaw Kar Heng	–	–	–	–	–	–
Lim Say Tai	–	–	–	–	–	–
Tung Zhihong, Paul	–	–	–	–	–	–
Substantial Shareholders						
Dato' Dr. Low Tuck Kwong	637	207,735,764 ⁽³⁾	41.01	637	207,735,764 ⁽³⁾	36.54
Xu Yuan Xing	–	42,000,000 ⁽⁴⁾	8.29	–	100,852,792 ⁽⁴⁾	17.74
Manhattan Investments Pte Ltd	88,701,764	–	17.51	88,701,764	–	15.60
More Time Investments Limited	–	88,701,764 ⁽⁵⁾	17.51	–	88,701,764 ⁽⁵⁾	15.60
Mohamed Abdul Jaleel s/o Muthumaricar Shaik Mohamed	1,722,000	39,328,000 ⁽⁶⁾	8.10	1,722,000	39,328,000 ⁽⁶⁾	7.22

Notes:

- (1) The shareholding interest is calculated based on the total issued and paid-up share capital of the Company comprising 506,490,975 Shares as at the Latest Practicable Date.
- (2) The shareholding interest is calculated based on the total issued and paid-up share capital of the Company comprising 568,490,975 Shares assuming that the Company exercises Call Option 4 and issues 62,000,000 Consideration Shares and that there is no change in the share capital of the Company.
- (3) Dato' Dr. Low Tuck Kwong is deemed to be interested in the 117,344,000 Shares registered in the name of Raffles Nominees (Pte) Limited and 88,701,764 Shares which are held by Manhattan Investments Pte Ltd through his 100% interest in More Time Investments Limited and 1,690,000 Shares held by his spouse, registered in the name of Citibank Nominees Singapore Pte Ltd.
- (4) Xu Yuan Xing is deemed interested in the 42,000,000 Shares which are registered in the name of Citibank Nominees Singapore Pte Ltd. The Company has been informed that in the event that the Company exercises

LETTER TO SHAREHOLDERS

Call Option 4, the 62,000,000 Consideration Shares shall be registered in the name of Ho Sing Ming, of which 58,852,792 Shares will be held on trust by Ho Sing Ming for Xu Yuan Xing. Under Section 7(9)(a) of the Companies Act and Section 4(10)(a) of the Securities and Futures Act, a person who holds securities as a bare trustee will not be regarded as having an interest in those securities.

- (5) More Time Investments Limited is deemed interested in the 88,701,764 Shares which are held by Manhattan Investments Pte Ltd through its 59.5% interest in Manhattan Investments Pte Ltd.
- (6) Mohamed Abdul Jaleel s/o Muthumaricar Shaik Mohamed is deemed interested in 39,328,000 Shares, of which 17,834,000 Shares are registered in the name of BNP Paribas Nominees Singapore Pte. Ltd., 12,494,000 Shares are registered in the name of Phillip Securities Pte Ltd and 9,000,000 Shares are registered in the name of Hong Leong Finance Ltd.

Accordingly, in the event the Company exercises Call Option 4 and issues 62,000,000 Consideration Shares and assuming that there is no change in the share capital of the Company, there will not be a change in control of the Company as a result of the Proposed Starsmind Acquisition as the Controlling Shareholders of the Company before the Proposed Starsmind Acquisition will remain as Controlling Shareholders notwithstanding the increase in the shareholding interest of Mr Xu Yuan Xing from 8.29% to 17.74%.

4.2.9 No Service Contracts

No person is proposed to be appointed as a director of the Company in connection with the Proposed Starsmind Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

4.3 **The Proposed Singxin Acquisition**

SHAREHOLDERS ARE TO NOTE THAT APPROVAL IS SOUGHT IN THIS CIRCULAR FOR THE PROPOSED DIVERSIFICATION AND NOT FOR THE PROPOSED SINGXIN ACQUISITION AS A VERY SUBSTANTIAL ACQUISITION AND AN INTERESTED PERSON TRANSACTION. SHOULD THE COMPANY PROCEED WITH THE PROPOSED SINGXIN ACQUISITION, IT SHALL OBTAIN ALL THE NECESSARY REGULATORY APPROVALS AND SHAREHOLDERS' APPROVAL IN A SEPARATE GENERAL MEETING.

On 21 May 2014, the Company announced that it had on 21 May 2014, entered into a conditional Sale and Purchase Agreement, whereby the Company will acquire the entire issued and paid-up share capital ("**Sale Shares**") of Singxin Resources Pte. Ltd. ("**Singxin**") from KaiYi, Mining Alliance Pte. Ltd. ("**MAPL**"), Dato' Dr Low Tuck Kwong and Asiaworld Capital Ltd ("**ACL**") ("**Proposed Singxin Acquisition**") for a purchase consideration of S\$1.0 billion ("**Singxin Purchase Consideration**").

Following the transfer of all its shares in the capital of Singxin by ACL to KaiYi and MAPL, the Company had on 25 August 2014, entered into a Supplemental Agreement amending the Conditional Sale and Purchase Agreement, whereby the Company will acquire the entire issued and paid-up share capital of Singxin from KaiYi, MAPL and Dato' Dr Low Tuck Kwong (collectively, the "**Singxin Vendors**" and each a "**Singxin Vendor**").

The Singxin Purchase Consideration shall be satisfied in full by the allotment and issue of up to 1,369,863,013 new ordinary Shares in the share capital of the Company ("**Singxin Consideration Shares**") to the Singxin Vendors at an issue price of S\$0.73 per Singxin Consideration Share credited as fully paid up.

LETTER TO SHAREHOLDERS

Singxin is an investment holding company incorporated in Singapore. Upon completion of the Conditional Sale and Purchase Agreement, it is envisaged that the Company will hold the entire issued and paid-up share capital of Singxin, which will hold 70% of the entire issued share capital of GiantMiner, and GiantMiner shall be the sole legal and beneficial owner of 100% equity interest in Urumqi Jinshi Huilong. Urumqi Jinshi Huilong is a mining company operating in Xinjiang, the PRC.

For more details on the Proposed Singxin Acquisition, please refer to the 21 May 2014 Announcement and the 25 August 2014 Announcement.

The Proposed Singxin Acquisition, if undertaken and completed, is expected to constitute a “very substantial acquisition” of the Company as defined under Chapter 10 of the Listing Manual and will be subject to the approval of the Shareholders of the Company and the SGX-ST pursuant to Rule 1015 of the Listing Manual. In addition, the Proposed Singxin Acquisition also constitutes an interested person transaction as defined under Chapter 9 of the Listing Manual, and is subject to the approval of the Shareholders of the Company.

4.3.1 Information on the Singxin Vendors

Dato’ Dr Low Tuck Kwong is a controlling shareholder of the Company and has, as at the Latest Practicable Date, a total interest, both direct and deemed, of approximately 41.01% in the issued and paid-up capital of the Company.

KaiYi is an investment holding company incorporated in Singapore and is 51% owned by Dato’ Dr Low Tuck Kwong who is a controlling shareholder of the Company. Low Yi Ngo, the Chief Executive Officer, Managing Director and Shareholder of the Company, who is also the son of Dato’ Dr Low Tuck Kwong, holds 16% of the shareholding interest in KaiYi. Elaine Low, a Director of the Company, who is also the daughter of Dato’ Dr Low Tuck Kwong and the sister of Low Yi Ngo, holds 16% of the shareholding interest in KaiYi. The rest of the shareholding interest in KaiYi is held by the immediate family of Dato’ Dr Low Tuck Kwong, Low Yi Ngo, and Elaine Low.

MAPL is an investment holding company incorporated in Singapore. As at the Latest Practicable Date, MAPL has an issued share capital of S\$2.00 comprising two ordinary shares.

4.3.2 Information on the Proposed Singxin Target Group

The Proposed Singxin Target Group comprises (i) Singxin, a company incorporated in Singapore; (ii) GiantMiner, a company incorporated in Singapore under the Companies Act; and (iii) Urumqi Jinshi Huilong a company established in the PRC under the PRC Company Law.

Singxin is an investment holding company. GiantMiner is a limited exempt private company. As at the Latest Practicable Date, in accordance with the Restructuring Exercise (as described below), GiantMiner is owned by Singxin, Mr Xu Yuan Xing and Mr Ho Sing Ming, and Urumqi Jinshi Huilong is wholly owned by GiantMiner. GiantMiner is principally engaged in mining and quarrying. As at the Latest Practicable Date, Dato’ Dr Low Tuck Kwong, Ms Elaine Low and Mr Yap Han Hoe are directors of GiantMiner. Urumqi Jinshi Huilong is principally engaged in the business of mining industry technology development

LETTER TO SHAREHOLDERS

consultancy, installation, sales and technical advisory of mining machinery and accessory, sales of mineral products, petroleum products, chemical products, ginned cotton and cotton linters.

It is intended that the Proposed Singxin Target Group be principally engaged in the business of mining mineral resources, including serpentine, chrome, nickel and other minerals. Urumqi Jinshi Huilong currently holds exploration permits in respect of chrome for the following target areas (collectively the “**Target Areas**” and each, a “**Target Area**”):

- (a) covering area of 11.76 sq km located at Tuoli County, Tacheng Area, Xinjiang Uygur Autonomous Region, the PRC;
- (b) covering area of 9.95 sq km located at Tuoli County, Tacheng Area, Xinjiang Uygur Autonomous Region, the PRC; and
- (c) covering area of 5.28 sq km located at Tuoli County, Tacheng Area, Xinjiang Uygur Autonomous Region, the PRC.

As a condition precedent to the Proposed Singxin Acquisition, the Singxin Vendors shall procure that the following transactions (“**Restructuring Exercise**”) are completed on or prior to completion of the sale and purchase of the Sale Shares under the Agreement (“**Completion**”):

- (i) Singxin is the sole legal and beneficial owner of 70% of the entire issued share capital of GiantMiner, free from any mortgage, assignment of receivables, debenture, lien, charge, pledge, title, retention, right to acquire, security interest, options, rights of first refusal and any other encumbrance or condition whatsoever (“**Encumbrances**”);
- (ii) Mr Xu Yuan Xing is the sole legal and beneficial owner of 25% of the entire issued share capital of GiantMiner, free from Encumbrances;
- (iii) Mr Ho Sing Ming is the sole legal and beneficial owner of 5% of the entire issued share capital of GiantMiner, free from Encumbrances;
- (iv) GiantMiner is the sole legal and beneficial owner of 100% equity interest in Urumqi Jinshi Huilong, free from Encumbrances. This will be as a result of Mr Xu Ming Yun and Mr Xu Chun Hua, transferring all (and not some only) of the equity interests in Urumqi Jinshi Huilong to GiantMiner; and
- (v) Urumqi Jinshi Huilong having legal and valid exploration rights and mining and extraction rights in respect of serpentine, chrome, nickel and other minerals (“**Target Minerals**”).

4.3.3 Key Terms of the Proposed Singxin Acquisition

- (a) Sale and Purchase
 - (i) Subject to the terms and conditions of the Agreement, the Singxin Vendors shall sell to the Company the Sale Shares and the Company, relying on the representations, warranties, undertakings and indemnities of the Singxin Vendors contained in the Conditional Sale and Purchase Agreement, shall purchase the

LETTER TO SHAREHOLDERS

Sale Shares, free from all Encumbrances and with the benefit of all rights, advantages, benefits and entitlements attaching and accruing thereto on and after Completion.

- (ii) The Company shall not be obliged to complete the purchase of any of the Sale Shares unless the purchase of all the Sale Shares is completed simultaneously.

(b) Purchase Consideration

- (i) The Parties agree that the aggregate consideration payable by the Company for the Sale Shares on Completion shall be the sum of S\$1.0 billion, which shall be satisfied in full by the allotment and issuance of an aggregate of 1,369,863,013 Shares of the Company at the issue price of S\$0.73 for each Singxin Consideration Share, such Singxin Consideration Shares to be credited as fully paid.
- (ii) The Parties agree and acknowledge that the Singxin Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into account, among others, a local geological report indicating the resources available at the Target Area.
- (iii) If the final valuation in the VALMIN Report results in a negative variance in valuation of the Target Group of an aggregate of more than 5 per cent. from the Singxin Purchase Consideration, the Singxin Purchase Consideration shall be adjusted downwards to match the valuation price stated in the VALMIN Report (or in such other manner as may be mutually agreed in writing between the Parties on or before Completion). To avoid doubt, in the event that the final valuation in the VALMIN Report results in a positive variance in valuation of the Target Group which is higher than the Singxin Purchase Consideration, there will be no adjustment to the Singxin Purchase Consideration.

4.3.4 Conditions Precedent

Subject to the satisfaction or waiver in accordance with the Conditional Sale and Purchase Agreement (as the case may be) of the conditions precedent specified in Appendix B of the 21 May 2014 Announcement ("**Singxin Conditions Precedent**"), Completion shall take place in Singapore (or such other place as may be agreed between the Parties) on the date of Completion or at such other venue, time and/or date as the Parties may mutually agree in writing.

If any of the Singxin Conditions Precedent has not been fulfilled or waived by the Company on or before 18 months from the date of the Conditional Sale and Purchase Agreement (or such other date as the Parties may mutually agree in writing), the Conditional Sale and Purchase Agreement (other than the clauses stipulated as surviving clauses in the Conditional Sale and Purchase Agreement ("**Singxin Surviving Clauses**")) shall automatically terminate and neither Party shall have any claim of any nature whatsoever against the other Party under the Conditional Sale and Purchase Agreement (save and except for any claims that may be made by any Party in respect of any breach by any other Party of its obligations under any of the Singxin Surviving Clauses).

LETTER TO SHAREHOLDERS

4.3.5 The Proposed Singxin Acquisition as a “very substantial acquisition”

Based on the Group’s latest audited financial statements for the financial year ended 31 December 2013 and the latest unaudited financial statements of Urumqi Jinshi Huilong for the financial year ended 31 December 2013 (save as otherwise specified), the relative figures of the Proposed Singxin Acquisition computed on the bases set out in Rule 1006(a) to (e) of Listing Manual are as follows:

Rule 1006(a)	S\$’000
Net value of the assets to be disposed of	Not applicable
Net asset value of the Group	Not applicable
Size of relative figure	Not applicable

Rule 1006(b)	S\$’000
Net loss attributable to the acquired assets	Not meaningful ⁽¹⁾
Net profits ⁽¹⁾ of the Group for the full financial year ended 31 December 2013	Not meaningful ⁽¹⁾
Size of relative figure	Not meaningful ⁽¹⁾

Rule 1006(c)	S\$’000
Aggregate value of consideration to be given	1,000,000
Company’s market capitalisation as at 20 May 2014 ⁽²⁾ , being the last traded market day immediately preceding the date of the Agreement	389,998
Size of relative figure	256%

Rule 1006(d)	
Number of equity securities to be issued by the Company as consideration ⁽³⁾ for an acquisition	1,369,863,013
Number of equity securities in issue ⁽⁴⁾	506,490,975
Size of relative figure	270%

Rule 1006(e)	
Aggregate volume or amount of proven and probable reserves to be disposed of	Not applicable
Aggregate of the Group’s proven and probable reserves	Not applicable
Size of relative figure	Not applicable

Notes:

- (1) Not meaningful, as the Proposed Singxin Target Group was in a net loss position for the financial year ended 31 December 2013. Rule 1015(2) of the Listing Manual states that for a “very substantial acquisition” the target business to be acquired must be profitable. In this regard, as the SGX-ST’s rules on mineral, oil and gas companies will apply to the Proposed Singxin Acquisition, the Company intends to consult the SGX-ST on the application of Rule 1015(2) to the Proposed Singxin Acquisition.

LETTER TO SHAREHOLDERS

- (2) The market capitalisation is derived from the volume weighted average market price of S\$0.77 per share as at 20 May 2014, being the last traded market day immediately preceding the date of the Conditional Sale and Purchase Agreement (*Source: SGX*).
- (3) Based on the number of new shares to be allotted pursuant to the Conditional Sale and Purchase Agreement, namely the issuance of the Singxin Consideration Shares (being approximately 1,369 million shares), assuming no adjustments were made to the Singxin Consideration Shares.
- (4) Based on the issued share capital as at the date of the 21 May 2014 Announcement.

As the relative figures under Rules 1006 (c) and (d) of the Listing Manual exceed 100% and the Proposed Singxin Acquisition will not result in a change in control of the Company, the Proposed Singxin Acquisition constitutes a “Very Substantial Acquisition” as defined under Chapter 10 of the Listing Manual and is conditional upon the approval of the Shareholders and of the SGX-ST pursuant to Rule 1015 of the Listing Manual.

4.3.6 The Proposed Singxin Acquisition as an Interested Person Transaction

Dato’ Dr Low Tuck Kwong is a controlling shareholder of the Company and has, as at the Latest Practicable Date, a total interest, both direct and deemed, of approximately 41.01% in the issued and paid-up capital of the Company.

KaiYi is an investment holding company incorporated in Singapore and is 51% owned by Dato’ Dr Low Tuck Kwong who is a controlling shareholder of the Company. Mr Low Yi Ngo, the Chief Executive Officer, Managing Director and Shareholder of the Company, who is also the son of Dato’ Dr Low Tuck Kwong, holds 16% of the shareholding interest in KaiYi. Ms Elaine Low, a Director of the Company, who is also the daughter of Dato’ Dr Low Tuck Kwong and the sister of Mr Low Yi Ngo, holds 16% of the shareholding interest in KaiYi. The rest of the shareholding interest in KaiYi is held by the immediate family of Dato’ Dr Low Tuck Kwong, Mr Low Yi Ngo, and Ms Elaine Low. Accordingly, KaiYi is an associate of Dato’ Dr Low Tuck Kwong under the Listing Manual and will be an “interested person” as defined under Rule 904(4)(a)(ii) of the Listing Manual.

4.4 **The SW Acquisition**

4.4.1 The SW Conditional Sale and Purchase Agreement

On 26 August 2014, the Company announced that it had, on 25 August 2014, entered into a conditional sale and purchase agreement, whereby the Company will acquire the entire issued and paid-up share capital of Singxin Water Pte. Ltd. (“**SW**”) from Mr Yap Han Hoe and Mr Ong See Beng (collectively, the “**SW Vendors**” and each a “**SW Vendor**”) (“**SW Acquisition**”) for a purchase consideration of S\$4.5 million (“**SW Purchase Consideration**”). While the SW Vendors are unrelated third parties; Mr Ong See Beng is a minority shareholder of the Company (with less than 1% direct interest as at the Latest Practicable Date) and MAPL (one of the Singxin Vendors) is held by Mr Yap Han Hoe and Mr Ong See Beng’s spouse.

SW is an investment holding company incorporated in Singapore. As at the Latest Practicable Date, SW is in the process of acquiring Wuqia County Kunlun Mineral Water Co., Ltd (乌恰县昆仑矿泉水有限责任公司) (“**Wuqia Kunlun**”). Wuqia Kunlun is a mining company operating in Xinjiang, the PRC, and currently holds a mining permit (“**Wuqia Kunlun Permit**”) in respect of mineral water covering an area of 0.5 sq km located at Wuqia Country, Xinjiang Uygur Autonomous Region, the PRC.

LETTER TO SHAREHOLDERS

Subject to the terms and conditions of the SW Conditional Sale and Purchase Agreement, the SW Vendors shall procure that the following transactions ("**SW Restructuring Exercise**") are completed on or prior to Completion:

- (a) SW being the sole legal and beneficial owner of the entire issued share capital of Wuqia Kunlun; and
- (b) Wuqia Kunlun having legal and valid exploration rights, and mining and extraction rights, in respect of mineral water.

Completion of the SW Conditional Sale and Purchase Agreement is subject to the following conditions precedent:

- (a) the SW Restructuring Exercise having been completed to the satisfaction of the Company in its sole and absolute discretion and remaining in full force and effect and not be amended, modified or varied;
- (b) all necessary consents, approvals and waivers (if any) of any governmental bodies, stock exchange and other regulatory authority having jurisdiction over any of the transactions contemplated under the SW Conditional Sale and Purchase Agreement (including the SW Restructuring Exercise) (whether in Singapore, the PRC or any other applicable jurisdiction) and all other transactions in connection therewith and incidental thereto, having been obtained, such consents, approvals and waivers not having been amended or revoked before the Completion, and if subject to any conditions required to be fulfilled before the Completion, such conditions being reasonably acceptable to the SW Vendors and the Company; and
- (c) the satisfactory outcome, in the Company's sole and absolute discretion, of all financial, commercial and legal due diligence investigations by the Company on, among others, the financial, contractual, tax and trading positions, and prospects, of SW and Wuqia Kunlun.

The Company shall be entitled in its absolute discretion, by written notice to the SW Vendors, to waive any or all of the above conditions precedent either in whole or in part.

Pursuant to the SW Conditional Sale and Purchase Agreement, the SW Purchase Consideration shall be disbursed in three tranches as follows:

	Disbursement Date	Amount
First Tranche	Upon signing of the SW Conditional Sale and Purchase Agreement	S\$1.0 million
Second Tranche	One month after the date of the SW Conditional Sale and Purchase Agreement	S\$2.0 million
Third Tranche	Upon completion of the SW Restructuring Exercise	S\$1.5 million

LETTER TO SHAREHOLDERS

The SW Purchase Consideration was arrived at after arm's length negotiations on a willing-buyer, willing-seller basis. In arriving at the SW Purchase Consideration, the Company has taken into account, amongst others, the setup cost and estimated capital expenditure in order for Wuqia Kunlun to commence mining and extraction under the Wuqia Kunlun Permit, including the collection, purification and distribution of mineral water.

All disbursements made by the Company under the SW Conditional Sale and Purchase Agreement and before completion ("**Refundable Advance Deposits**"), are contingent upon completion. The SW Vendors undertake, in the event that completion does not occur by 31 March 2015 (or such other date as may be agreed between the Company and the SW Vendors in writing) ("**Long Stop Date**"), to refund, interest-free, all Refundable Advance Deposits to the Company within five business days after the Long Stop Date.

4.4.2 Value of Assets Acquired

As SW is an investment holding company and its acquisition of Wuqia Kunlun has not been completed, it does not have any assets as at the Latest Practicable Date and has not carried on any business.

As at the Latest Practicable Date, Wuqia Kunlun has not commenced operations.

4.4.3 Relative Figures computed on the Bases set out in Rule 1006

The relative figures (based on the Group's latest announced consolidated financial statements for the six-months ended 30 June 2014) computed on the bases set out in Rule 1006 of the Listing Manual are set out below:

Rule 1006	Bases of calculation	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	Not meaningful ⁽¹⁾
(c)	The aggregate value of the consideration to be given or received, compared with the Company's market capitalisation ⁽²⁾ based on the total number of issued shares excluding treasury shares	2.1
(d)	The number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable

Notes:

- (1) Not meaningful as SW has no operational activities and has minimal transactions since its date of incorporation on 23 June 2014.

LETTER TO SHAREHOLDERS

- (2) The market capitalisation is derived from the volume weighted average market price of S\$0.43 per share as at 22 August 2014, being the last traded market day immediately preceding the date of the SW Conditional Sale and Purchase Agreement.

As none of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual exceeds 5%, the SW Acquisition therefore constitutes a non-discloseable transaction under Chapter 10 of the Listing Manual.

4.4.4 Management Services Agreement

In connection with the SW Acquisition, the Company has also entered into a management services agreement ("**MSA**") with SW, pursuant to which the Company has agreed to provide management services to SW pending the completion of the SW Acquisition.

Pursuant to the MSA, in consideration for the provision of the management services by the Company, SW shall from the date Wuqia Kunlun commences its operations and during the continuance of this Agreement, pay the Company such sum for the management services as may be charged by the Company, at such intervals as the Company may decide, and which sum shall in any event be not less than 95% of the net profits of Wuqia Kunlun for each month.

4.5 **Financing the Mineral Resource Business**

The Group intends to fund the Mineral Resource Business through internal resources, cash generated from mining operations and financial institution borrowings and facilities. The Directors will determine the optimal mix of internal funding and institution borrowings and facilities, taking into account the cash flow of the Group and the prevailing banking financing costs.

The Company may consider secondary fund raising exercises by tapping the capital markets including but not limited to rights issues, share placements and/or issuance of debt instruments, as and when more funds are needed for the Mineral Resource Business.

Save for the Proposed Starsmind Acquisition, the Proposed Singxin Acquisition and the SW Acquisition, the Company does not currently have any specific plans or identified projects in the Mineral Resource Business. In this connection, it is intended that the Investment Amount for the Proposed Starsmind Acquisition shall be fully satisfied by the Company through the allotment and issuance of the Consideration Shares in accordance with Table A above, each credited as fully paid. Similarly, it is intended that the Singxin Purchase Consideration for the Proposed Singxin Acquisition shall be fully satisfied in full by the allotment and issue of new ordinary shares in the share capital of the Company. For details regarding the sources of specific financing for the Proposed Starsmind Acquisition and the Proposed Singxin Acquisition, please refer to Sections 4.2.2 and 4.3.3 respectively. It is intended that the SW Purchase Consideration for the SW Acquisition shall be funded through internal sources of funds.

LETTER TO SHAREHOLDERS

4.6 Risk Factors relating to the Proposed Diversification into the Mineral Resource Business

To the best of the Directors' knowledge and belief, all the risk factors that are material to the Shareholders in making an informed judgment on the Proposed Diversification into the Mineral Resource Business are set out in Appendix B. Shareholders should carefully consider and evaluate the risk factors in Appendix B and all other information contained in this Circular before deciding on whether to vote in favour of the Proposed Diversification into the Mineral Resource Business.

The risks described in Appendix B are not intended to be exhaustive and are not presented in any particular order of importance. There may be additional risks not presently known to the Group or that the Group may currently deem immaterial, which would affect its operations. If any of the considerations and uncertainties described in Appendix B develops into actual events, the business, results of operations, financial condition and prospects of the Group could be materially and adversely affected.

A list of the main laws and regulations relating to mineral resources in the PRC is described in Appendix C.

Shareholders should consider the risk factors in light of your own investment objectives and financial circumstances and should seek professional advice from your accountant, stock brokers, bank managers, solicitors or other professional advisers if you have any doubt about the actions you should take.

Notwithstanding the risks set out in Appendix B, the Directors, having considered the rationale for the Proposed Diversification into the Mineral Resource Business as set out in Section 2.3 of this Circular, believe that it is to the benefit of the Group to diversify its current existing business to include the Mineral Resource Business. The Directors will be mindful in managing the risks involved.

5. MANAGEMENT OF THE PROPOSED NEW BUSINESSES

Although the Proposed New Businesses are different from the existing business of the Group as described in Section 2.1 above, the Board recognises that the relevant experience and expertise required can be acquired and developed by the Group over time as it progresses in these new areas of businesses. In addition, in relation to the Mineral Resource Business, the Board believes that it will be able to leverage on the experience in coal mining of Mr Low Yi Ngo, the Chief Executive Officer and Managing Director of the Company.

The Group will monitor developments and progress in the Proposed New Businesses and take the necessary steps to identify suitable candidates both from within the Group as well as externally to manage the Proposed New Businesses to take them forward as and when required. The Group may set up project management team(s) to be led by the Group's Executive Directors to support and oversee the investments and development and management of the projects and to do all necessary things in connection with the Proposed New Businesses as and when appropriate.

In addition, the Group will evaluate the manpower and expertise required for the Proposed New Businesses and will as and when required hire suitably qualified personnel, external consultants, external industry experts and professionals for the Proposed New Businesses.

LETTER TO SHAREHOLDERS

In this regard, the Company notes the requirement under Rule 210(9)(e) of the Listing Manual that a mineral, oil and gas company must have at least one independent director with appropriate industry experience and expertise.

The Group may foster partnerships, including entering into joint ventures or strategic alliances, with reputable third parties in the relevant industries to assist it in undertaking the Proposed New Businesses more effectively and efficiently as the Group seeks to build up its expertise and capabilities in these new areas of businesses. Such partnerships may be done either on a case by case basis or on a term basis. Where necessary, work may be outsourced to third parties who have expertise in the relevant area of the projects in question. In selecting its partners, the Group will take into account the specific expertise and competencies required for the project in question and the experience, historical track record and financial standing of the party concerned.

The Company has and will continue to work closely with local industry experts and professionals as and when required to ensure that the Company is able to comply with the relevant laws and understand the operating landscape in the jurisdictions in which it has operations in.

The Board, which reviews the risk exposure of the Group for all its businesses at regular intervals, will additionally review the risk exposure of the Proposed New Businesses periodically.

6. SGX-ST LISTING MANUAL

Rule 1002(1) of the Listing Manual provides that “transaction” generally refers to the acquisition or disposal of assets by an issuer or its subsidiary, including an option to acquire or dispose of assets. However, it excludes an acquisition or disposal which is in, or in connection with, the ordinary course of its business or of a revenue nature.

Pursuant to Rule 1014 of the Listing Manual, a major transaction is a transaction where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 20% but is less than 100% (“**Major Transaction**”). A Major Transaction must be made conditional upon approval by shareholders in a general meeting.

Pursuant to Practice Note 10.1 of the Listing Manual, shareholders’ approval is not required for a Major Transaction if the acquisition will result in an expansion of the issuer’s existing core business. As set out in the Listing Manual, the SGX-ST takes the view that it should not in normal circumstances require an issuer to seek shareholders’ approval if the expansion is by way of an acquisition of a similar business, when other means to expand its business that are open to the issuer would not require shareholders’ approval. However, should an acquisition change the risk profile of the company, shareholders’ approval would need to be sought.

As the Proposed New Businesses will involve new business areas which are substantially different from the existing business of the Group as described in Section 2.1 above, it is envisaged that the Proposed New Businesses will change the existing risk profile of the Group. Accordingly, the EGM has been convened by the Company to seek Shareholders’ approval for the Proposed Diversification.

Shareholders’ approval of the Proposed Diversification will allow the Group, in its ordinary course of business, to enter into Major Transactions relating to the Proposed New Businesses and which will not change the risk profile of the Group, in an efficient and timely

LETTER TO SHAREHOLDERS

manner without the need for Shareholders' approval. As such, the Company will not need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential transactions which are Major Transactions relating to the Proposed New Businesses arise, thereby reducing substantially the administrative time and expenses involved in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

For the avoidance of doubt, in the event that any proposed acquisition relating to the Proposed New Businesses exceeds 20% and the Board is of the view that it changes the risk profile of the Company, Shareholders' approval would need to be sought. In addition, for so long as any proposed acquisition relating to the Proposed New Businesses exceeds 5% of the relative figures when computed on the bases set out in Rule 1006 of the Listing Manual, the Company will make the necessary announcement in compliance with the disclosure requirements set out in Rule 1010 of the Listing Manual. If the proposed acquisition is one where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual is 100% or more, or is one which will result in a change of control of the Company, the Company will issue a circular containing the information set out in Rule 1015 of the Listing Manual to seek the approval of Shareholders at a general meeting, unless a waiver is granted by the SGX-ST.

Where the Proposed Diversification would involve an interested person transaction as defined under the Listing Manual, the Company will also comply with the provisions of Chapter 9 of the Listing Manual.

7. DIRECTORS' RECOMMENDATION

7.1 The Proposed Diversification into the Property Business

Having considered the rationale for the Proposed Diversification into the Property Business, the Directors are of the view that the Proposed Diversification into the Property Business is in the best interests of the Company. They accordingly recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

7.2 The Proposed Diversification into the Mineral Resource Business

Having considered the rationale for the Proposed Diversification into the Mineral Resource Business, the Directors are of the view that the Proposed Diversification into the Mineral Resource Business is in the best interests of the Company. They accordingly recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

7.3 The Proposed Starsmind Acquisition

Having considered the terms and conditions of the Proposed Starsmind Acquisition and the rationale and benefits of the Proposed Starsmind Acquisition, the Directors are of the view that the Proposed Starsmind Acquisition is in the best interests of the Company. They accordingly recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

LETTER TO SHAREHOLDERS

8. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

8.1 **Interests of Directors in issued Shares.** As at the Latest Practicable Date, the interests of the Directors in issued Shares, based on the Company's Register of Directors' Shareholdings, are as follows:

	Number of Shares		Total	Number of Shares comprised in outstanding Share Options
Directors	Direct Interest	Deemed Interest	% ⁽¹⁾	
Liow Keng Teck	1,392,000	–	0.27	250,000
Low Yi Ngo	3,300,000	–	0.65	–
Elaine Low	–	–	–	–
Choo Hsun Yang	–	–	–	–
Oliver Khaw Kar Heng	–	–	–	–
Lim Say Tai	–	–	–	–
Tung Zhihong, Paul	–	–	–	–

Note:

(1) The shareholding interest is calculated based on the total issued and paid-up share capital of the Company comprising 506,490,975 Shares as at the Latest Practicable Date.

8.2 **Interests of substantial Shareholder(s) in issued Shares.** As at the Latest Practicable Date, the interests of the substantial shareholder(s) of the Company in issued voting Shares of the Company, based on the Company's Register of Substantial Shareholders, are as follows:

	Number of Shares		Total
Substantial Shareholder	Direct Interest	Deemed Interest	% ⁽¹⁾
Dato' Dr. Low Tuck Kwong	637	207,735,764 ⁽²⁾	41.01
Manhattan Investments Pte Ltd	88,701,764	–	17.51
More Time Investments Limited	–	88,701,764 ⁽³⁾	17.51
Xu Yuan Xing	–	42,000,000 ⁽⁴⁾	8.29
Mohamed Abdul Jaleel s/o Muthumaricar Shaik Mohamed	1,722,000	39,328,000 ⁽⁵⁾	8.10

Notes:

- (1) The shareholding interest is calculated based on the total issued and paid-up share capital of the Company comprising 506,490,975 Shares as at the Latest Practicable Date.
- (2) Dato' Dr. Low Tuck Kwong is deemed to be interested in the 117,344,000 Shares registered in the name of Raffles Nominees (Pte) Limited and 88,701,764 Shares which are held by Manhattan Investments Pte Ltd through his 100% interest in More Time Investments Limited and 1,690,000 Shares held by his spouse, registered in the name of Citibank Nominees Singapore Pte Ltd.
- (3) More Time Investments Limited is deemed interested in the 88,701,764 Shares which are held by Manhattan Investments Pte Ltd through its 59.5% interest in Manhattan Investments Pte Ltd.
- (4) Xu Yuan Xing is deemed interested in the 42,000,000 Shares which are registered in the name of Citibank Nominees Singapore Pte Ltd.
- (5) Mohamed Abdul Jaleel s/o Muthumaricar Shaik Mohamed is deemed interested in 39,328,000 Shares, of which 17,834,000 Shares are registered in the name of BNP Paribas Nominees Singapore Pte. Ltd., 12,494,000 Shares are registered in the name of Phillip Securities Pte Ltd and 9,000,000 Shares are registered in the name of Hong Leong Finance Ltd.

LETTER TO SHAREHOLDERS

9. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out in this Circular, will be held at One Farrer Hotel & Spa, Napier Room, Level 6, 1 Farrer Park Station Road, Singapore 217562 on 18 October 2014 at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions set out in the Notice of EGM.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

10.1 Appointment of Proxies

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of the Company's Share Registrar, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758 not less than 48 hours before the time appointed for the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so. In such event, the relevant Proxy Form will be deemed to be revoked.

Shareholders who are interested or deemed interested in the Proposed Diversification into the Property Business, the Proposed Diversification into the Mineral Resource Business and/or Proposed Starsmind Acquisition should abstain from voting on the relevant ordinary resolution relating to the Proposed Diversification into the Property Business, the Proposed Diversification into the Mineral Resource Business and/or the Proposed Starsmind Acquisition to be proposed at the EGM and should not accept nomination as proxies or otherwise for voting at the EGM in respect of the aforesaid resolutions unless Shareholders appointing them as proxies give specific instructions in the relevant Proxy Forms on the manner in which they wish their votes to be cast for those resolutions.

As Mr Xu Yuan Xing is interested in the Proposed Starsmind Acquisition, he shall, and his associates will abstain from voting on the ordinary resolution relating to the Proposed Starsmind Acquisition to be proposed at the EGM and shall not accept nominations as proxies or otherwise for voting at the EGM in respect of the aforesaid resolution unless Shareholders appointing them as proxies give specific instructions in the relevant Proxy Forms on the manner in which they wish their votes to be cast for those resolutions.

10.2 When Depositor regarded as Shareholder

A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the time fixed for the EGM.

LETTER TO SHAREHOLDERS

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the issuer and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

12. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore 049315 during normal business hours for a period of three months commencing from the date of this Circular:

- (i) the Annual Report of the Company for the financial year ended 31 December 2013;
- (ii) the Memorandum and Articles of Association of the Company;
- (iii) the Call Option Agreement;
- (iv) the Independent Technical Report;
- (v) the Conditional Sale and Purchase Agreement;
- (vi) the Supplemental Agreement;
- (vii) the SW Conditional Sale and Purchase Agreement; and
- (viii) the MSA.

Yours faithfully
For and on behalf of
the Board of Directors of
Manhattan Resources Limited

Liow Keng Teck
Independent Chairman
3 October 2014

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

(a) The Group has no prior track record or experience in the Property Business

The Group does not have a proven track record in carrying out the Property Business. There is no assurance that the Property Business will be commercially successful and that the Group will be able to derive sufficient revenue to offset the capital and start-up costs as well as operating costs arising from the Property Business. The Property Business may require high capital commitments and may expose the Group to unforeseen liabilities or risks associated with its entry into new markets or new businesses.

The Property Business also involves business risks including the financial costs of setting up new operations, capital investment and maintaining working capital requirements. If the Group does not derive sufficient revenue from or does not manage the costs of the Property Business effectively, the overall financial position and profitability of the Group may be adversely affected.

(b) The Group may not have the ability nor sufficient expertise to execute the Property Business

The Group's ability to successfully diversify into the Property Business is dependent upon its ability to adapt its existing knowledge and expertise and to understand and navigate the Property Business. There is no assurance that the Group's existing experience and expertise will be sufficient for the Property Business, or that the employees hired by the Group to implement the Property Business will have the relevant experience and knowledge. The Group may also appoint third party professionals, third party contractors, and/or foster partnerships with various third parties to assist it in undertaking the Property Business more effectively and efficiently. However, there is no assurance that these third party professionals and/or contractors will be able to deliver and/or that these partnerships will be successful. As such, the Group may not be able to successfully implement the Property Business and this may adversely affect the Group's financial performance and profitability.

(c) The Group is exposed to risk associated with acquisitions, joint ventures or strategic alliances

Depending on available opportunities, feasibility and market conditions, the Group's expansion into the Property Business may involve acquisitions, joint ventures or strategic alliances with third parties.

Participation in joint ventures, strategic alliances, acquisitions or other investment opportunities involves numerous risks, including the possible diversion of management attention from existing business operations and loss of capital or other investments deployed in such joint ventures, strategic alliances, acquisition or opportunities. In such events, the Group's financial performance may be adversely affected.

(d) The Property Business will be dependent on the recruitment and retention of qualified and skilled personnel for its operations and profitability and may be affected by the shortage of such personnel

The Group may have to depend on the expertise of certain individuals to provide guidance and/or its investment partners to jointly undertake the projects coming within the Property Business. The growth of the Property Business will be dependent on the Group's ability to

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

identify, recruit, train and retained qualified employees to form a relevant and strong management team with the requisite expertise to oversee the operations of the Property Business. Having a team of experienced and skilled personnel is essential in maintaining the quality of services.

There is no assurance that the Group will be able to attract and retain key members of the management team who have the necessary qualifications and experience to manage the Property Business. The loss of any key member of the management team without any suitable and/or timely replacement may have a material adverse effect on the financial condition and results of operations of the Group. In a rising property market, there may be an increasing shortage of such personnel and/or a general rise in their wages, which may have an adverse effect on the operations of the Property Business and eventually the Group's financial performance.

(e) The Group will require financing to fund the Ningbo Project

As set out in Section 3.2 above, the Group intends to obtain financing to fund the Ningbo Project. The Group will evaluate various financing alternatives to finance the Ningbo Project including but not limited to new equity issue, debt instruments, internal resources, project financing, pre-sales of property units and/or general bank borrowings. Additional equity may lead to a dilution in the interests of Shareholders whereas additional debt financing may restrict the Group's ability to pay dividends.

(f) The Group may be subject to intense competition and the Group may not be able to maintain its competitiveness in the Property Business

The Property Business is highly competitive and the Group faces competition from existing industry participants as well as new entrants to the Property Business. Some of these competitors may possess stronger financial resources and track record that enable them to compete more effectively as compared to the Group. In order to maintain its competitiveness in the Property Business, the Group may have to offer more competitive prices or try to differentiate itself using more innovative marketing strategies and property designs. For instance, competitive bids are required to secure land parcels for development. The Group competes with other contractors and property developers for such land parcels for property development.

There is no assurance that the Group will be able to compete effectively with its existing and future competitors and adapt quickly to changing market conditions and trends. In the event that the Group is not able to compete successfully against its competitors or adapt to market conditions, its business operations, financial performance and financial condition may be adversely affected.

(g) The Property Business is dependent on the PRC economy

The Property Business is dependent on the health of the property market in the PRC, which in turn is dependent on the general health of the PRC economy.

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

A downturn in the economy or a dampening of the general sentiments of the property market in the PRC may have a material adverse effect on the Group's business operations, financial performance and financial condition. This may erode the profit margins for any property development or investment activities due to keen competition.

The property market in the PRC may also be adversely affected by political, economic, regulatory, social or diplomatic developments affecting the property and construction sectors generally. Changes in inflation, interest rates, taxation or other regulatory, economic, social or political factors affecting the PRC or any adverse developments in the supply, demand and prices of properties, may have an adverse effect on the Property Business. Policies implemented by the relevant governments and statutory bodies may adversely affect the property markets. Such measures may deter, or even prevent purchasers from buying or investing in the PRC. In addition, property prices may decrease as a result of cooling measures. These factors may result in the Group's sales, business, financial position and performance being adversely affected.

The Property Business is also subject to the cyclical nature of the property and construction industries and as such, any downturn in the property and construction industries in the PRC may materially and adversely affect the Group's business operations, financial performance and financial condition.

(h) **The Group may be adversely affected by changes in government legislation, regulations or policies which affect the construction and property sectors in the PRC**

The Property Business is subject to the governmental legislation, regulations or policies of the PRC relating to various matters including the acquisition of land, zoning and development planning, design and construction, mortgage financing, refinancing, employment requirements and restrictions, workplace health and safety and environment pollution control. There is no assurance that the government legislation, regulations or policies of the PRC will remain unchanged in the future. Any changes in such government legislation, regulations or policies affecting the construction and property industries in the jurisdictions in which the Group operates could adversely affect the Group's business operations and/or have a negative effect on the demand for the Group's property developments. In addition, any failure to comply with such government legislations, regulations or policies could result in the imposition of fines or other penalties by the relevant authorities, all of which could adversely affect the Group's business operations and financial performance.

Further, any changes in applicable laws and regulations may result in higher compliance costs and adversely affect the operations and the financial performance of the Group.

(i) **The Group will have to renew, maintain and obtain statutory and regulatory permits and licenses as may be required to operate the Property Business and any delay or inability to obtain the same may have an adverse impact on the Property Business**

The Property Business will require certain statutory and regulatory licences, permits, consents and approvals to operate. These licences, permits, consents and approvals may be granted for fixed periods of time and will need to be renewed after expiry from time to time. The Group may not be able to apply for and obtain the relevant licences, permits, consents and approvals required for its projects or otherwise within the statutory time limits, and there can be no assurance that the relevant authorities will issue any such licences, permits,

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

consents or approvals in time or at all. Failure by the Group to renew, maintain or obtain the required licences, permits, consents or approvals, or cancellation, suspension or revocation of any of its licences, permits, consents or approvals may result in the Group being unable to undertake the relevant segment of the Property Business and/or in the interruption of its operations and may have a material adverse effect on its business.

(j) The Group may not be able to meet the challenges presented by the Property Business

The success and growth of the Property Business will depend on the ability of the Group to meet the challenges presented by such business. The Group will be subject to the risks, uncertainties and problems frequently encountered by early-stage companies involved in a new business, which include, amongst others, failure to continue to expand the Group's property portfolio or order book without increased pressure on the Group's margins, failure to identify, attract, retain and motivate staff, inability to find the right joint venture, strategic or other business partnerships, and inability to manage expanding operations.

In addition, there is no assurance that the Group's profitability will increase or that the Group will not incur losses after the expenditure in relation to the development of the Property Business due to the potential increase in costs incurred to finance the growth and expansion of the Property Business. The increase in costs without a corresponding increase in revenue will have an adverse impact on the Group's financial performance.

(k) The Group may face potential liability and claims from property development projects and may be involved in legal and other proceedings arising from its operations from time to time

The time required to complete a property development project depends on various factors, including the size of the project, prevailing market conditions and availability of resources. Delays may arise due to various factors, including adverse weather conditions, natural calamities, power failure, machinery and equipment breakdown, shortage of construction materials, shortage of labour, accidents, cessation of business of the Group's contractors, disputes with contractors and unexpected delay in obtaining required approvals. Such delays may result in cost overruns and increased financing costs and accordingly affect the Group's profitability or lead to claims for liquidated damages from purchasers of the properties.

Accidents during the course of construction may give rise to personal injuries and third party liability. In addition, the Group may be involved from time to time in disputes with various parties involved in the property development, investment or management projects that the Group undertakes. These parties include contractors, sub-contractors, suppliers, construction companies, purchasers, tenants and other partners for various reasons, including differences in the interpretation of acceptable quality standards of workmanship, materials used, adherence to contract specifications and costs of variation orders. In particular, under the Regulations on the Administration of Quality of Construction Works 《建设工程质量管理条例》, all property development companies in the PRC must provide certain warranties on the quality of the properties they construct or sell. We are required to provide these warranties to our customers. We may receive quality warranties from third-party contractors we hire to construct our development projects. If claims are brought against us under our warranties and if we are unable to obtain indemnification for such claims from third-party contractors in a timely manner or at all, or if the retention money retained by us from third-party contractors is not sufficient to cover our payment obligations under the

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

quality warranties, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which may in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

Claims may also be made against the Group by the owners or occupiers of neighbouring properties in respect of the use and enjoyment of such properties. These disputes may lead to legal and other proceedings. The Group may also have disagreements with regulatory bodies in the jurisdictions in which the Group operates and these may subject the Group to administrative proceedings. In the event that unfavourable decrees are determined by the courts or the regulatory bodies, the Group may suffer not only financial losses but also a delay in the construction or completion of its projects. In such an event, the Group may be liable for damages and incur legal costs, which will have an adverse effect on the Group's financial performance and financial condition.

(l) The operations and profitability of the Property Business may be disrupted by acts of violence or wars and outbreaks of diseases

Any acts of violence (such as terrorist attacks) or wars in the markets in which the Property Business operates may lead to uncertainty in the economic outlook of its markets and there is no assurance that such markets will not be affected, or that recovery from the global financial crisis would continue. All these could have a negative impact on the demand for the Group's Property Business, and the Group's business operations, financial performance, and financial condition may be adversely affected.

Furthermore, an outbreak of infectious diseases such as the severe acute respiratory syndrome (SARS) in the countries in which the Group operates may adversely affect its business operations, financial performance and financial condition. If an outbreak of such infectious diseases occurs in any of the countries in which the Group has operations in the future, customer sentiment and spending could be adversely affected and this may have a negative impact on the Group's business operations, financial performance and financial condition. The staff and employees in these countries may also be affected by any outbreak of such infectious diseases and this may affect the Group's day-to-day operations.

(m) The Group may be susceptible to fluctuations in foreign exchange rates that could result in the Group incurring foreign exchange losses

Depending on the development of the Property Business, the Group's revenue and costs of the Property Business could be denominated in different currencies. To the extent that the Group's revenue and costs are not naturally matched in the same currency, the Group may be exposed to any adverse foreign exchange fluctuation. When necessary, the Group uses forward currency contracts to manage its foreign exchange risk resulting from cash flows from transactions and financing arrangements denominated in foreign currencies. No derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost efficient. Any significant adverse foreign exchange fluctuation may adversely affect the Group's financial performance and financial condition.

(n) Fluctuations in property prices and the Group's ability to identify suitable land sites and property development projects may have an adverse impact on the Group's property development business and financial condition

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

Property prices and the availability of suitable land sites will fluctuate. Should property market prices experience a downward trend, the Group's earnings may be adversely affected as the Group may have to postpone the sale of such property development project to a later date, if and when market conditions improve. In the event that the Group is required to sell its property development projects at lower prices, the Group's financial performance will be adversely affected.

The Group can build up its land bank by scouting for and acquiring land sites appropriate for its property development projects via offers from private owners, by participating in property auctions and government land sales programmes as well as through third-party property agents. The Group will face competition for new land sites from other property developers and there is no assurance that suitable sites will always be available to the Group for the purposes of the property development business. If the Group is not able to procure suitable land sites to carry out its property development projects, or carries out property development projects at less favourable locations that may not be as marketable, the Group's sales volume and profitability may be adversely affected.

The Group's performance is also dependent on its ability to identify profitable property development projects, and following such identification, to successfully complete such projects. The viability and profitability of the Group's property development projects are subject to fluctuations and are dependent on, amongst others, the demand for the Group's development projects, the pricing and number of property development projects and the overall schedules of the Group's projects which are in turn, to a large extent, affected by the market sentiment, market competition, general economic and property markets conditions, as well as government regulations.

(o) The Group is subject to risks of late payment or non-payment by its clients

The Group faces uncertainties over the timeliness of clients' payments and their solvency or creditworthiness in respect of purchases of the Group's development properties. There is no assurance that the Group will be able to collect any progress payments on a timely basis, or at all.

In the event that there are defaulting purchasers or a significant delay in collecting progress payments from purchasers, the Group may face stress on its cash flow and a material increase in bad and doubtful debts, which will have an adverse impact on the Group's financial performance.

(p) An inability to generate adequate returns on properties acquired or developed and held for long-term investment purposes may result in losses to the Group and may have an adverse impact on the Group's financial position

Property investment is subject to varying degrees of risks. The investment returns available from the property development and property investment business depend, to a large extent, on the amount of capital appreciation generated. The ability to eventually dispose of properties at a profit will depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuations. Further, completed projects and invested properties are relatively illiquid, and the Group may be unable to convert real estate asset portfolio into cash on short notice. To facilitate a sale of illiquid property assets on short notice, the Group may have to lower the selling price substantially. Illiquidity of property

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

assets also limits the Group's ability to vary its portfolio in response to changes in economic or other conditions in a timely manner. In the event of any adverse change in market conditions or in the event of a need to lower the prices of properties to effect the sale of properties, the Group may not be able to sell its property projects or property investments at above its costs, resulting in the Group suffering losses on the project or property and adversely affecting the Group's financial position.

In addition, the revenue derived from the rental of the relevant properties may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, the inability to secure renewal of tenancies from tenants, the inability to collect rent due to bankruptcy or insolvency of tenants and the cost from ongoing maintenance, repair and re-letting. In the event that the Group acquires properties for investment and if the Group is unable to generate adequate returns from such investment properties that it acquires, its financial condition and results of operations may be adversely affected.

(q) The Group may be subject to revenue and profit volatility

The Group may be vulnerable to revenue volatility which is characteristic of companies engaged in the Property Business. The amount of revenue to be recognised in a financial year is dependent on the number, value and stage of completion of projects undertaken by the Group and the sale prices of the Group's completed property development projects or investment properties, which in turn depend on various factors, such as availability of the Group's resources, market sentiment, market competition and general economic conditions.

Thus, there is no assurance that the amount of revenue from the sale or rental of property development projects or investment properties will remain comparable every year, or that the Group will be able to continuously secure new projects of similar value and volume or to continuously realise the value of the Group's completed property development projects or investment properties at similar value or volume.

Should there be any reasons that cause the Group not to undertake or consistently secure such projects or to sell its completed property development projects or investment properties or should there be any delay in the progress of the development or sale of any of the projects or properties in the Group's portfolio, the Group's business operations, financial performance and financial condition may be adversely affected. In addition, there may be a lapse of time between the completion of the Group's projects and the commencement of subsequent projects. As such, the Group's earnings and financial performance during such periods may be adversely affected.

Further, in compliance with the SFRS, the Group recognises income on property development projects based on completed project method. Under the completed project method, revenue is recognised where transfer of significant risks and rewards of ownership of the development properties coincides with the time when the property is completed. Our revenue on a year-to-year basis will be more volatile as a result of different numbers of completed projects in different financial years.

(r) Our results may fluctuate due to increases or decreases in the appraised fair value of our investment properties

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

We are required to reassess the fair value of our investment properties upon their completion and transfer to properties held for investment and at every reported statement of financial position date thereafter. Under Singapore FRS, gains or losses arising from changes in the fair value of our investment properties are included in our income statement in the period in which they arise. However, fair value gains do not change our overall cash position or our liquidity as long as we continue to hold such investment properties.

The amount of fair value adjustments has been, and will continue to be, subject to market fluctuations. We cannot assure you that changes in market conditions (if any) will continue to create fair value gains on our investment properties at previous levels or at any level at all, or that the fair value of our investment properties will not decrease in the future or that our investment properties will increase substantially or at all. In particular, the fair value of our investment properties could decline in the event that, among other things, the real estate industry experiences a downturn as a result of government policies aimed at “cooling-off” the real estate market, or any global market fluctuations and economic downturn. There is no assurance that the fair value gains (if any) on our investment properties will increase due to any increase in our portfolio of investment properties and/or increase overall value appreciation of properties in Ningbo or elsewhere. In addition, fair value gains of our properties are based on valuations performed by an independent valuer and are calculated based on assumptions adopted by them. We cannot assure that the assumptions used by the independent valuer will be realised. Any decrease in the fair value of our investment properties could lead to a decrease in fair value gains on investment properties in our income statement which could adversely affect our financial performance.

(s) **The Group may not be able to provide the capital investments needed to undertake the property development and property investments projects and may rely on external financing**

The property development business and the property investments business may require substantial capital investments or cash outlay. There is no assurance that financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing can be obtained on commercially reasonable terms, in which event the Group's future plans and growth prospects will be adversely affected.

The Group may rely on bank financing to part finance its operations, in particular for its property development and investment projects, which are capital intensive in nature. As such, the availability of adequate financing, including bank financing, may affect the Group's ability to acquire land or property and complete its property development projects according to plan. The Group's ability to obtain debt financing or funds from the capital markets for its requirements depends on the prevailing economic conditions, its ongoing performance, the general condition of the property market and the acceptability of the financing terms offered. These facilities may have variable interest rates and accordingly, any increase in such interest rates may have an adverse effect on the Group's profitability and financial performance.

Additional debt financing may restrict the Group's freedom to operate its business as new debt covenants may (i) increase its vulnerability to general adverse economic and industry conditions, (ii) limit its ability to pay dividends or require the Group to seek consent for the payment of dividends, (iii) require the Group to dedicate a portion of its cash flow from operations to payments of its debts, which would consequently reduce the availability of the

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

Group's cash flow to fund capital expenditures, working capital requirements and other general corporate purposes, and (iv) limit its flexibility in planning for, or reacting to, changes in the Group's business and industry.

Additional equity financing may result in a dilution to Shareholders' equity interests and may, in the case of a rights issue, require additional investments by Shareholders. Further, an issue of Shares below the prevailing market price will also affect the value of Shares then held by investors. Dilution in Shareholders' equity interests may occur even if the issue of Shares is at a premium to the market price.

When planning for financing as well as project expenses and earnings for its projects, the Group needs to take into account various factors such as potential consumer response to its development projects, the timing of completion, the expected interest charges to be incurred for the entire duration of the project, the risk of recall of loans and the possibility that financial institutions may require that the Group to provide additional security for its loans. Any variation in any of the factors mentioned above may lead to a corresponding change to the Group's estimated project expenses, including the cost of financing and earnings.

The Group cannot be assured that additional financing will be available when needed or that, if available, such financing may be obtained on terms and interest rates that are acceptable to it. There is also no guarantee that the terms for additional financing will be as favourable as those previously obtained. In the event that the Group is unable to obtain acceptable financing, it may not be able to undertake certain new projects and its business operations, financial performance and financial condition may be adversely affected.

(t) **Our ability to obtain financing may be affected by government legislation, regulations or policies in the PRC**

Our ability to procure adequate financing for land acquisitions and property developments depends on a number of factors beyond our control, including the regulatory environment in which we operate. In particular, the PRC Government has adopted various measures to regulate, and to strengthen enforcement of the regulation of, lending practices in the real estate industry. Such measures include the Chinese Banking Regulatory Commission ("CBRC") prohibiting PRC commercial banks and trust companies from granting loans (including trust loans) to property projects that have not obtained the relevant land use rights certificates, construction land planning permits, construction works planning permits and construction commencement permits; the CBRC and People's Bank of China ("PBOC") prohibiting commercial banks from granting loans to property developers to pay land premiums; the PBOC issuing guidelines which that generally require at least 35.0% of the total investment in a property project to be funded by the developer's own capital; and the PRC Government issuing regulations to (i) prohibit the grant of new project bank loans or extension of credit facilities to property companies with past non-compliances with policies in respect of, among other things, idle lands, prescribed land use, construction commencement or completion dates or property hoarding, and (ii) prohibit commercial banks from accepting commodity properties that have been vacant for more than three years as security for their loans.

The PRC Government may further tighten financing policies on PRC financial institutions (including banks and trust institutions) that provide financing to the real estate sector. These real estate-related financing policies may limit our ability and flexibility to use bank and other

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

borrowings to finance our property development. We cannot assure you that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration or that our business, financial condition and results of operations will not be materially and adversely affected as a result of such and other government actions and policy initiatives.

In addition, on June 18, 2008, MOFCOM issued the Notice on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry 《商务部关于做好外商投资房地产业备案工作的通知》, (“Notice No. 23”) under which MOFCOM has delegated its approval power regarding the filing of foreign investment in real estate to provincial authorities under MOFCOM. Pursuant to the requirements in the above circulars, we must apply to the relevant examination and approval authorities if we plan to expand the scope of our business or the scale of our operations, engage in new real estate project developments or operations, or increase the registered capital of our subsidiaries or associated project companies in the PRC in the future.

There can be no assurance that such filings will be completed on a timely basis, or that we will receive the approvals we request. In addition, if the PRC Government issues policies or regulations that aim at further regulating or restricting overseas investment in the PRC real estate industry and if these policies or regulations have a direct application to our business and operations, our ability to secure new projects may suffer and our business, financial condition, results of operations and prospects could be materially and adversely affected.

(u) The Group may experience negative operating cash flow from time to time due to significant capital outlay which may be required for the Property Business

Due to the nature of the Property Business, the Group’s property projects will typically require substantial capital outlay during the property or land acquisition and construction phases. Typically, a property development project will have net cash outflow in its early phases, where significant cash outlay is required for the purchase of land for development and most of the payment for units sold would be received in the later phases, on a progressive basis.

To finance the significant capital outlay arising from the Property Business, the Group may have to rely on external financing. As such, in the event that the Group is unable to obtain the required financing and do not have sufficient cash flow to fund projects and sustain business operations, the Group’s business operations, financial performance and financial condition may be adversely affected.

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

(v) The Group is subject to changes in economic situation, government regulations and property industry for its property development and property investment businesses

The performance of the Group's property development and property investment businesses depends largely on the economic situation and the performance of the property industry and there is no assurance that the property sectors of countries in which the Group undertakes the property development and property investment businesses will continue to grow. Should the economy or the property market experience a downturn, whether globally or in any country in which the Group undertakes the property development and property investment businesses, the performance of these segments may be adversely affected. In addition, as the gestation period for a property development project is long, typically between three to four years, any downturn in the economy or the property market, during the course of a development project may affect the profitability of such development project, thereby adversely affecting the Group's financial performance. The sales and value of a development project may be adversely affected by a number of factors, including but not limited to the international, regional and local economic climate, local real estate conditions, perceptions of property buyers in terms of the convenience and attractiveness of the projects, competition from other available properties and changes in market rates for comparable sales.

Changes in government regulations in which the Group undertakes the property development and property investment businesses may also result in the Group being unable to complete any property development project, or sell any completed property development project or purchased property at a profit, or at all. This may adversely affect the financial position of the Group.

Changes in the business environment for jurisdictions in which the Group operates may include delays in procuring the necessary relevant approvals, licenses or certificates from government bodies, changes in laws, regulations and policies in relation to property development, changes in financing costs, fluctuations in demand for properties, delays in construction schedules due to poor weather conditions, labour disputes and fluctuation in costs of construction materials and other costs of development. If any of the risks described above materialise, the Group may incur additional costs and/or its returns on investments may be lower than originally expected and the Group's business, financial condition and results of operations may be adversely affected.

(w) The Group may be subject to risks in relation to pre-sale policies for properties under development

The practice of pre-sales (that is, selling properties under construction prior to the receipt of construction completion and examination certificate) is adopted in the property industry of many countries. There are certain risks relating to the pre-sale of properties. In the event of a failure or delay in the delivery of pre-sold properties to purchasers, the Group may be liable for potential losses that purchasers may suffer as a result. There is no guarantee that these losses will not exceed the purchase price paid in respect of the pre-sold units.

Failure to complete a property development on time may be attributed to factors such as time taken and costs involved in completing construction, which are in turn adversely affected by factors such as delays in fitting out works, shortages of labour, adverse weather conditions or natural disasters. If the delay in delivery extends beyond the contractually specified

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

period, the purchasers may also be entitled to terminate the presale agreements and claim refunds of monies paid, damages and/or compensation for late delivery. There is no assurance that there will be no circumstances which will result in liabilities arising from pre-sale arrangements which have experienced significant delays in completion or delivery, resulting in the Group having to compensate purchasers for late delivery, or refund of monies paid in situations where purchasers have terminated the sale and purchase agreements. This will adversely affect the Group's business and financial performance.

In addition, the proceeds from pre-sale of properties are an important source of funds for our property developments and have an impact on our liquidity position. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of properties and may only use the proceeds of pre-sale of properties in a development to finance the relevant development. We cannot guarantee that the PRC Government will not ban or impose material limitations on the pre-sale of uncompleted properties in the PRC in the future. The future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditure we must incur prior to obtaining a pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance the various stages of our property developments including increasing borrowings which would in turn increase our interest payments. This can have a material adverse effect on our business, financial condition and results of operations.

(x) Unsold properties that the Group continues to hold post completion may be relatively illiquid

Unsold property development assets are relatively illiquid prior to their sales. Such illiquidity may limit the Group's ability to convert its unsold property development assets into cash on short notice. It may also have a negative effect on the selling price of the Group's unsold completed property development assets in the event that there is a need for quick sale of these assets. Consequently, the Group's cash flow, financial performance and financial position may be adversely affected.

(y) The Group may be exposed to risk of loss and potential liabilities that may not be covered by insurance

While the Group will, where appropriate, obtain insurance policies to cover losses with respect to its properties, the insurance obtained may not be sufficient to cover all potential losses. Examples of such potential losses include losses arising out of extraordinary events such as natural disasters like earthquakes and floods. Losses arising out of damage to the Group's properties not covered by insurance policies in excess of the amount of insurance would affect the Group's profitability. The Group may also have to commit additional resources, other than to meet the uninsured losses, to complete a project, which would also adversely affect the financial performance of the Group.

(z) The Group's property development projects may be affected by cost overruns and/or increases in costs

Unforeseen circumstances such as adverse soil conditions, unfavourable weather conditions, unanticipated construction constraints at worksites, increase in the costs of labour, construction materials, equipment, rental and sub-contracting services, unanticipated

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

variations in labour and equipment productivity over the term of a development or corrective measures for poor workmanship may arise in the course of the projects which may result in additional unanticipated costs over and above the initial budget. Where these costs overruns cannot be passed onto customers, the Group may have to absorb the cost overruns and may suffer losses on the project. The Group's profitability and financial performance may be materially and adversely affected.

In particular, in relation to our property development projects in the PRC, if the total gross floor area ("**GFA**") constructed exceeds the GFA originally authorized in the relevant land use rights grant contracts or government permits, or if the completed property contains built areas that do not conform with the plan as set forth in the relevant government permits, we may be required to pay additional amounts or take remedial actions in relation to such non-compliant GFA before we are able to obtain the relevant Completion and Inspection Certified Report for the relevant property development, based on which we are able to deliver the developed properties to property purchasers. We cannot assure you that the local PRC Government authorities will not find the total constructed GFA of our projects under development or any of our future property developments to have exceeded the relevant authorised GFA under the relevant land grant contracts or government permits upon completion of their construction. Any finding that a substantial portion of such GFA does not comply with the relevant contracts or permits could have a material adverse effect on our business, financial condition, results of operations and prospects.

(aa) The Group's property development projects are dependent on the services rendered by contractors

The Group is expected to rely on contractors to provide various services for the property development projects, including piling and foundation works, structural works, architectural works and engineering works. The services rendered by the Group's contractors may not be satisfactory to the Group or meet the Group's requirements for quality.

Furthermore, the contractors engaged may experience financial or other difficulties that may affect their ability to carry out the work for which they are contracted to complete, thus delaying the completion of, or failing to complete, the projects and resulting in additional costs or exposures to the risk of liquidated damages to the Group. In the event of any loss or damage which arises from the default of such contractors, the Group may have to incur losses to rectify such defects, materially and adversely affecting the Group's financial performance and financial condition.

(bb) The property development business may be adversely affected by any shortage in the supply of workers or increases in the costs of hiring workers

The construction of property development projects is highly labour intensive, and is therefore vulnerable to any shortage in the supply of, or increases in the costs of workers. Such changes in the supply of workers may result from changes in government policies. In the event of any disruption to the supply of workers, or if the costs cannot be controlled, the overall construction costs may increase and the Group's financial performance may be materially and adversely affected.

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

(cc) The Group may be subject to limitations of property valuations

Valuation of the Group's properties is based on certain assumptions and is not intended to be a prediction of, and may not accurately reflect, the actual values likely to be realised by the Group from these investments. The inspections of the property and other works undertaken in connection with a valuation exercise may not identify all material defects, breaches of contracts, laws and regulations, and other deficiencies and factors that could affect the valuation. In addition, unfavourable changes to the economic or regulatory environment or other relevant factors may negatively affect the premises upon which the valuation is based and hence, the conclusion of such valuation may be adversely affected. As such, the Group's properties may not retain the price at which it may be valued or be realised at the valuation or property value which was recorded. The value of the properties of our Group may fluctuate from time to time due to market and other conditions. Such adjustments to the Group's shares of the value of the properties in the Group's portfolio could have an adverse effect on the net asset value and profitability of the Group.

(dd) Poor demand for leased property under the property management business may affect the Group's profitability

The Group's performance for the property management segment of the Property Business will be largely dependent on its ability to secure tenants for its available properties for lease.

In the event that the Group is unable to secure sufficient tenants, its financial performance may be affected.

(ee) Increases in interest rates affect the attractiveness of mortgage financing to potential purchasers of our properties and increase our finance costs

Increases in interest rates will increase our finance costs and reduce our ability to source funding through bank loans and other loans. Increases in interest rates may also affect our customers' ability to secure mortgages on acceptable terms, which in turn may affect their ability to purchase our properties. We cannot assure you that the financial institute will not raise lending rates further or otherwise discourage bank financing (such as by increasing the down payment requirement or imposing other conditions).

(ff) We may be liable to compensate our purchasers for delays in property deliveries if we fail to obtain all of the relevant government approvals for transfers

Once a property project has passed the requisite completion inspections, we are required to deliver such completed properties to our property purchasers within the timeframe provided in the property sale and purchase agreements. We may become liable to our property purchasers for monetary penalties for delays in property delivery and/or the buyer may be entitled to terminate the property sale and purchase agreement in such circumstances. This may have an adverse impact on our reputation and business operations.

In particular, under the relevant PRC laws and regulations, we are required to submit requisite applications for PRC Government approvals in connection with our property developments, including land use right documents and planning and construction permits, to the relevant local authorities of land resources and housing administration within 90 days after the delivery for the relevant properties, and to apply for the general property ownership

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

certificates in respect of these properties. We are then required, within stipulated periods after delivery of the properties, to submit the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, and the general property ownership certificate, for the relevant authorities' review and issuance of the individual property ownership certificates in respect of the sale of the properties to the individual purchasers. Delay by any of the administrative authorities in reviewing the relevant applications and granting approval as well as other factors may affect the timely delivery of the general as well as individual property ownership certificates. We may become liable to property purchasers for monetary penalties for any late delivery of the individual property ownership certificates, which may be caused by delays in the administrative approval process or other reasons beyond our control.

Also, if we do not deliver the relevant property within the stipulated periods, the buyer is entitled to terminate the property sale and purchase agreement if we are unable to deliver such property within three months of the buyer providing notice for the same.

(gg) Sales of our properties in the PRC are subject to land appreciation tax ("LAT")

Under PRC tax laws and regulations, our properties developed for sale are subject to LAT, which is payable to the relevant local tax authority. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, which is calculated based on the appreciation in value representing the balance of the proceeds received on such sales, after deducting various prescribed items, including payments made for acquisition of land use right, the direct costs and expenses of the development of the land and construction of the buildings and structures, finance costs up to a maximum of 10% of the total land acquisition costs and construction costs, the appraised price of any existing buildings and structures on the land and taxes related to the assignment of the property. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use right and the costs of land development and construction of new buildings or related facilities. An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law.

On December 28, 2006, the SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development 《关于房地产开发企业土地增值税清算管理有关问题的通知》. This notice came into effect on February 1, 2007 and provides further clarity on the application of LAT with respect to property development projects.

First, the notice specified that taxpayers will be required to settle LAT for each property project developed, or if the project is developed in stages, for each stage of the project. Second, LAT should be imposed on taxpayers under the following conditions: (i) when a property development is completed and completely sold; (ii) when an unfinished property project that is subject to final accounts is wholly transferred to a third party; or (iii) when the taxpayer's land use right is directly transferred. Finally, LAT may be imposed on taxpayers under the following additional conditions: (i) where a property development has been completed and approved, if the area transferred is greater than 85% of the total saleable area of the development, or if the area transferred is less than 85%, and the retained area is leased or used by the developer; (ii) where a property development has not been completely

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

sold on the expiration of three years from the date the advanced sale or pre-sale license was obtained; (iii) where a taxpayer has applied for cancellation of its tax registration but has not yet settled LAT; or (iv) where there are other circumstances as prescribed by the provincial tax authorities.

The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects and the PRC tax authorities may not agree with us on the basis on which we calculate our LAT obligations. We cannot assure you that our LAT provision will be sufficient to cover our LAT liabilities. We also cannot assure you that the relevant tax authorities will agree with us on the basis on which we have calculated our LAT liabilities. In the event that our Group is required to settle any or all unpaid LAT, our cash flow and results of operations during the related period may be materially and adversely affected.

(hh) The PRC Government may impose fines on us or reclaim our land if we fail to comply with the terms of the land use rights contracts

Under PRC laws and regulations, if we fail to develop a particular project according to the terms of the relevant land use rights contracts, including those relating to the payment of land premiums and other fees, specified use of the land and the time for commencement and completion of the property development, the PRC Government may issue a warning, impose a penalty, reclaim our land, or any combination of the above.

If we fail to pay any outstanding land premium by the stipulated deadline, we may be subject to late payment penalties of 0.1% of the unpaid land premium per day. If we fail to commence development for more than one year from the commencement date stipulated in the land use rights contracts, the relevant PRC land bureau may serve a warning notice on us and impose on us an idle land fee of up to 20% of the land premium on us. If we fail to commence development for more than two years, the land is subject to repossession by the PRC Government unless the delay in development is caused by government actions or force majeure. Moreover, even if we commence development of the land in accordance with the land use rights contracts, if the developed land area is less than one-third of the total land area, or if the total capital expenditure on land development is less than one-fourth of the total amount expected to be invested in the project, including the purchase price of the land, and the development of the land is suspended for over one year without PRC Government approval, the land will still be treated as idle land.

Many cities in China have set out specific enforcement rules on the forfeiture of idle land and the local authorities are expected to enforce such rules in accordance with the instructions from the central government of China. We cannot assure you that regulations relating to idle land in China or other aspects of land use rights contracts will not become more restrictive or punitive in the future. If we fail to comply with the terms of any land use right contract by delaying project development, or as a result of other factors, we may lose the opportunity to develop the projects on such land, as well as our past investments in the land, which would materially and adversely affect our business, financial condition and results of operations.

APPENDIX A – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE PROPERTY BUSINESS

(ii) **The PRC Government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares**

Currently, the Renminbi still cannot be freely converted into foreign currency and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under our current structure, our income from the Property Business will be primarily derived from dividend payments from our PRC subsidiaries. It cannot be guaranteed that, under a certain exchange rate, we will have sufficient foreign exchange to make dividend payments or to meet our other foreign exchange requirements.

Under the existing PRC foreign exchange regulations, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require the prior approval of the SAFE, though we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. On the other hand, foreign exchange transactions under the capital account conducted by us must be approved by, registered or filed with the SAFE. There can be no assurance that these foreign exchange policies, including regarding payment of dividends in foreign currencies, will continue in the future.

(jj) **We face uncertainty with respect to indirect transfers of equity interests in our PRC subsidiaries through their non-PRC holding companies**

Pursuant to the Notice on Strengthening the Administration of Enterprises Income Tax on Income From Transfers of Equity Interests by Non-resident Enterprises 《国家税务总局关于加强非居民企业股权转让所得企业所得税管理的通知》 issued by the State Administration of Tax ("SAT") on December 10, 2009 ("Circular 698"), issued by SAT on December 10, 2009 with retroactive effect from January 1, 2008, and Public Notice (2011) No. 24(国家税务总局公告2011年第24号) issued by SAT on March 28, 2011, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly through disposing of the equity interests of an overseas holding company, and the (i) actual tax imposed on the capital gain from the equity transfer is lower than 12.5%, or (ii) the jurisdiction in which the overseas holding company is established excludes foreign-sourced capital gain income, the foreign investor shall report this indirect transfer to the competent tax authority of the PRC resident enterprise. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of 10%. However, there is still uncertainty as to the application of Circular 698. Our business, financial condition and operating results may be materially and adversely affected if we are subject to Circular 698 in the future.

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APPENDIX B – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE MINERAL RESOURCE BUSINESS

(a) The Group has no prior track record or experience in the mining industry

The Group does not have a proven track record and the current management of the Group may not have the relevant experience and expertise required in the carrying out or implementation of the Mineral Resource Business. As the Mineral Resource Business is a new area of business to the Group, the Group will face the usual risks, uncertainties and problems associated with the entry into any new business which it has no prior or extensive experience or track record in. These risks, uncertainties and problems include, amongst others, the inability to find the suitable joint venture, strategic or other business partners, the inability to manage the expanding operations and costs, failure to provide the results, level of revenue and margins the Company is expecting, and failure to identify, attract, retain and motivate qualified personnel. There is no assurance that the management of the Company will be able to ensure success in the undertaking of the Mineral Resource Business.

(b) The mining industry is a high-risk business

Mineral exploration and development is a high-risk business. Mineral exploration activities are subject to numerous risks, many of which are beyond the Company's control. These include, but are not limited to, failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, cost overruns, risk of access to required level of funding, contracting risk from third parties providing essential services and extended interruptions due to inclement or hazardous adverse weather conditions. Only a small percentage of individual exploration projects result in the discovery of viable economic resources and even in those cases, there are substantial development and operation risks to overcome before a commercial mine can be established. This is especially the case for mining in developing countries where economic, political, regulatory and other risks may be greater than those in developed countries.

(c) Resource estimation of the mines are expressions of judgments based on knowledge, experience and resource modelling, and as such are inherently imprecise and rely on interpretation of the relevant professionals

Resources estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Additionally, resources estimates may change over time as new information becomes available. Should the Group encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be revised in a way that could adversely affect the Company's operations.

(d) The Group's mining operations are dependent on its ability to obtain, maintain and renew licences and approvals and maintain its mining concession from the relevant government and other relevant government authorities

The Group requires various licences and approvals from the relevant central government and regional governments for its mining operations. These licences include general corporate, mining, foreign investment, manpower, environmental, land utilisation and other licences. The Group must renew its licences and approvals as they expire, as well as obtain new licences and approvals when required. The Group cannot assure that the relevant government (whether at the central government or regional government level) will issue or

APPENDIX B – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE MINERAL RESOURCE BUSINESS

renew the licences or approvals it requires in the timeframe it anticipates or at all. In particular, as set out in Section 4.2.1 of this Circular, the Xinjiang Fengli Exploration Permit will expire on 31 May 2015 and there is no assurance that the Xinjiang Fengli Exploration Permit will be renewed. A loss of, or failure to obtain or renew, any significant licence or approval we require to conduct our business and operations could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

- (e) **The Group may not be able to generate positive cash flows from the operations of the Mineral Resource Business until after commercial production and the Group may suffer a loss if the Group is unable to generate sufficient profits from its existing business and the Mineral Resource Business**

The exploration, development, exploitation and production of minerals generally require substantial capital expenditure and investment costs before they reach a revenue producing stage. Hence, in the event that the Group engages in such activities pursuant to the Mineral Resource Business, the Group may not be able to generate any positive cash flows from the operations of the Mineral Resource Business until after the commercial production of such minerals. Such cash flow deficit may have a negative impact on the working capital and the financial position of the Group. Furthermore, as such business activities may need time to generate profits, to the extent that the Group is unable to generate sufficient profits from its existing business and the Mineral Resource Business to cover its operating costs, the Group will suffer a loss.

- (f) **The Mineral Resource Business requires substantial capital expenditure and investment cost and the Group may be faced with limited availability of funds and is subject to financing risks**

The Mineral Resource Business is capital intensive. One of the major factors that could affect the Group's ability to acquire the assets as planned is the adequacy of financing. The Group's plans to finance the Mineral Resource Business through its internal resources, cash generated from mining operations and/or general bank borrowings. In addition, the Company may consider tapping the capital markets including, but not limited to, rights issues, share placements and/or issuance of debt instruments as and when necessary and deemed appropriate.

There is no assurance that bank financing will be available or, if available, that such bank financing will be obtained on commercially acceptable terms. Furthermore, any debt financing may restrict the Group's flexibility to operate its business. The use of financing from the capital markets is also subject to, amongst others, the prevailing capital market conditions, willingness and ability of Shareholders to support the fund raising exercise and costs associated with such funding exercise. Also, additional equity financing may result in a dilution to the shareholdings of the Shareholders.

Even if the Group is able to obtain initial funding for any project, the Group might lack the funds to carry out the follow-on funding for such project.

APPENDIX B – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE MINERAL RESOURCE BUSINESS

(g) The Mineral Resource Business is subject to unexpected disruptions and factors beyond the Group's control which could adversely affect its operations and financial performance

The Group will face various operational risks in connection with its Mineral Resource Business, including but not limited to:

- production interruptions caused by operational errors, electricity outages, raw material shortages, the failure of equipment and other risks;
- failure to obtain key equipment, materials and supplies;
- operating limitations imposed by environmental or other regulatory requirements;
- social, political and labour unrest;
- environmental or industrial accidents;
- increases in the cost of shipping and other forms of transportation;
- catastrophic events such as fires, earthquakes, explosions, floods, collapse of mine or other natural disasters;
- risks related to the complicated geological structure of mines and geological disasters that occur during the mining process; and
- failure of reserve estimates to be proven correct.

Any of the events or conditions above could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

(h) The operations of the Mineral Resource Business is subject to PRC laws and regulations

The Group's exploration, mining, development and production activities are subject to the PRC laws and regulations, including the environmental and health and safety laws and regulations. Please refer to Appendix C of this Circular for the main laws and regulations relating to the exploration and mining of mineral resources in the PRC. Any changes in the interpretation or implementation of existing laws and regulations or the introduction of new laws or regulations could result in higher compliance costs and adversely affect the business operations and financial performance of the Group.

In the event that the Group is unable to obtain or maintain all necessary licences, permits, certificates, consents or other approvals required for the carrying out of the Mineral Resource Business activities, the business and operations of the Group may be adversely affected. For example, the Group may invest in mines that are at the exploration phase and/or have not acquired the mining permit as such mines are generally cheaper to acquire compared to mines that have been granted the mining permit or are already in production. If the Group invests in such mines, there is a risk that the mining permit for such mines may not be

APPENDIX B – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE MINERAL RESOURCE BUSINESS

granted after the exploration phase. In such event, the Group will not be able to commence mining activities at the mines and the financial position of the Group will be materially and adversely affected.

(i) The business, revenue and profits of the Mineral Resource Business are affected by the volatility of prices for the mineral resources

The current and expected future price of mineral resources can change rapidly and significantly and this can have a substantial effect on the value of the Group's exploration and mining assets and the potential future revenue and profits that might be earned from the successful development of those assets. The marketability of any mineral resources discovered will be affected by numerous factors beyond the control of the Group. These factors include market fluctuations, proximity and capacity of processing equipment, increases in transportation and shipping cost and government regulations including regulations related to taxation, royalties, allowable production, importing and exporting, and environmental protection.

The demand for, and price of, mineral resources, is dependent on a variety of factors including international supply and demand, the level of consumer product demand, the quality of the product, weather conditions, distribution problems, labour disputes, the price and availability of alternative mineral resources, actions taken by the governments and international cartels. The process of the mineral resources may also be affected by macro-economic factors such as expectations regarding inflation, interest rates and global and regional demand for and supply of the mineral resources, as well as general global economic conditions.

Fluctuations and, in particular, a material or extended decline in prices of mineral resources may have a materially adverse effect on the Group's business, financial condition and results of operations.

(j) Future acquisitions, joint ventures or other arrangements may expose the Group to increased risks

The Group may, as a matter of business strategy, invest in or acquire other entities in the Mineral Resource Business, or enter into joint ventures or other investment structures in connection with the Mineral Resource Business. Acquisitions that the Group make, along with potential joint ventures and other investments, may expose the Group to additional business and operating risks and uncertainties, including:

- direct and indirect costs in connection with the transaction;
- the inability to effectively integrate and manage acquired businesses;
- the inability or unwillingness of joint venture partners to fulfil their obligations under the relevant joint venture agreements;
- the inability of the Group to exert control over strategic decisions made by these companies;

APPENDIX B – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE MINERAL RESOURCE BUSINESS

- time and resources expanded to coordinate internal systems, controls, procedures and policies;
- disruption in ongoing business and the diversion of management's time and attention from other business concerns;
- the risk of entering markets in which the Group may have no or limited prior experience;
- the potential loss of key employees and customers of the acquired businesses;
- the risk that an investment or acquisition may reduce the Group's future earnings; and
- exposure to unknown liabilities.

If the Group is unable to successfully implement the Group's acquisition or expansion strategy or address the risks associated with such acquisitions or expansion, or if the Group encounters unforeseen expenses, difficulties, complications or delays frequently encountered in connection with the integration of acquired entities and the expansion of operations, the Group's growth and ability to compete may be impaired, the Group may fail to achieve acquisition synergies, or the Group may be required to focus resources on integration of operations rather than the Group's primary business.

Activities to expand its operations may also bring the Group into contact, directly or indirectly, with individuals and entities that are new clients and other new products or new markets. These business activities expose the Group to new and enhanced risks including reputation risks arising from dealing with a range of new counterparties, along with these activities bring exposure to the range of risks described in this Circular. If these risks eventuate, they may have a negative impact on the Group's results, financial conditions or operations.

(k) The Mineral Resource Business will be dependent on key personnel

The future performance of the Mineral Resource Business will depend on the ability of the Group to attract and retain key personnel to identify new opportunities and to actively add value to the projects in the Mineral Resource Business.

In particular, for newly acquired investee companies under the Mineral Resource Business, their successful operation depends on the Group's or the respective investee's ability to retain key management and qualified employees for technical, operations, marketing and managerial positions.

The failure to attract or retain such key personnel and/or loss of any of these individuals could have a material effect on the operations and financial performance of the Group.

(l) The Group is dependent on key pieces of plant, equipment and machinery to conduct mining operations

The Group's mining operations depend on key pieces of plant, equipment and machinery. Any significant damage to, failure of, or operational difficulties with, the key components of the production chain or mining operations could have a material adverse effect on its business, financial condition, results of operations and prospects.

APPENDIX B – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE MINERAL RESOURCE BUSINESS

- (m) **Labour is an important component of the Mineral Resource Business, and the Group's financial condition and results of operations could be adversely affected if the Group or its contractors fail to maintain satisfactory labour relations**

Mining is a labour-intensive industry and the Group and its contractors employ a significant amount of labour. Any significant labour dispute or labour action that the Group or its contractors experience could have a material adverse effect on its business, financial condition, results of operations and prospects.

- (n) **The Mineral Resource Business operates in a competitive environment**

The mineral resources industry is competitive. There may be a limited supply of desirable minerals available for acquisition or leasing in the areas where the Group contemplates to expand its operations and conduct exploration and mining activities. The Group's competitors could have greater financial resources available to them, longer operating histories, more advanced technologies and larger teams of technical and professional staff. Accordingly, there can be no assurance that the Group will be able to compete successfully for new minerals. Failure of the Group to compete successfully in the Mineral Resource Business may have a materially adverse effect on the Group's business, financial condition and results of operations.

- (o) **The Group relies on third-party contractors to provide exploration and mining services**

The Group intends to outsource substantially all its exploration and mining activities pursuant to service contracts with third-party contractors. As a result, the Group's operations will be affected by the performance of its third-party contractors. Although the Group monitors the work of these third-party contractors to ensure that it is carried out on time, on budget and according to specifications, it may not be able to control the quality, safety and environmental standards of the work done by the third-party contractors. Any failure by these third-party contractors to meet the Group's quality, safety and environmental standards may result in liabilities to third parties and have a material adverse effect on its business, reputation, financial conditions and results of operations. Any failure by these third-party contractors could also affect the Group's compliance with government rules and regulations relating to exploration, mining and workers' safety.

- (p) **The Group is required to comply with extensive environmental laws and regulations in its mining operations, and changes in those laws and regulations or their interpretation or implementation, or unanticipated environmental effects from its operations, could require it to incur new or increased costs**

The Group's mining operations may involve water use, relocation of overburden, waste generation from its mining areas and production of emissions from processing facilities, any of which could adversely affect the environmental and health and safety laws, regulations and other legal requirements enacted or adopted by the central government and regional governments. These laws govern aspects of the Group's mining operations, such as the discharge of substances into the air and water, the management and disposal of hazardous substances and wastes, site clean-up, groundwater quality and availability, plant and wildlife protection and the reclamation, rehabilitation and restoration of mining properties after mining is completed. The costs associated with complying with these laws and the Group's environmental standards and procedures impact its production costs. In addition, if the

APPENDIX B – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE MINERAL RESOURCE BUSINESS

Group does not comply with those laws, the government regulators may impose financial penalties against it. The Group may be required to disrupt or ceased its operations, or, in the event it does not comply with those laws in any material way, the government regulators may order the suspension or revocation of its licences and permits. In addition, the requirements for compliance and remediation under existing PRC laws and regulations may be materially increased by the creation of new laws or regulations or changes in the interpretation or implementation of existing laws and regulations. Compliance with more onerous legal and regulatory requirements may increase the Group's associated costs, which may, in turn, have a material adverse effect on its business, financial condition, results of operations and prospects.

(q) It may be expensive and logistically burdensome to discontinue operations should economic, physical or other conditions subsequently deteriorate

Once the Group has established an interest in the Mineral Resource Business, it may be expensive and logistically burdensome to discontinue such operation should economic, physical or other conditions subsequently deteriorate. This is due to, among other reasons, the significant capital investments required in connection with the Mineral Resource Business, the nature of the contractual arrangements with government authorities in the relevant jurisdictions, and significant decommissioning costs.

Additionally, because assets used in the Mineral Resource Business in general are relatively illiquid, and would be even more so should the circumstances in the relevant jurisdiction deteriorate, the Group's ability to promptly sell its assets or businesses in the event it was to discontinue operations in a particular jurisdiction may be limited. No assurance can be given that the Group will be able to sell any asset for the price or on terms it sets, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. It is also not possible to predict with certainty the length of time that could be needed to find purchasers for its assets, if at all, and to complete the disposal of its assets in times of political, economic, financial or investment uncertainty.

(r) The Group's Mineral Resource Business may be adversely affected in the medium to long-term if it is unable to continue to discover and acquire additional mineral resources that are converted into reserves

As the Group's reserves will decline as it mines, its future growth and success and growth in the medium to long-term will depend, in part, on its ability to discover or acquire additional resources and to convert those resources into reserves. The Group may undertake an extensive exploration program to discover new resources and to convert additional resources and reserves within the mining area. Its current exploration program may not discover significant new resources for conversion into reserves beyond its existing resource and reserve base. In addition, it may not in the future be successful in converting its existing or future resources into significant additional reserves. If the Group is unable to replace its reserves as they are depleted with new reserves, whether through its exploration program or acquisition of new mines, this could have a material adverse effect on its future financial condition, future results of operations and prospects.

APPENDIX B – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE MINERAL RESOURCE BUSINESS

(s) The Group's mining operations may be adversely affected and severely disrupted by climatic or geophysical conditions

The Group's operations in the Mineral Resource Business, including the Group's exploration activities and the transport and other logistics on which the Group is dependent, may be adversely affected and severely disrupted by climatic or geophysical conditions. Natural disasters or adverse conditions may occur in those geographical areas on which the Group operates, including severe weather, tsunamis, cyclones, tropical storms, earthquakes, floods, volcanic eruptions, excessive rainfall and droughts as well as power outages or other events beyond the Group's control.

(t) Interpretation of PRC laws and regulations involves uncertainty, further changes in tax laws, regulations, policies, concessions and treatment may materially and adversely affect the financial condition and results of operations of the Group

The Group's Mineral Resource Business in the PRC will be subject to the laws and regulations promulgated by the PRC government. The PRC legal system is a codified legal system made up of the PRC constitution, written laws, regulations, rules, circulars, directives and other government orders. The PRC government is still in the process of developing its legal system so as to meet the needs of investors and to encourage foreign investment. Generally, the PRC economy is developing at a faster pace than its legal system. Therefore, some degree of uncertainty exists in connection with whether existing laws and regulations will apply to certain events or circumstances, and if so, the manner of such application.

In particular, unlike common law jurisdictions like Singapore, decided cases do not form part of the legal structure of the PRC and thus have no binding effect. The administration of the PRC laws and regulations may be subject to certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdiction. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. Furthermore, in line with its transformation from a centrally planned economy to a free market oriented economy with socialist characteristics, the PRC government is still in the process of developing a comprehensive set of laws and regulations. As the legal system in the PRC is still evolving, laws and regulations or the interpretation of the same may be subject to change.

(u) The Group may be subject to sovereign immunity risks

Some countries have constitutions and laws which entrench and vest the rights over their natural resources in the state, which are regarded as sovereign state assets. These countries have also established state-owned entities which enter into commercial contracts with resource exploration and production companies in relation to the exploration, development and production of resources. Accordingly, the natural resources discovered within a contract area are ultimately owned by the state and the exploration and production companies only have contractual rights of exploration, development and production. As the contracts are with state-owned entities, in the event of a dispute, it is uncertain if these state-owned entities will be able to invoke the principles of sovereign immunity. The invocation of such immunity in the countries which the Group operates in may limit its ability to enforce the Group's rights, which in turn adversely affects the Group's business, results of operations, financial conditions and prospects.

APPENDIX B – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE MINERAL RESOURCE BUSINESS

- (v) **Physical infrastructure in some countries is obsolete or non-existent and in certain respects has not been adequately funded and maintained**

Physical infrastructure in some countries is obsolete or non-existent and in certain respects has not been adequately funded and maintained. Breakdowns or failures of any part of the physical infrastructure in such countries in which the Group's Mineral Resource Business operates may disrupt the Group's normal business activity, cause the Group to suspend operations or result in environmental damage to the surrounding areas. Further deterioration of the physical infrastructure in such areas may disrupt the transportation of goods and supplies, increase operational costs to doing business in these areas and generally interrupt business operations, any or all of which could have a material adverse effect in the Group's business, results of operations, financial condition and prospects.

- (w) **Assessments of the value of Mineral Resource Business to be acquired by the Group may differ from assessments by independent engineers and valuers and may affect the Group's return on and value of its shares**

Acquisitions of companies and their assets relating to the Mineral Resource Business are typically based on engineering and economic assessments made by independent engineers and the Group's own assessments. Both of these assessments will include a series of assumptions regarding such factors and recoverability and marketability of the resources, future prices of the resources and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the Group's control. In particular, the prices of and markets of the resources may change from those anticipated at the time of making such assessments. In addition, all such assessments involve a measure of geologic and engineering uncertainty which could result in lower production and reserves than anticipated. Initial assessment of acquisitions may be based on reports by a firm of independent engineers that are not the same as the firm the Group uses for its reserves evaluations. Because each of these firms may have different evaluation methods and approaches, these initial assessments may differ significantly from the assessments of the firm used by the Group. Any such instances may offset the return on and value of the Group's shares.

- (x) **The Group will be exposed to political, economic, fiscal, legal, regulatory and social uncertainties**

The Group's operations in the Mineral Resource Business are exposed to the political, economic, fiscal, legal, regulatory and social environment of the countries in which the Group operates, which may include developing countries. The Group's business involves a high degree of risk, which a combination of experience, knowledge and careful evaluation may not overcome. These risks include, but are not limited to, civil strife or labour unrest, armed conflict, limitations or price controls on mineral resources and limitations or the imposition of tariffs or duties on imports of certain goods.

Exploration and development activities in developing countries may require protracted negotiations with host governments, national mineral resource companies and third parties and may be subject to economic and political considerations such as the risks of war, community disturbances, criminal activities (such as mineral or energy resource theft), expropriation, nationalisation, renegotiation, forced change or nullification of existing

APPENDIX B – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE MINERAL RESOURCE BUSINESS

contracts or royalty rates, unenforceability of contractual rights, foreign ownership controls or approvals, protests, changing taxation policies and interpretations, adverse changes to laws (whether general application or otherwise) or the interpretation thereof, foreign exchange restrictions, inflation, changing political conditions, the death or incapacitation of political leads, local currency devaluation, currency controls, and foreign governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Any of the factors above or similar factors could have a material adverse effect on the Group's business, results of operations or financial condition.

If disputes arise in connection with the Group's operations in developing countries, the Group may be subject to the exclusive jurisdiction of foreign courts or foreign arbitration tribunals or may not be successful in subjecting foreign persons, especially foreign mineral resources ministries and national mineral resources companies, to the jurisdiction of courts in other countries. Further, the Group may also be adversely affected by increased action by non-governmental organizations opposing to mineral resources exploration and production.

APPENDIX C – MAIN LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES IN THE PRC

The “Mineral Resources Law of the PRC” (《中华人民共和国矿产资源法》), which was first promulgated by the Standing Committee of the National People’s Congress (the “NPC”) on March 19, 1986 and became effective on October 1, 1986, was last amended by the Standing Committee of the NPC on August 27, 2009 and became effective on August 27, 2009. Under the Mineral Resources Law of the PRC, all mineral resources belong to the State. The rights of ownership in mineral resources are exercised by the State Council. State ownership of mineral resources, either near the earth’s surface or underground, shall not change with the alteration of ownership or right to the use of the land which the mineral resources are attached to. The State safeguards the rational development and utilisation of mineral resources. Seizing or damaging mineral resources by any means and by any organisation or individual is prohibited. People’s governments at various levels must make serious efforts to protect mineral resources. The geology and mineral resources department of the State Council, which is now the Ministry of Land and Resources of the PRC, is responsible for the supervision and administration of the exploration and exploitation of mineral resources nationwide. The geology and mineral resources departments of the Chinese Government in the respective provinces, autonomous regions and municipalities are responsible for the supervision and administration of the exploration and exploitation of mineral resources within their own administrative areas. Enterprises engaged in the exploitation or exploration of mineral resources must obtain exploitation licence and exploration licence, as the case may be, which are transferable for consideration only in certain circumstances as provided under PRC laws and regulations, subject to approval by relevant administrative authorities.

According to the Mineral Resources Law of the PRC, the “Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey” (《矿产资源勘查区块登记管理办法》) and the “Administrative Measures on Registration of Mineral Resources Exploitation” (《矿产资源开采登记管理办法》), before the exploration and exploitation activities relating to mineral resources can commence, the project company must first obtain the exploration licences and the exploitation licences, which generally entitle the project company to the exploration and exploitation rights attached to the relevant mining project.

Holders of exploration licences and of exploitation licences are subject to exploration right usage fees and exploitation right usage fees, respectively. In accordance with the “Administrative Measures on Registration of Mineral Resources Exploitation” (《矿产资源开采登记管理办法》), exploitation right usage fees are payable on an annual basis. The annual rate of exploitation right usage fee is RMB1,000 per sq km of mining area. In accordance with the “Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey” (《矿产资源勘查区块登记管理办法》), exploration right usage fees are also calculated according to the size of the exploration area and are payable on an annual basis. The annual rate of exploration right usage fees for the first year to the third year of exploration is RMB100 per sq km of exploration area. From the fourth year of exploration onwards, the rate increases by RMB100 per sq km of exploration area per year and is subject to a maximum rate of RMB500 per sq km per year. In addition, according to the amended “Administration Regulation for Collection of Mineral Resource Compensation Fee” (《矿产资源补偿费征收管理规定》), which was amended and became effective as of July 3, 1997, holders of exploitation licences are subject to mineral resource compensation fees, which are to be calculated as a certain percentage of the sales revenue of the mineral products of such holders. The mineral resources compensation fee shall be paid for the first half of each year on or before July 31 of the year, and be paid for the second half of the year on or before January 31 of the following year.

APPENDIX C – MAIN LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES IN THE PRC

In addition to the above laws and regulations, according to the “Catalogue for Guidance of Foreign Investment (Revised 2011)” (外商投资产业指导目录 (2011年修订)) promulgated by the National Development and Reform Commission (“**NDRC**”) and the Ministry of Commerce of the PRC (中华人民共和国商务部) (“**MOFCOM**”), the mining or operation of certain types of minerals (other than nickel, serpentine and chrome) are classified as restricted or prohibited categories for foreign investment. However, according to the “Measures for the Administration of Foreign-Invested Mineral Exploration Enterprises” (外商投资矿业勘查企业管理办法), where a mineral prohibited from being explored or mined by foreign invested enterprises is proved to exist as an associated mineral in the relevant mines, and the foreign invested enterprises have to explore and mine it together with the main mineral, the foreign invested enterprises may legitimately continue to mine it after obtaining the approval of the Ministry of Land and Resources and MOFCOM and after amending the relevant exploitation or exploration licences to include the prohibited type of mineral on such licences.

METHODS OF OBTAINING EXPLORATION LICENCES AND EXPLOITATION LICENCES

Methods of Obtaining Exploration Licence

In accordance with the “Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey” (矿产资源勘查区块登记管理办法), an applicant for the exploration licence must submit the following documents to the Ministry of Land and Resources or its local branch:

- an application form for registration and a map indicating the geographical scope of the blocks to be explored;
- a copy of the certificate of qualification of the exploration unit;
- an exploration working plan and an exploration contract or other documents evidencing that the exploration unit is entrusted with the exploration work;
- an implementation plan for the exploration work and its appendixes;
- evidence of source of the funds for the exploration project; and
- other materials required by the geology and mineral resources department of the State Council.

The Ministry of Land and Resources or its local branch must make a decision within 40 days after its receipt of the application documents, based on the principle of first-to-file, and notify the applicant of the result. If the application is approved, the applicant must pay the exploration right usage fee within 30 days of receipt of the notification of the approval. If the exploration right being applied for is based on the proved reserves that have been explored using expenditures made by the State, the applicant must also pay the cost of the exploration right, the amount of which is to be assessed by the Ministry of Land and Resources in cooperation with assessment agencies recognized by the State-owned Assets Supervision and Administration Commission of the State Council (“**SASAC**”).

APPENDIX C – MAIN LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES IN THE PRC

The maximum valid period of the initial term of the exploration licence is three years. In the case where a renewal is needed, an application must be submitted to the competent authority for renewal of such exploration licence at least 30 days prior to the expiration date stipulated thereon. Each renewal of the valid term cannot exceed two years.

Methods of Obtaining Exploitation Licence

In accordance with the “Administrative Measures on Registration of Mineral Resources Exploitation” (矿产资源开采登记管理办法), an applicant for an exploitation licence must submit the following documents to the Ministry of Land and Resources or its local branch:

- an application form for registration and a map indicating the scope of the mining area;
- a certificate of qualification of the applicant;
- a plan for development and utilisation of the mineral resources;
- approval documents for the establishment of the mining enterprise;
- an environment impact evaluation report for the exploitation of the mineral resources; and
- other materials required by the geology and mineral resources department of the State Council.

The Ministry of Land and Resources or its local branch must make a decision within 40 days after its receipt of the application documents and notify the applicant of the result. If the application is approved, the applicant must pay the exploitation right usage fee within 30 days of receipt of the notification of the approval. In the case where the exploitation right being applied for is for the proved reserves that have been explored using expenditures made by the State, the applicant must also pay the cost of the exploitation right, the amount of which is to be assessed by the Ministry of Land and Resources in cooperation with assessment agencies recognized by the SASAC.

The maximum valid period of the initial term of the exploitation licence is determined according to the scale of the mine and is up to 30 years for a large-scale mine, up to 20 years for a medium-scale mine and up to 10 years for a small-scale mine. In the case where a renewal is needed, an application must be submitted to the competent authority for renewal of such licence at least 30 days prior to its expiration date.

RIGHTS AND OBLIGATIONS OF HOLDERS OF EXPLORATION LICENCES

According to the “Rules for the Implementation of the Mineral Resources Law of the PRC” (中华人民共和国矿产资源法实施条例), the holder of an exploration licence has, among others, the following rights:

- right to carry out exploration of the designated subject in the designated area and within the prescribed period as recorded on the exploration licence;

APPENDIX C – MAIN LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES IN THE PRC

- right to set up apparatus for power supply, water supply and communication channels in the exploration area and its adjacent areas, without prejudice to the original facilities for power supply, water supply and communication channels;
- access to the exploration area and its adjacent areas;
- right to temporarily use the land legally in accordance with the needs of the exploration project;
- priority in obtaining the exploitation right of mineral resources within the designated exploration area;
- priority in obtaining the exploration right of other newly discovered minerals within the designated exploration area; and
- right to sell the mineral products reclaimed pursuant to the approved exploration plan, except for those mineral products which are required by the State Council to be sold to designated entities.

The holder of an exploration licence has, among others, the following obligations:

- to commence and complete the exploration work within the term of the exploration licence;
- to report matters such as commencement of exploration to the exploration registration management authority;
- to carry out the exploration work in accordance with the exploration plan and to ensure that there is no occurrence of unauthorised exploitation activities in the designated area;
- to carry out integrated exploration and assessment activities on the para-genetic and associated mineral resources at the same time of the exploration for the main mineral;
- to submit an exploration report of the mineral resources to the relevant government authority for approval;
- to file the exploration result of mineral resources for record as required by the State Council;
- to act in line with the laws and regulations relating to labour safety, land rehabilitation and environment protection; and
- to take steps to eliminate potential safety hazard upon the completion of the exploration work.

RIGHTS AND OBLIGATIONS OF HOLDERS OF EXPLOITATION LICENCES

According to the “Rules for the Implementation of the Mineral Resources Law of the PRC”, the holder of an exploitation licence has, among others, the following rights:

- to engage in exploitation activities in the designated mining area and within the term prescribed under the exploitation licence;

APPENDIX C – MAIN LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES IN THE PRC

- to set up production facilities and amenities within the designated mining area;
- to sell the mineral products, except for those minerals which are required by the State Council to be sold-to designated entities; and
- to acquire the land use rights legally based on the requirement of its production and construction.

The holder of an exploitation licence has, among others, the following obligations:

- to carry out construction or exploitation activities in the designated area and within the term of the exploitation licence;
- to effectively protect and reasonably exploit the mineral resources and integrate the use of the mineral resources;
- to pay resources tax and mineral resources compensation fees;
- to comply with laws and regulations relating to labour safety, soil and land conservation, land rehabilitation and environment protection; and
- to be supervised and managed by the competent authorities and submit a report on the development and utilization of mineral resources to the relevant government authority.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The Ministry of Environmental Protection of the PRC (中华人民共和国环境保护部) is responsible for the supervision of environmental protection in, implementation of national standards for environmental quality and discharge of pollutants for, and supervision of the environmental management system of, the PRC. Environmental protection bureaus at the county level or above are responsible for environmental protection within their jurisdictions.

The “Environmental Protection Law of the PRC” (中华人民共和国环境保护法) (the “**Environmental Protection Law**”) requires entities that operate production facilities that may cause pollution or produce other toxic materials to take steps to protect the environment and establish an environmental protection and management system. The system includes the adopting of effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials. Entities discharging pollutants must register with the relevant environmental protection authorities.

The “Environmental Protection Law” and the “Administrative Regulations on Environmental Protection for Construction Project” (建设项目环境保护管理条例) which became effective as of November 29, 1998 stipulate that prior to the construction of new facilities or expansion or transformation of existing facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project needs to be submitted to the relevant environmental protection authority. The newly constructed production facilities may not be operated until the relevant authority is satisfied that such facilities are in compliance with all relevant environmental protection standards.

APPENDIX C – MAIN LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES IN THE PRC

Under the “Mineral Resources Law of the PRC” and the amended “Land Administration Law of the PRC” (《中华人民共和国土地管理法》) which became effective as of August 28, 2004 exploration of mineral resources must be in compliance with the legal requirements on environmental protection so as to prevent environmental pollution. If any damage is caused to cultivated land, grassland or forest as a result of exploration or exploitation activities, mining enterprises must restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or such other measures as appropriate to the local conditions. If the rehabilitation is not possible or does not comply with the relevant requirements, the mining enterprise must pay a fee for land rehabilitation. Upon closure of a mine, a report in relation to land rehabilitation and environmental protection must be submitted for approval. Enterprises which fail to perform or satisfy the requirements on land rehabilitation may be penalised by the relevant land administration authority.

The Ministry of Environmental Protection must formulate national standards on emission of pollutants in accordance with the national standards on environmental quality, and the State economic and technological conditions. Governments at the provincial level and of the autonomous regions and municipalities may formulate their respective local standards on the discharge of pollutants for items not specified in the national standards. These local governments may formulate local standards which are more stringent than the national ones for items already specified in the national standards. Pursuant to the requirements under the amended “Law on Prevention of Water Pollution of the PRC” (《中华人民共和国水污染防治法》) which became effective as of June 1, 2008, the amended “Law on Prevention of Air Pollution of the PRC” (《中华人民共和国大气污染防治法》), which became effective as of September 1, 2000, and “Administrative Regulations on Levy and Utilization of Sewage Charge” (《排污费征收使用管理条例》) which became effective as of July 1, 2003, enterprises which discharge water or air pollutants must pay discharge fees pursuant to the types and volumes of pollutants discharged. The discharge fees are calculated by the local environmental protection authority which must review and verify the types and volumes of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees must be issued to the relevant enterprises. In addition, coal-fired power plants and other large and medium enterprises which discharge sulphur dioxide at a level exceeding the prescribed standards are required to install “desulphurising devices” or adopt other “desulphurising” measures to control the emission of sulphur dioxide.

Under the amended “Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC” (《中华人民共和国固体废物污染环境防治法》), which was amended and became effective as of November 8, 2013, entities and individuals collecting, storing, transporting, utilising or disposing of solid waste must take precautions against the spread, loss, and leakage of such solid waste or adopt such other measures to prevent such solid waste from polluting the environment.

The penalties for breaches of the environmental protection laws vary from warnings, fines, suspending production or operation to other administrative sanctions, depending on the degree of damage or the results of the incidents. The responsible person of the entity may be subject to criminal liabilities for serious breaches resulting in significant damage to private or public property or personal injury or death.

As environmental protection matters are under the administration and supervision of authorities that are distinct from the ones issuing the exploration and exploitation licences, the breach of the relevant environmental protection laws would not entail revocation of the exploration and exploitation licences directly. However, the environmental protection authorities may seek

APPENDIX C – MAIN LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES IN THE PRC

cooperation from the authorities in charge of the issuance of such permits, which are competent to revoke the exploration and exploitation licences pursuant to the Mineral Resources Law of the PRC.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

The PRC government has formulated a relatively comprehensive set of laws and regulations on production safety, including the “Law on Production Safety of the PRC” (中华人民共和国安全生产法), the “Law on Mine Safety of the PRC” (中华人民共和国矿山安全法), as well as the “Regulations on the Implementation of the Law on Mine Safety of the PRC” (中华人民共和国矿山安全法实施条例), which pertain to the exploitation, processing and smelting operations of the mining industry. The State Administration of Work Safety (国家安全生产监督管理总局) is responsible for the overall supervision and management of the safety production nationwide while the departments in charge of safety production at the county level or above are responsible for the overall supervision and management of the safety production within their own jurisdictions.

The State implements a licensing system for production safety of mining enterprises under the “Regulations on Production Safety Permit” (安全生产许可证条例). No mining enterprise may engage in production activities without holding a valid production safety permit (安全生产许可证). Enterprises which fail to fulfil the production safety conditions may not carry out any production activity. Mining enterprises which have obtained the production safety permit may not lower their production safety standards, and are subject to the supervision and inspection by the licensing authorities from time to time. If the licensing authorities are of the opinion that the mining enterprises do not fulfil the production safety requirements, the production safety permit may be withheld or revoked.

The State has also formulated a set of national standards on production safety for the mining industry. In general, the mine design must comply with the production safety requirements and industry practice. Each underground mineshaft is required to have at least two safety exits and the mine must be equipped with transportation and communication facilities which connect the mine to the outside. The mine design must be approved in accordance with the requisite procedures.

A mining enterprise must establish a management body or a designated safety management team to be responsible for production safety matters. Education and training on production safety must be provided to workers to ensure that they fully understand the regulations on and the procedures required for production safety, and are able to master the necessary skills for operation safety for their own positions. Those who do not receive this education and training are not permitted to work at the mine.

Upon the occurrence of accidents, mining enterprises must immediately take measures to rescue their workers and report any personal deaths or injuries to the relevant authority. In the event of a minor accident, the mining enterprise is responsible for investigating and handling the case. In the event of a serious accident, the government, the relevant authority, the labour union and the mining enterprise must conduct an investigation and handle the case together. In addition, mining enterprises must pay compensation to any staff injured or killed in an accident in accordance with the relevant requirements of the State. Such mining enterprises may only resume production after the relevant danger at the scene has been eliminated.

APPENDIX C – MAIN LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES IN THE PRC

In addition, under the “Law on Production Safety of the PRC” and the “Law on Mine Safety of the PRC”, the penalties for breaches of production safety laws vary from warnings, fines, suspension of production or operation and other administrative sanctions, depending on the degree of damage and the natures of the incident. The person who is personally responsible for such incident may be subject to demotion or termination of employment, or held criminally liable for serious breaches resulting in significant incidents. The State has implemented an accountability system over incidents relating to production safety.

As production safety matters are under the administration and supervision of authorities that are different from the ones issuing the exploration and exploitation licences, the breach of the relevant production safety laws would not entail revocation of the exploration and exploitation licences directly. However, the production safety authorities may seek cooperation from the authorities in charge of the issuance of such permits, which have the authority to revoke the exploration and exploitation licences according to the Mineral Resources Law of the PRC.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprises engaged in the mining of mineral resources must pay resources tax in accordance with relevant regulations of the State. In accordance with the “Provisional Regulations on Resources Tax of the PRC” (中华人民共和国资源税暂行条例), which was amended and became effective as of November 1, 2011, for nonferrous metal ores (except the rare earth ores), the amount of resources compensation levy payable is computed by multiplying the sales or self-used volume of mineral products with the applicable rate of the resource tax ranging from RMB0.4 to RMB30 per tonne of mineral products. According to the “Implementing Rules for the Provisional Regulations on Resources Tax of the PRC” (中华人民共和国资源税暂行条例实施细则) which became effective as of November 1, 2011, resources tax in respect of the resources which are ranked by grades is levied according to the grade of mines and the applicable amount of tax per tonne of ore produced as provided in the schedules attached to such implementing rules.

On March 16, 2007, the National People Committee of the PRC enacted the “Enterprise Income Tax Law of the PRC” (the “**EIT Law**”, 中华人民共和国企业所得税法) which became effective as of January 1, 2008. On December 6, 2007, the State Council enacted the “Implementation Rules for the Enterprise Income Tax Law of the PRC” (中华人民共和国企业所得税法实施条例) which also became effective as of January 1, 2008.

According to the EIT Law and its implementation rules, foreign invested enterprises in the PRC are subject to the enterprise income tax at a uniform rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC shall pay enterprise income tax at a rate of 25% on its income that is derived by such establishment or premises inside the PRC and income that is sourced outside the PRC but is actually connected with the said establishment or premises, unless it is a dividend income where an exemption may apply. A non-resident enterprise that has no establishment or premises within the PRC but has income from the PRC, and a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall be subject to PRC withholding tax at the rate of 10% on its income sourced from inside the PRC.

APPENDIX C – MAIN LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES IN THE PRC

OTHER RELEVANT LAWS AND REGULATIONS

Laws regarding Construction Permits in the PRC

Under the “Construction Law of the PRC” (中华人民共和国建筑法) entities which start construction without a construction permit (施工许可证) may be ordered to rectify such default. The construction administrative authorities may order projects that do not meet the requirements for commencement of construction to cease construction, and impose a fine.

Investment System Survey

According to the “Catalogue of Investment Projects Requiring Government Verification and Approval” (2013 Version) (政府核准的投资项目目录 (2013年本)), iron mining development projects with proven reserves of 50 million tons or above are subject to approval by the competent department of investment under the State Council, rare earth mining development projects are subject to the industry management department under the State Council, while other mine development projects are subject to the department of investment at the provincial level.

Laws and Regulations relating to Foreign Investment in mineral resources:

Pursuant to the “Catalogue of Industries for Guiding Foreign Investment (Revised 2011)” (外商投资产业指导目录(2011年修订)), the exploration and exploitation of certain mineral resources are regulated as follows:

Restricted:

- Exploration and exploitation of special and scarce coals (PRC partner shall hold the majority of shares);
- Exploration and exploitation of barite (limited to equity joint ventures or contractual joint ventures);
- Exploration and exploitation of precious metals (gold, silver, platinum families);
- Exploration and exploitation of precious non-metals such as diamond, high-aluminium fireclay, wollastonite and graphite;
- Exploitation and dressing of phosphorite, lithium and pyrite, and refining salt-lake brine resources;
- Exploitation of szaibelyite and szaibelyite iron ores;
- Exploitation of celestine; and
- Exploitation of ocean manganese nodule and sea sand (PRC partner shall hold the majority of shares).

APPENDIX C – MAIN LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES IN THE PRC

Prohibited:

- Exploration and exploitation of tungsten, molybdenum, tin, antimony and fluorite;
- Exploration, exploitation and dressing of radioactive minerals; and
- Exploration, exploitation and dressing of rare earth.

The “Verification and Approval and Filing of Foreign-Invested Projects Administrative Procedures” (外商投资项目核准和备案管理办法), which became effective as of June 17, 2014 provides that a project within the restricted catalogue must be:

- submitted to and approved by provincial-level government if it is a real estate project or has a total investment amount of less than US\$50 million;
- submitted to and approved by the central NDRC if it has a total investment amount of US\$50 million or more (except the real estate projects).

Laws and Regulations Relating to WFOEs

A wholly foreign owned enterprise (“**WFOE**”) is a form of foreign investment permitted in the PRC. Under the amended “PRC Wholly Foreign Owned Enterprises Law” (中华人民共和国外资企业法), which became effective as of October 31, 2000, and the amended “Implementing Rules For the PRC Wholly Foreign Owned Enterprises Law” (中华人民共和国外资企业法实施细则) which became effective as of March 1, 2014, a WFOE is an enterprise established in the PRC, whose capital is all contributed by the foreign investor(s). To establish a WFOE, the foreign investors must submit documents such as the articles of association and the feasibility study report, to the local government of the PRC at or above the county level (the “**Approval Authority**”) for examination and approval. The Approval Authority must, within 90 days upon accepting the application, decide whether or not to grant the approval. Within 30 days upon receipt of the approval certificate issued by the Approval Authority, the parties must apply to the competent administration for industry and commerce for registration to obtain the business licence of the WFOE. The issuance date of the business licence is the establishment date of the WFOE.

According to the relevant PRC rules, a transfer of an equity interest in the PRC domestic company which will result in the conversion of the PRC domestic company to a WFOE, shall comply with PRC laws and regulations, and be approved by approval departments and submitted for alteration registration with registration departments. A transfer without approval from the relevant approval departments is invalid.

Laws and Regulations Relating to Geological Environment Protection

Pursuant to the “Provisions on the Protection of the Geologic Environment of Mines” (矿山地质环境保护规定) promulgated by the Ministry of Land and Resources on March 2, 2009 and becoming effective on May 1, 2009, (a) the land and resources administrative departments shall be responsible for the protection of the geologic environment of mines; (b) an exploitation right applicant shall prepare a plan for the protection, control and restoration of the geologic environment of a mine (矿山地质环境保护与治理恢复方案), and report it to the competent authority when applying for an exploitation licence, or when applying to expand the exploitation scale or change the scope of exploitation area or exploitation manner; and (c) an exploitation right holder shall, pursuant to the relevant provisions of the state, pay a security deposit for the control and

APPENDIX C – MAIN LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES IN THE PRC

restoration of the geologic environment of a mine (矿山地质环境治理恢复保护金), the amount of which shall not be less than the expenses necessary for the control and restoration of the geologic environment of the mine.

In Xinjiang Uygur Autonomous Region, pursuant to the “Xinjiang Uygur Autonomous Region Regulations on the Management of Security Deposits for Ecological Restoration in Mines” (新疆维吾尔自治区矿山地质环境治理恢复保证金管理办法), which became effective as of October 1, 2008, the security deposit may be paid in a lump sum or in instalments. If the term of the exploitation licence held by such holder is three years or less, the holder must pay the security deposit in a lump sum. If the term of the exploitation licence held by such holder is more than three years, the holder may pay the security deposit in instalments.

LAWS AND REGULATIONS RELATING TO LAND

Pursuant to the “Land Administration Law of the PRC” (中华人民共和国土地管理法) promulgated on June 25, 1986 and amended on August 28, 2004, land owned by the State and land collectively-owned by collective economic organisations may be allocated and used by units or individuals according to law. The ownership of land and land use rights registered according to the relevant laws shall be protected by law. In the case of temporary use of State-owned land or land collectively-owned by farmers for construction projects or for geological exploration purposes, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with relevant land administrative department or rural collective organizations or village committees for the temporary use of land, depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the temporary use of land shall generally not exceed two years.

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NOTICE OF EXTRAORDINARY GENERAL MEETING

MANHATTAN RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199006289k)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Manhattan Resources Limited (**Company**) will be held at One Farrer Hotel & Spa, Napier Room, Level 6, 1 Farrer Park Station Road, Singapore 217562 on 18 October 2014 at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following ordinary resolutions:

Ordinary Resolution 1

The Proposed Diversification into the Property Business

That:

- (a) approval be and is hereby given for the proposed diversification of the Group's business to include the Property Business ("**Proposed Diversification into the Property Business**"); and
- (b) the Directors of the Company and each of them be authorised to complete and to do all acts and things (including without limitation to making such arrangements, entering into all such transactions, arrangements and agreements and executing all such documents as may be required or as they (or he) may from time to time consider necessary, desirable or expedient, or in the interests of the Company), to give effect to the Proposed Diversification into the Property Business and/or this Resolution as they (or he) may in their absolute discretion deem fit (including without limitation to the foregoing, to affix the Common Seal of the Company to any such documents, if required).

Ordinary Resolution 2

The Proposed Diversification into the Mineral Resource Business

That:

- (a) approval be and is hereby given for the proposed diversification of the Group's business to include the Mineral Resource Business ("**Proposed Diversification into the Mineral Resource Business**"); and
- (b) the Directors of the Company and each of them be authorised to complete and to do all acts and things (including without limitation to making such arrangements, entering into all such transactions, arrangements and agreements and executing all such documents as may be required or as they (or he) may from time to time consider necessary, desirable or expedient, or in the interests of the Company), to give effect to the Proposed Diversification into the Mineral Resource Business and/or this Resolution as they (or he) may in their absolute discretion deem fit (including without limitation to the foregoing, to affix the Common Seal of the Company to any such documents, if required).

NOTICE OF EXTRAORDINARY GENERAL MEETING

Ordinary Resolution 3 The Proposed Starsmind Acquisition

That:

- (a) approval be and is hereby given for the acquisition by the Company of up to 60% of the issued share capital of Starsmind Capital Pte. Ltd. ("**SCPL**"), on the terms and conditions of the Call Option Agreement dated 21 April 2014, entered into between the Company and SCPL ("**Proposed Starsmind Acquisition**");
- (b) approval be and is hereby given for the allotment and issue of an aggregate of up to 62,000,000 new ordinary shares to Mr Ho Sing Ming (who will hold such shares for himself as well as on trust for Mr Xu Yuan Xing in accordance with the Mineriver Vendor Proportion);
- (c) the Directors of the Company be authorised to allot and issue an aggregate of up to 62,000,000 new ordinary shares to Mr Ho Sing Ming (who will hold such shares for himself as well as on trust for Mr Xu Yuan Xing in accordance with the Mineriver Vendor Proportion) in satisfaction of the investment amount in accordance with the terms of the Call Option Agreement; and
- (d) the Directors of the Company and each of them be authorised to complete and to do all acts and things (including without limitation to making such arrangements, entering into all such transactions, arrangements and agreements and executing all such documents as may be required or as they (or he) may from time to time consider necessary, desirable or expedient, or in the interests of the Company), to give effect to the Proposed Starsmind Acquisition and/or this Resolution as they (or he) may in their absolute discretion deem fit (including without limitation to the foregoing, to affix the Common Seal of the Company to any such documents, if required).

By Order of
the Board of Directors of
Manhattan Resources Limited

Liow Keng Teck
Independent Chairman
3 October 2014

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:–

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Notwithstanding the above but subject otherwise to the Articles of Association of the Company, a member who is a Depository Agent shall be entitled to appoint any Sub-Account Holder as proxy to attend and vote at the Extraordinary General Meeting of the Company in respect of such number of shares as are held by each Sub-Account Holder in an account maintained with that Depository Agent.

If the Depositor is a Depository Agent, the instrument of proxy is to be accompanied by a confirmation in writing in the common form, signed by, or on behalf of, the Depository Agent confirming that such Sub-Account Holder is the holder of an account maintained with that Depository Agent in respect of the number of shares specified in the proxy form.
3. The instrument or form appointing a proxy or proxies in the case of an individual shall be signed by the appointor or his/her attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument or form appointing a proxy or proxies, duly executed, must be deposited at the office of the Company's Share Registrar, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758 not less than 48 hours before the time appointed for the Extraordinary General Meeting in order for the proxy to be entitled to attend and vote at the Extraordinary General Meeting.
5. A Depositor's name must appear on the Depository's Register maintained by The Central Depository (Pte) Limited 48 hours before the time appointed for the Extraordinary General Meeting in order for the Depositor to be entitled to attend and vote at the Extraordinary General Meeting.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, **Purposes**), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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MANHATTAN RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199006289k)

PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy the Company's shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Extraordinary General Meeting and vote, must submit their voting instructions to their CPF Approved Nominees so that their CPF Approved Nominees may register, within the specified time frame, with the Company.

I/We _____ (NRIC/Passport No./Company Registration No.) _____
of _____ (Address) _____
being a member/members of Manhattan Resources Limited (**Company**), hereby appoint:-

Name	Address	NRIC/Passport Number	Proportion of Shareholdings to be represented by Proxy	
			Number of shares	%
And/or (delete as appropriate)				

or failing him/her/them, Chairman of the Extraordinary General Meeting (**EGM**) of the Company, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the EGM of the Company to be held at One Farrer Hotel & Spa, Napier Room, Level 6, 1 Farrer Park Station Road, Singapore 217562 on 18 October 2014 at 9:30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the ordinary resolutions to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the EGM and at any adjournment thereof.

	*NO. OF VOTES FOR	*NO. OF VOTES AGAINST
Ordinary Resolution 1 To approve the Proposed Diversification into the Property Business		
Ordinary Resolution 2 To approve the Proposed Diversification into the Mineral Resource Business		
Ordinary Resolution 3 To approve the Proposed Starsmind Acquisition		

* If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of October 2014.

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	
Total	

Signature(s) of member(s)/Common Seal of corporate member

IMPORTANT

PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:–

1. A member should insert the total number of ordinary shares in the capital of the Company (**Shares**) held. If the member has Shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of Shares. If the member has Shares registered in his name in the Register of Members, he should insert that number of Shares. If a member has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members, he should insert the aggregate number of Shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, this instrument appointing a proxy or proxies will be deemed to relate to all Shares held by the member.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member of the Company appoints more than one proxy, he shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such percentage is specified, the first named proxy shall be treated as representing 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
4. Notwithstanding the above but subject otherwise to the Articles of Association of the Company, a member who is a Depository Agent shall be entitled to appoint any Sub-Account Holder as proxy to attend and vote at the Extraordinary General Meeting of the Company in respect of such number of Shares as are held by each Sub-Account Holder in an account maintained with that Depository Agent.

If the Depositor is a Depository Agent, the instrument of proxy is to be accompanied by a confirmation in writing in the common form, signed by, or on behalf of, the Depository Agent confirming that such Sub-Account Holder is the holder of an account maintained with that Depository Agent in respect of the number of shares specified in the proxy form.

5. This instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758 not less than 48 hours before the time appointed for the Extraordinary General Meeting.
6. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member of the Company from attending and voting at the Extraordinary General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member of the Company attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Extraordinary General Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or by his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
8. A corporation which is a member of the Company may, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

The Company shall also be entitled to reject any instrument of proxy lodged by the Depository Agent appointing any Sub-Account Holder as proxy unless the instrument of proxy is accompanied by a confirmation in writing in the common form signed by, or on behalf of the Depository Agent.
10. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member of the Company, being the appointor, is not shown to have Shares entered against his/her names in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, **Purposes**), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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