

# MANHATTAN RESOURCES LIMITED

(Incorporated In the Republic of Singapore)

(Company Registration No. 199006289K)

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## MEMORANDUM OF UNDERSTANDING FOR THE PROPOSED SHARE SWAP IN RESPECT OF 60% OF THE ISSUED SHARE CAPITAL OF STARS Mind CAPITAL PTE. LTD. AND 25% OF THE ISSUED SHARE CAPITAL OF GIANTMINER PTE. LTD.

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*The Company refers to the announcements dated 22 April 2014, 21 July 2014, 1 September 2014, 2 October 2014, 8 October 2014, 17 October 2014, 19 October 2014 and 13 November 2014 (collectively, the **Starsmind Announcements**), the announcements dated 21 May 2014, 25 August 2014 and 7 November 2014 and 24 November 2015 (collectively, the **Singxin Announcements**) and the circular to Shareholders dated 3 October 2014 (**Circular**).*

### 1. Introduction

- 1.1 The Board of Directors (**Board**) of Manhattan Resources Limited (**MRL** or **Company**, together with its subsidiaries, the **Group**) wishes to announce that the Company had on 8 January 2016 entered into a legally binding memorandum of understanding (**MOU**) in relation to the share swap between the Company and Xu Yuanxing (**Vendor**) in respect of 2,500 ordinary shares of GiantMiner Pte. Ltd. (**GiantMiner**), representing 25% of the issued share capital of GiantMiner (**Sale Shares**) held by the Vendor and 375,000 ordinary shares of Starsmind Capital Pte. Ltd. (**SCPL**), representing 60% of the issued share capital of SCPL (**Consideration Shares**) held by the Company (**Proposed Share Swap**), which will form the basis of preparation of a share swap agreement intended to be signed by the Company and the Vendor (**Agreement**).
- 1.2 The MOU shall be a legally binding agreement until the Company and the Vendor enter into the Agreement, which when executed by the parties, will supersede the terms of the MOU.
- 1.3 Following the completion of the Proposed Share Swap, it is envisaged that (i) the Group will cease to hold any interest in SCPL; and (ii) the Company will hold 25% shareholding interest in GiantMiner.

### 2. Information on the Vendor, SCPL and GiantMiner

*The information on the Vendor and GiantMiner in this Section 2 was provided by the Vendor and/or based on publicly available information. In respect of such information, MRL has not independently verified the accuracy and correctness of the same and MRL's responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this announcement.*

#### 2.1 The Vendor

The Vendor is the sole legal and beneficial owner of the Sale Shares. As at the date of this announcement, the Vendor is a substantial shareholder of the Company and, to the best of the Company's knowledge and belief after having made reasonable enquiries, the Vendor is an unrelated third party in relation to the Company, its Directors and Controlling Shareholder and their associates.

#### 2.2 SCPL

SCPL is an investment holding company and was incorporated in Singapore on 18 January 2013. As at the date of this announcement, SCPL has an issued share capital of S\$40,012,500.00 comprising 625,000 ordinary shares. The Company holds 375,000 shares, representing 60% of the issued and paid up share capital of SCPL, and the Vendor holds

the remaining 250,000 shares, representing the remaining 40% of the issued and paid up share capital of SCPL.

The Company's Directors, Low Yi Ngo and Elaine Low, are directors of SCPL.

As at the date of this announcement, SCPL holds approximately 39.4% of the issued share capital of Mineriver Pte. Ltd. (**Mineriver**), JES International Holdings Limited holds approximately 1.5% of the issued share capital of Mineriver and Abundance Investments Ltd holds approximately 59.1% of the issued share capital of Mineriver. Mineriver is the sole shareholder of Xinjiang Fengli Deyuan Trading Co., Ltd. (**Xinjiang Fengli**).

## 2.3 GiantMiner

GiantMiner is part of the Proposed Singxin Target Group which comprises (i) Singxin Resources Pte. Ltd. (**Singxin**); (ii) GiantMiner; and (iii) Urumqi Jinshi Huilong. 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.

In this connection, the Company had on 21 May 2014 announced that it has entered into a conditional sale and purchase agreement (**Conditional Sale and Purchase Agreement**), which provides for the Company to acquire the entire issued and paid-up share capital of Singxin (**Proposed Singxin Acquisition**). 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, in turn, 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. On 24 November 2015, the Company announced that the long stop date for the completion of the Conditional Sale and Purchase Agreement has lapsed, and the parties are currently negotiating a possible extension of the Conditional Sale and Purchase Agreement. For more information on the Proposed Singxin Acquisition, please refer to the Singxin Announcements and the Circular.

As at the date of this announcement, GiantMiner is a limited exempt private company incorporated in Singapore on 7 January 2014. GiantMiner has an issued share capital of S\$10,000.00 comprising 10,000 ordinary shares. Each of Singxin, the Vendor and Ho Sing Ming holds 7,000, 2,500 and 500 shares respectively, representing 70%, 25% and 5% of the issued and paid up share capital of GiantMiner respectively. GiantMiner is principally engaged in mining and quarrying.

The Company's Director, Elaine Low, and its Controlling Shareholder, Dato' Dr. Low Tuck Kwong, are directors of GiantMiner.

As at the date of this announcement, GiantMiner is the sole legal and beneficial owner of 100.0% equity interest in Urumqi Jinshi Huilong, which is incorporated in Urumqi, Uygur Autonomous Region, the People's Republic of China (**PRC**), and is principally engaged in the business of mining industry technology development consultancy, installation, sales and technical advisory of mining machinery and accessory, sales of mineral products, petroleum products, chemical products, ginned cotton and cotton linters.

## 3. The Proposed Share Swap

### 3.1 Rationale

Since the acquisition of the shares in SCPL by the Company in November 2014, the shareholders of Mineriver have not been able to reach a consensus on the future plans and development of the investment in Mineriver and Xinjiang Fengli. The Company has since re-evaluated its strategic plans and believes that it is in the best interests of the Company and its Shareholders to dispose of its interests in SCPL (**SCPL Disposal**) and focus its resources on other investments. In addition, pending the negotiations on the possible

extension of the Conditional Sale and Purchase Agreement, the acquisition of the Sale Shares as part of the Proposed Share Swap (**GM Acquisition**) will enable the Company to acquire a strategic stake in GiantMiner and the GM Acquisition is also aligned with the Group's plans to diversify into the mineral resource business.

### 3.2 Key terms of the MOU

#### 3.2.1 Share Swap

Subject to the terms and conditions of the MOU and in the Agreement, (i) the Vendor shall transfer to MRL the Sale Shares; and (ii) MRL shall transfer to the Vendor the Consideration Shares. The Sale Shares and the Consideration Shares shall be free from all encumbrances (including any rights of pre-emption, charges and liens) and with the benefit of all rights, advantages, benefits and entitlements attaching and accruing thereto on and after Share Swap Completion (defined below).

#### 3.2.2 Basis

The terms of the MOU were arrived at on a willing-buyer, willing seller basis, taking into account factors including the independent technical report dated December 2014 prepared by SRK Consulting China Ltd in relation to the Shalaqioake serpentinite project in Tuoli County, Xinjiang Uygur Autonomous Region, PRC (**Independent Technical Report**).

#### 3.2.3 Conditions Precedent

Completion of the sale and purchase of the Sale Shares is conditional upon customary conditions precedent, including but not limited to the following unless waived (in whole or in part) by MRL (**Share Swap Conditions Precedent**):

- (a) all necessary consents, corporate approvals, third party consents, and governmental or regulatory approvals and waivers having been obtained in relation to the transactions contemplated under the MOU, and if subject to any conditions required to be fulfilled before the completion, such conditions being acceptable to MRL;
- (b) the findings in respect of all financial and legal matters being satisfactory to MRL; and
- (c) all representations, warranties and undertakings of the Vendor under the MOU being complied with, true, complete, accurate and correct in all material respects as at the date of the MOU, and as of the Share Swap Completion Date (defined below).

To the extent applicable to it, each party shall use its reasonable endeavours to procure the expeditious fulfilment of the Share Swap Conditions Precedent.

#### 3.2.4 Completion

Completion of the transactions under the MOU (**Share Swap Completion**) shall take place in Singapore at a mutually agreed upon time and venue on the completion date which is the date falling 14 days after all the Share Swap Conditions Precedent have been met, or such other date as the parties may agree in writing (**Share Swap Completion Date**). On the Share Swap Completion Date, the parties shall take all such actions and deliver all such documents or materials in order to give effect to and complete the transactions under the MOU.

### **3.2.5 Agreement**

The parties intend to enter into the Agreement by 1 February 2016, or such other date as the parties may agree in writing. For the avoidance of doubt, the terms of the MOU shall be binding on the parties prior to the execution of the Agreement (if any), and any delay and/or failure to enter into the Agreement shall not preclude the Share Swap Completion in accordance with the MOU.

### **3.2.6 Pre-Completion Undertakings**

The Vendor undertakes that from the date of the MOU to the Share Swap Completion Date (both dates inclusive), and unless MRL's written consent is obtained, GiantMiner and Urumqi Jinshi Huilong shall not undertake any action which may cause a material adverse change in the prospects, operations or financial condition of GiantMiner and Urumqi Jinshi Huilong.

### **3.2.7 Representations and Warranties**

The Proposed Share Swap shall be based on, and the Agreement shall include, the customary representations and warranties for a transaction of this nature, including but not limited to the business, operations and financial condition of GiantMiner and the Urumqi Jinshi Huilong in favour of MRL, the legal and beneficial ownership of the Sale Shares and the Consideration Shares, and the capacity and authority of the respective parties to enter into the Agreement.

### **3.3 Material Conditions**

Save as disclosed herein, there are no material conditions attached to the Proposed Share Swap.

### **3.4 Asset Value, Use of Proceeds and Sources of Funds**

In relation to the SCPL Disposal, based on the Group's unaudited financial statements for the third quarter and nine months ended 30 September 2015, the net asset value of the Consideration Shares to be disposed of pursuant to the Proposed Share Swap attributable to the Group was approximately S\$25,380,000. There is no excess/deficit of proceeds over the book value of the Consideration Shares. There are no sale proceeds arising from the SCPL Disposal; instead, the Company will get Sale Shares in exchange for the Consideration Shares.

In relation to the GM Acquisition, based on the GiantMiner's management account for the period ended 30 September 2015, the net liabilities of the Sale Shares to be acquired pursuant to the Proposed Share Swap was approximately S\$85,000<sup>(1)</sup>. The consideration for the acquisition of the Sale Shares will be satisfied by the transfer of the Consideration Shares to the Vendor.

The S\$25,380,000 net asset value of the Consideration Shares attributable to the Group includes the investment by SCPL in 39.4% of Mineriver ("Mineriver Interest") amounting to S\$25,420,000, accounted based on the market value of the shares in the capital of MRL issued to one of the vendors of Mineriver for the purpose of and in connection with the acquisition by SCPL of the Mineriver Interest as at the completion date of the acquisition. However, SCPL, GiantMiner, Xinjiang Fengli and Jinshi Huilong have no operational activities and have minimal transactions since incorporation. Accordingly, the assumed values of the Consideration Shares and Sale Shares for the purpose of the Proposed Share Swap were arrived at after arm's length negotiations on a willing-buyer, willing-seller basis, whereby the Company had taken into account factors including the Independent Technical Report and had considered the measured and indicated resources of the mines held by Xinjiang Fengli and Jinshi Huilong, the expiry dates of the exploration permits in respect of

the mines held by Xinjiang Fengli and Jinshi Huilong, the amenities and the locations of the mines.

**Note:**

- <sup>(1)</sup> The total assets and the total liabilities of GiantMiner for the period ended 30 September 2015 were approximately S\$30million and S\$31million respectively. The total liabilities of GiantMiner includes quasi-loans of approximately S\$26million from Singxin.

### 3.5 Net Loss

The net loss attributable to the Consideration Shares disposed of for the period ended 30 September 2015 is approximately S\$52,000<sup>(1)</sup>, and the net loss attributable to the Sale Shares acquired for the period ended 30 September 2015 is approximately S\$43,000<sup>(2)</sup>.

**Notes:**

- <sup>(1)</sup> Calculated based on 60% ownership interest of SCPL including SCPL's interest held in Mineriver and Xinjiang Fengli (**SCPL Group**).
- <sup>(2)</sup> Calculated based on 25% ownership interest of GiantMiner including GiantMiner's interest in Jinshi Huilong (**GiantMiner Group**).

### 3.6 No Gain/Loss on Disposal

There is no gain/loss on disposal arising from the Proposed Share Swap.

## 4. Relative Figures under Rule 1006 of the Singapore Exchange Securities Trading Limited Listing Manual

Based on the Group's unaudited financial statements for the third quarter and nine months ended 30 September 2015 and management account of GiantMiner and Urumqi Jinshi Huilong for the period ended 30 September 2015, the relative figures of the Proposed Share Swap computed on the bases set out in Rule 1006 (a) to (e) of the Singapore Exchange Securities Trading Limited Listing Manual (**Listing Manual**) are as follows:

	Effect of Consideration Shares	Effect of Sale Shares	Effect of Proposed Share Swap
Rule 1006(a)	S\$'000	S\$'000	S\$'000
Net asset value attributable to the equity holders of the Company to be disposed of	25,380 <sup>(1)</sup>	Not applicable	Not applicable
Net asset value attributable to the equity holders of the Company of the Group	132,670	Not applicable	Not applicable
Size of relative figure	19.13%	Not applicable	Not applicable

**Note:**

- <sup>(1)</sup> Purely for comparison purposes, if non-controlling interest's proportionate share of SCPL's net identifiable assets is included, the relative figure would be 21.44%.

	Effect of Consideration Shares	Effect of Sale Shares	Effect of Proposed Share Swap
<b>Rule 1006(b)</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Net loss <sup>(1)</sup> attributable to the assets acquired or disposed of	52 <sup>(2)</sup>	43 <sup>(3)</sup>	52 <sup>(4)</sup>
Net loss <sup>(1)</sup> of the Group	6,866	6,866	6,866
Size of relative figure	0.76%	0.62%	0.76%

**Notes:**

- (1) Under Rule 1002(3)(b) of the Listing Manual, "net profits" is defined as profit or loss before income tax, minority interests and extraordinary items.
- (2) Calculated based on 60% ownership interest of SCPL Group.
- (3) Calculated based on 25% ownership interest of GiantMiner Group.
- (4) Calculated based on net loss attributable to the Consideration Shares as at the date of Proposed Share Swap.

	Effect of Consideration Shares	Effect of Sale Shares	Effect of Proposed Share Swap
<b>Rule 1006(c)</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Aggregate value of consideration to be given or received <sup>(1)</sup>	25,380	25,380	0
Company's market capitalisation as at 7 January 2016, being the last traded market day immediately preceding the date of the MOU	68,219	68,219	68,219
Size of relative figure	37.20%	37.20%	Not applicable

**Note:**

- (1) Calculated based on the book value of the Consideration Shares for both effect of Consideration Shares and effect of Sale Shares. Please refer to Paragraph 3.4 above for more details on the asset values of the Consideration Shares and Sale Shares.

<b>Rule 1006(d)</b>	
Number of equity securities to be issued by the Company as consideration for an acquisition	Not applicable
Number of equity securities in issue	Not applicable
Size of relative figure	Not applicable

<b>Rule 1006(e)</b>	
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

As the relative figures under Rule 1006 (c) of the Listing Manual exceed 20%, the Proposed Share Swap constitutes a major transaction as defined in Chapter 10 of the Listing Manual; accordingly, the Proposed Share Swap is subject to the approval of Shareholders.

## 5. Financial Effects

The *pro forma* financial effects of the Proposed Share Swap are set out below, assuming that:

- (a) the Proposed Share Swap had been effected at the end of the financial year ended 31 December 2014 for the computation of the effect on the net tangible assets (**NTA**) per share; and
- (b) the Proposed Share Swap had been effected at the beginning of the financial year ended 31 December 2014 for the computation of the effect on the earnings per share (**EPS**).

Shareholders should note that the *pro forma* financial effects of the Proposed Share Swap are purely for illustrative purposes only. The illustrative financial effects should not be construed to mean that the Group's actual results, performance or achievements will be as expected, expressed or implied in such financial effects.

### EPS

	<b>Before the Proposed Share Swap</b>	<b>After the Proposed Share Swap</b>
Profit/(loss) attributable to equity holders of the Company (S\$'000)	(5,938)	(5,967)
Weighted average number of ordinary shares in issue ('000)	514,814	514,814
EPS (Singapore cents)	(1.15)	(1.16)

### NTA

	<b>Before the Proposed Share Swap</b>	<b>After the Proposed Share Swap</b>
NTA attributable to equity holders of the Company (S\$'000)	134,208	134,208
Number of ordinary shares in issue ('000)	568,491	568,491
NTA per share (Singapore cents)	23.61	23.61

## **6. Other Information**

### **6.1 Interests of Directors and Controlling Shareholders**

Save as disclosed herein and save for their shareholding interests in the Company, none of the Directors or Controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Share Swap.

### **6.2 No Service Contracts**

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

### **6.3 Documents for Inspection**

The following documents will be made available for inspection at the registered office of the Company at 133 New Bridge Road, #18-09 Chinatown Point, Singapore 059413, during normal business hours for a period of three (3) months from the date of this announcement:

- (a) the MOU; and
- (b) the Independent Technical Report.

## **7. Directors' Responsibility Statement**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement (save for information related to the Vendor and GiantMiner) and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Share Swap, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from such sources and/or reproduced in this announcement in its proper form and context.

## **8. Caution in Trading**

**Shareholders are advised to exercise caution in trading their Shares. The completion of the Proposed Share Swap is subject to, amongst others, certain conditions including the completion and satisfactory outcome of due diligence. There is no certainty or assurance as at the date of this announcement that the Proposed Share Swap will be completed, or that no changes will be made to the terms thereof. The Company will make the necessary announcements as and when there are further developments on the Proposed Share Swap and other matters contemplated by this announcement.**

**Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their legal, financial, tax or other professional advisers if they have any doubt about the actions they should take.**

## **BY ORDER OF THE BOARD**

Low Yi Ngo  
Chief Executive Officer and Managing Director  
11 January 2016