

PROPOSED ACQUISITION OF BLACKGOLD HOLDINGS HONGKONG LIMITED

1. Introduction

- 1.1. The board of directors (the “**Board**” or “**Directors**”) of the Company (together with its subsidiaries, the “**Group**”) is pleased to announce that the Company has entered into a legally binding Heads of Agreement (the “**HOA**”) dated 30 December 2014 with Blackgold International Holdings Limited (the “**Vendor**”, together with the Company, the “**Parties**”), a company listed on the Australian Securities Exchange (“**ASX**”), in relation to the proposed acquisition of the Vendor’s entire equity interest in the Target (defined below) (the “**Proposed Acquisition**”).
- 1.2. The Proposed Acquisition, if completed, is expected to constitute:
- (a) (in respect of the Company) a “reverse takeover” of the Company under Chapter 10 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”); and
 - (b) (in respect of the Vendor) a disposal of the Vendor’s main undertaking under Listing Rule 11.2 of the ASX Listing Rules,
- and is subject to various conditions precedent, comprising, *inter alia*, mutually satisfactory due diligence, and the approvals of the SGX-ST, shareholders of the Company (“**Shareholders**”) and shareholders of the Vendor (“**Vendor Shareholders**”) for the transactions contemplated under or in connection with the same.
- 1.3. The consideration payable by the Company shall be satisfied partly in cash and partly by the issue of new ordinary shares in the Company (“**Consideration Shares**”), a portion of which is intended to be distributed *pro rata* to the Vendor Shareholders (the “**Proposed Distribution**”).
- 1.4. The Proposed Acquisition, together with the Proposed Distribution and the Proposed Disposal (defined in paragraph 4.6 below), shall be collectively referred to as the “**Proposed Transactions**” and each a “**Proposed Transaction**”.

2. Information on the Vendor and the Target Group

2.1. The Vendor

The Vendor, its subsidiaries and associated companies (the “**Vendor Group**”) are principally engaged in coal mining and coal trading, with operations primarily based in Chongqing, the People’s Republic of China (“**PRC**”). The Vendor has been listed on the ASX since 2011.

2.2. The Target Group

- (a) Blackgold Holdings Hong Kong Limited (the “**Target**”, together with its subsidiaries and its associated company, the “**Target Group**”) is a wholly-owned subsidiary of the Vendor incorporated under the laws of Hong Kong SAR.

- (b) The Target Group owns and is operating and/or developing four (4) underground thermal coal mines situated in Chongqing, the PRC, comprising the **Caotang Mine** and **Heiwan Mine** in Fengjie County, Chongqing, the **Baolong Mine** in Wushan County, Chongqing and the **Changhong Mine** in the area bordering Xishui County of Guizhou and QiJiang County of Chongqing.
 - (c) Based on the announcement made by the Vendor on the ASX on 24 April 2014, the Target Group's thermal coal mines have a combined Joint Ore Reserves Committee (JORC) Code compliant total Proved and Probable Reserves of 100.7 million tonnes, and combined Measured and Indicated Resources of 140.43 million tonnes and Inferred Resources of 41.95 million tonnes as at 1 November 2013.
 - (d) More information on the Vendor and the Target Group can be found at <http://www.blackgoldglobal.net>.
- 2.3. All information in this announcement relating to the Vendor Group (comprising the Target Group) has been provided by the Vendor, and is subject to due diligence verification by the Company and its professional advisers.

3. Rationale

- 3.1. While the Group returned to profitability in the financial year ended 31 December 2013, the Board expects the business of the Group, being the manufacturing, formulating and sale of specialty chemicals focusing on dyestuff and auxiliaries for the textile industry, to remain competitive and challenging in the near future.
- 3.2. The Board expects demand for energy such as coal to increase in tandem with the continuation of economic development in the PRC, and the Proposed Acquisition will provide an opportunity for the Group to venture into the energy sector, and participate in coal mining and trading in the PRC, for the benefit of the Company and its Shareholders. The Proposed Acquisition, if completed, will result in an increase in the Company's market capitalisation, which will potentially widen its investor base and may lead to an overall increase in investors' interest and trading of the shares in the Company.

4. Principal Terms of the Proposed Transactions

4.1. Proposed Acquisition

The Company shall acquire, and the Vendor shall sell, the entire issued and paid-up share capital of the Target upon the terms and subject to the conditions of the sale and purchase agreement to be entered into by the Company and the Vendor (collectively, the "**Parties**") for the Proposed Acquisition ("**SPA**").

4.2. Valuation of Target Group

Completion of the Proposed Acquisition ("**Completion**") shall be subject to, *inter alia*, receipt by the Company of a valuation report issued by an independent valuer jointly nominated by the Parties, and appointed by the Vendor, stating that the Target Group is valued at not less than S\$500 million ("**Valuation Report**").

4.3. Independent Qualified Person's Report

Completion shall also be subject to, *inter alia*, receipt by the Purchaser of a technical report issued by an independent qualified person jointly nominated by the Parties, and appointed by the Vendor, which complies with all applicable requirements under the Listing Manual, and

which details the proved and probable coal reserves and/or measured and indicated coal resources of the Target Group's thermal coal mines.

4.4. Consideration

- (a) The consideration for the Proposed Acquisition is S\$475 million ("**Consideration**"). The Consideration was arrived at on a willing buyer, willing seller basis, taking into account, *inter alia*, information exchanged between the Parties, and that the Proposed Acquisition is conditional on the valuation of the Target Group in the Valuation Report being not less than S\$500 million. The Consideration shall be subject to such adjustments as may be agreed between the Parties pursuant to the results of due diligence investigations (legal, financial or otherwise) to be conducted on the Target Group ("**Target Due Diligence**") and the valuation exercise on the Target Group.
- (b) The Consideration shall be satisfied by the Company on Completion by:
 - (i) the payment of S\$25 million in cash; and
 - (ii) subject to any adjustment in the Consideration, the issue and allotment of 2,406,417,112 new shares in the Company ("**Consideration Shares**") based on a pre-consolidation issue price of S\$0.187 per Consideration Share.
- (c) The Consideration Shares represent approximately 84.99% of the enlarged issued share capital of the Company on Completion, and shall be issued to the Vendor or such other parties as the Vendor may notify to the Company, subject to the Company's prior approval.
- (d) The Vendor has notified the Company to issue:
 - (i) 25% of the Consideration Shares to LionHeart Holding Group Corp ("**LionHeart**"); and
 - (ii) 6% of the Consideration Shares to Portman Capital Development Limited ("**Portman**").
- (e) LionHeart is a wholly-owned subsidiary of Vibrant Group Limited ("**Vibrant**"), which is listed on the Mainboard of the SGX-ST. Vibrant has an indirect equity interest in approximately 5.82% of the total issued share capital of the Vendor, based on Vibrant's announcement dated 18 November 2014. Portman is a consultant engaged by the Vendor, as stated in the Vendor's announcement dated 19 November 2014.
- (f) To the best of the Company's knowledge, Vibrant, LionHeart and Portman are unrelated to any of the Directors or substantial shareholders of the Company.

The Company will be undertaking a Share Consolidation (defined below) to meet the minimum issue price requirements under the Listing Manual. The number of Consideration Shares to be issued, and the issue price of S\$0.187 relating thereto, is set out herein on a pre-consolidation basis, and will be adjusted in due course to take into account the Share Consolidation.

4.5. New shares to be issued to Merlion and Daiwa

- (a) In connection with the Proposed Acquisition, the Company shall allot and issue:
- (i) such number of new shares in the Company ("**Merlion Shares**") to Merlion Capital Pte. Ltd. ("**Merlion**"), or such nominee(s) acceptable to the Company, representing 5.0% of the Company's enlarged issued share capital on Completion; and
 - (ii) such number of new shares in the Company ("**Daiwa Shares**") to Daiwa Capital Markets Singapore Limited ("**Daiwa**"), representing approximately S\$3.0 million,
- at the same issue price as under the Proposed Acquisition.
- (b) The Merlion Shares are issued to Merlion as payment for consultancy services, comprising, *inter alia*, identifying suitable businesses and/or assets for acquisition by the Company and assisting in negotiations between the Company and the Vendor. The Daiwa Shares are issued to Daiwa as payment for services in relation to its appointment as the Vendor's financial advisor.
- (c) To the best of the Company's knowledge, Merlion and Daiwa are unrelated to any of the Directors or substantial shareholders of the Company.

4.6. Proposed Disposal

- (a) In connection with the Proposed Acquisition, a substantial shareholder of the Company, anticipated as at the date of this announcement to be Dr. Tan Pang Kee, ("**Dr. Tan**"), the Chief Executive Officer and Managing Director of the Company, and a controlling Shareholder, shall acquire, or procure the acquisition of, and assume all liabilities and guarantees relating to, the Group's existing business (comprising all of its existing subsidiaries and assets) on terms to be agreed between Dr. Tan and the Company (the "**Proposed Disposal**").
- (b) The consideration for the Proposed Disposal shall be determined on a willing-buyer, willing-seller basis after taking into consideration the valuation of the Company's existing subsidiaries and business, and shall be no less than S\$25 million.
- (c) The Proposed Disposal may constitute an "Interested Person Transaction" under Chapter 9 of the Listing Manual which requires the approval of independent Shareholders. If so, the Company will appoint an independent financial adviser to render an opinion in compliance with the requirements of Chapter 9 of the Listing Manual.
- (d) The Company will make further announcements as and when there are material developments or updates on the Proposed Disposal.

4.7. Proposed Distribution

- (a) Subject to compliance with all applicable laws, rules and regulations, the Vendor intends to distribute the Consideration Shares (less such number of Consideration Shares issued to LionHeart and Portman) to the Vendor Shareholders by way of an equal capital reduction in accordance with the Corporations Act of Australia and the ASX Listing Rules, except (i) where prohibited by any law, rule or regulation or where

approval of any authority (including the SGX-ST, ASX and the SIC, if required) is not obtained; or (ii) where the costs of doing so would, due to the laws of the registered address of certain Vendor Shareholders, be unduly prohibitive in the reasonable determination of the Vendor, in which case the Vendor shall be entitled to sell such Consideration Shares and account to those Vendor Shareholders for the net proceeds.

- (b) The timing of the Proposed Distribution shall be determined having regard to the application of the applicable moratorium rules under the Listing Manual.

4.8. Conditions Precedent

- (a) The completion of each Proposed Transaction is conditional upon all relevant approvals being obtained for the other Proposed Transactions. If, for instance, all relevant approvals are not obtained for the Proposed Distribution, each of the Proposed Acquisition and the Proposed Disposal shall not be completed.
- (b) Completion of the Proposed Acquisition shall also be conditional upon the fulfillment or waiver, as the case may be, of certain conditions precedent as set out elsewhere in this announcement and, *inter alia*, the following (“**Conditions Precedent**”):
 - (i) the grant of a whitewash waiver by the Securities Industry Council to the Vendor, the Vendor Shareholders, and its concert parties of their obligation to make a mandatory general offer for Shares not already owned or controlled by them pursuant to Rule 14 of the Singapore Code on Takeovers and Mergers arising from the issue of the Consideration Shares;
 - (ii) due and complete compliance by the Parties and the members of the Target Group, where applicable, in respect of all requirements prescribed by any law, rule or regulation governing the Proposed Transactions, and the lodgement of an offer information statement with the Monetary Authority of Singapore if required under the Securities and Futures Act (Cap. 289) of Singapore;
 - (iii) non-existence of any circumstance, development or event that has or may have an adverse effect on, *inter alia*, the business, operations or prospects of the Company or the Target Group; and
 - (iv) the Proposed Transactions not being prohibited by any statute, order, rule, regulation, direction or request promulgated or condition imposed by any legislative, executive or regulatory body or authority of Singapore or elsewhere (including the SGX-ST, ASX and the SIC) applicable to any of the Parties.
- (c) The Parties agree to use reasonable endeavours to fulfill or satisfy the Conditions Precedent within their respective powers as soon as reasonably practicable and in any event, no later than the date of Completion or such other date as the Parties may agree (“**Completion Date**”)
- (d) If any Condition Precedent is not fulfilled (or waived in accordance with the SPA) on or prior to the Completion Date, the SPA shall *ipso facto* cease and determine (save for certain provisions expressed to survive termination) and none of the Parties shall have any claim against the other for costs, damages, compensation or otherwise, save that the Company may pursue any claim against the Vendor arising from any antecedent breach of the terms of the SPA.

4.9. Share Consolidation and Compliance Placement

- (a) The Company will undertake a share consolidation on such ratio and at such time and date to be determined by the Board to meet the minimum issue price requirements under the Listing Manual (“**Share Consolidation**”).
- (b) The Company may undertake a compliance placement and issue new shares to meet the public float and shareholding spread requirements under the Listing Manual.

4.10. Re-constitution of the Board

The Vendor shall be entitled to re-constitute the Board upon Completion, subject always to compliance with the applicable laws, rules or regulations (including the Code of Corporate Governance 2012). The Vendor shall be entitled to appoint such number of new directors to the Board as may be agreed in the SPA; and the Company shall render reasonable assistance to procure the resignation of such number of existing directors of the Board as may be agreed in the SPA.

5. **Other Principal Terms of the HOA**

5.1. Definitive Agreements

- (a) The HOA sets out the principal terms and conditions on and subject to which the Parties are willing to effect the Proposed Acquisition. The terms and conditions set out therein shall form the basis of, and be incorporated in, the SPA and such other documents necessary or desirable for the Proposed Acquisition (collectively, the “**Definitive Agreements**”).
- (b) The Parties shall negotiate in good faith, and use reasonable endeavours to agree on the terms and conditions of, and enter into, the Definitive Agreements on or prior to 15 March 2015, or such other date as the Parties may agree (the “**Long Stop Date**”).

5.2. Exclusivity

- (a) The Parties shall deal exclusively with each other for a period commencing on the date of the HOA and ending on the earlier of (i) the Completion Date; (ii) the Long Stop Date; or (iii) termination of the HOA in accordance with its terms.
- (b) Notwithstanding the above, each Party’s board of directors shall be permitted always to take such actions as they may in their sole discretion deem necessary to comply with their fiduciary obligations.

5.3. Termination

- (a) The HOA shall automatically terminate on the earlier of (i) the date the Parties enter into the Definitive Agreements; (ii) the Long Stop Date; or (iii) the date falling seven (7) calendar days after the date of a termination notice served by a Party pursuant to the failure of the other Party to remedy its breach of the HOA, as set out in paragraph 5.3(b) below.
- (b) Either Party shall be entitled to terminate the HOA in the event of a breach by the other Party of any of its representation, warranty, covenant or agreement in the HOA,

and shall fail to remedy such breach (if capable of remedy) within 20 days after being given written notice to do so.

- (c) Upon termination of the HOA, the Parties shall be released and discharged from their respective obligations under the HOA (other than certain provisions expressed to survive termination), and no Party shall have any claim against the other Party for costs, damages, compensation or otherwise, save that a Party may pursue any claim against the other Party arising from any antecedent breach of the terms of the HOA.

5.4. Costs

- (a) The costs of the appointment of the independent valuer and independent qualified person shall be borne by the Vendor.
- (b) Save as provided above or otherwise agreed between the Parties in the SPA, each Party will bear their own costs and expenses incurred in connection with the Proposed Transactions (including the fees and disbursements of counsel, auditors, advisers and other professionals engaged by or on behalf of the Party in connection with the Proposed Transactions).

5.5. Governing Law and Jurisdiction

The HOA shall be governed by the laws of the Republic of Singapore. The Parties have agreed to submit to the exclusive jurisdiction of the courts in Singapore.

6. **Interests of Directors and Controlling Shareholders**

Save as disclosed in this announcement, (i) none of the Directors has any interest, direct or indirect, in the Proposed Transactions, save through his shareholding in the Company (if any); and (ii) to the best of the knowledge of the Directors, none of the controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transactions, save through such shareholder's shareholdings in the Company.

7. **Further Announcements**

The Company will make further announcements, in compliance with the requirements of the Listing Manual, upon the execution of the Definitive Agreements and/or when there are material updates or developments in respect of the Proposed Transactions, including the relative figures computed under Rule 1006 of the Listing Manual in relation to the Proposed Transactions.

8. **Document for Inspection**

A copy of the HOA is available for inspection during normal business hours at the Company's registered office at 47 Ayer Rajah Crescent #05-10 Singapore 139947 for a period of three (3) months from the date of this announcement.

9. **Caution in Trading**

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the Definitive Agreements will be entered into, the terms and conditions of the Proposed Transactions will not differ from that set out in the HOA, or that the Proposed Transactions will be completed.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

By Order of the Board

Dr. Alex Tan Pang Kee
Chief Executive Officer and Managing Director

30 December 2014