

CIRCULAR DATED 14 JUNE 2016

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 assumes no responsibility for the accuracy of any of the statements or opinions made or reports contained in this Circular. Shareholders should consider carefully all information contained in this Circular.



MANHATTAN RESOURCES LIMITED

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

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) THE PROPOSED ACQUISITION OF 92.18% EQUITY INTEREST IN PT KP (AS DEFINED HEREIN) WHICH CONSTITUTES A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION ("PROPOSED ACQUISITION");**
- (2) THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP TO INCLUDE THE POWER PLANT BUSINESS;**
- (3) THE POWER PURCHASE AGREEMENT (AS DEFINED HEREIN) AS AN INTERESTED PERSON TRANSACTION PURSUANT TO THE COMPLETION OF THE PROPOSED ACQUISITION; AND**
- (4) THE COAL SALES AND PURCHASE AGREEMENT (AS DEFINED HEREIN) AS AN INTERESTED PERSON TRANSACTION PURSUANT TO THE COMPLETION OF THE PROPOSED ACQUISITION.**

Independent Financial Adviser to the Independent Directors
in relation to the Proposed Acquisition and the Power Purchase Agreement
and the Coal Sales and Purchase Agreement as Interested Person Transactions
pursuant to the completion of the Proposed Acquisition

nra capital

NRA CAPITAL PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 199904258C)

IMPORTANT DATES AND TIMES:

Last Date and Time for lodgement of Proxy Form	:	27 June 2016 at 10:30 a.m.
Date and Time of Extraordinary General Meeting	:	29 June 2016 at 10:30 a.m.
Place of Extraordinary General Meeting	:	MND Auditorium, 9 Maxwell Road Annexe A, MND Complex Singapore 069112

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DEFINITIONS

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

“Adjustment”	:	Has the meaning ascribed to it in Section 2.6 of this Circular
“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 (1) 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 Companies”	:	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group
“Bayan International”	:	Bayan International Pte. Ltd.
“Bayan Resources”	:	PT Bayan Resources Tbk, a company listed on the Indonesian Stock Exchange
“BDO Advisory”	:	BDO Advisory Pte Ltd
“BKPM”	:	Badan Koordinasi Penanaman Modal or the Indonesian Capital Investment Coordinating Board
“Board”	:	The board of directors of the Company
“Business Days”	:	Means a day (other than Saturday or Sunday) on which banks are open for business in Singapore
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 14 June 2016
“Coal Sales and Purchase Agreement”	:	The coal sales and purchase agreement dated 1 October 2015 between PT KP and Bayan International

DEFINITIONS

“Commencement Date”	:	The eligible effective date of the delivery of Electric Power from PT KP to DPP and acceptance of Electric Power by DPP which is embodied in the minutes of acceptance of Electric Power signed by PT KP and DPP (that is, 2 February 2015)
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
“Company”	:	Manhattan Resources Limited
“Conditions Precedent”	:	Has the meaning ascribed to it in Section 2.7 of this Circular
“Constitution”	:	The constitution of the Company
“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
“DPP”	:	PT Dermaga Perkasapratama
“EGM” or “Extraordinary General Meeting”	:	The extraordinary general meeting of the Company, notice of which is set out on pages N-1 to N-4 of this Circular
“Electric Power”	:	The form of secondary power generated, transmitted and distributed for all kinds of purposes, not including electricity used for communication, electronics or signals produced by PLTU
“Entity at Risk”	:	(a) the Company; (b) a subsidiary of the issuer that is not listed on the Exchange or an approved exchange; or (c) an associated company of the issuer that is not listed on the Exchange or an approved exchange, provided that the listed group, or the listed group and its Interested Person(s), has control over the associated company
“EPS”	:	Earnings per share
“ERI”	:	Energy Resource Investment Pte. Ltd.

DEFINITIONS

“Executive Directors”	:	The executive directors of the Company for the time being, and the term “Executive Director” shall be construed accordingly
“Group”	:	The Company and its subsidiaries
“IFA”	:	NRA Capital Pte. Ltd., the independent financial adviser appointed to advise the Independent Directors in relation to the Proposed Acquisition and the Power Purchase Agreement and the Coal Sales and Purchase Agreement as Interested Person Transactions pursuant to the completion of the Proposed Acquisition
“IFA Letter”	:	The letter dated 14 June 2016 from the IFA to the Independent Directors in relation to the Proposed Acquisition and the Power Purchase Agreement and the Coal Sales and Purchase Agreement as Interested Person Transactions pursuant to the completion of the Proposed Acquisition, a copy of which is reproduced at Appendix C to this Circular
“Independent Directors”	:	The Directors who are deemed independent for the purposes of making recommendations to Shareholders in relation to the Proposed Acquisition as, amongst other, an Interested Person Transaction, the Power Purchase Agreement and the Coal Sales and Purchase Agreement as Interested Persons Transactions pursuant to the completion of the Proposed Acquisition, namely Liow Keng Teck, Oliver Khaw Kar Heng and Tung Zhihong, Paul
“Independent Valuation Report”	:	The independent valuation report dated 25 February 2016 prepared by BDO Advisory in respect of the indicative valuation of the entire issued and paid-up share capital of PT KP as at 31 December 2015
“Interested Person”	:	(a) a director, chief executive officer, or Controlling Shareholder of the Company; or (b) an Associate of any such director, chief executive officer, or Controlling Shareholder
“Interested Person Transactions”	:	A transaction between an Entity at Risk and an Interested Person
“Land Valuation Report”	:	The land valuation report dated 5 April 2016 prepared by KJPP Jimmy Prasetyo & Rekan, a licenced valuer in Indonesia, in respect of the three (3) pieces of land owned by PT KP, further details of these lands are set in Section 2.3.1.3 of this Circular

DEFINITIONS

“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 8 June 2016
“Listing Manual”	:	The listing manual of the SGX-ST, as amended or modified from time to time
“LTK”	:	Dato’ Dr. Low Tuck Kwong
“Major Customer”	:	Has the meaning ascribed to it in Section 2.2 of this Circular
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Minimum Purchase Scenario”	:	Has the meaning ascribed to it in Section 7.4(c) of this Circular
“MOLHR”	:	Menteri Hukum dan Hak Asasi Manusia Republik Indonesia or the Minister of Law and Human Rights of the Republic of Indonesia
“NTA”	:	Net tangible assets
“PLTU”	:	The steam generated power plant with the capacity of 2x15 MW constructed, owned and operated by PT KP
“Power Plant Business”	:	Has the meaning ascribed to it in Section 5.2 of this Circular
“Power Purchase Agreement”	:	The power purchase agreement on a take or pay basis dated 2 February 2015 between PT KP and DPP
“Purchase Price”	:	Has the meaning ascribed to it in Section 7.2(d) of this Circular
“PRC”	:	The People’s Republic of China
“Proposed Diversification”	:	The proposed diversification of the Group’s business to include the Power Plant Business
“Proposed Acquisition”	:	The proposed acquisition by SLM Holding of 92.18% equity interest in PT KP
“PT KP”	:	PT Kariangau Power
“Sale and Purchase Agreement”	:	Has the meaning ascribed to it in Section 2.1 of this Circular
“Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

DEFINITIONS

“Shareholder’s Loan”	:	Has the meaning ascribed to it in Section 2.10 of this Circular
“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
“SLM Holding”	:	SLM Holding Pte Ltd
“Summary Valuation Letter”	:	The summary valuation letter dated 14 June 2016 prepared by BDO Advisory which contains a summary of the information from the Independent Valuation Report as set out in Appendix B to this Circular
“Take or Pay Basis”	:	The basis for the sale and purchase of Electric Power under the Power Purchase Agreement whereby PT KP and DPP agree that at any time during the term of the Power Purchase Agreement, DPP shall purchase and pay for the Electric Power at a certain minimum amount per month
“Valuation Reports”	:	Collectively, the Independent Valuation Report and the Land Valuation Report

Currencies, units and others

“IDR”	:	Indonesian Rupiah
“kcal”	:	kilocalorie
“kWh”	:	KiloWatt-hour
“MT”	:	Metric tonne of 1,000 kilograms
“MW”	:	MegaWatt
“sq m”	:	Square metres
“S\$”	:	Singapore dollars
“US\$”	:	US Dollar
“%”	:	Per centum or percentage

DEFINITIONS

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 81SF of the Securities and Futures 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, the Securities and Futures Act, or the Listing Manual, or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act, the Securities and Futures Act, or the Listing Manual, 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.

CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

All statements contained in this Circular, statements made in press releases and oral statements that may be made by the Company, the Group, their directors, executive officers or employees acting on their behalf, that are not statements of historical fact, constitute “forward looking statements”. Some of these statements can be identified by words that have a bias towards, or are, forward looking such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “will” and “would” or similar words. However, the Shareholders should note that these words are not the exclusive means of identifying forward looking statements. All statements regarding the Company’s and the Group’s expected financial position, business strategies, plans and prospects are forward looking statements.

These forward looking statements and other matters discussed in this Circular in relation to matters that are not historical fact are only predictions. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s and the Group’s actual future results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward looking statements. These risk factors and uncertainties are discussed in more detail in this Circular, in particular, but not limited to, discussions in Appendix D entitled “Risk Factors relating to the Proposed Diversification into the Power Plant Business” to this Circular.

Given the risks and uncertainties that may cause the Company’s and the Group’s actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward looking statements in this Circular, undue reliance must not be placed on these statements.

The Company, the Group, their respective directors and executive officers are not representing or warranting to you that the actual future results, performance or achievements of the Company, the Group and PT KP will be as those discussed in those statements. The respective actual future results may differ materially from those anticipated in these forward looking statements as a result of the risks faced by us. Further, the Company and the Group disclaim any responsibility for updating any of those forward looking statements or publicly announcing any revisions to those forward looking statements to reflect their future developments, events or circumstances.

LETTER TO SHAREHOLDERS

MANHATTAN RESOURCES LIMITED

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

Directors:

Liow Keng Teck (Board Chairman)
Low Yi Ngo (Chief Executive Officer and Managing Director)
Elaine Low (Executive Director)
Oliver Khaw Kar Heng (Non-Executive Director)
Tung Zhihong, Paul (Independent Director)

Registered Office:

133 New Bridge Road
#18-09 Chinatown Point
Singapore 059413

14 June 2016

To: The Shareholders of
Manhattan Resources Limited

Dear Sir/Madam

- (1) **THE PROPOSED ACQUISITION OF 92.18% EQUITY INTEREST IN PT KP WHICH CONSTITUTES A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION (“PROPOSED ACQUISITION”)**
- (2) **THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP TO INCLUDE THE POWER PLANT BUSINESS**
- (3) **THE POWER PURCHASE AGREEMENT AS AN INTERESTED PERSON TRANSACTION PURSUANT TO THE COMPLETION OF THE PROPOSED ACQUISITION**
- (4) **THE COAL SALES AND PURCHASE AGREEMENT AS AN INTERESTED PERSON TRANSACTION PURSUANT TO THE COMPLETION OF THE PROPOSED ACQUISITION**

1. INTRODUCTION

1.1 Overview

The Company had on 14 March 2016 announced that it had entered into a non-binding memorandum of understanding dated 14 March 2016 with ERI in relation to the proposed acquisition by the Company of at least 51% of the issued and paid-up ordinary shares of PT KP. On 29 April 2016, the Company announced that its wholly-owned subsidiary, SLM Holding, and ERI had on 28 April 2016 entered into a conditional sale and purchase agreement in relation to the proposed acquisition of 92.18% equity interest in PT KP (“**Proposed Acquisition**”), further details of which are set out in Section 2 of this Circular. The Proposed Acquisition, if undertaken and completed, is expected to constitute a major transaction under Chapter 10 of the Listing Manual and an Interested Person Transaction (which value exceeds 5% of the Group’s latest NTA) under Chapter 9 of the Listing Manual. Accordingly, the Proposed Acquisition is conditional upon Shareholders’ approval.

LETTER TO SHAREHOLDERS

The Proposed Acquisition would also result in a diversification of the Group's business into the Power Plant Business. Hence, the Company intends to seek Shareholders' approval for such proposed diversification.

Pursuant to the completion of the Proposed Acquisition, PT KP will become an indirect subsidiary of the Company.

PT KP entered into the Power Purchase Agreement with DPP and the Coal Sales and Purchase Agreement with Bayan International. For the reasons set out in Sections 7 and 8 of this Circular, DPP and Bayan International are Interested Persons. By virtue of PT KP becoming an indirect subsidiary of the Company and accordingly an Entity at Risk pursuant to the completion of the Proposed Acquisition, the Power Purchase Agreement and the Coal Sales and Purchase Agreement will consequently constitute Interested Person Transactions under Chapter 9 of the Listing Manual. The Company intends to seek Shareholders' approval for the Power Purchase Agreement and the Coal Sales and Purchase Agreement as Interested Person Transactions pursuant to the completion of the Proposed Acquisition.

1.2 EGM and Circular

The Directors are convening the EGM to be held on 29 June 2016 to seek Shareholders' approval for the following matters:

- (a) the Proposed Acquisition which constitutes a major transaction and an Interested Person Transaction;
- (b) the proposed diversification of the business of the Group to include the Power Plant Business;
- (c) the Power Purchase Agreement as an Interested Person Transaction pursuant to the completion of the Proposed Acquisition; and
- (d) the Coal Sales and Purchase Agreement as an Interested Person Transaction pursuant to the completion of the Proposed Acquisition

(collectively, the "**Proposals**").

The purpose of this Circular is to provide Shareholders with information relating to the aforementioned Proposals to be tabled at the EGM and to seek Shareholders' approval in relation thereto at the EGM to be held at MND Auditorium, 9 Maxwell Road, Annexe A, MND Complex, Singapore 069112 on Wednesday, 29 June 2016 at 10:30 a.m., Singapore time. The notice of the EGM is set out on pages N-1 to N-4 of this Circular.

The SGX-ST assumes no responsibility for the correctness of any of the statements or opinions made or reports contained in this Circular.

1.3 Conditionality of Resolutions

Shareholders should note that Resolution 1 (in relation to the Proposed Acquisition), Resolution 2 (in relation to the Proposed Diversification), Resolution 3 (in relation to the Power Purchase Agreement as an Interested Person Transaction pursuant to the completion of the Proposed Acquisition) and Resolution 4 (in relation to the Coal Sales

LETTER TO SHAREHOLDERS

and Purchase Agreement as an Interested Person Transaction pursuant to the completion of the Proposed Acquisition) are inter-conditional. **This means that if any of Resolutions 1, 2, 3 and 4 is not passed, all of Resolutions 1, 2, 3 and 4 would not be duly passed.**

2. THE PROPOSED ACQUISITION

2.1 Background

On 14 March 2016, the Company announced that the Company had entered into a non-binding memorandum of understanding dated 14 March 2016 (“**MOU**”) with ERI in relation to the proposed acquisition by the Company of at least 51% of the issued and paid-up ordinary shares of PT KP.

On 29 April 2016, the Company announced that its wholly-owned subsidiary, SLM Holding, and ERI had on 28 April 2016 entered into a conditional sale and purchase agreement (“**Sale and Purchase Agreement**”) for the sale by ERI and the purchase by SLM Holding of 92.18% equity interest in PT KP (“**Sale Shares**”), comprising 397,785 ordinary shares with the nominal value of IDR 397,785,000,000 that are fully paid-up and free from encumbrances. The principal business activities of PT KP relate to the operations of a coal-fired steam power plant in the Kariangau industry area, Balikpapan, East Kalimantan, Indonesia.

Under Indonesia laws, there are certain restrictions on foreign ownership of power plants, and such restrictions vary depending on the capacity of the power plant. In the case of PT KP which power plant has a capacity of more than 10 MW (see Section 2.3.1.1 of this Circular for more information on PT KP’s power plant), not more than 95% shareholding interests in PT KP can be held by a foreigner (“**Foreign Shareholding Requirement**”) and there has to be at least one (1) shareholder who is an Indonesian citizen or an Indonesian company for PT companies (“**Indonesian Person Requirement**”). The proposed acquisition of 92.18% equity interests in PT KP allows the Company to fulfil both the Foreign Shareholding Requirement and the Indonesia Person Requirement (because LTK who is the other shareholder of PT KP is an Indonesian).

Pursuant to the completion of the Proposed Acquisition, PT KP will become an indirect subsidiary of the Company.

2.2 Rationale for the Proposed Acquisition

The current core business of the Group is in the barging business. To achieve long term sustainable growth and to reduce reliance on its existing business, the Company intends to include new revenue streams to broaden its earning base. The Proposed Acquisition serves as a natural extension of the Group’s existing barging business and the Group’s on-going ventures into the energy-related businesses. In addition, existing members of the Board (namely, Mr Liow Keng Teck and Mr Low Yi Ngo) have experience in the area of power generation which the Company is able to leverage on. Please refer to Section 6.5 of this Circular for more information on the relevant experience of Mr Liow Keng Teck and Mr Low Yi Ngo. Moreover, the use of coal (as compared to other energy sources) as the raw material to generate electricity is relatively cheaper due to its abundance and lower costs of extraction.

LETTER TO SHAREHOLDERS

The Company wishes to tap on the opportunities of a rising demand for electricity in Indonesia, coupled with the Indonesian government's support in granting PT KP the right to supply electricity exclusively within certain areas of Indonesia for a period of 15 years commencing from 1 April 2013, further details of which are set out in Section 2.3.1.1 and Appendix A of this Circular.

PT KP has two (2) existing agreements with its customers (one (1) of which is the Power Purchase Agreement as described in Section 7 of this Circular, while the other is entered into with an Indonesian state-owned company that distributes electricity in Indonesia ("**Major Customer**")) pursuant to which PT KP is to sell the electricity generated by its power plant to its customers (collectively, the "**Current Agreements**"). To this end, the Major Customer (which is not an Interested Person) has committed to purchase all the excess power which has not been sold to other customers of PT KP under its existing agreement. Accordingly, it is expected that the Proposed Acquisition will offer a steady income stream underpinned by the existing agreements that PT KP has in place to sell its electricity output to its customers and would also augment the Company's assets in Indonesia.

2.3 Information relating to PT KP and ERI

2.3.1 PT KP

PT KP is a limited liability company duly established under the laws of the Republic of Indonesia on 2 August 2007, having its domicile in Balikpapan City at Komplek Balikpapan Baru Blok D IV No. 9-10, Jalan MT Haryono, Balikpapan, East Kalimantan.

As at the Latest Practicable Date, PT KP has an issued and paid-up share capital of IDR 431,535,000,000 comprising 431,535 ordinary shares. Each of ERI and LTK (who is a Controlling Shareholder of the Company) holds 92.18% and 7.82% equity interest in PT KP, respectively, comprising 397,785 ordinary shares with nominal value of IDR 397,785,000,000 and 33,750 ordinary shares with nominal value of IDR 33,750,000,000, respectively.

Mr Low Yi Ngo, who is Chief Executive Officer and Managing Director and Shareholder of the Company and son of LTK, is the president director of PT KP and LTK is the president commissioner of PT KP.

The principal business activities of PT KP relate to the operations of a coal-fired steam power plant in the Kariangau industry area, Balikpapan, East Kalimantan, Indonesia.

2.3.1.1 *The Power Plant*

PT KP's first power plant unit commenced partial sales of electricity in November 2014. In February 2015, PT KP's first power plant unit commenced full operations. PT KP's second power plant unit was completed in October 2015. As at 31 December 2015, the second power plant unit had not commenced sales of electricity. Each power plant unit has a maximum capacity of 15 MW. Accordingly, the total maximum capacity of PT KP's two (2) power plant units is 30 MW (that is, 2x15 MW). Notwithstanding that the maximum capacity of the first power plant unit is 15 MW, in practice, the maximum output is typically up to 90%. The average utilisation rate of the first power plant unit is approximately 80%.

LETTER TO SHAREHOLDERS

The power plant occupies a total area of approximately 40 hectares and is located at Kariangau Village, Kutai Kertanegara Regency, which is within the Kawasan Industri Kariangau (KIK) zone. The KIK zone has an area of approximately 1,959 hectares. According to the Masterplan for Acceleration and Expansion of Indonesia's Economic Development (MP3EI), the Indonesian Government has identified six (6) economic corridors based on the potential and advantages inherent in each region throughout Indonesia, and Kalimantan is one (1) of such identified economic corridors. The eastern coastal growth centers of East Kalimantan such as Balikpapan are preferred locations for industrial development due to their better infrastructure and port facilities. Since the early 2000s, the KIK zone has been designated as an integrated industrial zone in Balikpapan for heavy industry, medium industry and warehouses, and may accommodate industries such as coal, oil and gas, commodities, aquaculture and other business sectors.

PT KP has obtained the Electricity Supply Business Licence (*Izin Usaha Penyediaan Tenaga Listrik*) which gives it the rights to supply electricity exclusively within the KIK zone for a period of 15 years commencing from 1 April 2013, please see Appendix A of this Circular for more information on the Electricity Supply Business Licence.

With the increase in the number of businesses operating in the KIK zone, this is expected to lead to an increase in demand for electricity which, in turn, will bring about more sales opportunities for PT KP.

2.3.1.2 Licences, Permits and Approvals

As at the Latest Practicable Date and to the best of the Company's knowledge and belief, PT KP has obtained the main licences, permits and approvals for its operations in Indonesia ("**PT KP Main Licences, Permits and Approvals**") and PT KP is not in breach of any laws or regulations applicable to its business operations that would affect its business operations. Further details of the PT KP Main Licences, Permits and Approvals, apart from those pertaining to general business registration requirements, are set out in Appendix A of this Circular.

2.3.1.3 Land Titles

PT KP holds the right to build (*Hak Guna Bangunan – HGB*) in respect of three (3) pieces of land in Kelurahan Kariangau, Kecamatan West Balikpapan, Balikpapan City, East Kalimantan, Indonesia, further details of which are set out below:

No.	Type of land title	Land area (Sq m)	Expiry Date
1.	Right to Build (<i>Hak Guna Bangunan – HGB</i>)	145,156	6 September 2040
2.	Right to Build (<i>Hak Guna Bangunan – HGB</i>)	126,118	6 September 2040
3.	Right to Build (<i>Hak Guna Bangunan – HGB</i>)	60,749	6 September 2040

The Right to Build (*Hak Guna Bangunan – HGB*) allows the holder of such land title to build, construct and/or remove either the building or any object over the land.

LETTER TO SHAREHOLDERS

The power plant units owned by PT KP are located on Land No. 3, and Land No. 1 and Land No. 2 are vacant.

2.3.1.4 Key Financial Information of PT KP

A summary of the key financial information of PT KP is set out below, and has been prepared based on the audited financial statements of PT KP for financial year ended 31 December (“FY”) 2013 and FY2014 and the unaudited financial statements of PT KP for FY2015.

(a) Income Statement

	FY2013	FY2014	FY2015	FY2013⁽¹⁾	FY2014⁽¹⁾	FY2015⁽¹⁾
	IDR'000	IDR'000	IDR'000	S\$'000	S\$'000	S\$'000
Revenue	— ⁽²⁾	2,327,494	55,249,649	— ⁽²⁾	248	5,650
Cost of Sales	— ⁽²⁾	(11,154,467)	(120,126,175)	— ⁽²⁾	(1,191)	(12,285)
Loss before tax	(86,376,122)	(46,527,424)	(139,110,099)	(8,960)	(4,966)	(14,227)
Loss after tax	(64,904,413)	(34,913,334)	(104,762,028)	(6,733)	(3,726)	(10,714)

Notes:

- (1) Figures are a direct translation of PT KP's financial information as provided in the tables above into S\$. These figures are in S\$'000 and based on the exchange rate for S\$/IDR (FY2013: S\$1/IDR9,640, FY2014: S\$1/IDR9,369, FY2015: S\$1/IDR9,778) as extracted from Bloomberg L.P. as at 31 December for the respective financial year ended.
- (2) No revenue was recognized for FY2013 as PT KP's first power plant only commenced partial sales of electricity in November 2014 and full operations in February 2015.

There was no revenue recognised for FY2013 as PT KP's first power plant commenced partial sales of electricity in November 2014 and full operations in February 2015. The second power plant was completed in October 2015. As at 31 December 2015, the second power plant unit had not commenced sales of electricity. Notwithstanding, as part of the performance tests for the power plant units, there were non-revenue generating trial runs performed in FY2014 and FY2015. In addition, in FY2013, FY2014 and FY2015, there were foreign exchange losses of approximately IDR76 billion, IDR13 billion and IDR59 billion (equivalent to approximately S\$7.9 million, S\$1.4 million and S\$6.0 million) respectively, relating to the Shareholder's Loan and US dollar bank loans.

The Shareholder's Loan has since been capitalised in full on 29 March 2016 into 386,535 ordinary shares with nominal value of IDR 386,535,000,000 that are fully paid-up, and the US dollar bank loans were converted to IDR loans in 4Q 2015.

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(b) **Balance Sheet (as at 31 December 2015, before the capitalisation of the Shareholder's Loan⁽¹⁾)**

	FY2015 IDR'000	FY2015⁽²⁾ S\$'000
Non-current assets	623,334,630	63,749
Non-current liabilities	682,660,761	69,816
Current assets	9,085,790	929
Current liabilities	130,194,269	13,315
Shareholders' equity	(180,434,610)	(18,453)

Notes:

- (1) As at 31 December 2015, ERI extended a Shareholder's Loan of US\$28,019,933.85 to PT KP. The Shareholder's Loan has since been capitalised in full on 29 March 2016 into 386,535 ordinary shares with nominal value of IDR 386,535,000,000 that are fully paid-up. Please refer to Section 2.3.1.5 of this Circular for the *pro forma* balance sheet of PT KP as at 31 December 2015 after the completion of the capitalisation of the Shareholder's Loan.
- (2) Figures are a direct translation of PT KP's financial information as provided in the tables above into S\$. These figures are in S\$'000 and based on the exchange rate for S\$/IDR (FY2015: S\$1/IDR9,778) as extracted from Bloomberg L.P. as at 31 December for the financial year ended 2015.

2.3.1.5 *Pro Forma Balance Sheet as at 31 December 2015*

The Shareholder's Loan of US\$28,019,933.85 extended by ERI to PT KP was capitalised in full on 29 March 2016 into 386,535 ordinary shares with nominal value of IDR 386,535,000,000 that are fully paid-up. The following illustrates, on a *pro forma* basis, the balance sheet of PT KP as at 31 December 2015 after the completion of the capitalisation of the Shareholder's Loan:

	FY2015 IDR'000	FY2015⁽¹⁾ S\$'000
Non-current assets	623,334,630	63,749
Non-current liabilities	296,125,774	30,285
Current assets	9,085,790	929
Current liabilities	130,194,269	13,315
Shareholders' equity	206,100,377	21,078

Note:

- (1) Figures are a direct translation of PT KP's financial information as provided in the tables above into S\$. These figures are in S\$'000 and based on the exchange rate for S\$/IDR (FY2015: S\$1/IDR9,778) as extracted from Bloomberg L.P. as at 31 December for the financial year ended 2015.

2.3.2 ERI

ERI is an exempt private company limited by shares which was incorporated in Singapore in 2005. The principal activities of ERI are investment holding and general wholesale trade (including general importers and exporters).

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As at the Latest Practicable Date, ERI has an issued and paid-up share capital of S\$750,000, comprising 750,000 ordinary shares. Mr Low Yi Ngo (who is the Chief Executive Officer and Managing Director and Shareholder of the Company and son of LTK) and Ms Elaine Low (who is an Executive Director of the Company and daughter of LTK) each holds approximately 33.3% shareholding interest in ERI. The remaining approximately 33.3% of shareholding interest in ERI is held by the immediate family of LTK, Mr Low Yi Ngo and Ms Elaine Low ("**Immediate Family Member**"). Accordingly, ERI, being an Associate of each of LTK, Mr Low Yi Ngo and Ms Elaine Low, is an Interested Person and the Proposed Acquisition would constitute an Interested Person Transaction under Chapter 9 of the Listing Manual, further details of which are set out in Section 4 of this Circular.

Mr Low Yi Ngo, Ms Elaine Low and the Immediate Family Member are also directors of ERI.

2.4 The Sale Shares

Subject to the terms and conditions of the Sale and Purchase Agreement, (i) ERI shall sell to SLM Holding the Sale Shares; and (ii) SLM Holding, relying on the representations, warranties, undertakings and indemnities of ERI as set out in the Sale and Purchase Agreement, agrees to purchase the Sale Shares from ERI, free from all encumbrances and with the benefit of all rights, advantages, benefits and entitlements attaching and accruing thereto on and after the completion of the sale and purchase of the Sale Shares under the Sale and Purchase Agreement ("**Completion**").

SLM Holding 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.

2.5 The Purchase Consideration

(a) Subject to Adjustment (if any) in accordance with the Sale and Purchase Agreement, the purchase consideration payable by SLM Holding for the Sale Shares ("**Purchase Consideration**") shall be a sum of up to US\$37,000,000, which is to be paid as follows:

- (i) **First Tranche Payment:** Within five (5) Business Days (or such number of days as the parties may mutually agree in writing) from the date of the Sale and Purchase Agreement, SLM Holding shall pay to ERI a sum of US\$4,000,000 to be fully satisfied in cash by way of cashier' order, cheque, telegraphic transfer or any other mode as mutually agreed by the parties in writing ("**Payment Method**"); and
- (ii) **Second Tranche Payment:** On the date falling three (3) days after all the Conditions Precedent have been met, or such other date as the parties may agree in writing ("**Completion Date**"), SLM Holding shall:
 - (A) in the event that there is no Adjustment to the Purchase Consideration, pay to ERI a sum of US\$33,000,000 ("**Remaining Amount**") to be fully satisfied in cash in accordance with the Payment Method; or

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- (B) depending on the relevant adjustment event(s) which has/have occurred, pay to ERI the corresponding amount set out in the column entitled “Second Tranche Payment Amount” in the table below, which is to be fully satisfied in cash in accordance with the Payment Method:

Situation No.	Adjustment Event(s)	Second Tranche Payment Amount
1	In the event of both Scenario A/B Adjustment (as defined below) and NCL Adjustment (as defined below)	Scenario A/B Adjusted Amount (as defined below) minus (i) First Tranche Payment; and (ii) NCL Adjustment Amount (as defined below)
2	In the event of Scenario A/B Adjustment only	Scenario A/B Adjusted Amount minus First Tranche Payment
3	In the event of NCL Adjustment only	Remaining Amount minus NCL Adjustment Amount

- (b) The parties acknowledge that the payment of the two (2) tranches in accordance with Section 2.5(a) of this Circular shall constitute a good discharge of SLM Holding’s obligations under such section.
- (c) The parties agree that all payments made by SLM Holding for the First Tranche Payment under the Sale and Purchase Agreement and before Completion (“**Refundable Advances**”) are contingent upon Completion. ERI undertakes, in the event that Completion does not occur on or before 30 June 2016 (or such other date as the parties may mutually agree in writing) (“**Long Stop Date**”), to refund, interest-free, all Refundable Advances to SLM Holding within three (3) Business Days (or such number of days as the parties may mutually agree in writing) after the Long Stop Date.
- (d) The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into consideration, amongst others, the valuation of the Sale Shares in the Valuation Reports (further details of which are set out in Section 2.10 of this Circular), earnings and prospects of PT KP.

As at the Latest Practicable Date, the First Tranche Payment has been paid in accordance with the Sale and Purchase Agreement.

2.6 Adjustment of Purchase Consideration

- (a) The Purchase Consideration shall be adjusted upon the occurrence of the following events, namely (“**Adjustment**”):
- (i) in the event that PT KP does not:
- (A) execute a power purchase agreement with one (1) of its potential prime customers (which is not an Interested Person) in accordance with all

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applicable laws and regulations and the term of such power purchase agreement is to be for three (3) years from the date of the relevant power purchase agreement ("**Scenario A**"); and/or

- (B) achieve an increment of at least 29% in the electricity rate (that is, the price charged for the electricity sold by PT KP) in an existing power purchase agreement with its Major Customer ("**Scenario B**"),

on such terms which are reasonably satisfactory to SLM Holding on or before the Completion Date ("**Scenario A/B Adjustment**"), the Purchase Consideration shall be adjusted downwards to US\$21,000,000 ("**Scenario A/B Adjusted Amount**"). For the avoidance of doubt, the Purchase Consideration of US\$37,000,000 will not be adjusted in accordance with Section 2.6(a)(i) as long as Scenario A and/or Scenario B is or are fulfilled by the Completion Date; and/or

- (ii) in the event that there is an increase in the net current liability position of PT KP in excess of US\$250,000 between that as reflected in the unaudited management accounts of PT KP issued for the month preceding the Completion Date and that as reflected in PT KP's unaudited financial statements for the year ended 31 December 2015 ("**NCL Adjustment**"), the Purchase Consideration shall be adjusted downwards on a dollar-for-dollar basis by the amount in excess of US\$250,000 ("**NCL Adjustment Amount**").

2.7 Conditions Precedent

- (a) Completion of the sale and purchase of the Sale Shares is conditional upon the following conditions being satisfied or waived in accordance with the Sale and Purchase Agreement ("**Conditions Precedent**"):
 - (i) the completion and satisfactory outcome of all financial and legal due diligence investigations by SLM Holding into the financial, contractual, Tax (as such term is defined in the Sale and Purchase Agreement), trading positions and prospects of PT KP and title to its assets;
 - (ii) the approval by the shareholder and the board of directors of SLM Holding in respect of the transactions contemplated in the Sale and Purchase Agreement having been obtained;
 - (iii) the approval by the shareholders and the board of directors of ERI in respect of the transactions contemplated in the Sale and Purchase Agreement having been obtained;
 - (iv) all necessary consent, approvals and waivers (if any) (whether governmental, corporate or otherwise) which are necessary or required to be obtained under any applicable laws, rules and regulations (whether of Singapore, Indonesia or elsewhere) in respect of the transactions contemplated in the Sale and Purchase Agreement, having been obtained on terms reasonably satisfactory to SLM Holding, and such consent, approvals and waivers not having been amended or revoked before Completion, and if such consent, approvals or

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waivers are granted subject to conditions, such conditions being reasonably acceptable to SLM Holding, including without limitation the following consent and approvals in form and substance satisfactory to SLM Holding:

- (A) the original unanimous resolution of the shareholders of PT KP, in agreed form, approving the execution and delivery of the Sale and Purchase Agreement and the performance of its obligations thereunder and the transfer of the Sale Shares to SLM Holding; and
 - (B) BKPM's approvals to consummate the sale of the Sale Shares to SLM Holding;
- (v) no material adverse change in the business, operations, prospects or assets of PT KP shall have occurred from and after the date thereof, the effect of which would materially and adversely affect PT KP. For the purpose of this clause, a matter that has a "material effect" is one (1) which the cost to cure or in respect of which the damage to PT KP would be in excess of US\$250,000 (Two Hundred and Fifty Thousand United States Dollars) or the occurrence of an event or a circumstance that has a material adverse effect on any of the following:
- (A) the assets, business, properties, liabilities, financial conditions, operations or results of operations of PT KP, taken as a whole;
 - (B) proceeding has been initiated after the date thereof preventing either party from performing any of its material obligations under the Sale and Purchase Agreement; or
 - (C) the validity and enforceability of any of the material terms and conditions of the Sale and Purchase Agreement or of the rights or remedies of any of the parties;
- (vi) no national, federal, regional, state, local or other court, arbitral tribunal, administrative agency or commission or other governmental, administrative or regulatory body, authority, agency or instrumentality (whether of Singapore, Indonesia or elsewhere) taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:
- (A) make the transactions contemplated in the Sale and Purchase Agreement and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same;
 - (B) render SLM Holding unable to purchase all or any of the Sale Shares in the manner set out in the Sale and Purchase Agreement; and/or
 - (C) render ERI unable to dispose of all or any of the Sale Shares in the manner set out in the Sale and Purchase Agreement; and

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- (vii) the Warranties (as such term is defined in the Sale and Purchase Agreement) being true, accurate and correct in all material respects as if made on the Completion Date, with references to the then existing circumstances.
- (b) To the extent permitted by law, SLM Holding shall be entitled in its absolute discretion, by written notice to ERI, to waive any or all of the Conditions Precedent either in whole or in part.
- (c) To the extent applicable to it, each party shall use its reasonable endeavours to procure the expeditious fulfilment of the Conditions Precedent referred to in paragraph (a) above. Each party shall use its reasonable endeavours to keep the other party fully informed of any development relating to the conditions applicable to it and shall forthwith notify the other party upon the fulfilment of all such conditions and furnish to the other party documentary evidence reasonably satisfactory to the other party in respect thereof.
- (d) Without prejudice to paragraph (c) above, each party shall take all reasonable steps to do all acts and things and sign or otherwise execute and deliver such forms and documents and provide such information and particulars as are necessary to enable the other party, where applicable, to obtain the necessary consents and approvals referred to in paragraph (a) above and shall ensure that the information so provided is true, accurate and complete in all respects.
- (e) If any of the Conditions Precedent has not been fulfilled (or waived by SLM Holding in accordance with paragraph (b) above) on or before the Long Stop Date, the Sale and Purchase Agreement (other than certain clauses as specified therein ("**Surviving Clauses**")) shall automatically terminate and neither party shall have any claim of any nature whatsoever against the other party under the 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 Surviving Clauses).

2.8 Completion

Subject to the satisfaction or waiver in accordance with the Sale and Purchase Agreement (as the case may be) of the Conditions Precedent, Completion shall take place at a mutually agreed timing on the Completion Date in Indonesia or at such other venue as the parties may mutually agree in writing when all (and not part only) of the events referred to in clause 2.5(b) of the Sale and Purchase Agreement shall take place simultaneously.

2.9 Post-Completion undertaking by ERI

Following Completion, ERI undertakes to SLM Holding to do, execute and perform all such acts, deeds, documents and things (or procure the doing, execution or performance of them) as SLM Holding may request for the purpose of or in connection with the legalisation of the transfer of the Sale Shares from ERI to SLM Holding, in accordance with the applicable Indonesian laws and regulations, including but without limitation to the following:

- (a) the MOLHR's approvals or notifications have been obtained to consummate the sale of the Sale Shares to SLM Holding;

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- (b) announcement of the post-acquisition on one (1) national newspaper in Indonesia by the board of directors of PT KP; and
- (c) that the composition of the shareholders of PT KP shall become as follows:

Composition of shareholders of PT KP

No.	Name	Number of shares in PT KP	Nominal value (IDR)	Percentage of shares in PT KP
1	SLM Holding	397,785	397,785,000,000	92.18%
2	LTK	33,750	33,750,000,000	7.82%

In respect of paragraph (a) above, MOLHR does not need to approve the sale of the Sale Shares to SLM Holding; instead, MOLHR need only be notified of such sale. The notification to the MOLHR is conducted through an online system and should all the required documents be deemed complete, it would automatically issue the Letter of Acceptance of Notification (“**Letter**”). In other words, the Letter would be obtained directly once all of the required documents by the online system are filed.

2.10 Value of the Sale Shares and net loss attributable to the Sale Shares

(a) Net liabilities of the Sale Shares

Based on the unaudited financial statements of PT KP as at 31 December 2015, the net liabilities of the Sale Shares was approximately IDR 166.3 billion (approximately US\$12.4 million).

As at 31 December 2015, ERI extended a shareholder loan of US\$28,019,933.85 to PT KP (“**Shareholder’s Loan**”). However, the Shareholder’s Loan has since been capitalised in full on 29 March 2016 into 386,535 ordinary shares with nominal value of IDR 386,535,000,000 that are fully paid-up.

For illustration purposes only, assuming that the Shareholder’s Loan were to be capitalised in full, the net asset value of the Sale Shares as at 31 December 2015 approximates IDR 190.0 billion (approximately US\$14.2 million).

(b) Valuation of Sale Shares

The Company engaged BDO Advisory (“**Independent Valuer**”) to perform an independent valuation of the market value of the equity interests in PT KP (“**Market Value 1**”) as at 31 December 2015.

The Independent Valuer is part of the international BDO network of independent members firms, the world’s 5th largest accounting and consulting network providing a one-stop for accounting and audit, independent valuation services, corporate merger and acquisition advisory and transactional services for hundreds of corporate clients (including listed companies and SMEs) in the Asia Pacific region.

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The Independent Valuer provided for three (3) different scenarios as follow, in the event that:

- (i) PT KP executes a power purchase agreement with one (1) of its potential prime customers for additional quantity of electricity sold ("**Scenario 1**")¹;
- (ii) PT KP achieves an increment in the electricity rate charged in an existing power purchase agreement with its Major Customer ("**Scenario 2**")²; and
- (iii) PT KP achieves both Scenario 1 and Scenario 2 ("**Scenario 3**")³.

Based on the Current Agreements that PT KP has entered into with its customers ("**Base Case Scenario**"), the Independent Valuer arrived at the market value of approximately US\$11.3 million for the entire equity interest of PT KP. To this end, the market value of the Sale Shares amounted to approximately US\$10.4 million.

As set out in Section 2.3.1.3 of this Circular, PT KP holds the right to build (*Hak Guna Bangunan – HGB*) in respect of three (3) pieces of land in Kelurahan Kariangau, Kecamatan West Balikpapan, Balikpapan City, East Kalimantan, Indonesia. The power plant units owned by PT KP are located on Land No. 3 and there are no PT KP's current business operations on Land No. 1 and Land No. 2.

PT KP had commissioned KJPP Jimmy Prasetyo & Rekan, a licenced valuer in Indonesia ("**Land Valuer**") to carry out an independent valuation of the market value of, amongst others, Land No. 1 and Land No. 2 (collectively, the "**Vacant Lands**") as at the valuation date of 5 April 2016.

The Land Valuer is an appraisal company which was established on 5 July 2007. Supported by dedicated and professional experienced staff, the Land Valuer offers professional services including (a) valuation services on land, residential building, office building, shopping centre, hotel, industrial buildings, other land improvements and machinery and equipment; (b) consultancy services and provision of feasibility study and market study; (c) sales agency services; (d) property management services; and (e) development audit and project monitoring.

Based on the results of the Land Valuer's investigation and analysis, the Land Valuer is of the opinion that the market value of the Vacant Lands as at 5 April 2016 was IDR112.5 billion ("**Market Value 2**"). Accordingly, the market value of the Vacant Lands as attributable to the Sale Shares is IDR103.7 billion (approximately US\$7.8 million).

¹ As set out in Section 2.6(a) of this Circular, the Purchase Consideration shall be adjusted upon the occurrence of the following events, namely: (a) in the event that PT KP does not: (i) execute a power purchase agreement with one (1) of its potential prime customers (which is not an Interested Person) in accordance with all applicable laws and regulations and the term of such power purchase agreement is to be for three (3) years from the date of the relevant power purchase agreement ("**Scenario A**"); and/or (ii) achieve an increment of at least 29% in the electricity rate (that is, the price charged for the electricity sold by PT KP) in an existing power purchase agreement with its Major Customer ("**Scenario B**"), on such terms which are reasonably satisfactory to SLM Holding on or before the Completion Date, the Purchase Consideration shall be adjusted downwards to US\$21,000,000. In this connection, Scenario 1 corresponds to Scenario A.

² Scenario 2 corresponds to Scenario B.

³ Scenario 3 corresponds to the event where both Scenario A and B are achieved.

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Therefore, based on Market Value 1 and Market Value 2, the market value attributable to the Sale Shares under the Base Case Scenario, Scenario 1, Scenario 2 and Scenario 3 are as follows:

Market Value 1 and Market Value 2 attributable to Sale Shares (US\$' million)	Range		
	Low	Base	High
Base Case Scenario ⁽¹⁾	7.7	10.4	13.6
Vacant Lands	7.8	7.8	7.8
Total	15.5	18.2	21.4
Scenario 1 ⁽¹⁾	22.5	26.2	30.3
Vacant Lands	7.8	7.8	7.8
Total	30.3	34.0	38.1
Scenario 2 ⁽¹⁾	25.5	29.4	33.6
Vacant Lands	7.8	7.8	7.8
Total	33.3	37.2	41.4
Scenario 3 ⁽¹⁾	36.0	40.6	45.5
Vacant Lands	7.8	7.8	7.8
Total	43.8	48.4	53.3

Note:

- (1) The range in market value reflects the 2% absolute change in the discount rate and a variance of US\$1/MT to the coal prices applicable to Scenarios 1 to 3.

As set out in the table above,

- (i) the indicative market value attributable to the Sale Shares in the Base Case Scenario (that is, PT KP was not able to execute a new power purchase agreement with one (1) of its potential prime customer and PT KP was also not able to achieve an increment in the electricity rate charged in an existing power purchase agreement with its Major Customer) ranges from US\$15.5 million to US\$21.4 million (“**Status Quo Situation**”); and
- (ii) the indicative market value attributable to the Sale Shares in Scenario 3 (that is, PT KP secures a new power purchase agreement with one (1) of its potential prime customer and also increases the electricity rate charged in the existing power purchase agreement with its Major Customer) ranges from US\$43.8 million to US\$53.3 million (“**Best Case Situation**”).

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Therefore, according to (i) the Independent Valuation Report dated 25 February 2016 prepared by the Independent Valuer in respect of the equity value of PT KP as commissioned by the Company and based on the discounted cash flow approach, and (ii) the Land Valuation Report dated 5 April 2016 in respect of the three (3) pieces of land owned by PT KP prepared by the Land Valuer as commissioned by PT KP and based on the market value approach, the indicative value of the Sale Shares as at 31 December 2015 is in the range of US\$15.5 million to US\$53.3 million.

The indicative range of US\$15.5 million to US\$53.3 million reflects the market value attributable to the Sale Shares in the Status Quo Situation and the Best Case Situation (that is, the US\$15.5 million corresponds with the lowest value of the value range in the Status Quo Situation while the US\$53.3 million corresponds with the highest value of the value range in the Best Case Situation).

Please refer to Appendix B to this Circular for the Summary Valuation Letter which sets out a summary of the information in the Independent Valuation Report, and should be read in conjunction with the full text of the Independent Valuation Report. The Independent Valuation Report and the Land Valuation Report will be available for inspection, please refer to Section 18 of this Circular for more details.

(c) Net loss attributable to the Sale Shares

PT KP's first power plant unit commenced partial sales of electricity in November 2014. In February 2015, PT KP's first power plant unit commenced full operations. PT KP's second power plant unit was completed in October 2015. As at 31 December 2015, the second power plant unit had not commenced sales of electricity.

Based on PT KP's unaudited financial statements for the year ended 31 December 2015, the net loss attributable to the Sale Shares is approximately IDR 96.6 billion (approximately US\$7.2 million), including a non-recurring foreign exchange loss of approximately IDR 54.5 billion (approximately US\$4.1 million) due to (i) the Shareholder's Loan, and (ii) US dollar bank loans which were converted to IDR loans in 4Q 2015.

The Shareholder's Loan has since been capitalised in full, further details of which are set out in Section 2.10(a) of this Circular.

Notwithstanding, the Directors believe that the Proposed Acquisition is in the best interests of the Company and its Shareholders for, amongst others, the following reasons, namely:

- (i) the net liabilities of the Sale Shares as at 31 December 2015 (that is, approximately IDR 166.3 billion (approximately US\$12.4 million)) was mainly due to the Shareholder's Loan which has since been capitalised in full on 29 March 2016. As illustrated in Section 2.10(a) above, assuming that the Shareholder's Loan was to be capitalised in full, the net asset value of the Sale Shares as at 31 December 2015 approximates IDR 190.0 billion (approximately US\$14.2 million);
- (ii) the net loss attributable to the Sale Shares (that is, approximately IDR 96.6 billion (approximately US\$7.2 million)) based on PT KP's unaudited financial statements for the year ended 31 December 2015 was due to, amongst others, a foreign exchange loss of approximately IDR 54.5 billion (approximately US\$4.1 million) arising from (A)

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the Shareholder's Loan, and (B) US dollar bank loans; however, such foreign exchange loss is non-recurrent because the Shareholder's Loan was capitalised in full on 29 March 2016 and the US dollar bank loans were converted to IDR loans in 4Q 2015; and

- (iii) barring any unforeseen circumstances, in view of the commencement of sales of electricity by the second power plant unit, the possible execution of a new power purchase agreement with one (1) of PT KP's potential prime customer, and the possible increase in the electricity rate charged in the existing power purchase agreement with PT KP's Major Customer, it is expected that revenue will be forthcoming.

2.11 Source of funds for the Proposed Acquisition

The Proposed Acquisition will be funded by bank borrowings and the Group's internal resources.

2.12 No Service Contracts

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

2.13 Financial Effects of the Proposed Acquisition

The financial effects of the Proposed Acquisition on the Group as set out below 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.

The financial effects of the Proposed Acquisition on the Group as set out below are based on the Group's audited financial statements for the year ended 31 December 2015 and PT KP's unaudited financial statements for the year ended 31 December 2015, and the following assumptions:

- (a) no Adjustment is made so the maximum amount of Purchase Consideration (being US\$37,000,000) is paid;
- (b) the Proposed Acquisition had been effected at the end of the financial year ended 31 December 2015 for the computation of the effect on the NTA per share; and
- (c) the Proposed Acquisition had been effected at the beginning of the financial year ended 31 December 2015 for the computation of the effect on the EPS.

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NTA

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA attributable to equity holders of the Company (S\$'000)	113,091	113,184
Number of ordinary shares in issue ('000)	568,491	568,491
NTA per share (Singapore cents)	19.89	19.91

EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Loss attributable to equity holders of the Company (S\$'000)	(24,353)	(34,275)
Weighted average number of ordinary shares in issue ('000)	568,491	568,491
EPS (Singapore cents)	(4.28)	(6.03)

2.14 Interests of Directors and Controlling Shareholder

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 Acquisition.

3. THE PROPOSED ACQUISITION AS A MAJOR TRANSACTION

3.1 Relative figures under Rule 1006 of the Listing Manual

Based on the Group's audited financial statements for the year ended 31 December 2015 and PT KP's unaudited financial statements for the year ended 31 December 2015, the relative figures of the Proposed Acquisition computed on the bases set out in Rules 1006(a) to (e) of the Listing Manual assuming that no Adjustment is made so the maximum amount of Purchase Consideration (being US\$37,000,000) is paid, are as follows:

Rule 1006(a)	
Net asset value of the assets to be disposed of	Not applicable ⁽¹⁾
Net asset value of the Group	Not applicable ⁽¹⁾
Size of relative figure	Not applicable ⁽¹⁾

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Rule 1006(b)	
Net loss ⁽²⁾ attributable to the acquired assets (S\$'000)	9,922 ⁽³⁾
Net loss ⁽²⁾ of the Group for the full financial year ended 31 December 2015 (S\$'000)	24,302
Size of relative figure	40.8%

Rule 1006(c)	
Aggregate value of consideration to be given (S\$'000)	49,991 ⁽⁵⁾
Company's market capitalisation as at 27 April 2016 ⁽⁴⁾ (S\$'000)	68,787
Size of relative figure	72.7%

Rule 1006(d)	
Number of equity securities to be issued by the Company as consideration for an acquisition	Not applicable ⁽⁶⁾
Number of equity securities in issue	Not applicable ⁽⁶⁾
Size of relative figure	Not applicable ⁽⁶⁾

Rule 1006(e)	
Aggregate volume or amount of proved and probable reserves to be disposed of	Not applicable ⁽⁷⁾
Aggregate of the Group's proved and probable reserves	Not applicable ⁽⁷⁾
Size of relative figure	Not applicable ⁽⁷⁾

Notes:

- (1) This basis is not applicable as the Company will not be disposing of any assets pursuant to the Proposed Acquisition.
- (2) 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.
- (3) Calculated based on 92.18% ownership interest of PT KP.
- (4) Calculated based on the Company's market capitalisation as at 27 April 2016, being the last traded Market Day immediately preceding the date of the Sale and Purchase Agreement.
- (5) Being the maximum amount of Purchase Consideration payable for the Sale Shares, which is US\$37,000,000 (approximately S\$49,991,000), assuming that no Adjustment is made.
- (6) This basis is not applicable as no equity securities will be allotted and issued by the Company as consideration for the Proposed Acquisition.
- (7) This basis is not applicable as the Proposed Acquisition does not relate to the disposal of mineral, oil or gas assets and the Company is not a mineral, oil and gas company.

As the relative figures computed under Rules 1006(b) and (c) of the Listing Manual exceed 20% but are less than 100%, the Proposed Acquisition therefore constitutes a "major transaction" as defined under Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisition is subject to the approval of the Shareholders.

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4. THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

4.1 Details of Interested Persons

As set out in Section 2.3.2 of this Circular, Mr Low Yi Ngo (who is the Chief Executive Officer and Managing Director and Shareholder of the Company and son of LTK) and Ms Elaine Low (who is an Executive Director of the Company and daughter of LTK) each holds approximately 33.3% shareholding interest in ERI. The remaining approximately 33.3% of shareholding interest in ERI is held by the immediate family of LTK, Mr Low Yi Ngo and Ms Elaine Low. Accordingly, ERI, being an Associate of each of LTK, Mr Low Yi Ngo and Ms Elaine Low, is an Interested Person and the Proposed Acquisition would constitute an Interested Person Transaction under Chapter 9 of the Listing Manual.

Based on the Group's latest audited NTA attributable to the equity holders of the Company of S\$113,091,000 as at 31 December 2015 ("**Group's latest audited NTA**") and assuming that no Adjustment is made so the maximum amount of Purchase Consideration (that is, US\$37 million) is paid, the value of the Proposed Acquisition (being US\$37 million (approximately S\$50.0 million)), represents approximately 44.2% of the Group's latest audited NTA.

Accordingly, as the value of the Proposed Acquisition (assuming that no Adjustment is made so the maximum amount of Purchase Consideration (being US\$37 million) is paid) is more than 5% of the Group's latest audited NTA, the Proposed Acquisition as an Interested Person Transaction is subject to Shareholders' approval pursuant to Rule 906(1)(a) of the Listing Manual.

4.2 Advice of the IFA to the Independent Directors

Pursuant to Chapter 9 of the Listing Manual, NRA Capital Pte. Ltd. has been appointed as the IFA to advise the Independent Directors on whether or not the Proposed Acquisition as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

Based on the key considerations set out in the IFA Letter at Appendix C to this Circular, NRA Capital Pte. Ltd. is of the opinion that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

A copy of the IFA Letter, setting out the IFA's opinion and advice in full, is reproduced at Appendix C to this Circular. **Shareholders are advised to read the IFA Letter carefully.**

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5. THE PROPOSED DIVERSIFICATION

5.1 Existing business of the Group

The existing business of the Group includes:

- (a) 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;
- (b) the business of exploring, mining, extraction and sale of mineral resources in the PRC; and
- (c) business of property development, investment, management and other related property activities in the PRC.

5.2 Proposed Power Plant Business

Upon receipt of Shareholders' approval for the Proposed Diversification, the Group intends to expand its existing business to include the business of constructing, acquiring, operating and maintaining coal-fired steam power plants and production and sale of electric power ("**Power Plant Business**"). Please refer to section 6 of this Circular for more information on the Power Plant Business.

5.3 Rationale of the Proposed Diversification

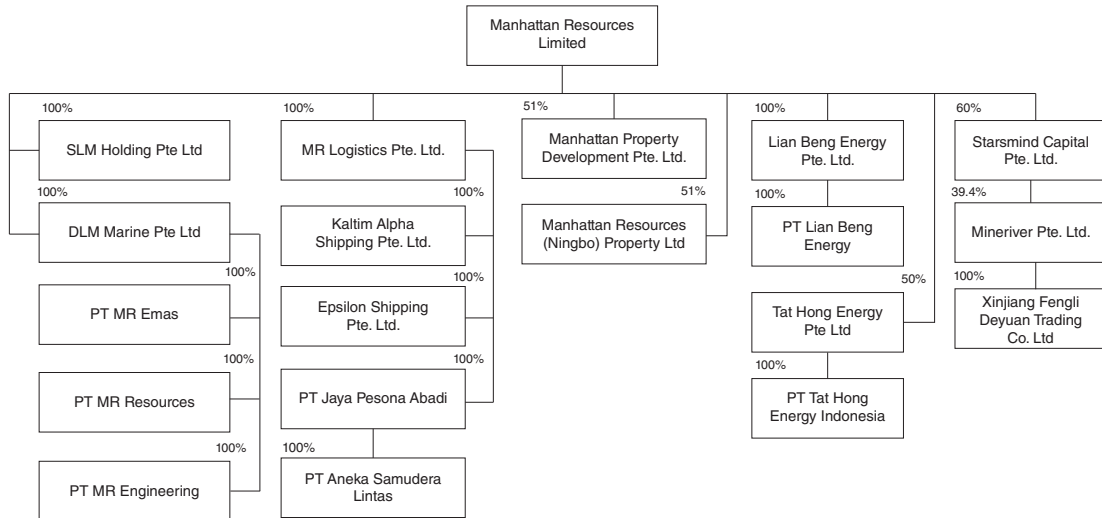
The Proposed Diversification is part of the corporate strategy of the Group to provide Shareholders with diversified returns and long term growth. The Directors believe that the Proposed Diversification will reduce the Group's reliance on its existing business, offer new business opportunities, provide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

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 Power Plant Business as core business 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 Power Plant Business. 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.

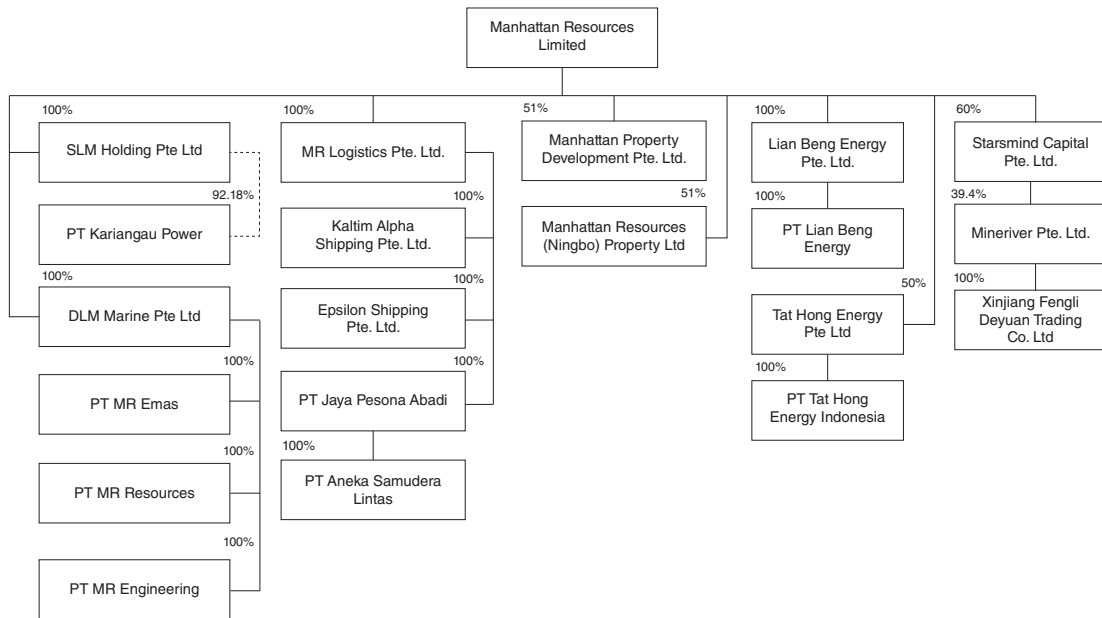
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5.4 Group Structure

The following sets out the existing Group structure as at the Latest Practicable Date prior to the Proposed Diversification and the Proposed Acquisition (further details of which are set out in Section 2 of this Circular):



Following the Proposed Diversification, assuming that the Proposed Acquisition is completed, the Group structure will be as follows:



..... Proposed acquisition

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6. THE POWER PLANT BUSINESS

6.1 Scope of the Power Plant Business

The Group intends to undertake the business of constructing, acquiring, operating and maintaining coal-fired steam power plants and production and sale of electric power. The Group intends to venture into the Power Plant Business cautiously by seeking out opportunities to engage in the Power Plant Business on a project basis.

The Company does not intend to restrict the Power Plant Business to any specific geographical market and each project and investment will be evaluated and assessed on its merits.

Save for the Proposed Acquisition, the Group does not currently have any specified plans or identified projects in the Power Plant Business.

The Group may undertake the Power Plant 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 the 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 extent of its investment in the Power Plant Business, the Group will consider, amongst others, the relevant market conditions, the joint venture partners, growth potential and projected returns to the Group.

6.2 The Proposed Acquisition

The Proposed Acquisition (details of which are set out in Section 2 of this Circular) involves the acquisition of a majority stake in PT KP whose principle business activities relate to the operation of a coal-fired steam power plant in the Kariangau industry area, Balikpapan, East Kalimantan, Indonesia. The Proposed Acquisition represents the first step towards the Group's entry into the Power Plant Business.

6.3 Financing the Power Plant Business

The Group intends to fund the Power Plant Business through internal resources, cash generated from power plant 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 Power Plant Business.

Save for the Proposed Acquisition, the Group does not currently have any specified plans or identified projects in the Power Plant Business. In this connection, the Purchase Consideration will be fully satisfied in cash. For further details on the sources of specific funding for the Proposed Acquisition, please refer to Section 2.11 of this Circular.

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6.4 Risk Factors relating to the Proposed Diversification into the Power Plant 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 Power Plant Business are set out in Appendix D. Shareholders should carefully consider and evaluate the risk factors in Appendix D and all other information contained in this Circular before deciding on whether to vote in favour of the Proposed Diversification into the Power Plant Business.

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

6.5 Management of the Power Plant Business

Although the Power Plant Business is different from the existing business of the Group as described in Section 5.1 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 Power Plant Business, the Board believes that it will be able to leverage on the experience of Mr Liow Keng Teck (who is the Board Chairman of the Company) and Mr Low Yi Ngo (who is the Chief Executive Officer and Managing Director of the Company) in the area of power generation.

Mr Liow Keng Teck has extensive experience in the power utilities sector. Mr Liow was previously the managing director of Development Resources Pte Ltd, a subsidiary of Singapore Power, which provides engineering consultancy and project management for power plant and infrastructure projects in the region. Mr Liow was also a consultant and adviser to a major power generating company operating in Singapore. Mr Liow graduated with an Honours Degree in Mechanical Engineering from the University of Singapore and is a registered professional engineer.

Prior to Mr Low Yi Ngo's appointment as the Chief Executive Officer and Managing Director of the Company, he started off with Bayan Resources as the project coordinator for the construction of the Kalimantan Floating Transfer Station in 2004. Subsequently, Mr Low became the marketing director of Bayan Resources, with the primary responsibility of marketing Bayan Resources' coal. Mr Low graduated with a Bachelor's degree in Mechanical and Production Engineering from the Nanyang Technological University in 2004.

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The Group will monitor developments and progress in the Power Plant Business and take the necessary steps to identify suitable candidates both from within the Group as well as externally to manage the Power Plant Business to take them forward as and when required. The Group intends to take over the existing management of PT KP, which includes PT KP's plant manager who has more than 7 years of experience in the power plant industry and PT KP's maintenance and operation engineer who has more than 30 years of relevant experience.

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 Power Plant Business as and when appropriate. In addition, the Group will evaluate the manpower and expertise required for the Power Plant Business and will as and when required hire suitably qualified personnel, external consultants, external industry experts and professionals for the Power Plant Business.

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 Power Plant Business 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 Power Plant Business periodically.

6.6 SGX-ST Listing Manual

Rule 1002(1) of the Listing Manual provides that "transaction" refers to the acquisition or disposal of assets by an issuer or a subsidiary that is not listed on the SGX-ST or an approved exchange, including an option to acquire or dispose of assets. 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

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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 Power Plant Business will involve new business areas which are substantially different from the existing business of the Group as described in Section 5.1 above, it is envisaged that the Power Plant Business 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 Power Plant Business and which will not change the risk profile of the Group, in an efficient and timely 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 Power Plant Business 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 Power Plant Business exceeds 20% of the relative figures when computed on the bases set out in Rule 1006 of the Listing Manual, 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 Power Plant Business 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 (1) 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 (1) 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 Power Plant Business 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. THE POWER PURCHASE AGREEMENT AS AN INTERESTED PERSON TRANSACTION PURSUANT TO THE COMPLETION OF THE PROPOSED ACQUISITION

7.1 Background

Currently, PT KP has an on-going Power Purchase Agreement with DPP pursuant to which PT KP agrees to sell Electric Power to DPP. DPP operates a coal terminal in Indonesia.

DPP accounted for less than 5% of PT KP's total revenue for FY2015. PT KP is not materially dependent on the Power Purchase Agreement with DPP for the sale of its electricity.

Save for DPP, PT KP does not currently have any customers who are Interested Persons.

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7.2 Salient terms of Power Purchase Agreement

The salient terms of the Power Purchase Agreement are:

(a) Commencement Date

The sale and purchase and the distribution of Electric Power to DPP under the Power Sale Agreement shall commence on the Commencement Date (that is, 2 February 2015) as evidenced by the execution of minutes of acceptance of Electric Power, whereby such minutes shall be binding on the parties, and shall be deemed as evidence of the commencement of Electric Power sale and purchase from PT KP to DPP.

(b) Term

The Power Purchase Agreement shall be valid and binding upon the parties as of the signing date (that is, 2 February 2015) of the Power Purchase Agreement, whereas the sale and purchase of Electric Power shall be valid for a period of seven (7) years as of Commencement Date (that is, 2 February 2015).

The validity period as above can be extended upon the written approval of the parties.

(c) Take or Pay Basis

The parties agree that the sale and purchase of Electric Power pursuant to the Power Purchase Agreement shall be carried out strictly on a Take or Pay Basis, whereby at any time during the term of the Power Purchase Agreement, DPP shall purchase and pay the Electric Power sold by PT KP at a certain minimum amount per month ("**Monthly Minimum Amount**").

The increase of the Monthly Minimum Amount may be adjusted at any time during the term of the Power Purchase Agreement as agreed in writing by the parties and based on the format of purchase order of Electric Power as agreed in writing by the parties.

In the event of failure in the distribution of the Electric Power at the Monthly Minimum Amount, due to certain stipulated circumstances, penalty shall be imposed on the defaulting party which shall be calculated proportionately based on the sale and purchase price of Electric Power, using a certain stipulated pre-determined formula as set out in the Power Purchase Agreement.

(d) Sale and Purchase Price of Electric Power

DPP shall purchase and pay for the Electric Power at a certain agreed price per kWh of Electric Power purchased ("**Purchase Price**"). The Purchase Price was arrived at after negotiations between PT KP and DPP taking into consideration factors such as the prevailing market rates and costs.

The Purchase Price is comparable to the price payable by non-Interested Persons (other than the Major Customer) purchasing electricity during the same period. The Major Customer is charged at a lower rate, as compared to the other customers, because it has committed to purchase all the excess power which has not been sold

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to other customers. Further, the tariff rate which PT KP can charge the Major Customer is regulated by law and is periodically reviewed by the Indonesian government.

The parties agree that the Purchase Price may be adjusted every month in the event of any changes in one (1) or more of the following events ("**Price Adjustment**"):

- (i) price of coal based on the benchmark of the coal price index as stipulated by the relevant Indonesian authorities from time to time;
- (ii) the exchange rate of US\$ to IDR;
- (iii) inflation; or
- (iv) any amendment to laws and regulations and/or other government policies issued by any government authorities in Indonesia.

The Price Adjustment shall be based on a certain stipulated pre-determined formula as set out in the Power Purchase Agreement.

(e) Termination

Either PT KP or DPP can terminate the Power Purchase Agreement unilaterally prior to the expiration date upon the occurrence of any of the stipulated events ("**Event of Default**").

It is an Event of Default of PT KP if:

- (i) PT KP fails to comply with or operate in conformity with any obligation of the Power Purchase Agreement;
- (ii) the failure by PT KP to sell and deliver Electric Power to DPP on the Commencement Date or a prolonged period of time of six (6) months;
- (iii) any warranty, undertaking or representation of PT KP in or given under the Power Purchase Agreement is or becomes false, misleading or incorrect when made or deemed to be false, misleading or incorrect under the Power Purchase Agreement; or
- (iv) PT KP is dissolved or liquidated, declared bankrupt by the court.

It is an Event of Default of DPP if:

- (i) DPP fails to comply with or operate in conformity with any obligation in the Power Purchase Agreement;
- (ii) the failure of DPP to pay the purchase price for the sale and purchase of the Electric Power and/or any penalties (if any) under the Power Purchase Agreement;

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- (iii) any warranty, undertaking or representation of DPP in or given under the Power Purchase Agreement is or becomes false, misleading or incorrect when made or deemed to be false, misleading or incorrect under the Power Purchase Agreement; or
- (iv) DPP is dissolved or liquidated, declared bankrupt by the court.

On the occurrence of any of the Event of Default with regard to any party to the Power Purchase Agreement, the non-defaulting party will be entitled to provide notice in writing to the defaulting party specifying the default or breach requiring the defaulting party to remedy the said default or breach within 30 days of the receipt of such notice (**“Remedial Notice”**).

If the non-defaulting party has sent at least three (3) Remedial Notices, and the defaulting party fails to remedy relevant default or breach within the Remedial Notice, despite having been warned three (3) times, then such non-defaulting party may terminate the Power Purchase Agreement by submitting a 14 calendar days prior notice, notifying the termination.

In the event of termination of the Power Purchase Agreement, the parties agree to waive the provisions of Articles 1266 and 1267 of the Indonesian Civil Code insofar as a court order or other judicial pronouncement would otherwise be required to terminate the Power Purchase Agreement. The parties also agree that Article 1267 of the Indonesia Civil Code shall not be interpreted so that only the court has the jurisdiction to render a decision on the execution of agreement and/or award of damages.

Upon the termination of the Power Purchase Agreement, PT KP shall take into account all obligations that remains outstanding from DPP to PT KP up to the date of termination, and PT KP reserves the right to deduct such outstanding obligations by way of set off with any balance in security deposit, deposited by DPP to PT KP pursuant to the provisions of the Power Purchase Agreement, and PT KP shall return any remaining balance in security deposit after such deduction back to DPP in accordance with the procedures set out in the Power Purchase Agreement.

If, after such deduction, any outstanding obligation which has not been performed by one (1) party to another party remains, the relevant party shall remain responsible for all such obligations arising prior to the termination of the Power Purchase Agreement.

7.3 Rationale for and benefit to PT KP

Under the Power Purchase Agreement, DPP shall purchase and pay the Electric Power sold by PT KP at the Monthly Minimum Amount. Hence, the Power Purchase Agreement is expected to provide monthly minimum guaranteed sales and, in turn, earnings for PT KP, and this is expected to contribute positively to the Group’s financial performance.

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7.4 Application of Chapter 9 of the Listing Manual

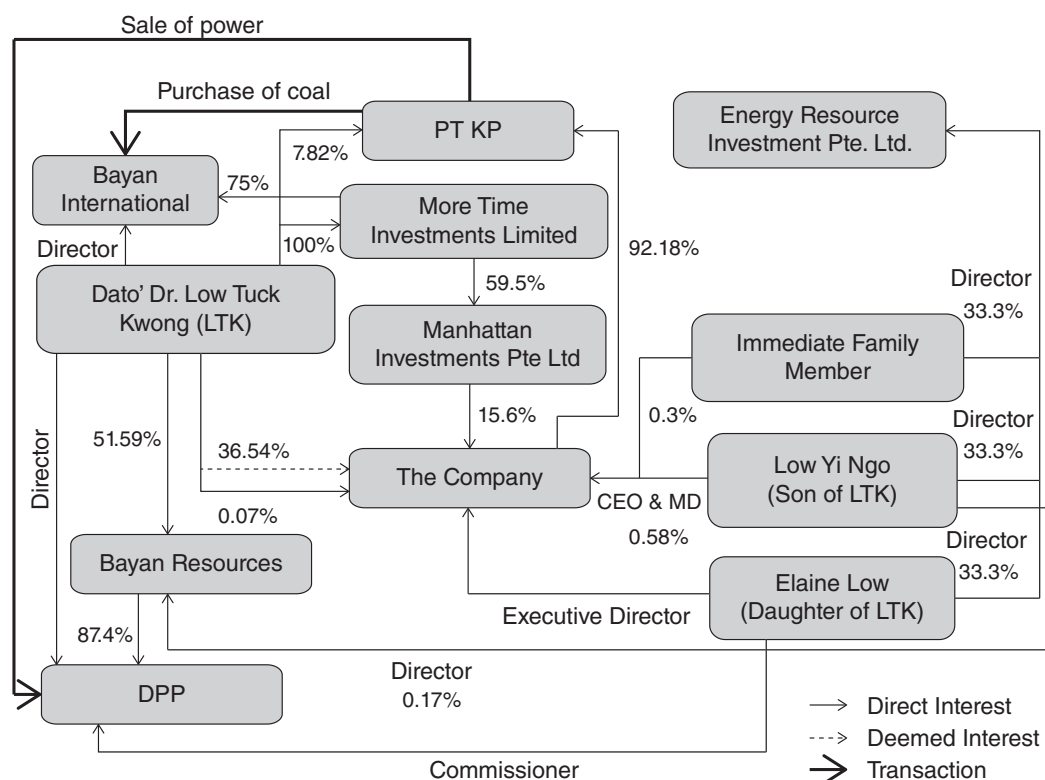
(a) Entity at Risk

Pursuant to the completion of the Proposed Acquisition, PT KP will become an indirect subsidiary of the Company, and accordingly will constitute an Entity at Risk.

(b) The Interested Person

- (i) LTK is a Controlling Shareholder of the Company and has, as at the Latest Practicable Date, a total interest, both direct and deemed, of approximately 36.61% in the issued and paid-up capital of the Company. Mr Low Yi Ngo (son of LTK) is the Chief Executive Officer and Managing Director and Shareholder of the Company. Ms Elaine Low (daughter of LTK) is an Executive Director of the Company.
- (ii) DPP is 87.4% owned by Bayan Resources, the remaining shareholding interests in DPP are held by a non-Interested Person. As at the Latest Practicable Date, each of LTK and Mr Low Yi Ngo owns 51.59% and 0.17% of Bayan Resources, respectively. LTK and Mr Low Yi Ngo are therefore deemed to be interested in the share capital of DPP. LTK is a director of DPP and Ms Elaine Low is a commissioner of DPP. Save for LTK and Ms Elaine Low, none of the directors and commissioners of DPP are Interested Persons.
- (iii) As a result of LTK's and Mr Low Yi Ngo's deemed interest in DPP, DPP is considered an Associate of each of LTK, Mr Low Yi Ngo and Ms Elaine Low and, consequently, an Interested Person under Chapter 9 of the Listing Manual.

For ease of reference, we set out below a diagram illustrating the sale of power to DPP as an Interested Person Transaction pursuant to the completion of the Proposed Acquisition:



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(c) **The Interested Person Transaction**

Assuming solely for illustrative purposes only that DPP purchases the Monthly Minimum Amount for a period of 12 months at the Purchase Price ("**Minimum Purchase Scenario**") and based on the Group's latest audited NTA attributable to the equity holders of the Company of S\$113,091,000 as at 31 December 2015, the value of the Power Purchase Agreement is approximately S\$3,000,000, which represents approximately 2.7% of the Group's latest NTA attributable to the equity holders of the Company.

Shareholders should note that the values as indicated in the Minimum Purchase Scenario are not representative of the actual amount PT KP may in fact be able to receive from DPP under the Power Purchase Agreement because DPP may purchase more than the Monthly Minimum Amount every month.

Notwithstanding that under the Minimum Purchase Scenario, the value of the Power Purchase Agreement does not exceed 5% of the Group's latest NTA, the Company has decided to seek Shareholders' approval for the Power Purchase Agreement as an Interested Person Transaction because of, amongst others, the possibility that DPP may purchase more than the Monthly Minimum Amount in the future.

7.4A Review Procedures by the Audit Committee in relation to the Power Purchase Agreement

The Audit Committee shall review all transactions undertaken pursuant to the Power Purchase Agreement with accompanying relevant information and reports on a quarterly basis (or such other frequent basis as may be required or as the Audit Committee may deem necessary) to ascertain that the terms of the Power Purchase Agreement have been complied with. The Audit Committee may request for additional information pertaining to the transaction(s) under review as it deems fit.

If during the review by the Audit Committee, the Audit Committee is of the view that the terms of the Power Purchase Agreement have not been complied with, it will take such actions as it deems appropriate and/or to establish additional procedures as necessary to ensure that transactions undertaken pursuant to the Power Purchase Agreement will be conducted in accordance with the terms of the Power Purchase Agreement, and will not be prejudicial to the interests of the Company and its minority Shareholders.

7.5 Advice of the IFA to the Independent Directors

Pursuant to Chapter 9 of the Listing Manual, NRA Capital Pte. Ltd. has been appointed as the IFA to advise the Independent Directors on whether or not the Power Purchase Agreement as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

Based on the key considerations set out in the IFA Letter at Appendix C to this Circular, NRA Capital Pte. Ltd. is of the opinion that the Power Purchase Agreement is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

A copy of the IFA Letter, setting out the IFA's opinion and advice in full, is reproduced at Appendix C to this Circular. **Shareholders are advised to read the IFA Letter carefully.**

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8. THE COAL SALES AND PURCHASE AGREEMENT AS AN INTERESTED PERSON TRANSACTION PURSUANT TO THE COMPLETION OF THE PROPOSED ACQUISITION

8.1 Background

Currently, PT KP has an on-going Coal Sales and Purchase Agreement with Bayan International pursuant to which Bayan International agrees to sell and deliver and PT KP shall purchase and accept a certain amount of steam coal meeting certain specified specifications as set out in the Coal Sales and Purchase Agreement (“**Coal**”). PT KP decided to purchase coal from Bayan International after taking into consideration cost factors and proximity and logistics matters.

The principal activities of Bayan International are investment holding and general wholesale trade (including general importers and exporters).

Prior to 1 October 2015 (that is, the date which the Coal Sales and Purchase Agreement with Bayan International came into effect), PT KP purchased its coal from Bayan Resources and its subsidiaries; however, those agreements have expired in December 2015. From 1 October 2015, PT KP has been purchasing coal from Bayan International pursuant to the Coal Sales and Purchase Agreement. The percentage of PT KP’s total purchase of coal from Bayan International against its total coal purchases from November 2014 to December 2015 was approximately 23%. Notwithstanding that PT KP currently purchases coal from Bayan International only, the Company believes that PT KP is not materially dependent on the Coal Sales and Purchase Agreement with Bayan International, and PT KP is able to obtain coal from other alternative suppliers in the market without significant difficulties.

Save for Bayan International, PT KP does not currently have any suppliers who are Interested Persons.

8.2 Salient terms of the Coal Sales and Purchase Agreement

The salient terms of the Coal Sales and Purchase Agreement are:

(a) Term

The term of the Coal Sales and Purchase Agreement shall come into effect from the date of the Coal Sales and Purchase Agreement (that is, 1 October 2015) and expire on 30 April 2017, subject to any extensions that may be agreed to by the parties.

(b) Quantity

Bayan International shall sell and deliver and PT KP shall purchase and accept approximately 225,000 to 275,000 MT of Coal. This quantity is the estimated quantity of coal required for PT KP’s power plant operations for the term of the Coal Sales and Purchase Agreement.

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(c) Price

The price of coal ("**Coal Price**") shall be calculated in accordance with a certain pre-determined formula based on certain publicly available independent coal indices (which are published monthly) on a free on board (FOB) basis calorific value 4,150 kcal/kg.

The Coal Price paid to Bayan International for the purchase of coal is comparable to the prices paid to other suppliers of coal of similar coal specifications (who are non-Interested Persons) and such prices are also determined by certain pre-determined formula based on publicly available independent indices, and are in accordance with prevailing market rates.

The price is inclusive of all taxes, and PT KP shall not be liable for any tax whatsoever that may occur to the transaction under the Coal Sales and Purchase Agreement.

(d) Price Adjustment and Weight Adjustment

The Coal Sales and Purchase Agreement provides for price adjustments based on quality determinations at the agreed stockpile in accordance with the provisions on sampling and coal analysis in the Coal Sales and Purchase Agreement, in the case where the certified gross calorific value on an as received basis is above or below 4,150 kcal/kg but within the rejection limit then the case price of Coal shall be adjusted by a certain pre-determined formula.

There shall be no bonus/penalty/price adjustment for other parameters.

(e) Liquidated Ascertained Damages

The parties agree that in the event that Bayan International fails to deliver Coal in accordance with the Coal Sales and Purchase Agreement, excluding any events of force majeure, Bayan International shall pay PT KP liquidated damages equivalent to the difference between the contractual price for Coal under the Coal Sales and Purchase Agreement and the actual price PT KP has to pay for similar Coal sourced through alternative suppliers.

(f) Termination

The Coal Sales and Purchase Agreement may be terminated by any party at any time before the expiry date if either party commits a material breach of the Coal Sales and Purchase Agreement. The other party shall give written notice of such breach to the party committing the breach and if such breach is not remedied within certain stipulated number of days after receiving such notice, such party may terminate the Coal Sales and Purchase Agreement at any time thereafter by giving prior written notice.

The termination of the Coal Sales and Purchase Agreement from any cause mentioned in the above paragraph shall not release any party from any liability which at the time of termination has already accrued to any party.

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8.3 Rationale for and benefit to PT KP

The power plant operated by PT KP requires coal as one (1) of the essential raw materials to generate electricity. In this connection, the Coal Sales and Purchase Agreement will provide PT KP with a stable supply of coal, which is an essential raw material required for its operations.

8.4 Application of Chapter 9 of the Listing Manual

(a) Entity at Risk

Pursuant to the completion of the Proposed Acquisition, PT KP will become an indirect subsidiary of the Company, and accordingly will constitute an Entity at Risk.

(b) The Interested Person

- (i) LTK is a Controlling Shareholder of the Company and has, as at the Latest Practicable Date, a total interest, both direct and deemed, of approximately 36.61% in the issued and paid-up capital of the Company. Mr Low Yi Ngo (son of LTK) is the Chief Executive Officer and Managing Director and Shareholder of the Company. Ms Elaine Low (daughter of LTK) is an Executive Director of the Company.
- (ii) Bayan International is 75% owned by More Time Investments Limited which, in turn, is wholly owned by LTK. LTK is therefore deemed to be interested in the share capital of Bayan International. LTK is a director of Bayan International.

The remaining 25% shareholding interests in Bayan International are held by four (4) other shareholders who are not Interested Persons. Save for LTK and More Time Investments Limited, none of the directors and shareholders of Bayan International are Interested Persons.

- (iii) As a result of LTK's deemed interest in Bayan International, Bayan International is considered an Associate of each of LTK, Mr Low Yi Ngo and Ms Elaine Low and, consequently, an Interested Person under Chapter 9 of the Listing Manual.

For ease of reference, we set out in Section 7.4 of this Circular a diagram illustrating the purchase of coal from Bayan International as an Interested Person Transaction pursuant to the completion of the Proposed Acquisition.

(c) The Interested Person Transaction

Typically, PT KP will place orders for a certain quantity of coal to be delivered by Bayan International, as and when required. However, the Coal Price to be paid for each order may differ as the Coal Price is calculated in accordance with a certain pre-determined formula based on certain publicly available independent coal indices (which are published monthly). Accordingly, the Company is not able to determine the actual value of the Coal Sales and Purchase Agreement.

LETTER TO SHAREHOLDERS

Purely for illustration purposes only, the average monthly price paid for past orders of coal for PT KP's first power plant unit in the fourth quarter of 2015 from Bayan International was approximately US\$300,000¹ (approximately S\$405,000) ("**Average Monthly Price**"), and assuming that PT KP orders coal every month and is charged the Average Monthly Price for the remaining term of the Coal Sales and Purchase Agreement from the Latest Practicable Date (that is, approximately 12 months), the value is approximately US\$3,600,000 (approximately S\$4,860,000), based on the Group's latest audited NTA attributable to the equity holders of the Company of S\$113,091,000 as at 31 December 2015, the value represents approximately 4.3% of the Group's latest audited NTA attributable to the equity holders of the Company ("**Historical Orders Illustration**").

Shareholders should note that the values as indicated in the Historical Orders Illustration are not representative of the actual amount that PT KP has to pay for future orders of coal from Bayan International because, amongst other reasons, PT KP will purchase more coal in the future with the second power plant unit becoming operational and the coal prices used in the Historical Orders Illustration are based on past figures which are not representative of the future coal prices which are based on independent coal indices which vary from month to month.

Notwithstanding, the Company has decided to seek Shareholders' approval for the Coal Sales and Purchase Agreement as an Interested Person Transaction because, amongst others, the Coal Sales and Purchase Agreement provides PT KP with a stable supply of coal, which is an essential raw material required for its operations.

8.4A **Review Procedures by the Audit Committee in relation to the Coal Sales and Purchase Agreement**

The Audit Committee shall review all transactions undertaken pursuant to the Coal Sales and Purchase Agreement with accompanying relevant information and reports on a quarterly basis (or such other frequent basis as may be required or as the Audit Committee may deem necessary) to ascertain that the terms of the Coal Sales and Purchase Agreement have been complied with. The Audit Committee may request for additional information pertaining to the transaction(s) under review as it deems fit.

If during the review by the Audit Committee, the Audit Committee is of the view that the terms of the Coal Sales and Purchase Agreement have not been complied with, it will take such actions as it deems appropriate and/or to establish additional procedures as necessary to ensure that transactions undertaken pursuant to the Coal Sales and Purchase Agreement will be conducted in accordance with the terms of the Coal Sales and Purchase Agreement, and will not be prejudicial to the interests of the Company and its minority Shareholders.

¹ PT KP's second power plant unit was completed in October 2015 but has not commenced sales of electricity as at 31 December 2015. Hence, the Average Monthly Price of approximately US\$300,000 (approximately S\$405,000) for the past orders of coal in the fourth quarter of 2015 from Bayan International is representative of the average monthly price paid for coal ordered for one (1) of the power plant units which was operational during that period of time.

LETTER TO SHAREHOLDERS

8.5 Advice of the IFA to the Independent Directors

Pursuant to Chapter 9 of the Listing Manual, NRA Capital Pte. Ltd. has been appointed as the IFA to advise the Independent Directors on whether the Coal Sales and Purchase Agreement as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

Based on the key considerations set out in the IFA Letter at Appendix C to this Circular, NRA Capital Pte. Ltd. is of the opinion that the Coal Sales and Purchase Agreement is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

A copy of the IFA Letter, setting out the IFA's opinion and advice in full, is reproduced at Appendix C to this Circular. **Shareholders are advised to read the IFA Letter carefully.**

9. INTERESTED PERSON TRANSACTIONS FOR THE CURRENT FINANCIAL YEAR

9.1 Transactions with ERI

Save for the Proposed Acquisition, the Group does not have any other Interested Person Transaction of aggregate value more than S\$100,000 with ERI for the current financial year beginning 1 January 2016 and up to the Latest Practicable Date.

9.2 Transactions with DPP

Save for the Power Purchase Agreement, the Group does not have any other Interested Person Transaction of aggregate value more than S\$100,000 with DPP for the current financial year beginning 1 January 2016 and up to the Latest Practicable Date.

9.3 Transactions with Bayan International

Save for the Coal Sales and Purchase Agreement, the Group does not have any other Interested Person Transaction of aggregate value more than S\$100,000 with Bayan International for the current financial year beginning 1 January 2016 and up to the Latest Practicable Date.

9.4 Total value of all Interested Person Transactions for the current financial year

The total value of all Interested Person Transactions entered into by the Group (excluding (a) the abovementioned Interested Person Transactions with ERI, DPP and Bayan International; and (b) all transactions less than S\$100,000) for the current financial year beginning 1 January 2016 up to the Latest Practicable Date is approximately S\$2,400,000.

10. AUDIT COMMITTEE STATEMENT

As at the Latest Practicable Date, the Audit Committee comprises Liow Keng Teck, Oliver Khaw Kar Heng and Tung Zhihong, Paul.

LETTER TO SHAREHOLDERS

10.1 Proposed Acquisition as an Interested Person Transaction

The Audit Committee has considered, amongst others, the terms, rationale and benefits of the Proposed Acquisition and the IFA Letter in relation to, amongst others, the Proposed Acquisition, and is of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

10.2 Power Purchase Agreement as an Interested Person Transaction

The Audit Committee has considered, amongst others, the terms, rationale and benefits of the Power Purchase Agreement and the IFA Letter in relation to, amongst others, the Power Purchase Agreement, and is of the view that the Power Purchase Agreement is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

10.3 Coal Sales and Purchase Agreement as an Interested Person Transaction

The Audit Committee has considered, amongst others, the terms, rationale and benefit of the Coal Sales and Purchase Agreement and the IFA Letter in relation to, amongst others, the Coal Sales and Purchase Agreement, and is of the view that the Coal Sales and Purchase Agreement is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

11. ABSTENTION FROM VOTING

11.1 Proposed Acquisition

Pursuant to Rule 919 of the Listing Manual, to the extent that they are Shareholders, ERI, LTK, Mr Low Yi Ngo and Ms Elaine Low will abstain, and will procure that their respective Associates will abstain, from voting at the EGM in relation to the Proposed Acquisition, and will not accept appointments as proxies unless the independent Shareholders appointing them as proxies give specific instructions in the relevant Proxy Form on the manner in which they wish their votes to be cast for the resolutions.

11.2 Power Purchase Agreement

Pursuant to Rule 919 of the Listing Manual, to the extent that they are Shareholders, DPP, LTK, Mr Low Yi Ngo and Ms Elaine Low will abstain, and will procure that their respective Associates will abstain, from voting at the EGM in relation to the Power Purchase Agreement, and will not accept appointments as proxies unless the independent Shareholders appointing them as proxies give specific instructions in the relevant Proxy Form on the manner in which they wish their votes to be cast for the resolutions.

11.3 Coal Sales and Purchase Agreement

Pursuant to Rule 919 of the Listing Manual, to the extent that they are Shareholders, Bayan International, LTK, Mr Low Yi Ngo and Ms Elaine Low will abstain, and will procure that their respective Associates will abstain, from voting at the EGM in relation to the Coal Sales and Purchase Agreement, and will not accept appointments as proxies unless the independent Shareholders appointing them as proxies give specific instructions in the relevant Proxy Form on the manner in which they wish their votes to be cast for the resolutions.

LETTER TO SHAREHOLDERS

12. CONSENTS

12.1 IFA

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter reproduced in Appendix C and all references thereto in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

12.2 BDO Advisory

BDO Advisory, who is the Independent Valuer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the Summary Valuation Letter reproduced in Appendix B and all references thereto in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

12.3 KJPP Jimmy Prasetyo & Rekan

KJPP Jimmy Prasetyo & Rekan, who is the Land Valuer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

13. DIRECTORS' RECOMMENDATIONS

13.1 Proposed Acquisition

Having considered, amongst others, the terms of the Proposed Acquisition, the rationale and benefits of the Proposed Acquisition and the advice of the IFA, the Independent Directors are of the opinion that the Proposed Acquisition is on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders and recommend that the independent Shareholders vote in favour of the ordinary resolution in relation to the Proposed Acquisition at the EGM.

13.2 Proposed Diversification

Having considered, amongst others, the rationale of the Proposed Diversification into the Power Plant Business, the Directors are of the view that the Proposed Diversification into the Power Plant Business is in the best interests of the Company. Accordingly, the Directors recommend that the Shareholders vote in favour of the ordinary resolution in relation to the Proposed Diversification into the Power Plant Business at the EGM.

13.3 Power Purchase Agreement

Having considered, amongst others, the terms of the Power Purchase Agreement, the rationale and benefits of the Power Purchase Agreement and the advice of the IFA, the Independent Directors are of the opinion that the Power Purchase Agreement is on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders and recommend that the independent Shareholders vote in favour of the ordinary resolution in relation to the Power Purchase Agreement at the EGM.

LETTER TO SHAREHOLDERS

13.4 Coal Sales and Purchase Agreement

Having considered, amongst others, the terms of the Coal Sales and Purchase Agreement, the rationale and benefits of the Coal Sales and Purchase Agreement and the advice of the IFA, the Independent Directors are of the opinion that the Coal Sales and Purchase Agreement is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders and recommend that the independent Shareholders vote in favour of the ordinary resolution in relation to the Coal Sales and Purchase Agreement at the EGM.

14. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors and substantial shareholders of the Company in issued Shares, based on the Company's Register of Directors' Shareholdings and the Company's Register of Substantial Shareholders, are as follows:

	Number of Shares		Total	Number of Shares comprised in outstanding Share Options
	Direct Interest	Deemed Interest	% ⁽¹⁾	
Directors				
Liow Keng Teck	1,392,000	—	0.24	250,000
Low Yi Ngo	3,300,200	—	0.58	—
Elaine Low	—	—	—	—
Oliver Khaw Kar Heng	—	—	—	—
Tung Zhihong, Paul	—	—	—	—
Substantial Shareholders				
LTK	373,637	207,735,764 ⁽²⁾	36.61	—
Manhattan Investments Pte Ltd	88,701,764	—	15.60	—
More Time Investments Limited	—	88,701,764 ⁽³⁾	15.60	—
Xu Yuan Xing	—	75,852,792 ⁽⁴⁾	13.34	—
Mohamed Abdul Jaleel s/o Muthumaricar Shaik Mohamed	1,722,000	40,328,000 ⁽⁵⁾	7.39	—

Notes:

- (1) The shareholding interest is calculated based on the total issued and paid-up share capital of the Company comprising 568,490,975 Shares as at the Latest Practicable Date.

LETTER TO SHAREHOLDERS

- (2) LTK is deemed interested in 207,735,764 Shares, of which 117,344,000 Shares are registered in the name of Raffles Nominees (Pte) Limited, 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 ABN AMRO Nominees Singapore Pte Ltd.
- (3) More Time Investments Limited is deemed interested in 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 75,852,792 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 40,328,000 Shares, of which 17,834,000 Shares are registered in the name of BNP Paribas Nominees Singapore Pte. Ltd., 13,494,000 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.

15. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out in this Circular, will be held at MND Auditorium, 9 Maxwell Road, Annexe A, MND Complex, Singapore 069112 on Wednesday, 29 June 2016 at 10:30 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 as set out on pages N-1 to N-4 of this Circular.

16. ACTION TO BE TAKEN BY SHAREHOLDERS

16.1 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 registered office of the Company at 133 New Bridge Road, #18-09 Chinatown Point, Singapore 059413 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.

16.2 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 72 hours before the time fixed for the EGM.

17. 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 Proposals, the Company 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.

LETTER TO SHAREHOLDERS

18. INSPECTION OF DOCUMENTS

The following documents are 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 commencing from the date of this Circular:

- (i) the Annual Report of the Company for the financial year ended 31 December 2015;
- (ii) the Constitution of the Company;
- (iii) the MOU;
- (iv) the Sale and Purchase Agreement;
- (v) the letters of consent referred to in Section 12 of this Circular;
- (vi) the Summary Valuation Letter;
- (vii) the Independent Valuation Report;
- (viii) the Land Valuation Report;
- (ix) the IFA Letter;
- (x) the Power Purchase Agreement; and
- (xi) the Coal Sales and Purchase Agreement.

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

Liow Keng Teck
Board Chairman

14 June 2016

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APPENDIX A – PT KP MAIN LICENCES, PERMITS AND APPROVALS

As at the Latest Practicable Date, the following are the main licences, permits and approvals obtained by PT KP for its operations apart from those pertaining to general business registration requirements:

Licence, permit or approval	Issuing entity/ administrative body	Description	Expiry Date
Business Licences			
Decision of the Minister of Energy and Mineral Resources No. 327-12/20/600.3/2008 dated 2 September 2008 concerning Designation of Business Territory of the Electricity Provider for Public Interest	Director General of Electricity and Energy Utilization for and on behalf of the Minister of Energy and Mineral Resources	Determination of the business territory in which PT KP could sell its electricity power, as follows: Kariangau Industry Zone – Kelurahan Kariangau – Kecamatan West Balikpapan – Balikpapan City – East Kalimantan Province	Subject to the expiry of Electricity Supply Business Licence
Decision of Balikpapan Mayor No. 188.45/18/BPMP2T/IV/2013 dated 1 April 2013 concerning Electricity Supply Business Licence (<i>Izin Usaha Penyediaan Tenaga Listrik</i>)	Mayor of Balikpapan	To grant the electricity provider business licence with the following details: – Business activities: electricity supply for public interest (power plant, electricity transmission, electricity distribution, and/or sale of electricity) – Activity location: Kariangau Industry Zone, Kelurahan Kariangau, Kecamatan West Balikpapan, Balikpapan City – Capacity: 2x15MW	15 years since the date of issuance

APPENDIX A – PT KP MAIN LICENCES, PERMITS AND APPROVALS

Licence, permit or approval	Issuing entity/ administrative body	Description	Expiry Date
Commissioning Technical Recommendation of Coal-Steam Power Plant (PLTU <i>Batu Bara</i>) No. 136/RT/ESE-JKT/ULO-KIT-U/X/2015 dated 3 October 2015 (Unit#1)	PT Energy Solusi Electrindo	Based on the technical recommendation the power plant could be operated up to 15MW and it is recommended to issue a Commission Certificate	–
Commissioning Technical Recommendation of Coal-Steam Power Plant (<i>Pembangkit Listrik Tenaga Uap “PLTU” Batu Bara</i>) No. 097/RT/ESE-JKT/ULO.KIT-U/XI/2014 dated 8 November 2014 (Unit#2)	PT Energy Solusi Electrindo	Based on the technical recommendation the power plant could be operated up to 12MW	–
Certificate of Commissioning No. 671.12/09/I-LPE dated 7 May 2015	Mining and Energy Agency of the Provincial Government of East Kalimantan	Certificate of commissioning of PT KP's power plant for the capacity of 18.75MVA	Shall be re-examined every five (5) years since the date of the issuance
Certificate of Commissioning No. 671.12/10/I-LPE dated 7 May 2015	Mining and Energy Agency of the Provincial Government of East Kalimantan	Certificate of commissioning of PT KP's medium voltage network from the power plant to connecting station (<i>gardu penghubung</i>) for 20 kV	Shall be re-examined every five (5) years since the date of the issuance
Certificate of Commissioning No. 671.12/11/I-LPE dated 7 May 2015	Mining and Energy Agency of the Provincial Government of East Kalimantan	Certificate of commissioning of PT KP's medium voltage network from the central station (<i>gardu central</i>) to BCT station (<i>gardu BCT</i>) for 20 kV	Shall be re-examined every five (5) years since the date of the issuance

APPENDIX A – PT KP MAIN LICENCES, PERMITS AND APPROVALS

Licence, permit or approval	Issuing entity/ administrative body	Description	Expiry Date
Certificate of Commissioning No. 671.12/12/I-LPE dated 7 May 2015	Mining and Energy Agency of the Provincial Government of East Kalimantan	Certificate of commissioning of PT KP's medium voltage network from the power plant to central station (<i>gardu central</i>) for 20 kV.	Shall be re-examined every five (5) years since the date of the issuance
Registration of Capital Investment No. 01460/1/PPM/PMA/2010 dated 22 July 2010	The Investment Coordinating Board (Badan Koordinasi Penanaman Modal – “BKPM”)	To grant the preliminary approval to PT KP with the following details: – line of business: power plant – project location: Balikpapan City, East Kalimantan – investment value: IDR180,000,000,000 – Production capacity: 11 MW	–
Amendment of the Principle Licence No. 852/1/IP-PB/PMA/2016 dated 11 March 2016	BKPM	To grant the approval to PT KP for the following: a. to change PT KP's address from South Jakarta to Balikpapan City; b. to increase the Company's authorised and paid-up capital from Rp45,000,000,000 to become Rp431,535,000,000; c. the composition of the shareholders: (i) Energy Resource Investment Pte. Ltd. (Rp397,785,000,000) (ii) Low Tuck Kwong (Rp33,750,000,000)	–

APPENDIX A – PT KP MAIN LICENCES, PERMITS AND APPROVALS

Licence, permit or approval	Issuing entity/ administrative body	Description	Expiry Date
Producer-Importer Identification Number No. 161109719-B dated 28 August 2014	BKPM	Import facility of PT KP	Shall be re-registered every five (5) years
Employment Licences			
Mandatory Employment Report No. 1965/41001/647100/II/2015 dated 7 September 2015	Manpower and Social Office of Balikpapan City	Stating that PT KP has 27 employees	3 September 2016
Participation Certificates No. 1400000006223 dated 10 March 2014 and No. 1500000010411 dated 26 August 2015	Workers Social Security Agency (<i>Badan Penyelenggara Jaminan Sosial Ketenagakerjaan</i> (“ BPJS Ketenagakerjaan ”))	PT KP is registered as the participant of BPJS Ketenagakerjaan under the Registration No. JJ057279 (Jakarta Office)	–
Directorate General of Industrial Relation Development and Employee Social Security Decision No. KEP. 856/PHIJSK-PKKAD/PP/VII/2015 regarding Legalisation of PT Kariangau Power’s Company Regulation dated 28 July 2015	Directorate General of Industrial Relation Development and Employee Social Security	PT KP’s Company Regulations has been legalised and then registered to the Directorate General of Industrial Relation Development and Employee Social Security	2017
Participation Certificate No. 1500000019302 dated 24 March 2015	BPJS Ketenagakerjaan	PT KP is registered as the participant of BPJS Ketenagakerjaan under the Registration No. 15009246 (Balikpapan Office)	–

APPENDIX A – PT KP MAIN LICENCES, PERMITS AND APPROVALS

Licence, permit or approval	Issuing entity/ administrative body	Description	Expiry Date
Director General for Manpower Development and Placement No. Kep10884/PPTK/PTA/2015 dated 29 May 2015 concerning Approval of Expatriate Manpower Utilization Plan	Directorate General of Manpower Development and Placement	To approve the extension and amendment to PT KP's Expatriate Manpower Utilization Plan for: – 1 (one) year from 2015 until 31 December 2016 – 8 positions with 10 foreign employees – designated locations are as follow: (i) Balikpapan (City), (ii) West Jakarta (City), (iii) Central Jakarta (City), (iv) South Jakarta (City), (v) East Jakarta (City), (vi) North Jakarta (City), and (vii) Samarinda (City)	31 December 2016
Environmental Licences			
Nuisance permit (Izin Gangguan) No. 001673/BPMP2T/IG/2013 dated 19 June 2013	Investment and Integrated Licensing Board (<i>Badan Penanaman Modal dan Pelayanan Perizinan Terpadu</i>) of the City Government of Balikpapan – “BKPMMD”	To grant the nuisance permit to PT KP	19 June 2016
General Licences			
Letter of Domicile No. 400/554/PEMB dated 4 September 2007	Head of Damai Sub-District, Balikpapan City	Stating that PT KP is having its address at Balikpapan Baru Blok D-4 No. 10 RT. 048, Damai District, South Balikpapan District, Balikpapan City	–
Company Registration Certificate (<i>Tanda Daftar Perusahaan</i> – TDP) No. 17051350518 dated 18 January 2016	BKPMMD	Stating the registration number of PT KP	16 February 2021

APPENDIX A – PT KP MAIN LICENCES, PERMITS AND APPROVALS

Licence, permit or approval	Issuing entity/ administrative body	Description	Expiry Date
Tax Registration Statement Letter No. PEM-00048/WPJ.14/KP.050 3/2014 dated 6 January 2014	Tax Office of Balikpapan, Regional Tax Office of East Kalimantan	Confirming that PT KP is registered under Taxpayer Registration Number (<i>Nomor Pokok Wajib Pajak – NPWP</i>) No. 02.724.106.6.725.000	–
Taxable Entrepreneur Confirmation Letter (<i>Surat Pengukuhan Pengusaha Kena Pajak – SPPKP</i>) No. PEM-00438/WPJ.14/KP.050 3/2014 dated 6 January 2014	Tax Office of Balikpapan, Regional Tax Office of East Kalimantan	Confirming that PT KP has been registered as the Taxable Entrepreneur (PKP)	–
Building Permit			
Permit to Establish Building (Building Permit) No. 0077/DTKP/BB/KRU dated 27 January 2012	Landscaping and Housing Agency of the City Government of Balikpapan	PT KP is permitted to build building on the land located in Teluk Tebang Kariangau, Kelurahan Kariangau, Kecamatan West Balikpapan, with the total size of building of 11,419 m ² for coal fired steam power plant	–

APPENDIX B – SUMMARY VALUATION LETTER

The Board of Directors

Manhattan Resources Limited
133 New Bridge Road
#18-09, Chinatown point
Singapore 059413

14 June 2016

Proposed acquisition of PT Kariangau Power (“PTKP”)

Dear Sirs,

1) Introduction

BDO Advisory Pte Ltd (“**BDO Advisory**”) has been appointed by the Board of Directors (“**Directors**”) of Manhattan Resources Limited (“**the Company**”) to perform an indicative valuation of the entire issued and paid-up share capital of PT Kariangau Power as at 31 December 2015.

This letter has been prepared in pursuant to Rule 1014 of the Singapore Exchange Securities Trading Limited Listing Manual and for the purpose of disclosure as an appendix to the Company’s Circular to be issued in relation to, *inter alia*, the proposed PTKP acquisition. This letter is a summary containing information from our Independent Valuation Report dated 25 February 2016 (the “**Valuation Report**”). Accordingly, this letter and its contents should be read in conjunction with the full text in the full Valuation Report.

2) Terms of reference

The objective of this letter is to provide an independent view of the fair market value of the entire issued and paid-up share capital of PTKP as at 31 December 2015 (the “**Valuation Date**”).

We are not expressing an opinion on the commercial merits and structure of the proposed PTKP acquisition and accordingly, this letter and the Valuation Report do not purport to contain all the information that may be necessary to fully evaluate the commercial or investment merits of the proposed PTKP acquisition by the shareholders of the Company. The assessment of the commercial and investment merits of the proposed PTKP acquisition is solely the responsibility of the Directors. In addition, our work should not be constructed as an investment advice to the current or prospective shareholders/investors of the Company.

We have not conducted a comprehensive review of the business, operational or financial conditions of PTKP nor any work in relation to the feasibility of tax efficiency of the business operation of PTKP, and accordingly our Valuation Report does not make any representation or warranty, expressed or implied in this regard.

Our scope in the engagement does not require us to express and we do not express a view on the future prospects of the Company and PTKP, or any views on the future trading process of the shares or the financial condition of the Company upon the completion of *inter alia*, the proposed PTKP acquisition.

APPENDIX B – SUMMARY VALUATION LETTER

Our terms of reference do not require us to provide advice on legal, regulatory, accounting or taxation matters made available to us if the Company has obtained specialist advice, and where we have considered, and where appropriate, relied upon such advice.

The information used by us in preparing the Valuation Report has been obtained from a variety of sources as indicated within the report. While our work has involved analysis of financial information and accounting records, it has not included an audit in accordance with generally accepted auditing standards. Accordingly we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided to us by and on the behalf of the Company.

Budgets/forecasts/projections relate to future events and are based on assumptions which may not remain valid for the whole of the relevant period. Consequently, they cannot be relied upon to the same extent as information derived from audited accounts for completed accounting periods. For these reasons, we express no opinion as to how closely the actual results achieved will correspond to those budgeted/forecasted/projected. Instead, our work is in nature of a review of the information provided to us, and discussions with members of management of the Company, and their professional advisers, and members of management of PTKP.

3) Use of our valuation report and summary valuation letter

Our work will be carried out solely for the purpose of assisting you in connection with the proposed PTKP acquisition. This letter and the Valuation Report resulting from our work may not be used for any other purpose or by any other person, referred to in any document or made available to any party (other than your professional advisers acting in that capacity) without our prior written consent (such consent not to be unreasonably withheld) (including without limitation, the shareholders of the Company, and the prospective investors) except for the purpose of any matter relating to the proposed PTKP acquisition (including making references to and reproduction in the Circular and being made available for inspection). Any recommendation made by the Directors to the shareholders of the Company shall remain the responsibility of such Directors.

4) Reliance on available information and representation from management

In the course of our work, we have held discussions with PTKP and the Company management. We have also examined and relied on information provided by them and reviewed other relevant publicly available information. We have not independently verified all such information provided or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. However, we have a duty to exercise reasonable professional skill and care in performing our work in accordance with the terms of this engagement and have made reasonable enquires and exercised our judgment on the reasonable use of such information. Our work will, where appropriate, be conducted in accordance with applicable professional guidance.

PTKP and the Company have confirmed to us, upon making all reasonable enquiries and to their best knowledge and belief, that the information provided to us constitute full and true disclosure, in all material respects and facts relating to PTKP as required for the purposes of our valuation.

APPENDIX B – SUMMARY VALUATION LETTER

In no circumstances shall we be liable, other than in the event of our bad faith, wilful default for any loss or damage, of whatsoever nature arising from information material to our work being withheld or concealed from us or misrepresented to us by PTKP management and the Directors, employees or staffs of the Company or any other person of whom we have made inquiries of during the course of our work.

5) Valuation methodology

Our basis of the valuation will be made by reference to the open market value. Open market value is “the best price reasonably obtainable in an arm’s length transaction in the open market between a prospective willing prudent purchaser and a prospective willing prudent vendor, each being fully cognisant of all material facts in relation to the asset in questions”.

We have assessed the indicative valuation of PTKP on a finite life basis as at 31 December 2015 by using the discounted cash flows methodology under the income approach. Under this approach and methodology, we have discounted the projected free cash flows of PTKP with discount rates having considered, amongst all relevant risk factors, such as business size, business environment, cost of debt, riskiness of cash flows. The free cash flow of the PTKP has been projected for the period starting from 1 January 2016 to 31 December 2035.

Our valuation is based on various assumptions with respect to PTKP, including their respective present and future financial conditions, business strategies and the environment in which they operates. These assumptions are based on the information that we have been provided and discussions with PTKP and the Company’s management reflecting current expectations on current and future events.

Among other assumptions that are stated in the Valuation Report, the key assumptions are as follows:

1. PTKP will continue as a going concern without any changes in its management;
2. The future operations of PTKP will not be adversely affected by changes to its key personnel, management team and company shareholdings;
3. No audit or review has been carried out on the performance forecasts;
4. The information provided to us by PTKP management reflects the financial positions of PTKP;
5. PTKP has legal title to all assets as mentioned in the financial information provided to us by PTKP management. All assets, which are physically in existence, are in good working condition. There are no risks that any of these assets are subject to compulsory acquisition by any third party or government body;
6. There will be no major changes in the corporate taxation basis or rates applicable to PTKP;
7. Related party transactions, if any, in PTKP are carried out on an arm’s length basis and will continue to be for the foreseeable future even if there are any changes in ownership;
8. The shareholder’s loan as at 31 December 2015 would be considered as equity for the purpose of PTKP valuation;

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9. There are no subsequent events which will have material effect on the unaudited management accounts for the period ended;
10. Our valuation assumes that the Company sells electricity to prime customers at contracted rates, and the excess electricity to a major customer at the existing rates over a 20 year period; and
11. The free cash flow is derived based on coal prices as stipulated in the coal offer letter dated 9 February 2016.

6) Conclusion

In summary and as detailed in the Valuation Report, which should be read in conjunction with this letter to the Directors, the indicative corporate valuation of 100% equity interests in PTKP is in the range of US\$8.3 million to US\$14.7 million as at the Valuation Date. In addition, we have provided the indicative equity value for three different scenarios as follows:

Scenario 1: In the event that PTKP executes a power purchase agreement with one of its potential prime customers, the indicative value will be in the range of US\$24.4 million to US\$32.9 million.

Scenario 2: In the event that PTKP achieves an increment in the electricity rate in an existing power purchase agreement with one of its major customer, the indicative value will be in the range of US\$27.7 million to US\$36.5 million.

Scenario 3: In the event when both Scenario 1 and 2 are met, the indicative value will be in the range of US\$39.1 million to US\$49.4 million.

Base Case Scenario: Based on the existing signed power purchase agreement, the indicative equity value will be in the range of US\$8.3 million to US\$14.7 million.

Our views are based on the current economic, market, industry, regulatory, monetary and other conditions and on the information made available to us as of the date of this letter and the Valuation Report. Such conditions may change significantly over a relatively short period of time and we assume no responsibility and are not required to update, revise or reaffirm our conclusion set out in this letter to reflect events or developments subsequent to the date of this letter and the Valuation Report.

Yours faithfully,
For and on behalf of
BDO Advisory Pte Ltd

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LETTER FROM NRA CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS OF MANHATTAN RESOURCES LIMITED

14 June 2016

The Independent Directors
Manhattan Resources Limited
133 New Bridge Road
#18-09 Chinatown Point
Singapore 059413

Dear Sirs

- (1) **THE PROPOSED ACQUISITION OF 92.18% EQUITY INTEREST IN PT KARIANGAU POWER WHICH CONSTITUTES A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION (“PROPOSED ACQUISITION”)**
- (2) **THE POWER PURCHASE AGREEMENT (AS DEFINED HEREIN) AS AN INTERESTED PERSON TRANSACTION PURSUANT TO THE COMPLETION OF THE PROPOSED ACQUISITION**
- (3) **THE COAL SALES AND PURCHASE AGREEMENT (AS DEFINED HEREIN) AS AN INTERESTED PERSON TRANSACTION PURSUANT TO THE COMPLETION OF THE PROPOSED ACQUISITION**

Unless otherwise defined herein or the context otherwise requires, all capitalised terms used herein shall bear the meanings ascribed to them in the circular dated 14 June 2016 issued by the Company to its shareholders (the “Circular”).

1. INTRODUCTION

- 1.1 **Proposed Acquisition of PT KP:** On 29 April 2016, the Company announced that its wholly-owned subsidiary, SLM Holding Pte. Ltd. (“SLM Holding”), and Energy Resource Investment Pte. Ltd. (“ERI”) had on 28 April 2016 entered into a conditional sale and purchase agreement (“Sale and Purchase Agreement”) pursuant to which SLM Holding will acquire 92.18% equity interest in PT Kariangau Power (“PT KP”) (the “Sale Shares”) from ERI (the “Proposed Acquisition”). The Proposed Acquisition constitutes a major transaction under the Singapore Exchange Securities Trading Limited (“SGX-ST”)’s listing manual (“Listing Manual”) under the Chapter 10 rules and an Interested Person Transaction (which value exceeds 5% of the Company and its subsidiaries’ (the “Group”) latest audited net tangible assets (“NTA”)) under the Chapter 9 rules. Accordingly, the Proposed Acquisition is conditional upon the approval of the shareholders of the Company (“Shareholders”).

Power Purchase Agreement and Coal Sales and Purchase Agreement: Subsequent to the completion of the Proposed Acquisition (“Completion”), PT KP will become an indirect subsidiary of the Company (held through SLM Holding). As of the Latest Practicable Date, PT KP has an on-going power purchase agreement (power purchase agreement between PT KP and PT Dermaga Perkasapratama (“DPP”) dated 2 February 2015 on a take or pay basis) (the “Power Purchase Agreement”) of which PT KP agrees to sell Electric Power to DPP (87.4% of shares held by PT Bayan Resources Tbk (“Bayan Resources”)), a subsidiary of Bayan Resources, and an on-going coal sales and purchase agreement (coal

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sales and purchase agreement dated 1 October 2015 between PT KP and Bayan International Pte. Ltd. (“Bayan International”)) (the “Coal Sales and Purchase Agreement”) with Bayan International, a company in which More Time Investments Limited holds 75% of the ordinary shares. Accordingly, the Power Purchase Agreement and the Coal Sales and Purchase Agreement will each, as a result of PT KP becoming an indirect subsidiary of the Company pursuant to the Completion, constitute an Interested Person Transaction under Chapter 9 of the Listing Manual.

Notwithstanding that the value of the Power Purchase Agreement does not exceed 5% of the Group’s latest NTA under the Minimum Purchase Scenario (as defined below), the Company has, nevertheless, decided to seek Shareholders’ approval for the Power Purchase Agreement as an Interested Person Transaction as the value of the Power Purchase Agreement may potentially exceed the 5% threshold (because of, amongst others, the possibility that DPP may purchase more than the Monthly Minimum Amount (as defined below) in the future). Further, as the Coal Sales and Purchase Agreement may exceed the 5% threshold under Chapter 9 rules (because of, amongst other reasons, PT KP will purchase more coal in the future with the second power plant unit becoming operational), the Company will be seeking Shareholders’ approval for the Coal Sales and Purchase Agreement as an Interested Person Transaction.

Accordingly, NRA Capital Pte. Ltd. (“NRA Capital”) has been appointed as the independent financial adviser to the Independent Directors (as defined below) to provide an opinion on whether the (1) Proposed Acquisition, the (2) Power Purchase Agreement as an Interested Person Transaction and the (3) Coal Sales and Purchase Agreement as an Interested Person Transaction, are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. This letter (the “Letter”) sets out, *inter alia*, our evaluation and assessment of the Proposed Acquisition, the Power Purchase Agreement as an Interested Person Transaction and the Coal Sales and Purchase Agreement as an Interested Person Transaction and our recommendations thereon, and forms part of the Circular providing, *inter alia*, the details of (1), (2) and (3) and the recommendations of the Independent Directors (as defined below) in respect thereof.

2. TERMS OF REFERENCE

The directors who are deemed independent for the purposes of providing recommendations on the (1) Proposed Acquisition, the (2) Power Purchase Agreement as an Interested Person Transaction and the (3) Coal Sales and Purchase Agreement as an Interested Person Transaction to the independent Shareholders (the “Independent Directors”) have appointed NRA Capital to advise them on whether (1), (2) and (3) are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

We were not privy to the negotiations in relation to (1), (2) and (3). We do not, by this Letter, make any representation or warrant the merits of (1), (2) and (3). We have not been requested to, and we do not express an opinion on the relative merits of (1), (2) and (3) as compared to any other alternative transactions that may be contemplated.

In the course of our evaluation, we have relied on publicly available information collated by us as well as information provided and representations made, both written and verbal, by the Directors, the management of the Company (the “Management”) and the professional advisers of the Company. We have not independently verified such

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information or representations, whether written or verbal, and therefore cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. However, we have made such reasonable enquiries and exercised our judgment on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information and representations.

We have relied upon the assurances of the Directors and the Management that, upon making all reasonable enquiries and to the best of their respective knowledge, information and belief, all material information in connection with (1), (2), (3), the Company and the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to (1), (2), (3), the Company and/or the Group to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

In evaluating (1), (2) and (3) and in arriving at our opinion thereon, we are not required to express and we do not express any view on the growth prospects and earnings potential of the Company or the Group or PT KP in connection with our opinion herein. Accordingly, we do not express any view as to the prices at which the ordinary shares in the capital of the Company ("Shares") may trade upon the completion of (1), (2) and (3) or on the future financial performances of the Group after the completion of (1), (2) and (3).

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company or the Group or PT KP (including without limitation, property, plant and equipment) and, have made reference to the information provided to us. With respect to such valuation reports, we are not experts in the evaluation or appraisal of the assets concerned and we have made reference to these valuation reports for such assets appraisal and have not made any independent verification of the contents thereof.

Our opinion as set out in this letter is based upon market, economic, industry, monetary and other conditions prevailing as at 8 June 2016 (the "Latest Practicable Date"), and the information provided and representations made available to us as at the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to their consideration which may be released by the Company after the Latest Practicable Date.

In rendering our opinion, we have not considered the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment profiles and objectives, we recommend that any individual Shareholder who may require specific advice in relation to his investment portfolio or objectives should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation,

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review and verification of the Circular (other than this Letter). Accordingly we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Letter).

Our opinion is addressed to the Independent Directors for their benefit and deliberation of the (1) Proposed Acquisition, the (2) Power Purchase Agreement as an Interested Person Transaction and the (3) Coal Sales and Purchase Agreement as an Interested Person Transaction. The recommendations made by them shall remain the responsibility of the Independent Directors. Our recommendations to the Independent Directors in relation to (1), (2) and (3) should be considered in the context of the entirety of this Letter and the Circular.

3. THE PROPOSED ACQUISITION

3.1 Purchase Consideration

Subject to Adjustment (as defined below) (if any) in accordance with the Sale and Purchase Agreement, the purchase consideration payable by SLM Holding for the Sale Shares ("Purchase Consideration") shall be a sum of up to US\$37 million, which is to be paid as follows:

- (i) **First Tranche Payment:** Within five (5) Business Days (or such number of days as the parties may mutually agree in writing) from the date of the Sale and Purchase Agreement, SLM Holding shall pay to ERI a sum of US\$4 million to be fully satisfied in cash by way of cashier' order, cheque, telegraphic transfer or any other mode as mutually agreed by the parties in writing ("Payment Method"); and
- (ii) **Second Tranche Payment:** On the date falling three (3) days after all the Conditions Precedent have been met, or such other date as the parties may agree in writing ("Completion Date"), SLM Holding shall:
 - (A) in the event that there is no Adjustment to the Purchase Consideration, pay to ERI a sum of US\$33 million ("Remaining Amount") to be fully satisfied in cash in accordance with the Payment Method; or
 - (B) depending on the relevant adjustment event(s) which has/have occurred, pay to ERI the corresponding amount set out in the column entitled "Second Tranche Payment Amount" in the table below, which is to be fully satisfied in cash in accordance with the Payment Method:

Situation No.	Adjustment Event(s)	Second Tranche Payment Amount
1	In the event of both Scenario A/B Adjustment (as defined below) and NCL Adjustment (as defined below)	Scenario A/B Adjusted Amount (as defined below) minus (i) First Tranche Payment; and (ii) NCL Adjustment Amount (as defined below)
2	In the event of Scenario A/B Adjustment only	Scenario A/B Adjusted Amount minus First Tranche Payment
3	In the event of NCL Adjustment only	Remaining Amount minus NCL Adjustment Amount

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The parties agree that all payments made by SLM Holding for the First Tranche Payment under the Sale and Purchase Agreement and before Completion (“Refundable Advances”), are contingent upon Completion. ERI undertakes, in the event that Completion does not occur on or before 30 June 2016 (or such other date as the parties may mutually agree in writing) (“Long Stop Date”), to refund, interest-free, all Refundable Advances to SLM Holding within three (3) Business Days (or such number of days as the parties may mutually agree in writing) after the Long Stop Date.

The Purchase Consideration for the Proposed Acquisition was arrived at on a willing-buyer, willing-seller basis, after taking into account, *inter alia*, the valuation of the Sale Shares in the Independent Valuation Report and the Land Valuation Report (as defined below), earnings and prospects of PT KP.

As at the Latest Practicable Date, the First Tranche Payment has been paid in accordance with the Sale and Purchase Agreement.

Adjustment of Purchase Consideration: The Purchase Consideration shall be adjusted upon the occurrence of the following events, namely (“Adjustment”):

- (a) in the event that PT KP does not:
 - (i) execute a power purchase agreement with one (1) of its potential prime customers (which is not an Interested Person) in accordance with all applicable laws and regulations and the term of such power purchase agreement is to be for three (3) years from the date of the relevant power purchase agreement (“Scenario A”); and/or
 - (ii) achieve an increment of at least 29% in the electricity rate (that is, the price charged for the electricity sold by PT KP) in an existing power purchase agreement with one (1) of its Major Customer (Indonesian state-owned company that distributes electricity in Indonesia) (“Scenario B”),

on such terms which are reasonably satisfactory to SLM Holding on or before the Completion Date (“Scenario A/B Adjustment”), the Purchase Consideration shall be adjusted downwards to US\$21 million (“Scenario A/B Adjusted Amount”). For the avoidance of doubt, the Purchase Consideration of US\$37 million will not be adjusted accordingly as long as Scenario A and/or Scenario B is or are fulfilled by the Completion Date; and/or

- (b) in the event that there is an increase in the net current liability position of PT KP in excess of US\$250,000 between that as reflected in the unaudited management accounts of PT KP issued for the month preceding the Completion Date and that as reflected in PT KP’s unaudited financial statements for the year ended 31 December 2015 (“NCL Adjustment”), the Purchase Consideration shall be adjusted downwards on a dollar-for-dollar basis by the amount in excess of US\$250,000 (“NCL Adjustment Amount”).

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3.2 Independent valuations

In connection with the Proposed Acquisition, the Company had commissioned an independent valuer, BDO Advisory Pte. Ltd., (the “Independent Valuer”) to conduct an independent valuation of PT KP (the “Independent Valuation Report”).

In arriving at the market value of the equity interests of PT KP as at 31 December 2015, the Independent Valuer has relied on the income-based approach (using discounted cash flow method) and its valuation is based, *inter alia*, on various assumptions with respect to PT KP, including its financial condition, relevant licences, permits and agreements and the environment in which PT KP will operate in.

Based on the valuation of the Independent Valuer, the valuation methodology as set out in the Independent Valuation Report, and subject to the assumptions set out therein, the indicative equity value of the Sale Shares as at 31 December 2015 was US\$10.4 million.

The Independent Valuer conducted a sensitivity analysis on the market value of PT KP in respect of deviation in the discount rate and coal prices from the status quo. With respect to the equity value of the Sale Shares, a range of approximately US\$7.7 million to US\$13.6 million was arrived in respect to a 2% absolute change in the discount rate and a variance of US\$1/metric tonne (“MT”) to the coal prices. Further, in view of a possible increase in the quantity of electricity sold and/or improvement in the electricity rates that may be achieved by PT KP before the Completion Date, the Independent Valuation Report has further provided a range of indicative equity value of PT KP. Further details are provided under section 8.2.3 of this Letter.

In addition, PT KP had also commissioned an independent licenced valuer in Indonesia (KJPP Jimmy Prasetyo & Rekan) to conduct an independent valuation of the Vacant Lands (as defined below) held by PT KP for the purpose of the Proposed Acquisition. In arriving at the market value of the Vacant Lands, the independent valuer has relied on the market-comparison approach. Based on the valuation of the independent valuer, the valuation methodology as set out in the Land Valuation Report (as defined below), and subject to the assumptions set out therein, the indicative value of the Vacant Lands attributable to the Sale Shares as at 5 April 2016 was IDR103,720,150,626 or the equivalent of approximately US\$7.8 million (based on the exchange rate for US\$/IDR as extracted from Bloomberg L.P. as at the Latest Practicable Date). Further details are provided under section 8.2.3 of this Letter.

The Independent Valuation Report and the Land Valuation Report are available for inspection at the Company’s registered office during normal business hours for a period of three months commencing from the date of the Circular, and Shareholders are advised to read the information contained therein carefully.

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3.3 Conditions precedent to Completion

Completion of the sale and purchase of the Sale Shares is conditional upon the following conditions being satisfied or waived in accordance with the Sale and Purchase Agreement (“Conditions Precedent”):

(As extracted from the Circular under section 2.7)

- “(i) the completion and satisfactory outcome of all financial and legal due diligence investigations by SLM Holding into the financial, contractual, Tax (as such term is defined in the Sale and Purchase Agreement), trading positions and prospects of PT KP and title to its assets;*
- (ii) the approval by the shareholder and the board of directors of SLM Holding in respect of the transactions contemplated in the Sale and Purchase Agreement having been obtained;*
- (iii) the approval by the shareholders and the board of directors of ERI in respect of the transactions contemplated in the Sale and Purchase Agreement having been obtained;*
- (iv) all necessary consent, approvals and waivers (if any) (whether governmental, corporate or otherwise) which are necessary or required to be obtained under any applicable laws, rules and regulations (whether of Singapore, Indonesia or elsewhere) in respect of the transactions contemplated in the Sale and Purchase Agreement, having been obtained on terms reasonably satisfactory to SLM Holding, and such consent, approvals and waivers not having been amended or revoked before Completion, and if such consent, approvals or waivers are granted subject to conditions, such conditions being reasonably acceptable to SLM Holding, including without limitation the following consent and approvals in form and substance satisfactory to SLM Holding:*
 - (A) the original unanimous resolution of the shareholders of PT KP, in agreed form, approving the execution and delivery of the Sale and Purchase Agreement and the performance of its obligations thereunder and the transfer of the Sale Shares to SLM Holding; and*
 - (B) BKPM’s approvals to consummate the sale of the Sale Shares to SLM Holding;*
- (v) no material adverse change in the business, operations, prospects or assets of PT KP shall have occurred from and after the date thereof, the effect of which would materially and adversely affect PT KP. For the purpose of this clause, a matter that has a “material effect” is one (1) which the cost to cure or in respect of which the damage to PT KP would be in excess of US\$250,000 (Two Hundred and Fifty Thousand United States Dollars) or the occurrence of an event or a circumstance that has a material adverse effect on any of the following:*
 - (A) the assets, business, properties, liabilities, financial conditions, operations or results of operations of PT KP, taken as a whole;*

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- (B) *proceeding has been initiated after the date thereof preventing either party from performing any of its material obligations under the Sale and Purchase Agreement; or*
- (C) *the validity and enforceability of any of the material terms and conditions of the Sale and Purchase Agreement or of the rights or remedies of any of the parties;*
- (vi) *no national, federal, regional, state, local or other court, arbitral tribunal, administrative agency or commission or other governmental, administrative or regulatory body, authority, agency or instrumentality (whether of Singapore, Indonesia or elsewhere) taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:*
 - (A) *make the transactions contemplated in the Sale and Purchase Agreement and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same;*
 - (B) *render SLM Holding unable to purchase all or any of the Sale Shares in the manner set out in the Sale and Purchase Agreement; and/or*
 - (C) *render ERI unable to dispose of all or any of the Sale Shares in the manner set out in the Sale and Purchase Agreement; and*
- (vii) *the Warranties (as such term is defined in the Sale and Purchase Agreement) being true, accurate and correct in all material respects as if made on the Completion Date, with references to the then existing circumstances.”*

3.4 Details of the Proposed Acquisition

Further details of the Proposed Acquisition are set out in section 2 of the Circular.

4. INFORMATION ON ERI (VENDOR OF THE SALE SHARES) AND PT KP (TARGET)

PT KP: PT KP is a limited liability company duly established under the laws of the Republic of Indonesia on 2 August 2007, having its domicile in Balikpapan City at Komplek Balikpapan Baru Blok D IV No. 9-10, Jalan MT Haryono, Balikpapan, East Kalimantan.

As at 31 December 2015, PT KP had a shareholder loan (extended by ERI) of US\$28,019,933.85 (“Shareholder Loan”). The Shareholder Loan was capitalised in full on 29 March 2016 into 386,535 ordinary shares with nominal value of IDR386,535,000,000 that are fully paid-up.

As at the Latest Practicable Date, PT KP has an issued and paid-up share capital of IDR431,535,000,000 comprising 431,535 ordinary shares. Each of ERI and Dato’ Dr. Low Tuck Kwong (“LTK”) (who is a Controlling Shareholder of the Company) holds 92.18% and

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7.82% equity interest in PT KP, respectively, comprising 397,785 ordinary shares with nominal value of IDR397,785,000,000 and 33,750 ordinary shares with nominal value of IDR33,750,000,000, respectively.

Mr Low Yi Ngo, who is Chief Executive Officer and Managing Director and Shareholder of the Company and son of LTK, is the president director of PT KP and LTK is the president commissioner of PT KP.

The principal business activities of PT KP relate to the operation of a coal-fired steam power plant in the Kariangau industry area, Balikpapan, East Kalimantan, Indonesia. Besides the operation of the power plant, PT KP is not engaged in other business activities.

The Power Plant

PT KP's first power plant unit commenced partial sales of electricity in November 2014. In February 2015, PT KP's first power plant unit commenced full operations. PT KP's second power plant unit was completed in October 2015. As at 31 December 2015, the second power plant unit had not commenced sales of electricity. Each power plant unit has a maximum capacity of 15 MegaWatt ("MW"). Accordingly, the total maximum capacity of PT KP's two (2) power plant units is 30 MW (that is, 2x15 MW). Notwithstanding that the maximum capacity of the first power plant unit is 15 MW, in practice, the maximum output is typically up to 90%. The average utilisation rate of the first power plant unit is approximately 80%.

The power plant occupies a total area of about 40 hectares and is located at Kariangau Village, Kutai Kertanegara Regency, which is within the Kawasan Industri Kariangau (KIK) zone. The KIK zone has an area of approximately 1,959 hectares. According to the Masterplan for Acceleration and Expansion of Indonesia's Economic Development (MP3EI), the Indonesian Government has identified six (6) economic corridors based on the potential and advantages inherent in each region throughout Indonesia, and Kalimantan is one (1) of such identified economic corridors. The eastern coastal growth centers of East Kalimantan such as Balikpapan are preferred locations for industrial development due to their better infrastructure and port facilities. Since the early 2000s, the KIK zone has been designated as an integrated industrial zone in Balikpapan for heavy industry, medium industry and warehouses, and may accommodate industries such as coal, oil and gas, commodities, aquaculture and other business sectors.

PT KP has obtained the Electricity Supply Business Licence (*Izin Usaha Penyediaan Tenaga Listrik*) which gives it the rights to supply electricity exclusively within the KIK zone for a period of 15 years commencing from 1 April 2013. With the increase in the number of businesses operating in the KIK zone, this is expected to lead to an increase in demand for electricity which, in turn, will bring about more sales opportunities for PT KP.

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Land Titles held by PT KP

PT KP holds the right to build (*Hak Guna Bangunan – HGB*) in respect of three (3) pieces of land in Kelurahan Kariangau, Kecamatan West Balikpapan, Balikpapan City, East Kalimantan, Indonesia, further details of which are set out below:

No.	Type of land title	Land area (Sq m)	Expiry Date
1.	Right to Build (<i>Hak Guna Bangunan – HGB</i>)	145,156	6 September 2040
2.	Right to Build (<i>Hak Guna Bangunan – HGB</i>)	126,118	6 September 2040
3.	Right to Build (<i>Hak Guna Bangunan – HGB</i>)	60,749	6 September 2040

The Right to Build (*Hak Guna Bangunan – HGB*) allows the holder of such land title to build, construct and/or remove either the building or any object over the land.

The power plant units owned by PT KP are located on Land No. 3, and Land No. 1 and Land No. 2 are vacant.

ERI: ERI is an exempt private company limited by shares which was incorporated in Singapore in 2005. The principal activities of ERI are investment holding and general wholesale trade (including general importers and exporters). As at the Latest Practicable Date, ERI has an issued and paid-up share capital of S\$750,000, comprising 750,000 ordinary shares. Mr Low Yi Ngo (who is the Chief Executive Officer and Managing Director and Shareholder of the Company and son of LTK) and Ms Elaine Low (who is an Executive Director of the Company and daughter of LTK) each holds approximately 33.3% shareholding interest in ERI. The remaining approximately 33.3% of shareholding interest in ERI is held by the immediate family of LTK, Mr Low Yi Ngo and Ms Elaine Low (“Immediate Family Member”).

Mr Low Yi Ngo, Ms Elaine Low and the Immediate Family Member are also directors of ERI.

Accordingly, ERI, being an Associate of each of LTK, Mr Low Yi Ngo and Ms Elaine Low, is an Interested Person and the Proposed Acquisition would constitute an Interested Person Transaction within the meaning of Chapter 9 of the Listing Manual.

5. RATIONALE FOR THE PROPOSED ACQUISITION

The rationale for the Proposed Acquisition is stated in section 2.2 of the Circular, and Shareholders are advised to read the information carefully.

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6. THE POWER PURCHASE AGREEMENT AND THE COAL SALES AND PURCHASE AGREEMENT

Power Purchase Agreement

PT KP has an on-going Power Purchase Agreement (valid and binding as of the signing date at 2 February 2015) with DPP pursuant to which PT KP agrees to sell Electric Power to DPP, a subsidiary of Bayan Resources. The Power Purchase Agreement is to be valid for a period of seven (7) years as of Commencement Date (2 February 2015, being the eligible effective date of the delivery of Electric Power from PT KP to DPP and acceptance of Electric Power by DPP which is embodied in the minutes of acceptance of Electric Power signed by PT KP and DPP). The validity period as above for the Power Purchase Agreement can be extended upon the written approval of PT KP and DPP.

Entity at Risk: Pursuant to the completion of the Proposed Acquisition, PT KP will become an indirect subsidiary of the Company, and accordingly is an Entity at Risk under Chapter 9 of the Listing Manual.

Interested Person: LTK is a Controlling Shareholder of the Company and has, as at the Latest Practicable Date, a total interest, both direct and deemed, of approximately 36.61% in the issued and paid-up capital of the Company. Mr Low Yi Ngo (son of LTK) is the Chief Executive Officer and Managing Director and Shareholder of the Company. Ms Elaine Low (daughter of LTK) is an Executive Director of the Company.

DPP is 87.4% owned by Bayan Resources, the remaining shareholding interests in DPP are held by non-Interested Person. LTK and Mr Low Yi Ngo each owns 51.59% and 0.17% of Bayan Resources, respectively, as at the Latest Practicable Date. LTK is a director of DPP and Ms Elaine Low is a commissioner of DPP. LTK and Mr Low Yi Ngo are therefore deemed to be interested in the share capital of DPP. As a result of LTK's and Mr Low Yi Ngo's deemed interests in DPP, DPP is considered an Associate of each of LTK, Mr Low Yi Ngo and Ms Elaine Low and, consequently, an Interested Person under Chapter 9 of the Listing Manual.

Power Purchase Agreement as an Interested Person Transaction: PT KP and DPP agreed under the Power Purchase Agreement that the sale and purchase of Electric Power shall be carried out strictly on a take or pay basis, whereby at any time during the term of the Power Purchase Agreement, DPP shall purchase and pay for the Electric Power sold by PT KP at the monthly minimum amount ("Monthly Minimum Amount") at the purchase price set out in the Power Purchase Agreement ("Purchase Price"), in accordance to the terms of the Power Purchase Agreement.

Assuming solely for illustrative purposes only that DPP purchases the Monthly Minimum Amount for a period of 12 months at the Purchase Price ("Minimum Purchase Scenario") and based on the Group's latest audited NTA attributable to the equity holders of the Company of S\$113,091,000 as at 31 December 2015, the value of the Power Purchase Agreement is approximately S\$3,000,000, which represents 2.7% of the Group's latest NTA attributable to the equity holders of the Company. Notwithstanding that under the Minimum Purchase Scenario, the value of the Power Purchase Agreement does not exceed 5% of the Group's latest NTA, the Company has decided to seek Shareholders' approval for the Power Purchase Agreement as an Interested Person Transaction because of, amongst others, the possibility that DPP may purchase more than the Monthly Minimum Amount in the future.

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Coal Sales and Purchase Agreement

PT KP has an on-going Coal Sales and Purchase Agreement with Bayan International pursuant to which Bayan International agrees to sell and deliver and PT KP shall purchase and accept a certain amount of steam coal meeting certain specified specifications as set out in the Coal Sales and Purchase Agreement. The agreement came into effect as at 1 October 2015 and will expire on 30 April 2017, subject to any extensions that may be agreed by PT KP and Bayan International.

Entity at Risk: Pursuant to the completion of the Proposed Acquisition, PT KP will become an indirect subsidiary of the Company, and accordingly is an Entity at Risk under Chapter 9 of the Listing Manual.

Interested Person: LTK is a Controlling Shareholder of the Company and has, as at the Latest Practicable Date, a total interest, both direct and deemed, of approximately 36.61% in the issued and paid-up capital of the Company. Mr Low Yi Ngo (son of LTK) is the Chief Executive Officer and Managing Director and Shareholder of the Company. Ms Elaine Low (daughter of LTK) is an Executive Director of the Company.

Bayan International is 75% owned by More Time Investments Limited which, in turn, is wholly-owned by LTK. LTK is therefore deemed to be interested in the share capital of Bayan International. As a result of LTK's deemed interest in Bayan International, Bayan International is considered an Associate of each of LTK, Mr Low Yi Ngo and Ms Elaine Low and, consequently, an Interested Person under Chapter 9 of the Listing Manual.

Coal Sales and Purchase Agreement as an Interested Person Transaction: Typically, PT KP will place orders for a certain quantity of coal to be delivered by Bayan International, as and when required. However, the price of the coal to be paid for each order may differ as the coal price is calculated in accordance with a certain pre-determined formula based on certain publicly available independent coal indices (which are published monthly). Accordingly, the Company is not able to determine the actual value of the Coal Sales and Purchase Agreement.

Purely for illustration purposes only, the average monthly price paid for past orders of coal for PT KP's first power plant unit in the fourth quarter of 2015 from Bayan International was approximately US\$300,000¹ (approximately S\$405,000) ("Average Monthly Price"), and assuming that PT KP orders coal every month and is charged the Average Monthly Price for the remaining term of the Coal Sales and Purchase Agreement from the Latest Practicable Date (that is, approximately 12 months), the value is approximately US\$3,600,000 (approximately S\$4,860,000), based on the Group's latest audited NTA attributable to the equity holders of the Company of S\$113,091,000 as at 31 December 2015, the value represents approximately 4.3% of the Group's latest audited NTA attributable to the equity holders of the Company ("Historical Orders Illustration").

The values as indicated in the Historical Orders Illustration are not representative of the actual amount that PT KP has to pay for future orders of coal from Bayan International because, amongst other reasons, PT KP will purchase more coal in the future with the second power plant unit becoming operational and the coal prices used in the Historical

¹ As mentioned in Section 2.10 (c) in the Circular, PT KP's second power plant unit was completed in October 2015 but has not commenced sales of electricity as at 31 December 2015. Hence, the Average Monthly Price of approximately US\$300,000 (approximately S\$405,000) for the past orders of coal in the fourth quarter of 2015 from Bayan International is representative of the average monthly price paid for coal ordered for one (1) of the power plant units which was operational during that period of time.

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Orders Illustration are based on past figures which are not representative of the future coal prices which are based on independent coal indices which vary from month to month. Notwithstanding, the Company has decided to seek Shareholders' approval for the Coal Sales and Purchase Agreement as an Interested Person Transaction because, amongst others, the Coal Sales and Purchase Agreement provides PT KP with a stable supply of coal, which is an essential raw material required for its power plant operations.

7. RATIONALE FOR THE POWER PURCHASE AGREEMENT AND THE COAL SALES AND PURCHASE AGREEMENT

The rationales for the Power Purchase Agreement and the Coal Sales and Purchase Agreement are stated in section 7.3 and section 8.3 of the Circular, respectively, and Shareholders are advised to read the information carefully.

8. EVALUATION OF THE PROPOSED ACQUISITION

In assessing the Proposed Acquisition, we have considered, *inter alia*, the following:

- (a) Rationale for the Proposed Acquisition;
- (b) Purchase Consideration; and
- (c) Other relevant considerations.

8.1 Rationale for the Proposed Acquisition

The Proposed Acquisition is one that will provide an opportunity for the Group to diversify its revenue streams and to broaden its earnings base. The full rationale as set out in section 2.2 of the Circular is extracted and reproduced as follows:

“The current core business of the Group is in the barging business. To achieve long term sustainable growth and to reduce reliance on its existing business, the Company intends to include new revenue streams to broaden its earning base. The Proposed Acquisition serves as a natural extension of the Group’s existing barging business and the Group’s on-going ventures into the energy-related businesses. In addition, existing members of the Board (namely, Mr Liow Keng Teck and Mr Low Yi Ngo) have experience in the area of power generation which the Company is able to leverage on. Please refer to Section 6.5 of this Circular for more information on the relevant experience of Mr Liow Keng Teck and Mr Low Yi Ngo. Moreover, the use of coal (as compared to other energy sources) as the raw material to generate electricity is relatively cheaper due to its abundance and lower costs of extraction.

The Company wishes to tap on the opportunities of a rising demand for electricity in Indonesia, coupled with the Indonesian government’s support in granting PT KP the right to supply electricity exclusively within certain areas of Indonesia for a period of 15 years commencing from 1 April 2013, further details of which are set out in Section 2.3.1.1 and Appendix A of this Circular.

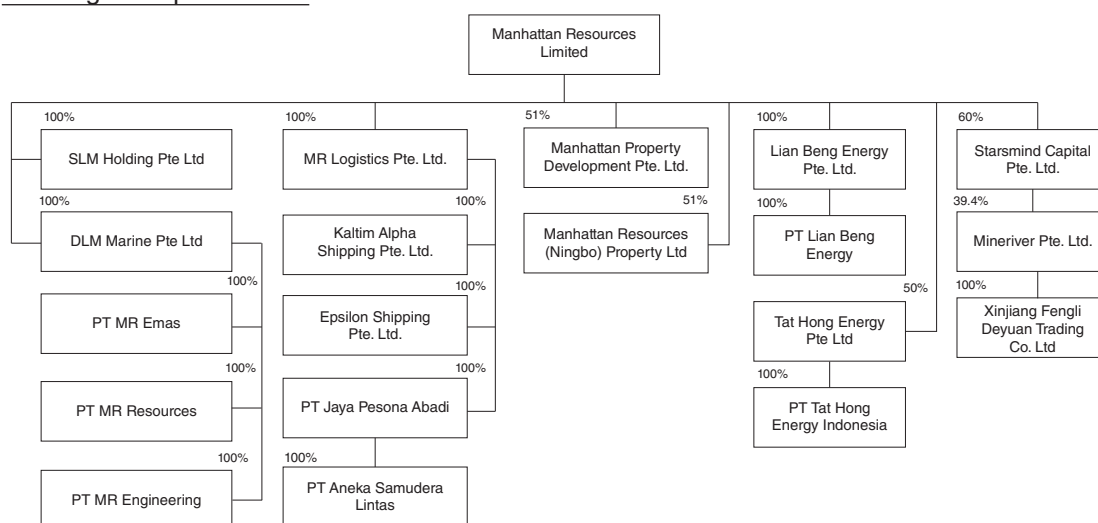
PT KP has two (2) existing agreements with its customers (one (1) of which is the Power Purchase Agreement as described in Section 7 of this Circular, while the other is entered into with an Indonesian state-owned company that distributes electricity in Indonesia (“Major Customer”)) pursuant to which PT KP is to sell the electricity generated by its power plant to its customers (collectively, the “Current Agreements”). To this end, the Major Customer (which is not an Interested Person) has committed to purchase all the

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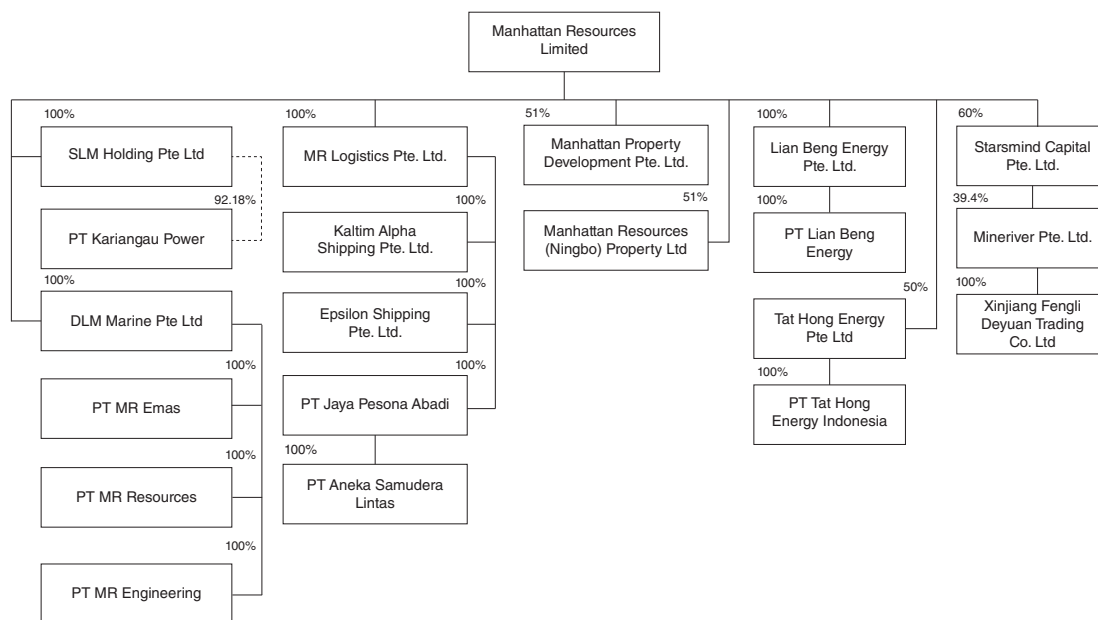
excess power which has not been sold to other customers of PT KP under its existing agreement. Accordingly, it is expected that the Proposed Acquisition will offer a steady income stream underpinned by the existing agreements that PT KP has in place to sell its electricity output to its customers and would also augment the Company's assets in Indonesia."

With regards to the aforementioned, we take note of the expansion in the Group's structure as at the Latest Practicable Date before and after the completion of the Proposed Acquisition:

Existing Group structure



Group structure following the completion of the Proposed Acquisition



..... Proposed acquisition

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8.2 The Purchase Consideration

In assessing the Purchase Consideration for the Proposed Acquisition, we have considered the following:

- (i) Financial information of PT KP;
- (ii) Historical financial performance and condition of the Group;
- (iii) Independent valuation of PT KP; and
- (iv) Comparison of valuation ratios of selected listed companies whose businesses are broadly comparable to PT KP.

8.2.1 Financial information of PT KP

A summary of the key financial information of PT KP is set out below:

Income Statement

	FY2013	FY2014	FY2015	FY2013⁽¹⁾	FY2014⁽¹⁾	FY2015⁽¹⁾
	IDR'000	IDR'000	IDR'000	S\$'000	S\$'000	S\$'000
Revenue	–	2,327,494	55,249,649	–	248	5,650
Cost of Sales	–	(11,154,467)	(120,126,175)	–	(1,191)	(12,285)
Gross Profit	–	(8,826,973)	(64,876,526)	–	(943)	(6,635)
Loss before tax	(86,376,122)	(46,527,424)	(139,110,099)	(8,960)	(4,966)	(14,227)
Loss after tax	(64,904,413)	(34,913,334)	(104,762,028)	(6,733)	(3,726)	(10,714)

Balance Sheet (as at 31 December 2015, before Loan Capitalisation)

	FY2015	FY2015⁽¹⁾
	IDR'000	S\$'000
Non-current assets	623,334,630	63,749
Non-current liabilities	682,660,761	69,816
Current assets	9,085,790	929
Current liabilities	130,194,269	13,315
Working capital	(121,108,479)	(12,386)
Shareholders' equity	(180,434,610)	(18,453)

Source: PT KP's audited accounts for financial years ("FY") 2013 and FY2014 (ended 31 December) and the PT KP's unaudited accounts as at 31 December 2015 ("FY2015").

- (1) Figures are a direct translation of PT KP's financial information as provided in the tables above into S\$. These figures are in S\$'000 and based on the exchange rate for S\$/IDR (FY2013: S\$1/IDR9,640, FY2014: S\$1/IDR9,369, FY2015: S\$1/IDR9,778) as extracted from Bloomberg L.P. as at 31 December for the respective financial year ended.

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We note that there was no revenue recognised for FY2013 as PT KP's first power plant commenced partial sales of electricity in November 2014 and full operations in February 2015. The second power plant was completed in October 2015. As at 31 December 2015, the second power plant unit had not commenced sales of electricity. Notwithstanding that, as part of the performance tests for the power plant units, there were non-revenue generating trial runs performed in both FY2014 and FY2015. In addition, in FY2015, there was a non-recurring foreign exchange loss of approximately IDR59 billion (equivalent to approximately S\$6.0 million) relating to the Shareholder Loan which was capitalised and US dollar bank loans which were converted into IDR loans. For FY2015, the revenue amounted to approximately IDR55 billion (equivalent to approximately S\$5.7 million). Profit after tax amounted to approximately IDR(105) billion (equivalent to approximately S\$(10.7) million).

As at FY2015, non-current assets (comprising mainly fixed assets, at net value, of approximately IDR532 billion (equivalent to approximately S\$54.4 million)) constituted approximately 99% of PT KP's total assets, and current assets (comprising mainly accounts receivables of approximately IDR5 billion (equivalent to approximately S\$0.5 million)) constituted approximately 1% of PT KP's total assets.

As at FY2015, non-current liabilities (comprising mainly of long-term bank loans of approximately IDR289 billion (equivalent to approximately S\$29.6 million) and Shareholder Loan of approximately IDR387 billion (equivalent to approximately S\$39.6 million)) constituted approximately 84% of PT KP's total liabilities, and current liabilities (comprising mainly of trade payables of approximately IDR57 billion (equivalent to approximately S\$5.8 million) and accruals of approximately IDR33 billion (equivalent to approximately S\$3.4 million)) constituted approximately 16% of PT KP's total liabilities.

As at FY2015, PT KP had negative working capital of approximately IDR121 billion (equivalent to approximately S\$12.4 million) and cash and cash equivalents of approximately IDR2 billion (equivalent to approximately S\$0.2 million). The Management has represented that, without affecting the daily operations of PT KP, the shortfall in working capital position may be extended up to four (4) years based upon PT KP's operations as at FY2015, but subject to incremental customers gained and/or improved electricity sales prices achieved by PT KP, the period will be reduced. As at FY2015, Shareholders' equity amounted to approximately IDR(180) billion (equivalent to approximately S\$(18.5) million) (prior to the Loan Capitalisation).

Loan Capitalisation

The Shareholder Loan of approximately IDR387 billion (equivalent to approximately S\$39.6 million) (extended by ERI) was capitalised in full on 29 March 2016 into 386,535 ordinary shares with nominal value of approximately IDR387 billion (equivalent to approximately S\$39.6 million) that are fully paid-up. The following illustrates, on a *proforma* basis, the balance sheet of PT KP subsequent to the completion of the Loan Capitalisation:

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Proforma Balance Sheet (as at 31 December 2015, after Loan Capitalisation)

	FY2015 IDR'000	FY2015 ⁽¹⁾ S\$'000
Non-current assets	623,334,630	63,749
Non-current liabilities	296,125,774	30,285
Current assets	9,085,790	929
Current liabilities	130,194,269	13,315
Working capital	(121,108,479)	(12,386)
Shareholders' equity	206,100,377	21,078

Source: PT KP's proforma balance sheet after Loan Capitalisation based upon PT KP's FY2015 unaudited accounts.

(1) Figures are a direct translation of PT KP's balance sheet as provided in the table above into S\$. These figures are in S\$'000 and based on the exchange rate for S\$/IDR (S\$/IDR9,778) as extracted from Bloomberg L.P. as at 31 December for the financial year ended.

Subsequent to the completion of the Loan Capitalisation (completed on 29 March 2016), we note that the non-current liabilities reduced from approximately IDR683 billion (equivalent to approximately S\$69.8 million) to approximately IDR296 billion (equivalent to approximately S\$30.3 million). Shareholders' equity for PT KP amounted to approximately IDR206 billion (equivalent to approximately S\$21.1 million).

The Directors and Management of the Company further confirmed that based on the representations from ERI and PT KP and the due diligence review conducted by the Company in respect of the Proposed Acquisition, as at the Latest Practicable Date, PT KP did not have any material contingent liabilities.

8.2.2 Historical financial performance and condition of the Group

Statement of Financial Performance

(S\$'000)	FY2013	FY2014	FY2015
Revenue	23,748	17,019	8,705
Expenses ⁽¹⁾	(28,125)	(26,762)	(36,963)
Profit/(Loss) before tax	1,872	(5,257)	(23,896)
Profit/(loss) after tax attributable to equity holders	2,543	(5,938)	(24,353)

(1) Expenses included Employee benefits expenses, Depreciation of property, plant and equipment, Vessel operating expenses, Impairment loss and Other expenses as defined in the Company's respective audited annual reports released.

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Statement of Financial Position

(S\$'000)	FY2013	FY2014	FY2015
Non-current assets	78,286	122,627	112,093
Non-current liabilities	14	14	14
Current assets	101,046	100,362	93,516
Current liabilities	23,649	27,010	29,384
Working capital	77,397	73,352	64,132
Equity attributable to equity holders	112,192	134,208	113,091

Statement of Cash Flows

(S\$'000)	FY2013	FY2014	FY2015
Net cash flows (used in)/from operating activities	(5,373)	4,598	10,949
Net cash flows (used in)/from investing activities	(4,347)	(10,642)	22,336
Net cash flows from/(used in) financing activities	25,164	(30)	–
Net change in cash and cash equivalents	15,444	(6,074)	33,285
Cash and cash equivalents at the end of the financial year	61,121	53,053	82,168

Source: The Group's audited accounts for FY2013 to FY2015 (ended 31 December).

Based on the above, we observe that the Group's revenue has been declining consistently from approximately S\$23.7 million to approximately S\$8.7 million from FY2013 to FY2015. Correspondingly, the Group's profit after tax attributable to equity holders declined from approximately S\$2.5 million to approximately S\$(24.4) million from FY2013 to FY2015. In the latest completed financial year FY2015, the decline in profit after tax attributable to equity holders can be attributed mainly to a combination of lower coal carrying activities and impairment losses.

As at 31 December 2015, non-current assets (comprising mainly property under development of approximately S\$41.9 million, interests in associate of approximately S\$42.3 million and property, plant and equipment of approximately S\$14.9 million) constituted approximately 55% of the Group's total assets, and current assets (comprising mainly cash and bank deposits of approximately S\$86.1 million) constituted approximately 45% of the Group's total assets.

As at 31 December 2015, there was approximately S\$0.014 million held as deferred tax liabilities. Current liabilities consisted of mainly trade and other payables of approximately S\$28.5 million.

As at 31 December 2015, the Group had positive working capital of approximately S\$64.1 million. Equity attributable to equity holders amounted to approximately S\$113.1 million.

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The Group's net cash flows from operating activities had improved from approximately S\$(5.4) million in FY2013 to approximately S\$11.0 million (mainly due to adjustments entries to loss before tax made for impairments) in FY2015. The Group recorded an increase in cash and cash equivalents at the end of the financial year from approximately S\$61.1 million in FY2013 to approximately S\$82.2 million (mainly due to decrease in fixed deposits and improvements in net cash flows from operating activities) in FY2015.

8.2.3 Independent valuation of PT KP

The Company has engaged the Independent Valuer to perform an independent valuation of the market value of the equity interests of PT KP ("Market Value 1") as at 31 December 2015 (the "Valuation Date").

As set out in the Independent Valuation Report, the Independent Valuer has prepared its valuation on the basis of market value defined as "the best price reasonably obtainable in an arm's length transaction in the open market between a prospective willing prudent purchaser and a prospective willing prudent vendor, each being fully cognisant of all material facts in relation to the assets in questions."

In arriving at the market value for the equity interest of PT KP, the Independent Valuer had adopted the discounted cash flow approach to be the methodology in valuing PT KP for the following reasons:

- (1) The scarcity of information available on precedent transactions performed in the recent past of firms with similar characteristics as PT KP;
- (2) The lack of publicly traded companies with similar characteristics to PT KP operating in the KIK integrated industrial zone; and
- (3) The value proposition of PT KP is primarily income driven and being relatively young in the operations of its power plant business (power plant operations able to commence full operations in 2015: first power plant unit in the first quarter of 2015 and second unit in the last quarter of 2015), its valuation will be derived mainly from its future growth. The discounted cash flow approach is able to reflect the future plans and growth of PT KP. It is suitable for a company generating cash flows entirely from its power plant assets with a finite life. In this case, PT KP solely operates a 2x15 MW coal-fired steam power plant.

In the valuation of PT KP, the Independent Valuer had taken into account of, *inter alia*, various assumptions with respect to PT KP, including its financial condition, relevant licences, permits and agreements and the environment in which PT KP will operate in.

Base Valuation

Based on the Management guidance, as at the Latest Practicable Date, based on the current contracts that PT KP has entered into with its customers ("Base Case Scenario")², the Independent Valuer arrived at the market value of approximately US\$11.3 million for the entire equity interest of PT KP. In that regard, the market value of the Sale Shares amounted to approximately US\$10.4 million.

² For further details, kindly refer to the Independent Valuation Report Pages 5 and 6 – Indicative Valuation and Scenario Analysis, respectively

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We note that the said current contracts refer to the Power Purchase Agreement (DPP referred to as a prime customer) and another power purchase agreement for the remaining of the electricity generated by PT KP power plant operations to a Major Customer. It is provided in the Independent Valuation Report and from Management's guidance that the electricity rates charged to prime customer (at a higher rate) and Major Customer (at a lower rate) are different. The rates charged to prime and Major Customer are based on negotiated rates between PT KP and its customers, taking into account prevailing market rates and cost. The Major Customer is charged at a lower rate, as compared to the other customers, because it has committed to purchase all the excess power which has not been sold to other customers. Further, the tariff rate which PT KP can charge the Major Customer is regulated by law and is periodically reviewed by the Indonesian government. Further, it is provided that PT KP has the rights to supply electricity exclusively within the KIK zone for a period of 15 years commencing from 1 April 2013. In that regard, its prime customers will only purchase Electric Power strictly and exclusively from those originating from PT KP.

A sensitivity analysis was also presented in the Independent Valuation Report which indicated the market value of PT KP falling in the range of approximately US\$8.3 million to approximately US\$14.7 million with regards to a 2% absolute change in the discount rate and a variance of US\$1/MT to the coal prices. In that regard, the market value of the Sale Shares ranged from approximately US\$7.7 million to US\$13.6 million.

Alternative Valuations

As PT KP's power plant operations are a relatively young business, PT KP is actively looking for potential new customers and/or improve rates for the sale of electricity. Further, based on Management's guidance and the Independent Valuation Report, there may be an improved electricity rate charged to its existing Major Customer and/or a possibility for a higher quantity of electricity to be sold to a potential prime customer. Therefore, the Independent Valuer has provided for three (3) different scenarios as follows³:

- (1) PT KP executes a power purchase agreement with one of its potential prime customers for additional quantity of electricity sold ("Scenario 1").
- (2) PT KP achieves an increment in the electricity rate charged in an existing power purchase agreement with its Major Customer ("Scenario 2").
- (3) PT KP achieves both Scenario 1 and Scenario 2 ("Scenario 3").

Market Value 1 (US\$' millions)	Low	Range Base	High
Scenario 1	24.4	28.4	32.9
Attributable to Sale Shares	22.5	26.2	30.3
Scenario 2	27.7	31.9	36.5
Attributable to Sale Shares	25.5	29.4	33.6
Scenario 3	39.1	44.0	49.4
Attributable to Sale Shares	36.0	40.6	45.5

Note: The range in market values of PT KP and the market values attributable to Sale Shares reflects the 2% absolute change in the discount rate and a variance of US\$1/MT to the coal prices.

³ For further details on Scenario 1 to 3, kindly refer to Independent Valuation Report Pages 6 and 37 – Scenario Analysis and Appendix V of the Independent Valuation Report, respectively

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With reference to section 3.1 of this Letter and paragraph 2.6 of the Circular, in the event of the Adjustment, the Purchase Consideration shall be adjusted downwards from US\$37 million to US\$21 million, if PT KP does not:

- (i) execute a power purchase agreement with one (1) of its potential prime customers in accordance with all applicable laws and regulations and such power purchase agreement is to be for three (3) years from the date of the relevant power purchase agreement (“Scenario A”); and
- (ii) achieve an increment in the electricity rate of at least 29% in an existing power purchase agreement with one (1) of its Major Customer (“Scenario B”),

on such terms which are reasonably satisfactory to SLM Holding on or before the Completion Date (“Scenario A/B Adjustment”). For the avoidance of doubt, the Purchase Consideration of US\$37 million will not be adjusted in accordance with the Sale and Purchase Agreement as long as either Scenario A and/or Scenario B is or are fulfilled by the Completion Date. With guidance from the Management, it is provided that (1) Scenario 1 above corresponds to Scenario A, (2) Scenario 2 above corresponds to Scenario B and (3) Scenario 3 corresponds to the event where both Scenario A and Scenario B are achieved.

Independent Valuation of Land Titles Held

PT KP holds the right to build (*Hak Guna Bangunan – HGB*) in respect of three (3) pieces of land in Kelurahan Kariangau, Kecamatan West Balikpapan, Balikpapan City, East Kalimantan, Indonesia, as described in the following table:

No.	Type of land title	Land area (Sq m)	Expiry Date
1.	Right to Build (<i>Hak Guna Bangunan – HGB</i>)	145,156	6 September 2040
2.	Right to Build (<i>Hak Guna Bangunan – HGB</i>)	126,118	6 September 2040
3.	Right to Build (<i>Hak Guna Bangunan – HGB</i>)	60,749	6 September 2040

It is provided that each of the land (No. 1 to No. 3) is governed by separate land titles. The power plant units owned by PT KP are located on Land No. 3 and there are no PT KP’s current business operations on Land No. 1 and Land No. 2. It is further provided that Land No. 3 is adjacent to Land No. 2 which is in turn adjacent to Land No. 1.

PT KP had commissioned an independent licenced valuer (KJPP Jimmy Prasetyo & Rekan) to carry out an independent valuation of the market value of Land No. 1 and Land No. 2 (the “Vacant Lands”) as at the valuation date 5 April 2016 (“Market Value 2”) (the “Land Valuation Report”). The market value is defined as the “estimated price to be received from the sale of asset or paid for transfer of liability in an orderly transaction between market agents on the measurement date.” The valuer had relied on the market comparison approach in its arrival of its independent valuation. The market comparison

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approach is conducted by comparing data of sale and purchase of land located around the appraised property, adjusted for factors such as location, area, form and land certificate as well as usefulness based on the element of time and its allotment.

Based on the results of the valuer's investigation and analysis, the valuer is of the opinion that the market value of the Vacant Lands as at 5 April 2016 was IDR112.5 billion (Market Value 2). Accordingly, the market value of the Vacant Lands as attributable to the Sale Shares is IDR103.7 billion or the equivalent of approximately US\$7.8 million (based on the exchange rate for US\$/IDR as extracted from Bloomberg L.P. as at the Latest Practicable Date).

Valuation of PT KP and Vacant Lands

Subject to Scenario 1 to 3, based on Market Value 1 and Market Value 2, the market value attributable to the Sale Shares (Market Value 3) are as follows:

Market Value 1 and Market Value 2 attributable to Sale Shares (US\$' millions)	Low	Range Base	High
Base Case Scenario ⁽¹⁾⁽²⁾	7.7	10.4	13.6
Vacant Lands	7.8	7.8	7.8
Total	15.5	18.2	21.4
Scenario 1 ⁽¹⁾⁽³⁾	22.5	26.2	30.3
Vacant Lands	7.8	7.8	7.8
Total	30.3	34.0	38.1
Scenario 2 ⁽¹⁾⁽⁴⁾	25.5	29.4	33.6
Vacant Lands	7.8	7.8	7.8
Total	33.3	37.2	41.4
Scenario 3 ⁽¹⁾⁽⁵⁾	36.0	40.6	45.5
Vacant Lands	7.8	7.8	7.8
Total	43.8	48.4	53.3

Notes:

- (1) The range in market value reflects the 2% absolute change in the discount rate and a variance of US\$1/MT to the coal prices applicable to Scenario 1 to 3.
- (2) Base Case Scenario refers to PT KP's current contracts (Power Purchase Agreement with prime customer (DPP) and another power purchase agreement with a Major Customer).
- (3) Scenario 1: In the event that PT KP executes a power purchase agreement with one of its potential prime customers for additional quantity of electricity sold.
- (4) Scenario 2: In the event that PT KP achieves an increment in the electricity rate charged in an existing power purchase agreement with its Major Customer.
- (5) Scenario 3: In the event that PT KP achieves both Scenario 1 and Scenario 2.

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With reference to section 3.1 of this Letter and paragraph 2.5 of the Circular, in the event that:

- (1) **there is no Adjustment: Market Value 3 ranges from US\$30.3 million to US\$53.3 million, in that regard, we note that the Purchase Consideration at US\$37 million is within the range of the market value estimates (within the 35th percentile of the range).**
- (2) **there is a Scenario A/B Adjustment: Market Value 3 ranges from US\$15.5 million to US\$21.4 million; in that regard, we note that the Purchase Consideration at US\$21 million is within the range of the market value estimates (above the 90th percentile of the range).**

Safeguards against increase in net current liability position at Completion: We further note that in the event that there is an increase in the net current liability position of PT KP in excess of US\$0.25 million between that as reflected in the unaudited management accounts of PT KP issued for the month preceding the Completion Date and that as reflected in PT KP's unaudited financial statements for the year ended 31 December 2015 (NCL Adjustment), the Purchase Consideration shall be adjusted downwards on a dollar-for-dollar basis by the amount in excess of US\$0.25 million (NCL Adjustment Amount).

Exclusive Distribution Rights: As provided in the aforementioned sections, Market Value 1 attributable to the Sale Shares are computed based upon the (i) current contracts, or on (ii) additional amount of electricity sales and/or improve electricity rates (illustrated in Base Scenario and Scenario 1 to 3 above) that PT KP has entered into/may enter into.

As such, we wish to note that PT KP has the rights to supply electricity exclusively within the KIK zone for a period of 15 years commencing from 1 April 2013. The KIK zone is approximately 1,959 hectares and has been designated as an integrated industrial zone in Balikpapan for heavy industry, medium industry and warehouses, and may accommodate industries such as coal, oil and gas, commodities, aquaculture and other business sectors.

8.2.4 Comparison of valuation ratios of selected listed companies which businesses are broadly comparable to PT KP

In considering what may be regarded as a reasonable range of valuation for the purposes of assessing the Proposed Acquisition, we have referred to selected companies with those of PT KP to provide an indication of the current market expectations with regard to the perceived valuations of these businesses. Based on our research and in consultation with Management, we have used the following companies listed on the Hanoi Stock Exchange, the Ho Chi Minh Stock Exchange, the Indonesia Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the National Stock Exchange of India which principal businesses are of electricity producers, primarily with coal-fired power plant assets and which are broadly comparable to PT KP.

We recognise that there is no particular listed company that we may consider to be directly comparable to the PT KP in terms of the composition of the business activities, company size, types of properties, customer base, risk profile, geographical spread, accounting

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standards and policies used and such other relevant criteria. However, after discussions with the Management of the Company, we have selected companies which we believe are broad proxies to the core businesses of PT KP (the “Target Comparable Companies”).

The Independent Directors and Shareholders should note that any comparisons made with respect to the Target Comparable Companies are for illustrative purposes only as there is no one company with the exact scope of business and using the exact accounting policies and standards as those of PT KP. The conclusions drawn from such comparisons, therefore, may not necessarily reflect the perceived or implied valuation of PT KP as at the Latest Practicable Date. In addition, we wish to highlight that the list of Target Comparable Companies is by no means exhaustive.

Accordingly, for the purpose of our evaluation, we have considered the following Target Comparable Companies whose business activities are broadly comparable to those of PT KP.

As an illustration of the differences in market valuation among the different stock exchanges, as at the Latest Practicable Date, the Hanoi Stock Exchange Equity Index, the Ho Chi Minh Stock Index, the Jakarta Stock Exchange Composite Index, the Shanghai Stock Exchange Composite Index, the Shenzhen Composite Index and the Nifty 50 Index are trading at P/E (as defined below) ratio of 11.58 times, 13.79 times, 24.35 times, 16.14 times, 44.28 times and 21.00 times, respectively.

A brief description of the Target Comparable Companies is set out as follows:

Company	Principal Business	Primary Exchange
Ninh Binh Thermal Power JSC (“Ninh Binh”)	Ninh Binh is engaged in the electric utilities industry. It operates thermal power plant and generate electricity for sale.	Vietnam
Pha Lai Thermal Power JSC (“Pha Lai”)	Pha Lai generates electricity using coal-fired plants. It also manages, operates, maintains and repairs power plants.	Vietnam
Dian Swastatika Sentosa Tbk (“Dian Swastatika”)	Dian Swastatika generates electricity and steam. The company owns and operates coal and gas fired plants.	Indonesia
Top Energy Co. Ltd. (“Top Energy”)	Top Energy operates thermal power plants and generates electric power. The electric power generated is supplied to Shanxi Province.	China
Guodian Changyuan Electric Power Co. Ltd. (“Guodian Changyuan”)	Guodian Changyuan generates electric power through its thermal and hydroelectric power plants	China

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Company	Principal Business	Primary Exchange
CESC Limited (“CESC”)	CESC generates and supplies electricity around Kolkata. The company also provides consultancy services for setting up power plants and for erecting transformers and electrical equipment.	India
NTPC Ltd. (“NTPC”)	NTPC owns and operates power generation plants that supply power to state electricity boards throughout India. The company also undertakes turnkey consulting projects to set up power plants.	India

In our evaluation, we have considered the following widely used valuation measures:

Valuation Ratio	General Description
P/E	Price to Earnings or “P/E” is the ratio of market price of a company’s shares relative to its historical earnings per share. The P/E ratio is an earnings-based valuation methodology and is calculated based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, it is affected by the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.
P/NAV	Price to net asset value or “P/NAV” is the ratio of the market capitalisation of a company relative to its net asset value. The P/NAV ratio is affected by differences in their respective accounting policies including their depreciation and asset valuation policies. The net asset value of a company provides an estimate of the value of a company assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, as well as any minority interests, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is based by the assets of a company.
EV/EBITDA	EV refers to enterprise value which is the sum of a company’s market capitalisation, preferred equity, minority interest, short-term and long-term debts, less its cash and cash equivalents. EBITDA refers to the historical consolidated earnings before interest, taxes, depreciation and amortisation.

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The valuation statistics of the Target Comparable Companies based on their respective last traded prices as at the Latest Practicable Date are set out below:

Target Comparable Companies	Market Capitalisation as at the Latest Practicable Date ⁽⁴⁾ (S\$' million)	P/E ⁽¹⁾ (times)	P/NAV ⁽²⁾ (times)	EV/EBITDA ⁽³⁾ (times)
Ninh Binh	15.40	12.11	0.91	7.48
Pha Lai	294.90	18.77	0.88	6.36
Dian Swastatika	788.30	n.a. ⁽⁸⁾	0.70	64.10
Top Energy	1,199.10	20.67	1.26	n.a.
Guodian Changyuan	1,575.70	7.83	2.18	n.a.
CESC	1,500.50	20.27	1.18	6.86
NTPC	24,796.00	12.00	1.37	11.57
High		20.67	2.18	64.10
Low		7.83	0.70	6.36
Mean		15.28	1.21	8.07 ⁽⁵⁾
Median		15.44	1.18	7.17 ⁽⁵⁾
Implied multiples of the Proposed Acquisition based on Purchase Consideration with no Adjustment⁽⁴⁾				
		n.app. ⁽⁷⁾	1.60 ⁽⁶⁾	n.app. ⁽⁷⁾
Implied multiples of the Proposed Acquisition with Adjustment⁽⁴⁾				
		n.app. ⁽⁷⁾	0.92 ⁽⁶⁾	n.app. ⁽⁷⁾

Source: Bloomberg LP, company annual reports, results announcements and NRA Capital's computations.

Notes:

- (1) EPS figures are based on the trailing 12-month results as at the Latest Practicable Date.
- (2) NAV figures are based on the latest available published financial statements as at the Latest Practicable Date.
- (3) For the Target Comparable Companies, EV is computed based on the latest available published financial results, except market capitalisation which is computed as at the Latest Practicable Date, and EBITDA is computed based on a trailing 12-month basis of the latest available published financial statements.
- (4) Based on Bloomberg's relative exchange rate per S\$1.00 as of the Latest Practicable Date.
- (5) Dian Swastatika has been excluded as an outlier.
- (6) Based on the valuation report conducted by the independent licenced valuer commissioned by PT KP, there was a revaluation surplus of approximately IDR125 billion for land No. 1 and No. 2 and No. 3.
- (7) n.app. refers to not applicable as PT KP has either reported insignificant earnings/losses or negative NAV in respect of their latest available published financial statements.
- (8) n.a. refers to not available.

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Based on the above, we note the following:

- (a) We note that based on FY2015's earnings of PT KP, the computed P/E ratio is negative as PT KP recorded a net loss, hence not within the range of the P/E ratios of the Target Comparable Companies.
- (b) The P/NAV ratio of PT KP implied by Purchase Consideration with no Adjustment of 1.60 times is within the range of the P/NAV ratios of the Target Comparable Companies and is higher than the mean and median P/NAV ratio of 1.21 times and 1.18 times, respectively.
- (c) The P/NAV ratio of PT KP implied by Purchase Consideration with Adjustment of 0.92 times is within the range of the P/NAV ratios of the Target Comparable Companies and is lower than the mean and median P/NAV ratio of 1.21 times and 1.18 times, respectively.
- (d) We note that based on FY2015's EBITDA of PT KP, the computed EV/EBITDA ratio is negative as PT KP recorded a negative EBITDA, hence not within the range of the EV/EBITDA ratios of the Target Comparable Companies.

8.3 Other relevant considerations

8.3.1 Undertaking and indemnity from ERI to the Company

As extracted under paragraph 2.9 of the Circular and reproduced as follows:

“Following Completion, ERI undertakes to SLM Holding to do, execute and perform all such acts, deeds, documents and things (or procure the doing, execution or performance of them) as SLM Holding may request for the purpose of or in connection with the legalisation of the transfer of the Sale Shares from ERI to SLM Holding, in accordance with the applicable Indonesian laws and regulations, including but without limitation to the following:

- (a) the MOLHR's approvals or notifications have been obtained to consummate the sale of the Sale Shares to SLM Holding;*
- (b) announcement of the post-acquisition on one (1) national newspaper in Indonesia by the board of directors of PT KP; and*
- (c) that the composition of the shareholders of PT KP shall become as follows:*

Composition of shareholders

No.	Name	Number of shares in PT KP	Nominal value (IDR)	Percentage of shares in PT KP
1	SLM Holding	397,785	397,785,000,000	92.18%
2	LTK	33,750	33,750,000,000	7.82%

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In respect of paragraph (a) above, MOLHR does not need to approve the sale of the Sale Shares to SLM Holding; instead, MOLHR need only be notified of such sale. The notification to the MOLHR is conducted through an online system and should all the required documents be deemed complete, it would automatically issue the Letter of Acceptance of Notification (“Letter”). In other words, the Letter would be obtained directly once all of the required documents by the online system are filed.”

8.3.2 Management of the power plant business

We note that as the power plant business of PT KP will be different from the existing business of the Group, the Directors have provided for the following:

(As extracted from paragraph 6.5 of the Circular)

“Although the Power Plant Business is different from the existing business of the Group as described in Section 5.1 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 Power Plant Business, the Board believes that it will be able to leverage on the experience of Mr Liow Keng Teck (who is the Board Chairman of the Company) and Mr Low Yi Ngo (who is the Chief Executive Officer and Managing Director of the Company) in the area of power generation.

Mr Liow Keng Teck has extensive experience in the power utilities sector. Mr Liow was previously the managing director of Development Resources Pte Ltd, a subsidiary of Singapore Power, which provides engineering consultancy and project management for power plant and infrastructure projects in the region. Mr Liow was also a consultant and adviser to a major power generating company operating in Singapore. Mr Liow graduated with an Honours Degree in Mechanical Engineering from the University of Singapore and is a registered professional engineer.

Prior to Mr Low Yi Ngo’s appointment as the Chief Executive Officer and Managing Director of the Company, he started off with Bayan Resources as the project coordinator for the construction of the Kalimantan Floating Transfer Station in 2004. Subsequently, Mr Low became the marketing director of Bayan Resources, with the primary responsibility of marketing Bayan Resources’ coal. Mr Low graduated with a Bachelor’s degree in Mechanical and Production Engineering from the Nanyang Technological University in 2004.

The Group will monitor developments and progress in the Power Plant Business and take the necessary steps to identify suitable candidates both from within the Group as well as externally to manage the Power Plant Business to take them forward as and when required. The Group intends to take over the existing management of PT KP, which includes PT KP’s plant manager who has more than 7 years of experience in the power plant industry and PT KP’s maintenance and operation engineer who has more than 30 years of relevant experience.

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 Power Plant Business as and when appropriate. In addition, the Group will evaluate the manpower and expertise

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required for the Power Plant Business and will as and when required hire suitably qualified personnel, external consultants, external industry experts and professionals for the Power Plant Business.

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 Power Plant Business 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 Power Plant Business periodically.”

8.3.3 Financial effects of the Proposed Acquisition

The *proforma* financial effects of the Proposed Acquisition are set out in section 2.13 of the Circular and are based on the audited consolidated financial statements of the Group for FY2015 and the unaudited financial statements of PT KP for FY2015 and various assumptions as detailed therein.

From the above, in summary, we note that the Proposed Acquisition would result in the following financial results for the Group (if there is no Adjustment made to the Purchase Consideration (hence, maximum Purchase Consideration of US\$37 million paid for the Proposed Acquisition)):

- (i) the NTA per Share of the enlarged Group will increase slightly from 19.89 Singapore cents to 19.91 cents.
- (ii) the earnings per Share (“EPS”) of the enlarged Group will decrease from (4.28) Singapore cents to (6.03) Singapore cents. The financial effects on the enlarged Group’s earnings are not significant as PT KP had commenced operations fairly recently.

The *proforma* financial effects above are for illustrative purposes only and do not purport to be an indication or a projection of the results and financial position of the Company and the Group after the completion of the Proposed Acquisition.

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8.3.4 Inter-conditionality of the Proposed Acquisition

It is pertinent to note that if any of the resolutions in relation to the Power Purchase Agreement as an Interested Person Transaction, the Coal Sales and Purchase Agreement as an Interested Person Transaction and the Proposed Diversification is not approved at the EGM, then, the Proposed Acquisition will not proceed.

8.3.5 Abstention from voting at the EGM

We note that LTK, ERI, Mr Low Yi Ngo and Ms Elaine Low whom are deemed to be interested in the Proposed Acquisition will abstain, and will procure that their respective Associates will abstain, from voting at the EGM in relation to the Proposed Acquisition. Accordingly, assuming that all the resolutions in relation to the Power Purchase Agreement as an Interested Person Transaction, the Coal Sales and Purchase Agreement as an Interested Person Transaction and the Proposed Diversification are passed, the Proposed Acquisition would proceed only if a majority of the independent Shareholders were to vote in favour of the Proposed Acquisition at the EGM.

9. EVALUATION OF THE POWER PURCHASE AGREEMENT AS AN INTERESTED PERSON TRANSACTION

In evaluating and arriving at our opinion on whether the Power Purchase Agreement as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders, we have taken into consideration the following:

- (a) rationale for the Power Purchase Agreement;
- (b) key terms of the Power Purchase Agreement; and
- (c) other relevant considerations.

9.1 Rationale for the Power Purchase Agreement

The full text of the rationale for the Power Purchase Agreement is set out in paragraph 7.3 of the Circular and reproduced below for reference:

“Under the Power Purchase Agreement, DPP shall purchase and pay the Electric Power sold by PT KP at the Monthly Minimum Amount. Hence, the Power Purchase Agreement is expected to provide monthly minimum guaranteed sales and, in turn, earnings for PT KP, and this is expected to contribute positively to the Group’s financial performance.”

9.2 Key terms of the Power Purchase Agreement

In our evaluation of the key terms of the Power Purchase Agreement, we have taken into consideration the following key terms:

Length of the agreement: We note that the Power Purchase Agreement will be valid and binding upon the parties (DPP and PT KP) as of the signing date (2 February 2015), and the sale and purchase of Electric Power will be valid for a period of seven (7) years as of Commencement Date (2 February 2015). The validity period of the Power Purchase Agreement can be extended upon the written approval of PT KP and DPP. Any further

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extension/renewal of the agreement, the terms of which will be subject to the relevant rules under Chapter 9 of the Listing Manual. In addition, throughout the entire period of the agreement, the audit committee of the Company will conduct periodic reviews to ensure that the terms of the Power Purchase Agreement are adhered to accordingly.

Sale of Monthly Minimum Amount on a take or pay basis: We note that DPP and PT KP agreed that the sale and purchase of Electric Power pursuant to the Power Purchase Agreement will be carried out strictly on a take or pay basis, whereby at any time during the term of the Power Purchase Agreement, DPP shall purchase and pay the Electric Power sold by PT KP at the Monthly Minimum Amount (every month). In this regard, we note that the take or pay basis pursuant to the Power Purchase Agreement ensures monthly revenue that may be recognised by PT KP throughout the term of the Power Purchase Agreement.

The increase of the Monthly Minimum Amount may be adjusted at any time during the term of the Power Purchase Agreement as agreed in writing by PT KP and DPP and based on the format of purchase order of Electric Power as agreed in writing by PT KP and DPP.

In the event of failure in the distribution of the Electric Power at the Monthly Minimum Amount, due to certain stipulated circumstances, penalty shall be imposed on the defaulting party which shall be calculated proportionately based on the sale and purchase price of Electric Power, using a certain stipulated pre-determined formula as set out in the Power Purchase Agreement.

Purchase Price: The Purchase Price is comparable to the price payable by non-Interested Persons purchasing electricity during the same period.

Purchase Price adjustments: We note that the Power Purchase Agreement has provided for the Purchase Price to be adjusted monthly if any of the following event(s) occurs:

- (i) price of coal based on the benchmark of the coal price index as stipulated by the relevant Indonesian authorities from time to time;
- (ii) the exchange rate of US\$ to IDR;
- (iii) inflation; or
- (iv) any amendment to laws and regulations and/or other government policies issued by any government authorities in Indonesia.

The Purchase Price adjustments shall be based on a certain stipulated pre-determined formula as set out in the Power Purchase Agreement. With guidance from the Management, we further note that such adjustments are provided mainly to limit the Purchase Price from any potential risk(s) that may arise from the changes in (i) to (iv) during the term of the Power Purchase Agreement.

Security deposits: We note that the Power Purchase Agreement provides that DPP will be obliged to deposit with PT KP an amount which is equivalent to two (2) times of DPP's monthly bills under the Power Purchase Agreement at any time during the term of the Power Purchase Agreement.

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Termination of the agreement: We note that safeguards via an option to terminate the Power Purchase Agreement have been factored into the Power Purchase Agreement to safeguard against any non-fulfilment of the key obligations of the parties to the agreement. In this regard, either PT KP or DPP can terminate the Power Purchase Agreement unilaterally prior to the expiration date upon the occurrence of any of the stipulated events (“Event of Default”):

(as extracted from paragraph 7.2e of the Circular)

“It is an Event of Default of PT KP if:

- (i) PT KP fails to comply with or operate in conformity with any obligation of the Power Purchase Agreement;*
- (ii) the failure by PT KP to sell and deliver Electric Power to DPP on the Commencement Date or a prolonged period of time of six (6) months;*
- (iii) any warranty, undertaking or representation of PT KP in or given under the Power Purchase Agreement is or becomes false, misleading or incorrect when made or deemed to be false, misleading or incorrect under the Power Purchase Agreement; or*
- (iv) PT KP is dissolved or liquidated, declared bankrupt by the court.*

It is an Event of Default of DPP if:

- (i) DPP fails to comply with or operate in conformity with any obligation in the Power Purchase Agreement;*
- (ii) the failure of DPP to pay the purchase price for the sale and purchase of the Electric Power and/or any penalties (if any) under the Power Purchase Agreement;*
- (iii) any warranty, undertaking or representation of DPP in or given under the Power Purchase Agreement is or becomes false, misleading or incorrect when made or deemed to be false, misleading or incorrect under the Power Purchase Agreement; or*
- (iv) DPP is dissolved or liquidated, declared bankrupt by the court.*

*On the occurrence of any of the Event of Default with regard to any party to the Power Purchase Agreement, the non-defaulting party will be entitled to provide notice in writing to the defaulting party specifying the default or breach requiring the defaulting party to remedy the said default or breach within 30 days of the receipt of such notice (“**Remedial Notice**”).*

If the non-defaulting party has sent at least three (3) Remedial Notices, and the defaulting party fails to remedy relevant default or breach within the Remedial Notice, despite having been warned three (3) times, then such non-defaulting party may terminate the Power Purchase Agreement by submitting a 14 calendar days prior notice, notifying the termination.

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In the event of termination of the Power Purchase Agreement, the parties agree to waive the provisions of Articles 1266 and 1267 of the Indonesian Civil Code insofar as a court order or other judicial pronouncement would otherwise be required to terminate the Power Purchase Agreement. The parties also agree that Article 1267 of the Indonesia Civil Code shall not be interpreted so that only the court has the jurisdiction to render a decision on the execution of agreement and/or award of damages.

Upon the termination of the Power Purchase Agreement, PT KP shall take into account all obligations that remains outstanding from DPP to PT KP up to the date of termination, and PT KP reserves the right to deduct such outstanding obligations by way of set off with any balance in security deposit, deposited by DPP to PT KP pursuant to the provisions of the Power Purchase Agreement, and PT KP shall return any remaining balance in security deposit after such deduction back to DPP in accordance with the procedures set out in the Power Purchase Agreement.

If, after such deduction, any outstanding obligation which has not been performed by one (1) party to another party remains, the relevant party shall remain responsible for all such obligations arising prior to the termination of the Power Purchase Agreement.”

9.3 Other relevant considerations

9.3.1 Transactions with DPP

Save for the Power Purchase Agreement, the Group does not have any other Interested Person Transaction of aggregate value more than S\$100,000 with DPP for the current financial year beginning 1 January 2016 and up to the Latest Practicable Date.

9.3.2 Exclusive rights to supply electricity

PT KP has the rights to supply electricity exclusively within the KIK zone for a period of 15 years commencing from 1 April 2013. The KIK zone has been designated as an integrated industrial zone capable of catering to a diversity of business sectors including heavy industry, medium industry and warehouses, and may accommodate industries such as coal, oil and gas, commodities, aquaculture and other business sectors. In relation to the aforementioned, under the Power Purchase Agreement, DPP will be obliged to purchase Electric Power strictly and exclusively from those originating from PT KP and no other sources, unless otherwise PT KP no longer holds the exclusivity rights.

9.3.3 Abstention from voting

We note that the Interested Person to the Power Purchase Agreement, LTK, DPP, Mr Low Yi Ngo and Ms Elaine Low will abstain, and will procure that their respective Associates will abstain from voting at the EGM in relation to the Power Purchase Agreement. Accordingly, the Power Purchase Agreement as an Interested Person Transaction would proceed only if a majority of the independent Shareholders were to vote in favour of the Power Purchase Agreement as an Interested Person Transaction at the EGM.

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10. EVALUATION OF THE COAL SALES AND PURCHASE AGREEMENT AS AN INTERESTED PERSON TRANSACTION

In evaluating and arriving at our opinion on whether the Coal Sales and Purchase Agreement as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders, we have taken into consideration the following:

- (a) rationale for the Coal Sales and Purchase Agreement;
- (b) key terms of the Coal Sales and Purchase Agreement; and
- (c) other relevant considerations.

10.1 Rationale for the Coal Sales and Purchase Agreement

The full text of the rationale for the Coal Sales and Purchase Agreement is set out in paragraph 8.3 of the Circular and reproduced below for reference:

“The power plant operated by PT KP requires coal as one (1) of the essential raw materials to generate electricity. In this connection, the Coal Sales and Purchase Agreement will provide PT KP with a stable supply of coal, which is an essential raw material required for its operations.”

10.2 Key terms of the Coal Sales and Purchase Agreement

In our evaluation of the key terms of the Coal Sales and Purchase Agreement, we have taken into consideration the following key terms:

Choice of supplier and the length of the agreement: We note that PT KP took into account key factors including the close proximity to PT KP power plant operations and the competitive cost of the coal under the Coal Sales and Purchase Agreement in its decision to enter into the Coal Sales and Purchase Agreement with Bayan International. The term of the Coal Sales and Purchase Agreement came into effect on 1 October 2015 and will expire on 30 April 2017, subject to any extensions agreed between PT KP and Bayan International. Any further extension/renewal of the agreement, the terms of which will be subject to the relevant rules under Chapter 9 of the Listing Manual. In addition, throughout the entire period of the agreement, the audit committee of the Company will conduct periodic reviews to ensure that the terms of the agreement are adhered to.

Quantity required for power plant operations: Under the Coal Sales and Purchase Agreement, Bayan International will sell and deliver and PT KP will purchase and accept approximately in the range of 225,000 to 275,000 MT of coal. Accordingly, the Management has provided that the quantity of coal under the Coal Sales and Purchase Agreement is the estimated quantity of coal required for PT KP’s power plant operations for the term of the Coal Sales and Purchase Agreement.

Price of coal: The price of coal will be calculated in accordance with a pre-determined formula based on publicly available independent coal indices (which are published monthly) on a free on board (“FOB”) basis calorific value of 4,150 kilo-calorie (“Kcal”)/kilogram (“kg”). In that regard, we note that the performance of PT KP power plant operations will not be affected significantly as long as the use of coal of calorific value is

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at or higher than 4,150 kcal/kg. In addition, we note that the price paid under the Coal Sales and Purchase Agreement is comparable to the prices paid to other suppliers of coal of similar specifications which are also determined by certain pre-determined formula based upon publicly available published independent indices, and are in accordance with prevailing market rates.

The price is inclusive of all taxes, and PT KP will not be liable for any tax whatsoever that may occur under the Coal Sales and Purchase Agreement.

Purchase Price adjustments: The Coal Sales and Purchase Agreement provides for price adjustments based on quality determinations at the agreed stockpile in accordance with the provisions on sampling and coal analysis in the Coal Sales and Purchase Agreement, in the case where the calorific gross value on an as received basis is above or below 4,150 kcal/kg but within the rejection limit then the case price of coal will be adjusted by a pre-determined formula. With guidance from Management, we note that it is market practice for such/similar adjustment of coal price based upon certified calorific gross value to be incorporated within similar agreements.

Safeguards for failure to deliver coal: We note that the Coal Sales and Purchase Agreement has provided that if Bayan International fails to deliver coal in accordance with the Coal Sales and Purchase Agreement (excluding force majeure), Bayan International will pay PT KP liquidated damages equivalent to the difference between the contractual price for coal under the Coal Sales and Purchase Agreement and the actual price PT KP has to pay for similar coal sourced through alternative suppliers.

Termination of the agreement: We note that safeguards via an option to terminate the Coal Sales and Purchase Agreement have been factored into the Coal Sales and Purchase Agreement to safeguard against any non-fulfilment of the key obligations of the parties to the agreement. In this regard, either PT KP or Bayan International can terminate the Coal Sales and Purchase Agreement if the breach(es) are not remedied within a stipulated number of days after receiving written notice from the other party to the Coal Sales and Purchase Agreement.

10.3 Other relevant considerations

10.3.1 Transactions with Bayan International

Save for the Coal Sales and Purchase Agreement, the Group does not have any other Interested Person Transaction of aggregate value more than S\$100,000 with Bayan International for the current financial year beginning 1 January 2016 and up to the Latest Practicable Date.

10.3.2 Abstention from voting

We note that the Interested Person to the Coal Sales and Purchase Agreement, LTK, Bayan International, Mr Low Yi Ngo and Ms Elaine Low will abstain, and will procure that their respective Associates will abstain from voting at the EGM in relation to the Coal Sales and Purchase Agreement. Accordingly, the Coal Sales and Purchase Agreement as an Interested Person Transaction would proceed only if a majority of the independent Shareholders were to vote in favour of the Coal Sales and Purchase Agreement as an Interested Person Transaction at the EGM.

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11. OUR RECOMMENDATION

In arriving at our opinion, we have reviewed and deliberated on the factors which we consider to be relevant and to have a significant bearing on our assessment as to whether:

- (1) the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders; and
- (2) the Power Purchase Agreement and the Coal Sales and Purchase Agreement as Interested Person Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

These factors include, *inter alia*, the views and representations made by the Directors and Management of the Company. We have carefully considered as many factors as we deemed essential and balanced them before reaching our opinion. Accordingly, it is important that our Letter with all the considerations and information we have accounted for, be read in its entirety.

11.1 The Proposed Acquisition

In arriving at our opinion in relation to the Proposed Acquisition, we have taken into account, *inter alia*, the following factors summarised below:

- (a) **Declining earnings and profits of the Group:** The Group's revenue and profit after tax attributable to equity holders has been declining consistently from approximately (Revenue) S\$23.7 million to approximately S\$8.7 million and (Profit) S\$2.5 million to approximately S\$(24.4) million from FY2013 to FY2015, respectively.
- (b) **Financial position of the Group:** As at latest completed financial year FY2015, the Group had positive working capital of approximately S\$64.1 million. Equity attributable to equity holders amounted to approximately S\$113.1 million. Cash and bank deposits amounted to approximately S\$86.1 million. In the same period, there are no long-term interest bearing loans.
- (c) **The rationale of the Proposed Acquisition:** The existing business of the Group includes: (a) provision of logistics and other support services to the coal and mining and oil and gas industries in Indonesia, (b) exploration and production of mineral resources in the People's Republic of China ("PRC") and (c) property development, investment and management and other related property activities in PRC.

The Proposed Acquisition serves as a natural extension to the Group's existing operations, reduces the Group's reliance on its existing businesses, provides new revenue streams to broaden the Group's earning base and capitalises on the opportunities of a rising electricity demand in Indonesia, coupled with the Indonesian government's support in granting exclusive distribution rights in certain areas of Indonesia to PT KP (target of the Proposed Acquisition).

- (d) **Market value of the Sale Shares:** We note that the Independent Valuation Report is underpinned by electricity sales agreements that PT KP has in place. With respect to the Independent Valuation Report and the Land Valuation Report, we note that the

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value of the Sale Shares (92.18% of PT KP acquired in the Proposed Acquisition) as implied by the Purchase Consideration is within the range of the market value estimates. Further details can be found in section 8.2.3 of this Letter.

- (e) **Comparison with valuation statistics of broadly comparable companies:** We note that PT KP recorded net losses and negative EBITDA for FY2015, hence its P/E and EV/EBITDA ratios are negative in value. However, we also note that PT KP is relatively young in the operations of its power plant business (power plant operations able to commence full operations in 2015: first power plant unit in the first quarter of 2015 and second unit in the last quarter of 2015), therefore, its valuation will be derived mainly from its future growth. We note that such growth has been accounted for in the Independent Valuation Report in arriving at its Market Value for PT KP.

We note that the P/NAV ratio of PT KP based on the Purchase Consideration with no Adjustment of 1.60 times is within the range of the P/NAV ratios of the Target Comparable Companies and is higher than the mean and median P/NAV ratio of 1.21 and 1.18 times, respectively.

The P/NAV ratio of PT KP based on the Purchase Consideration with Adjustment of 0.92 times is within the range of the P/NAV ratios of the Target Comparable Companies and is below the mean and median P/NAV ratio of 1.21 and 1.18 times, respectively.

- (f) other relevant considerations as set out in section 8.3 of this Letter.

After having carefully considered the information available to us, and based upon the financial, industry, market, economic and other relevant conditions subsisting on the Latest Practicable Date as well as based on the considerations set out in this Letter. We are of the opinion that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

Further, we wish to note that the Proposed Acquisition does not, in and by itself, guarantee that the Group would be profitable in future. Whether the Group will be profitable in future will depend on a combination of economic and other factors.

11.2 The Power Purchase Agreement and the Coal Sales and Purchase Agreement as Interested Person Transactions

In arriving at our opinion in relation to the Power Purchase Agreement and the Coal Sales and Purchase Agreement as Interested Person Transactions, we have taken into account, *inter alia*, the following factors summarised below:

- (a) **The rationale for the Power Purchase Agreement and the Coal Sales and Purchase Agreement:** The Power Purchase Agreement provides guaranteed sales and earnings for PT KP and is expected to contribute positively to the Group's financial performance; and the Coal Sales and Purchase Agreement provides a steady supply of raw materials (coal) essential for the power plant operations of PT KP.

APPENDIX C – IFA LETTER

(b) Evaluation of the terms of the agreements:

With respect to the Power Purchase Agreement:

- (i) **Guaranteed monthly minimum electricity sales:** The Power Purchase Agreement will be valid for a period of seven (7) years from 2 February 2015. Throughout this period, DPP shall purchase and pay for the minimum Electric Power sold by PT KP as stipulated in the Power Purchase Agreement. The minimum amount can be increased at any time during the term of the agreement in writing by PT KP and DPP.
- (ii) **Price paid under the agreement:** The price paid by DPP to PT KP for the Electric Power under the Power Purchase Agreement is comparable to the prices payable by non-Interested Person purchasing electricity during the same period.
- (iii) **Adjustments of price paid:** Adjustments to the price paid by DPP have been provided under the Power Purchase Agreement to limit the price paid (and hence price received by PT KP) against any risks from the changes in the factors (including, *inter alia*, inflation) as provided for in the Power Purchase Agreement.
- (iv) **Security deposits placed with PT KP:** The Power Purchase Agreement provides that DPP will be obliged to deposit with PT KP an amount which is equivalent to two (2) times of DPP's monthly bills under the Power Purchase Agreement at any time during the term of the Power Purchase Agreement.
- (v) Other relevant considerations under section 9 of this Letter.

With respect to the Coal Sales and Purchase Agreement:

- (i) **Choice of the supplier:** Bayan International was chosen based on key factors, *inter alia*, close proximity to PT KP power plant operations and competitive price for the coal under the Coal Sales and Purchase Agreement.
- (ii) **Purchase price paid under the agreement:** The price paid by PT KP for the coal under the Coal Sales and Purchase Agreement is comparable to the prices paid to other independent suppliers of coal of similar specifications.
- (iii) **Safeguards in the event of non-delivery of Coal by Bayan International:** Bayan International will pay PT KP liquidated damages equivalent to the difference between the contractual price for the coal under the Coal Sales and Purchase Agreement and the actual price PT KP has to pay for similar coal sourced through alternative suppliers.
- (iv) Other relevant considerations under section 10 of this Letter.

After having carefully considered the information available to us, and based upon the financial, industry, market, economic and other relevant conditions subsisting on the Latest Practicable Date as well as based on the considerations set out in this Letter, we are of the opinion that the (a) Power Purchase Agreement and the (b) Coal

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Sales and Purchase Agreement as Interested Person Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

We wish to highlight that we were neither a party to the negotiations entered into by the Company in relation to the Proposed Acquisition, the Power Purchase Agreement and the Coal Sales and Purchase Agreement nor were we involved in the deliberations leading up to the decisions on the part of the Directors to enter into these agreements, and we do not warrant the merits of the Proposed Acquisition, the Power Purchase Agreement and the Coal Sales and Purchase Agreement. Furthermore, we were not involved in the legal and financial due diligence that were conducted by the Company and its advisers on PT KP.

This Letter is addressed to the Independent Directors for their benefit in connection with and for the purpose of their consideration of the Proposed Acquisition, the Power Purchase Agreement and the Coal Sales and Purchase Agreement. The recommendations made by them to the Shareholders in relation to the Proposed Acquisition, the Power Purchase Agreement as an Interested Person Transaction and the Coal Sales and Purchase Agreement as an Interested Person Transaction shall remain the sole responsibility of the Independent Directors. The Independent Directors should advise the Shareholders to refer to the Circular. If in doubt, these Shareholders should also consult their respective financial adviser.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of NRA Capital in each specific case, except for the purpose of any matter relating to the Proposed Acquisition, the Power Purchase Agreement as an Interested Person Transaction and the Coal Sales and Purchase Agreement as an Interested Person Transaction. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully

Kevin Scully
Executive Chairman
NRA Capital Pte. Ltd.

Raymond Lee
Director
NRA Capital Pte. Ltd.

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APPENDIX D – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE POWER PLANT BUSINESS

RISKS RELATING TO THE POWER PLANT BUSINESS

- a. Changes in government legislation, regulations or policies which affect the power generation industry may adversely affect the Group's business operations and financial performance**

The Power Plant Business is subject to various legislation, regulations and policies in the countries which the Group may operation. Any changes in government legislation, regulations or policies affecting the power generation industry could adversely affect the Group's business operations and may have a negative effect on the demand for electric power which will, in turn, affect its business. The compliance with such new government legislation, regulations or policies may also increase its costs, and any significant increase in such compliance costs may adversely affect its results of operations.

There is no assurance the Group will be able to meet all the regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that it will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and/or other penalties are imposed on the Group for failing to comply with applicable requirements, guidelines or regulations, its business, reputation, financial condition and results of operations may be materially and adversely affected.

- b. The Group may be affected by adverse changes in the political, economic, regulatory or social conditions in the countries in which it operates or into which it intends to expand**

The Group is governed by laws, regulations and government policies in each of the countries in which the Group operates or intends to expand its Power Plant Business and operations. The Group's Power Plant Business and future growth are dependent on the political, economic, regulatory and social conditions of these countries. Any economic downturn or changes in policies in these countries, currency and interest rate fluctuations, capital controls or capital restrictions, changes in labour law, changes in environmental protection laws and regulations, duties and taxation and limitations on imports and exports could materially and adversely affect the Group's Power Plant Business, operations, financial performance and future growth.

- c. The Group is dependent on key pieces of equipment and machinery**

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

APPENDIX D – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE POWER PLANT BUSINESS

d. The Power Plant Business is subject to operating risks

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

- i. production interruptions caused by operational errors, breakdown of generation equipment, failure of transmission systems, raw material shortages and other risks;
- ii. failure to obtain key equipment, materials and supplies;
- iii. operating limitations imposed by environmental or other regulatory requirements;
- iv. outbreak of diseases;
- v. social, political and labour unrest; and
- vi. catastrophic events such as fires, earthquakes, explosions, floods and other natural disasters.

A number of these risks could have severe consequences, including loss of life or serious injury, significant damage to the Group's assets and equipment, environmental pollution, personal injury litigation, political consequences such as conflicts with local or regional governmental authorities and damage to its reputation. Such events may expose the Group to substantial financial and other liabilities including, but not limited to expenses incurred for environmental clean-up.

Any of the events or conditions above may also disrupt the generation of electricity thereby resulting in the Group's failure to supply electricity to its customers continuously. In such cases, this may result in, amongst others, termination of the power purchase agreements by the customers or the incurring of liabilities or penalties, which may, in turn, materially and adversely affect the Group's business, financial condition, results of operations and prospects.

e. The Group may be exposed to general fluctuations in coal prices

The Group's Power Plant Business requires coal for the generation of electricity. Any significant increase in coal prices will result in a direct increase in the Group's operational costs, adversely affecting its business and results of operations. There is no assurance that the Group will be able to pass on any future increase in coal prices to its customers or offset the effects of any future increase in prices. Therefore, any fluctuations in prices of coal may directly reduce the Group's profit margins and could have a material adverse effect on its business, results of operations, financial condition and prospects.

f. The Group is reliant upon transmission systems and grid connections

The Group's ability to sell electricity is impacted by the availability of the various transmission systems. The failure of existing transmission facilities or the lack of adequate transmission capacity would have a material adverse effect on the Group's ability to deliver electricity to its various counterparties, thereby affecting the Group's business, operating results, financial condition or prospects.

APPENDIX D – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE POWER PLANT BUSINESS

Further, energy projects are connected to the distribution or transmission grid to sell the energy output. Therefore, the distribution network operators will be required to connect the projects developed by the Group to the electricity grid. The Group will not be the owner of, or control, the transmission or distribution facilities except those needed to connect projects to the electricity network. Accordingly, in the event of a failure of the distribution network operator to connect the projects developed by the Group to the electricity grid, the Group may suffer economic losses. Such losses could have a material adverse effect on the overall profitability of the Group.

g. The Group may be adversely affected if there is any significant downtime of its power plant

A power plant is subject to normal wear and tear as a natural consequence of its operations. Normal wear and tear results from exposure to elements and deterioration of equipment, whether from use or otherwise. As a result, the power plants may require periodic downtime for repairs and maintenance. Repairs and maintenance are also expected to become more frequent as the power plants get older.

If the time required for repairs and maintenance of the power plant exceeds the time anticipated or if the time required for repairs and maintenance of the power plant becomes more frequent than anticipated, the available electricity generation capacity for the power plant may fall below its contracted electricity generation capacity, which may, in turn, result in the Group being unable to meet its purchase orders.

In addition, if any extraordinary or extensive repairs to the power plants or equipment are required due to any mechanical breakdown, fire, natural calamity or any event (whether natural or manmade), the power plant could require significant downtime during which it would not be able to generate electricity. Any significant downtime of the power plant may have far-reaching consequences, and may result in, amongst others, the termination of the Group's power purchase agreements with its customers, and/or compensation liabilities arising under such agreements.

There can be no assurance that any precautionary or safety measures taken by the Group in operating or upgrading the power plant can or will prevent damage to the facilities or disruptions to the operations of the power plant. The inability to use the power plant will materially and adversely affect the business, financial condition, results of operations and prospects of the Group.

h. The Power Plant 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 Power Plant Business. The growth of the Power Plant Business will be dependent on the Group's ability to 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 Power Plant Business. Having a team of experienced and skilled personnel is essential in maintaining the quality of services.

APPENDIX D – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE POWER PLANT BUSINESS

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 Power Plant 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.

i. The Group has no prior track record or experience in the Power Plant Business

The Group does not have a proven track record in carrying out the Power Plant Business. There is no assurance that the Power Plant 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 Power Plant Business. The Power Plant 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 Power Plant 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 Power Plant Business effectively, the overall financial position and profitability of the Group may be adversely affected.

j. The Group may not have the ability nor sufficient relevant expertise to execute the Power Plant Business

Following the Group's entry into the Power Plant Business, the Group may possibly expand its operations to new territories. Operating in a new geographical location may cause the Group to face additional risks, uncertainties and problems commonly associated with the entry into any new country which it has no prior track record in.

The Power Plant Business is dependent on skilled expertise such as workers, supervisors and managerial staff with the relevant industry experience. Any inadequacy in the availability of such labour resources will have an adverse effect on the operations of the Power Plant Business and eventually the Group's financial performance. The Group may also face limitations in recruiting the right personnel or gathering sufficient expertise to successfully execute the Power Plant Business. The Group's ability to successfully diversify into the Power Plant Business is dependent upon its ability to adapt its existing knowledge and expertise and to understand and navigate the Power Plant Business.

There is no assurance that the Group's existing experience and expertise will be sufficient for the Power Plant Business, or that the employees hired by the Group to implement the Power Plant Business will have the relevant experience and knowledge. While the Group will seek to engage additional persons with the relevant expertise and experience for the Power Plant Business in new territories, there is no assurance that the Group will be able to attract and retain the right persons. If the Group is unable to attract and retain a sufficient number of suitably skilled and qualified personnel with the requisite knowledge of operating in such territories, the Group's business and financial performance may be adversely affected.

APPENDIX D – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE POWER PLANT BUSINESS

In addition, 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 Power Plant Business more effectively and efficiently. However, there is no assurance that these third party professionals and/or third party 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 Power Plant Business and this may adversely affect the Group's financial performance and profitability.

k. The Group will require additional funding for its future operations and expansion plans in its Power Plant Business

The Power Plant Business is capital intensive. The Group's growth strategy to acquire and/or develop power plants requires substantial funding. The ability of the Group to arrange financing and the cost of such financing are dependent on the global and the local economic condition, capital and debt market conditions, lending policies of the government and banks, and other factors. The Group's business may not be able to generate sufficient cash flows to fund investment opportunities. Unless the Group can do so, it will be required to finance the cash needs through public or private equity offerings, bank loans or other debt financing. There can be no assurance that internal or domestic financing for the Power Plant Business will be available on terms favourable to the Group or at all. The Group may have to delay, adjust, reduce or abandon its planned growth strategies. In the event that the Group does not obtain bank loans or debt financing and is unable to meet the financing expenses of such, its business performance may be adversely affected.

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

l. The Group may be exposed to disruptions of the supply of raw materials

The Group will be dependent on its suppliers for timely delivery of raw materials such as coal, and there is no assurance that the Group's suppliers will be able to deliver the necessary raw materials on time or if at all. In addition, the Group does not maintain a large inventory of raw materials. In the event that its suppliers default on their contractual obligations or in the event of a disruption to the supply of its raw materials, the Group may be unable to source raw materials from alternative suppliers in a timely manner and at competitive prices, or at all, and its contractual obligations to deliver electricity to its customers will, in turn, be affected. In such an event, the Group's business and results of operations may be adversely affected.

While the Group will try to minimise the disruptions to its supply of raw materials by procuring from its regular suppliers and taking into consideration the delivery time for raw materials, it is unable to provide any assurance that it will at all times be able to find a supplier that is able to supply the raw materials of a quality, quantity, price and/or delivery time acceptable to it, taking into account the electricity production delivery schedule.

Should there be any disruption to the Group's supply of raw materials, its ability to generate electricity for delivery may be affected, which may, in turn, have an adverse effect on its business and results of operations.

APPENDIX D – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE POWER PLANT BUSINESS

m. The Group is dependent on the availability of reliable transport access

The Group depends on reliable transport access for the delivery of raw materials required for the generation of electricity such as coal to its power plant. If the relevant authorities are unable to maintain the conditions of the roadways in a timely manner, or any of the roadways are significantly damaged or cut off for an extended period of time for reasons beyond the Group's control such as road blockages, closure or obstruction, floods, landslides or mudslides, the delivery of raw materials required for the generation of electricity would be delayed, and the generation and delivery of electricity would be adversely affected.

n. The Group is exposed to risks associated with acquisitions, joint ventures or strategic alliances which it does not control and the manner in which it holds its investments

Depending on the available opportunities, feasibility and market conditions, the Group's expansion into the Power Plant Business may involve acquisitions, joint ventures and/or strategic alliances with third parties in relation to the Power Plant Business. Participation in joint ventures, strategic alliances, acquisitions or other investment opportunities involves numerous risks, including the possible diversion of management's attention from existing business operations and loss of capital or other investments deployed in such joint ventures, strategic alliances, acquisitions or opportunities. The successful implementation of the Group's growth strategy for the Power Plant Business also depends on the Group's ability to identify suitable partners and successful integration of their operations with the Group. Any delay in the implementation and integration of the acquired entities and expansion of operations would impair the Group's growth and ability to compete and the Group may fail to achieve acquisition synergies and may be forced to focus on integration of operations rather than on the Group's primary business.

Further, the Group may not hold investments through or make investments in entities that are not the Group's subsidiaries and over which the Group does not have majority control as part of the Proposed Diversification. There is no assurance that the Group will be able to influence the management, operation and performance of these entities through its voting rights, in a manner which would be favourable to the Group, or at all. In such events, the Group's financial performance may be adversely affected. There can be no assurance that the Group will be able to execute growth strategies successfully and as such, the performance of any strategic alliances, acquisitions or investments could fall short of expectations.

o. The Group is required to comply with numerous environmental laws and regulations in the operations of its Power Plant Business, and changes in such environmental laws and regulations or their interpretation or implementation, or unanticipated environmental effects from its operations, could require the Group to incur new or increased costs

The Group's operations of coal-fired steam power plants are subject to numerous environmental and health safety laws, regulations and other legal requirements enacted or adopted by the government. These laws govern aspects of the Group's operations of coal-fired steam power plants, such as the discharge of substance into the air and water, emissions into the environment and the management and disposal of hazardous substances and wastes. The costs associated with complying with these laws and the Group's environmental standards and procedures will impact its production costs. Any failure by the

APPENDIX D – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE POWER PLANT BUSINESS

Group to discharge its obligations could result in the imposition of fines and/or penalties, damage in reputation, delays in production and/or temporary or permanent closure of its operations.

The Group is also subject to future changes in existing laws, rules or regulations or enforcement policies, which may result in additional compliance and other costs. Stricter laws and regulations, or more stringent interpretations of existing laws, rules or regulations, may impose new liabilities on the Group, reduce operating hours, require additional investment by the Group in pollution control equipment, or impede the opening of new or expanding of existing plants or facilities. The Group could be forced to conduct preventive or remedial action(s) such as pollution control facilities, which could result in the incurrence of substantial costs. Substantial increase in such costs may adversely affect the Group's business, results of operations and financial condition.

p. Health, safety, operational and environmental hazards

The ownership and/or the operation of power plants carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licences, permits and other approvals, and potential civil liability. Environmental legislation may also provide for, amongst others, restrictions and prohibitions on releases or emissions of various substances produced in association with the power generation operations. Furthermore, environmental legislation is evolving in a manner which may be expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Group to incur costs to remedy such discharge.

Compliance with health, safety and environmental laws (and any future changes) and the requirements of licences, permits and other approvals will remain material to the Power Plant Business. The Group will incur significant capital and operating expenditures to comply with health, safety and environmental laws and to obtain and comply with licences, permits and other approvals and to assess and manage its potential liability exposure. Nevertheless, the Group may become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters.

The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licences, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures. As a consequence, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to the Group's business and operations.

q. The Group's Power Plant Business operations are dependent on its ability to obtain, maintain and renew licences and approvals

The Group requires various licences and approvals from local government and other government agencies for its operations in the Power Plant Business.

APPENDIX D – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE POWER PLANT BUSINESS

The Group must renew its licences and approvals as they expire, as well as obtain new licences and approvals when required. The licences and approvals are generally subject to conditions stipulated therein and/or the relevant laws or regulations under which such licences and approvals are issued. Failure to comply with such conditions could result in non-renewal, non-granting or suspension of the relevant licence or permit. As such, the Group will have to constantly monitor and ensure compliance with such conditions. There is no assurance that the local government and other government agencies will issue or renew the licences or approvals it requires in the timeframe it anticipates or at all. A loss of, or failure to obtain or renew, any significant licence or approval required to conduct the Group business and operations could materially and adversely affect its business, financial condition, results of operations and prospects.

r. Competition between the demand for power plants and other sources of energy

The demand for power plants that produce electricity from energy sources such as coal depends on, amongst others, the cost of generation from other sources of energy. The terms and costs under which supplies of other energy sources such as petroleum, natural gas and other fossil fuels can be obtained are key factors in determining the economic interest in using these energy sources rather than coal. The principal energy sources in competition with coal are wind, solar, geothermal, biofuel and hydroelectric. A decline in the competitiveness of electricity generated from coal in terms of, for instance, cost of generation, technological progress in the exploitation of other energy sources and a discovery of large new deposits of oil or gas, could weaken the demand for electricity generated from coal.

In the energy sector which uses coal as an energy source, competition exists with regard to factors such as bidding for available sites, performance of sites in generation, quality of technology used, price of power produced and scope and quality of service provided, including operation and maintenance services. A decline in the competitiveness of electricity generated by coal in terms of such factors could weaken the demand for electricity generated by coal. Should electricity which is generated by coal become uncompetitive with other types of electricity generation methods such as electricity generated by other energy sources such as petroleum or natural gas, this may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

s. The Group may be susceptible to fluctuations in foreign exchange rates that could result in the Group incurring foreign exchange losses

The Group's revenue and costs of the Power Plant 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 may consider the use of forward currency contracts to manage its foreign exchange risk resulting from cash flows from transactions and financing arrangements denominated in foreign currencies. Any significant adverse foreign exchange fluctuation may adversely affect the Group's financial performance and financial condition.

APPENDIX D – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE POWER PLANT BUSINESS

t. The Group may not be able to compete successfully with competitors of the Power Plant Business

The Group will be competing in domestic markets with other local power generation companies. These power generation companies and a number of other power producers may have substantially greater financial, infrastructural or other resources than the Group. The Group may also face competition from new entrants to the power industry having business objectives which are similar to the Group and they may have greater financial resources.

There is also increasing competition among operating power plants for an increase in dispatched output and land use rights. In particular, there may be keen competition on the acquisition or development of power plants. If the Group is unable to compete successfully, the Group's growth opportunities to increase generating capacity may be limited and its revenue and profitability may be adversely affected. There may also be increased price competition among domestic power generation companies. In the event that the Group is unable to be competitive, the Group's financial position and performance may be adversely affected.

u. The Group may be involved in legal or other proceedings arising from its operations of the Power Plant Business

The Group may be involved from time to time in disputes with various parties involved in the projects that the Group undertakes. These parties include contractors, sub-contractors, suppliers and customers. These disputes may lead to legal and other proceedings. The Group may also have disagreements with regulatory bodies and these may subject it to administrative proceedings.

In the event that unfavourable judgments are passed by the courts or unfavourable rulings are made by the regulatory bodies, the Group may suffer not only financial losses but also a disruption in the Group's operations.

v. The Group may not be able to meet the challenges presented by the Power Plant Business

The success and growth of the Power Plant Business will depend on the ability of the Group to meet the challenges presented by such business.

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 Power Plant Business due to the potential increase in costs incurred to finance the growth and expansion of the Power Plant Business. The increase in costs without a corresponding increase in revenue will have an adverse impact on the Group's financial performance.

APPENDIX D – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE POWER PLANT BUSINESS

w. The operations and profitability of the Power Plant 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 Power Plant Business operates may lead to uncertainty in the economic outlook of such 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 Power Plant 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.

x. The Power Plant Business is subject to general risks associated with operating businesses outside Singapore

There are risks inherent in operating businesses overseas, which include unexpected changes in regulatory requirements, difficulties in staffing and managing foreign operations, social and political instability, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainties regarding the Group's liability and enforcement, changes in local laws and controls on the repatriation of capital or profits. Any of these risks could adversely affect the Group's overseas operations and consequently, its business, financial performance, financial condition and operating cash flow.

In addition, if the governments of countries in which the Group operates tighten or otherwise adversely change their laws and regulations relating to the repatriation of their local currencies, it may affect the ability of the Group's overseas operations to repatriate profits to the Group and, accordingly, the cash flow of the Group will be adversely affected.

y. The Group's insurance coverage may not adequately protect against possible risk of loss

The operation of power plant involves different risks and hazards such as the failure of power generation or transmission systems, industrial accidents and natural disasters, which are beyond the control of the Group as well as human error, fault and negligence. Although the Group intends to obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Group may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Group. The occurrence of a significant event that the Group is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Group's financial position, results of operations or prospects.

APPENDIX D – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE POWER PLANT BUSINESS

RISKS RELATING TO INDONESIA

- (a) The Group's operations are affected by changes in existing and adoption of new Indonesian Government laws and regulations and/or the changes in interpretation of the Indonesian Government laws and regulations as well as possible inconsistencies between the various Indonesian Government laws and regulations and/or the corresponding interpretation**

As Indonesia is a developing market, its legal and regulatory regime may be less certain than those in more developed markets and may be subject to unforeseen changes. At times, the interpretation, application or enforcement of laws and regulations may be unclear and the content of applicable laws and regulations may not be immediately available to the public. Under such circumstances, consultation with the relevant authority in Indonesia may be necessary to obtain better understanding or clarification of applicable laws and regulations.

The Group's operations in Indonesia are regulated by the laws and regulations of Indonesia including those relating to the corporate, investment, power plant, power generation, labour, environmental, safety and taxation matters. The laws and regulations and its corresponding interpretations are sometimes ambiguous, especially in the absence of implementing regulations, which provide guidance on the implementation and application of the laws and regulations.

The Group's operations may be adversely affected by the adoption of new laws and regulations or changes to, or changes in the interpretation or implementation of, existing laws and regulations which, in turn, could have a material adverse effect on its business, financial condition, results of operations and prospects. The Group's costs of compliance may also increase.

- (b) Uncertainty regarding enforcement of various laws, regulations and foreign judgments may affect the Group's business**

Indonesia's legal system is a civil law system based on written statutes. Judicial decisions in Indonesia, in particular those rendered by the Indonesian Supreme Court, are persuasive but they do not constitute binding precedents. They are also not systematically and publicly available as in developed countries. Many of Indonesia's commercial and civil laws and rules on judicial process are based on pre-independence Dutch law and have not been revised to reflect the complexities of modern financial transactions and instruments. Indonesian courts are often unfamiliar with sophisticated commercial or financial transactions, leading in practice to uncertainty in the interpretation and application of Indonesian legal principles. The application of many Indonesian laws and regulations depends, in large part, upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy. Indonesian judges operate in an inquisitorial legal system and have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. As a result, administration and enforcement of laws, regulations, foreign judgments and arbitral awards by Indonesian courts and governmental agencies may be subject to uncertainty and considerable discretion.

APPENDIX D – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE POWER PLANT BUSINESS

While Indonesia has opened up its economy to foreign investors, the political, regulatory and economic outlook for investors in Indonesia remains uncertain. It may be difficult to obtain a consistent or predictable outcome for dispute resolution as compared to other more developed jurisdictions and it may be difficult to obtain swift enforcement of the laws in Indonesia.

Judgments by a court of another jurisdiction will not be recognised and enforced in the courts of Indonesia while foreign arbitration awards may be recognised and enforced in Indonesia, subject to certain requirements, which include that the subject matter of the awards must relate to commerce, does not conflict with Indonesian public policy and has been issued in a country which has ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Uncertainty regarding the application and enforcement of various laws, regulations, foreign judgments and arbitral awards to the Group's business, its entitlement to the various licences it requires to operate its business, its entitlement to various land rights, or other legal or regulatory matters relating to its business could have a material adverse effect on its business, financial condition, results of operations and prospects.

(c) Domestic, regional or global economic changes and/or inflation may adversely affect the Group's business

The Asian economic crisis in 1997 and, to a certain degree, the global financial crisis in 2008 had significant and adverse impact on Indonesia, and a recurrence of a crisis of a similar scale, whether at a domestic, regional or global level, could have a material adverse effect on Indonesia's economy. Consequently, the Group's business and results of operations will also be adversely affected by any deterioration in the economic conditions of Indonesia. There can be no assurance that an economic downturn in Indonesia will not occur in the future. Any such downturn could have a material adverse effect on the Group's business, financial condition and results of operations.

Recent global market and economic conditions have been unprecedented and challenging with limited access to credit and recessions in most major economies. Continued concerns about the systemic impact of potential long-term and wide-spread recession, fluctuations in energy costs, geopolitical issues and the availability and cost of credit have contributed to increased market volatility for western and emerging economies.

In addition, a loss of investor confidence in the financial systems of emerging and other markets, or other factors, may cause increased volatility in the financial markets, including the Indonesian financial markets and a slowdown in economic growth or negative economic growth in Indonesia or elsewhere in the world. Since the onset of the current global financial crisis, there has been a general tightening of credit in the financial markets. As a result of these market conditions, the cost and availability of credit have been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Commercial banks and capital markets investors have implemented more stringent control on lending and investments. The Group cannot assure that developments in the financial markets, the continued turbulence in the United States or other major economies or the slowdown in Indonesia and the Asia Pacific Region economies and prolonged declines in business and

APPENDIX D – RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION INTO THE POWER PLANT BUSINESS

consumer spending will not have a material adverse effect on its business, results of operations and financial condition. If these happen, the Group's costs may increase, and this would have an adverse effect on the Group's financial performance and results of operations.

(d) Terrorist activities in Indonesia could destabilise the country, thereby adversely affecting the Group's business

Terrorist acts could destabilise Indonesia and increase internal divisions within the Indonesian Government as it evaluates responses to that instability and unrest. Violent acts arising from, and leading to, instability and unrest have in the past had, and may continue to have, a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

(e) Indonesia is located in an earthquake zone and is subject to significant geological risk that could lead to social unrest and economic loss

The Indonesian archipelago is one (1) of the most volcanically active regions in the world and subject to significant seismic activity that can lead to destructive earthquakes and tsunamis, or tidal waves. For instance, in December 2004, an underwater earthquake off the coast of Sumatra resulted in a tsunami that devastated coastal communities in Indonesia, Thailand and Sri Lanka. In Indonesia, more than 220,000 people died or were recorded as missing in the disaster. Aftershocks from the December 2004 tsunami have also claimed casualties.

While these events did not have a significant economic impact on the Indonesian capital markets, the Indonesian government has had to expend significant amounts of resources on emergency aid and resettlement efforts in response. Most of these costs have been underwritten by foreign governments and international aid agencies. However, there can be no assurance that such aid will continue to be forthcoming, or that it will be delivered to recipients on a timely basis. If the government is unable to deliver aid to affected communities, in a timely fashion or at all, political and social unrest could result. Additionally, recovery and relief efforts are likely to continue to strain the government's finances and may affect its ability to meet its obligations on its sovereign debt. Any such failure on the part of the government, or declaration by it of a moratorium on its sovereign debt, could potentially trigger an event of default under numerous private sector borrowings, thereby materially and adversely affecting the Group's business, financial condition, results of operations and prospects.

In addition, there can be no assurance that future geological occurrences will not significantly impact the Indonesian economy. A significant earthquake or other geological disturbance in any of Indonesia's more populated cities and financial centres could severely disrupt the Indonesian economy and undermine investor confidence, thereby materially and adversely affecting the Group's business, financial condition, results of operations and prospects.

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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 MND Auditorium, 9 Maxwell Road, Annexe A, MND Complex, Singapore 069112 on Wednesday, 29 June 2016 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following ordinary resolutions set out below.

Capitalised terms used in this notice of Extraordinary General Meeting which are not defined herein shall, unless the context requires otherwise, have the same meanings ascribed to them in the Company’s circular to Shareholders dated 14 June 2016.

Shareholders should note that Resolution 1 (in relation to the Proposed Acquisition), Resolution 2 (in relation to the Proposed Diversification), Resolution 3 (in relation to the Power Purchase Agreement as an Interested Person Transaction pursuant to the completion of the Proposed Acquisition) and Resolution 4 (in relation to the Coal Sales and Purchase Agreement as an Interested Person Transaction pursuant to the completion of the Proposed Acquisition) are inter-conditional. This means that if any of Resolutions 1, 2, 3 and 4 is not passed, all of Resolutions 1, 2, 3 and 4 would not be duly passed.

Ordinary Resolution 1 The Proposed Acquisition

That, subject to and contingent upon the passing of Ordinary Resolutions 2, 3 and 4:

- (a) approval be and is hereby given for the Proposed Acquisition by SLM Holding Pte Ltd (“**SLM Holding**”), a wholly-owned subsidiary of the Company, from Energy Resource Investment Pte. Ltd. (“**ERI**”), of up to 92.18% equity interest in PT KP, comprising 397,785 ordinary shares with the nominal value of IDR 397,785,000,000 that are fully paid-up and free from encumbrances, on the terms and conditions of the conditional sale and purchase agreement dated 28 April 2016 entered into between the SLM Holding and ERI, which constitutes a major transaction and interested person transaction under the Listing Manual; 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 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).

NOTICE OF EXTRAORDINARY GENERAL MEETING

Resolution 2

The Proposed Diversification

That, subject to and contingent upon the passing of Ordinary Resolutions 1, 3 and 4:

- (a) approval be and is hereby given for the Proposed Diversification of the Group's business to include the Power Plant 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 Power Plant 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 3

The Power Purchase Agreement

That, subject to and contingent upon the passing of Ordinary Resolutions 1, 2 and 4:

- (a) approval, ratification, and confirmation be and is hereby given in respect of the Power Purchase Agreement between PT KP (which will become an indirect subsidiary of the Company pursuant to the completion of the Proposed Acquisition whereupon it will also become an Entity at Risk) and DPP (being an Interested Person), which will constitute an Interested Person Transaction under the Listing Manual pursuant to completion of the Proposed Acquisition; 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 Power Purchase Agreement, this resolution and the transactions contemplated by the Power Purchase Agreement and/or authorised by this resolution.

Ordinary Resolution 4

The Coal Sales and Purchase Agreement

That, subject to and contingent upon the passing of Ordinary Resolutions 1, 2 and 3:

- (a) approval, ratification, and confirmation be and is hereby given in respect of the Coal Sales and Purchase Agreement between PT KP (which will become an indirect subsidiary of the Company pursuant to the completion of the Proposed Acquisition whereupon it will also become an Entity at Risk) and Bayan International (being an Interested Person), which will constitute an Interested Person Transaction under the Listing Manual pursuant to completion of the Proposed Acquisition; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (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 Coal Sales and Purchase Agreement, this resolution and the transactions contemplated by the Coal Sales and Purchase Agreement and/or authorised by this resolution.

By Order of
the Board of Directors of
Manhattan Resources Limited

Liow Keng Teck
Board Chairman
14 June 2016

Notes:

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting (other than a member who is a relevant intermediary) 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. Pursuant to Section 181 of the Companies Act, Chapter 50, a member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Extraordinary General Meeting instead of such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

“relevant intermediary” means:

- (a) a banking corporation licenced under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
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 registered office of the Company at 133 New Bridge Road, #18-09 Chinatown Point, Singapore 059413 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 Register maintained by The Central Depository (Pte) Limited 72 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.

NOTICE OF 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.

MANHATTAN RESOURCES LIMITED

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

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Extraordinary General Meeting and vote (please see Note No. 4 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. PLEASE READ THE NOTES TO THE PROXY FORM.

PROXY FORM

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)				

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be held at MND Auditorium, 9 Maxwell Road, Annexe A, MND Complex, Singapore 069112 on Wednesday, 29 June 2016 at 10:30 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 Acquisition		
Ordinary Resolution 2 To approve the Proposed Diversification		
Ordinary Resolution 3 To approve the Power Purchase Agreement		
Ordinary Resolution 4 To approve the Coal Sales and Purchase Agreement		

* 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 June 2016.

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

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, 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 (other than a member who is a relevant intermediary) 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 (other than a member who is a relevant intermediary) 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. Pursuant to Section 181 of the Companies Act, Chapter 50, a member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Extraordinary General Meeting instead of such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"**relevant intermediary**" means:

- (a) a banking corporation licenced under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. This instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 133 New Bridge Road, #18-09 Chinatown Point, Singapore 059413 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.
 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 72 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.
 11. Capitalised terms used in this Proxy Form which are not defined herein shall, unless the context requires otherwise, have the same meanings ascribed to them in the Company's circular to Shareholders dated 14 June 2016.

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.

