

MANHATTAN RESOURCES LIMITED
(Company Registration No. 199006289K)

PROPOSED DEBT CONVERSION AND ISSUE OF CONVERSION SHARES

1. Introduction

- 1.1 The Directors of Manhattan Resources Limited (“**Company**”, and together with its subsidiaries and associated companies, the “**Group**”) wishes to announce that the Company had, on 21 June 2019, entered into a novation and debt conversion agreement (“**Debt Conversion Agreement**”) with SLM Holding Pte Ltd (“**SLM**”) and the participating creditors, namely, Kaiyi Investment Pte. Ltd. (“**Kaiyi**”) and Energy Resource Investment Pte. Ltd. (“**ERI**”) (collectively, “**Participating Creditors**”).
- 1.2 The Debt Conversion Agreement provides for (i) the Novation (as described in Section 3(a) below); and (ii) the proposed conversion (“**Proposed Debt Conversion**”) of the Participating Debts (as defined below) into new ordinary shares in the capital of the Company (“**Conversion Shares**”) at the conversion price of S\$0.02 (being the weighted average price for trades done for the Shares on the SGX-ST on 17 June 2019, being the last trading day Shares were traded on the SGX-ST before the Debt Conversion Agreement was signed) per Conversion Share (“**Conversion Price**”).

2. Overview

- 2.1 As at the date of the Debt Conversion Agreement:
- (a) US\$12,212,855 of the purchase consideration owed by SLM (a wholly owned subsidiary of the Company) to ERI for the purchase by SLM of 397,785 ordinary shares in PT Kariangau Power from ERI pursuant to a conditional sale and purchase agreement dated 28 April 2016 (“**Sale and Purchase Agreement**”) remains outstanding and unpaid; and
 - (b) the Company and Kaiyi had entered into a Loan Agreement on 27 December 2018 and a Supplemental Agreement on 1 March 2019 (collectively, “**Loan Agreement**”), under which Kaiyi agreed to extend to the Company an interest-free loan amounting to an aggregate of US\$15 million for general funding purposes, to be disbursed in five (5) separate tranches. As at the date of this Agreement, Kaiyi has disbursed an aggregate of US\$8 million over three (3) tranches to the Company, and the remaining two (2) tranches of loan amounting to an aggregate of US\$7 million (“**Remaining Loan**”) will be disbursed by Kaiyi to the Company by 30 September 2019 and 31 December 2019 respectively,
- ((i) the aggregate amount of US\$20,212,855 (equivalent to approximately S\$27,475,334) owing by the Group to the Participating Creditors pursuant to the Sale and Purchase Agreement and the Loan Agreement; and (ii) the aggregate amount of US\$7 million (equivalent to S\$9,515,100) owing by the Company to Kaiyi upon the disbursement of each of the remaining tranches of the Remaining Loan, the “**Participating Debts**”).
- 2.2 Upon the disbursement of each tranche of the Remaining Loan, such disbursed amount shall be convertible at the option of Kaiyi into Conversion Shares at the Conversion Price.
- 2.3 For the purpose of the Debt Conversion Agreement, the S\$ equivalent of the Participating Debts denominated in US\$ is calculated based on the exchange rate of US\$1.00 : S\$1.3593 as at 20 June 2019 as published by the Monetary Authority of Singapore.

Mainboard Listing Rules

- 2.4 Rule 803 of the Listing Manual provides that an issuer must not issue securities to transfer a controlling interest without the prior approval of shareholders in general meeting; while Rule 804 of the Listing Manual provides, inter alia, that except in the case of an issue made on a pro rata basis

to shareholders, no director or associate of a director may participate directly or indirectly in an issue of equity securities unless shareholders in general meeting have approved the specific allotment. In addition, Rule 812 of the Mainboard Listing Rules provides that an issue must not be placed to, amongst others, corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10% unless specific shareholder approval for such an issue has been obtained.

2.5 Separately, Rule 906 of the Mainboard Listing Rules provides that shareholder approval must be obtained for any interested person transaction of a value equal to, or more than 5% of the Group's latest audited net tangible assets, either singly or when aggregated with other transactions entered into with the same interested person during the same financial year. Based on the audited financial statements of the Group for the financial year ended 31 December 2018, the net tangible assets of the Group is approximately S\$76,753,000 ("**Group's latest audited NTA**").

2.6 As at the date of this announcement:

(a) neither ERI nor Kaiyi has any shareholding interest, both direct and deemed, in the Company;

(b) Low Yi Ngo (who is the Chief Executive Officer and Managing Director and Shareholder of the Company), Elaine Low (who is a Non-executive Director of the Company) and Wong Kai Lai (who is the spouse of Dato Low (a Controlling Shareholder of the Company) and mother of Low Yi Ngo and Elaine Low) each hold approximately 33.3% shareholding interest in ERI; and

(c) Dato' Dr. Low Tuck Kwong (who is a Controlling Shareholder of the Company) owns 11% shareholding interest in Kaiyi, Low Yi Ngo and Elaine Low each owns 36% shareholding interest in Kaiyi and the remaining 17% shareholding interest in Kaiyi is owned by Wong Kai Lai. Dato' Dr. Low Tuck Kwong is the father of Low Yi Ngo and Elaine Low.

2.7 Accordingly, the Proposed Debt Conversion will result in a transfer of a controlling interest to each of the Participating Creditors, and the Participating Creditors are (a) corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10%; and (b) deemed to be interested persons under Chapter 9 of the Mainboard Listing Rules. Consequently, Shareholders' approval is required for the Proposed Debt Conversion and the proposed issue of Conversion Shares to ERI and Kaiyi, and the Company will be seeking specific approval from Shareholders for the Proposed Debt Conversion and the issue and allotment of the Conversion Shares at an extraordinary general meeting to be held.

2.8 Upon the conversion of the Participating Debts, an aggregate of up to 1,849,521,700 Conversion Shares will be issued and allotted to the Participating Creditors. Assuming that the entire Remaining Loan is converted into Conversion Shares, the maximum number of 1,849,521,700 Conversion Shares issued and allotted will represent approximately 163% of the existing issued share capital of the Company and approximately 61.93% of the Company's enlarged issued share capital after the issuance and allotment of all the Conversion Shares.

3. **Principal Terms of the Debt Conversion Agreement**

The principal terms of the Debt Conversion Agreement are as follows:

(a) Novation

With effect from the date of the Debt Conversion Agreement ("**Effective Date**"), the Company, SLM and ERI irrevocably and unconditionally agree with and undertake to one another, *inter alia*, that:

(i) SLM and ERI mutually release and discharge each other from all of their obligations and all of their liabilities, rights, title, interests and benefits under or in connection with the Sale and Purchase Agreement, including any obligations, liabilities, rights,

title, interests or benefits arising from any act or omission of SLM prior to the Effective Date; and

- (ii) on and with effect from the Effective Date, the Company shall perform all of the obligations and assume all of the liabilities, rights, title, interests and benefits of SLM under or in connection with the Sale and Purchase Agreement, including any obligations, liabilities, rights, title, interests or benefits arising from any act or omission of SLM prior to the Effective Date, and to be bound by the terms, covenants and conditions of the Sale and Purchase Agreement in all respects as if the Company had been named as a party thereto in place of SLM.

(b) Conversion of Participating Debts

Based on the relevant Participating Debt owed to each Participating Creditor, the number of Conversion Shares to be issued and allotted to each Participating Creditor shall be as follows:

- (i) in respect of ERI, 830,046,700 Conversion Shares; and
- (ii) in respect of Kaiyi, 543,720,000 Conversion Shares in relation to the amounts already disbursed under the Loan Agreement as at the date of the Debt Conversion Agreement and, in the event of the conversion by Kaiyi of the Remaining Loan, up to 475,755,000 Conversion Shares in relation to the Remaining Loan so converted.

(c) Conversion of Remaining Loan

Kaiyi may, but shall not be obliged to, at any time and from time to time during the Conversion Period (as defined below) convert (in whole and not in part) each disbursed tranche of the Remaining Loan into the corresponding number of Conversion Shares at the Conversion Price.

Conversion Period means, in relation to each tranche of the Remaining Loan, the period commencing on the date of disbursement of the relevant tranche of the Remaining Loan and at any time and from time to time up to and including 30 September 2020.

Appropriate anti-dilution adjustments on a proportionate basis shall be made to the Conversion Price or the number of Conversion Shares in the event of a subdivision of shares, share consolidation, or other changes to the capital structure of the Company.

Save and except where the Remaining Loan is converted in accordance with the Debt Conversion Agreement, the Company shall repay the Remaining Loan in accordance with the terms of the Loan Agreement.

(d) Conversion Price

The Conversion Price of S\$0.02 represents the weighted average price for trades done for the Shares on the SGX-ST on 17 June 2019, being the last trading day Shares were traded on the SGX-ST before the Debt Conversion Agreement is signed.

The Conversion Price was agreed upon between the Company and the Participating Creditors taking into consideration the financial condition and cash flow generation abilities of the Group and the desire of the Group to alleviate its debt burden.

(e) Conversion Shares

The Conversion Shares shall, when allotted and issued in accordance with the terms of the Debt Conversion Agreement, be free from all encumbrances (including pre-emptive rights) and shall rank *pari passu* in all respects with the Shares existing as at the date of the allotment and issue of the Conversion Shares, except that such Conversion Shares shall not

be entitled to any dividends, allotments or other distributions, the record date of which is before the date of allotment of the Conversion Shares.

(f) Conditions Precedent

The issuance of the Conversion Shares by the Company to the Participating Creditors upon Completion shall be conditional upon the following conditions ("**Conditions Precedent**") being fulfilled:

- (i) the approval of the board of directors and, if necessary, the shareholders of each of the Participating Creditors having been obtained for the transactions contemplated under the Debt Conversion Agreement;
- (ii) the approval of the board of directors and the shareholders of the Company having been obtained for the allotment and issue of the Conversion Shares, pursuant to the terms of the Debt Conversion Agreement;
- (iii) the approval in-principle for the listing and quotation of the Conversion Shares on the SGX-ST having been obtained from the SGX-ST and not having been revoked or amended and, where such approval is subject to conditions, such conditions being acceptable to the Company and, to the extent that any conditions for the listing and quotation of the Conversion Shares on the SGX-ST are required to be fulfilled on or before the completion date of the Debt Conversion Agreement, they are so fulfilled;
- (iv) the allotment, issue, listing and quotation of the Conversion Shares not being prohibited by any applicable laws or regulations; and
- (v) the warranties contained in the Debt Conversion Agreement being true, complete and accurate in all respects.

Each of the Participating Creditors and the Company shall use its reasonable endeavours to procure that the respective Conditions Precedent for which it is responsible are fulfilled. If any of the Conditions Precedent is not satisfied on or before 30 November 2019, the obligations of the Participating Creditors to subscribe for the Conversion Shares shall terminate.

The Company will be making an application to the SGX-ST for the listing and quotation of the Conversion Shares on the Mainboard of the SGX-ST, and will make the necessary announcement upon receipt of the approval in-principle from the SGX-ST.

(g) Completion

Subject to the satisfaction and/or waiver of the Conditions Precedent, completion of the issue and allotment of the Conversion Shares (other than the Conversion Shares to be issued and allotted upon the conversion of the Remaining Loan) shall take place on the completion date, whereupon, inter alia, the Company shall deliver or procure the delivery of the relevant share certificates relating to such number of Conversion Shares to be issued to each of the Participating Creditors in favour of CDP to CDP with instructions for the respective securities accounts of the Participating Creditors as notified by the Participating Creditors to the Company to be credited with the relevant number of Conversion Shares.

4. Rationale for the Proposed Debt Conversion

- 4.1 The Company was placed on the watch-list of the SGX-ST on 5 December 2018 pursuant to Rule 1311(1) of the Listing Manual as a result of three (3) consecutive years of pre-tax losses and has recorded a net loss attributable to the owners of the Company amounting to approximately S\$1.90 million for the three-month financial period ended 31 March 2019. As at 31 March 2019, the Group has cash and cash equivalents amounting to approximately S\$43.08 million, current liabilities of approximately S\$45.76 million and working capital of approximately S\$6.47 million.

- 4.2 In view of the financial position of the Group and the anticipated funding requirements of the Group's property development business in the PRC, the Company commenced discussions with the Participating Creditors on the Proposed Debt Conversion to improve its financial position by converting the Participating Debts into equity of the Company. The Proposed Debt Conversion would be in the interest of the Group as it would ease the Group's cash flow as the obligation to repay the Participating Debts via cash will be settled via the issuance of Conversion Shares, so that the Group's cash can be used for other purposes. This will strengthen the Group's balance sheet and improve its debt-equity position.
- 4.3 The Board is of the opinion that the successful completion of the Proposed Debt Conversion would allow the Group to apply more of its cash flow towards its ongoing operations or other opportunities instead of being committed towards debt servicing and repayment. The Proposed Debt Conversion is also a show of confidence by the Participating Creditors in the future plans, viability and anticipated performance of the Group.

5. Changes in Shareholdings Interests of the Participating Creditors

Following completion of the Proposed Debt Conversion, the changes in shareholding interests of the Participating Creditors in the Company is set out as follows:

	Before Proposed Debt Conversion			After Proposed Debt Conversion (assuming the Remaining Loan is not converted)			After Proposed Debt Conversion (assuming the entire Remaining Loan is converted)		
	Direct interest	Deemed Interest	Total ⁽¹⁾	Direct interest	Deemed Interest	Total ⁽²⁾	Direct interest	Deemed Interest	Total ⁽³⁾
ERI	-	-	-	830,046,700	-	33.06%	830,046,700	-	27.79%
Kaiyi	-	-	-	543,720,000	-	21.66%	1,019,475,000	-	34.14%

Notes:

- (1) Calculated based on the total issued share capital of 1,136,981,950 Shares as at the date of this announcement.
- (2) Calculated based on the enlarged total issued share capital of 2,510,748,650 Shares following the issue and allotment of 1,373,766,700 Conversion Shares assuming the Remaining Loan is not converted.
- (3) Calculated based on the enlarged total issued share capital of 2,986,503,650 Shares following the issue and allotment of 1,849,521,700 Conversion Shares assuming the entire Remaining Loan is converted into Conversion Shares.

As at the date of this announcement, the Participating Creditors and parties acting in concert with them, namely, Dato Low, Low Yi Ngo, Wong Kai Lai, Manhattan Investments Pte Ltd (a company controlled by Dato Low) and Low Cheng Lum (a sibling of Dato Low and uncle of Low Yi Ngo and Elaine Low) hold, directly or indirectly, in aggregate more than 50% of the total number of issued Shares. Accordingly, the Proposed Debt Conversion will not result in any of the Participating Creditors and parties acting in concert with them incurring an obligation to make a mandatory take-over offer under Rule 14 of the Code.

6. The Proposed Debt Conversion as an Interested Person Transaction

- 6.1 As set out in Section 2.6 of this announcement, the Participating Creditors are deemed to be interested persons under Chapter 9 of the Mainboard Listing Rules, such that the Proposed Debt Conversion constitutes an Interested Person Transaction (as such term is defined in the Mainboard Listing Rules).
- 6.2 Based on the Group's latest audited NTA of S\$76,753,000 as at 31 December 2018, the value of the Proposed Debt Conversion (a) in relation to ERI (being US\$12,212,855, equivalent to approximately S\$16,600,934, based on the exchange rate of US\$1.00 : S\$1.3593), represents approximately 21.63% of the Group's latest audited NTA; and (b) in relation to Kaiyi (being US\$15

million (assuming that the Remaining Loan is converted into Conversion Shares), equivalent to approximately S\$20,389,500, based on the exchange rate of US\$1.00 : S\$1.3593), represents approximately 26.57% of the Group's latest audited NTA.

- 6.3 Accordingly, as the value of the Proposed Debt Conversion in relation to each of ERI and Kaiyi is more than 5% of the Group's latest audited NTA, the Company is required to seek Shareholders' approval for the Proposed Debt Conversion and issue of Conversion Shares to ERI and Kaiyi under Rule 906(1) of the Mainboard Listing Rules.
- 6.4 The Company has been leasing the premises at 133 New Bridge Road #18-08/09 Chinatown Point Singapore 059413 from Kaiyi for an aggregate rental of S\$81,070 for the current financial year beginning 1 January 2019 and up to the date of this announcement. The leasing of such premises from Kaiyi is conducted under a Shareholders' mandate pursuant to Rule 920 of the Mainboard Listing Rules. Save as disclosed, the Group has not entered into any other interested person transactions with each of the Participating Creditors for the current financial year beginning 1 January 2019 and up to the date of this announcement.
- 6.5 Accordingly, Dato 'Dr. Low Tuck Kwong, Low Yi Ngo, Elaine Low and each of their associates will abstain from voting on the resolutions relating to the Proposed Debt Conversion and the issue of Conversion Shares at the extraordinary general meeting to be convened and shall not accept nominations as proxies in relation to such resolutions unless Shareholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast for the resolutions.

7. Financial Effects of the Proposed Debt Conversion

- 7.1 The financial effects of the Proposed Debt Conversion 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 Debt Conversion on the Group as set out below are based on the Group's unaudited financial statements as at 31 March 2019, and the following assumptions:

- (a) the Proposed Debt Conversion includes the conversion of the entire Remaining Loan;
- (b) the Proposed Debt Conversion had been effected at the end of the three-month financial period ended 31 March 2019 for the computation of the effect on the NTA per share; and
- (c) the Proposed Debt Conversion had been effected at the beginning of the three-month financial period ended 31 March 2019 for the computation of the effect on the EPS.

7.2 Share Capital

As at the date of this announcement, the existing share capital of the Company is S\$217,406,831.29 comprising 1,136,981,950 Shares. Upon completion of the Proposed Debt Conversion, the issued and paid-up share capital of the Company will be S\$254,397,265.29, comprising 2,986,503,650 Shares.

7.3 NTA

	Before the Proposed Debt Conversion	After the Proposed Debt Conversion
NTA attributable to equity holders of the Company (S\$'000)	76,753	113,743

Number of ordinary shares in issue ('000)	1,136,982	2,986,504
NTA per share (Singapore cents)	6.75	3.81

7.4 EPS

	Before the Proposed Debt Conversion	After the Proposed Debt Conversion
Profit/(loss) attributable to equity holders of the Company (S\$'000)	(1,895)	(1,895)
Weighted average number of ordinary shares in issue ('000)	1,136,982	2,986,504
EPS per share (Singapore cents)	(0.17)	(0.06)

7.5 Gearing

	Before the Proposed Debt Conversion	After the Proposed Debt Conversion
Total borrowings (S\$'000)*	10,874	-
Total Equity attributable to the owners of the Company (S\$'000)	95,650	106,524
Gearing ratio (times)	0.11	Not meaningful

**The Group has fully repaid the bank loans as at Q1 2019. The total borrowings refer to the loan amounting to an aggregate of US\$8 million disbursed by Kaiyi to the Company*

8. **Interests of Directors and Substantial Shareholders**

Save as set out in Section 2.6 of this announcement, none of the Directors or Substantial Shareholders of the Company have any direct or indirect interest in the Proposed Debt Conversion (other than through their respective shareholdings in the Company).

9. **Audit Committee Statement**

The Audit Committee, having reviewed the terms and conditions of the Debt Conversion Agreement, the rationale for the Proposed Debt Conversion, the proposed issue of Conversion Shares, the Conversion Price and the financial effects of the Proposed Debt Conversion, is of the opinion that the terms of the Debt Conversion Agreement and the proposed issue of Conversion Shares are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

10. Circular

Subject to the approval of the SGX-ST, a circular containing further information on, amongst others, the Proposed Debt Conversion and issue of Conversion Shares ("**Circular**"), together with a notice of extraordinary general meeting of the Company, will be despatched to Shareholders in due course.

11. Documents for Inspection

A copy of the Debt Conversion Agreement will be 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 announcement.

12. Further Announcements

The Company will make further announcements, in compliance with the requirements of the Mainboard Listing Rules, as and when there are material developments in respect of the Proposed Debt Conversion.

13. Directors' Responsibility Statement

The Directors (including those who have been delegated supervision of this announcement) collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Debt Conversion, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement 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 such sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD

Low Yi Ngo
Chief Executive Officer and Managing Director
21 June 2019