

**THE PROPOSED DIVERSIFICATION INTO THE RENEWABLE ENERGY BUSINESS AND THE
PROPOSED ENTRY INTO AN ENGINEERING, PROCUREMENT AND CONSTRUCTION
CONTRACT**

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of Manhattan Resources Limited (the “**Company**”, together with its **subsidiaries**, the “**Group**”) refers to its announcements dated 20 October 2021, 28 October 2021, 7 December 2021 and 13 December 2021 in relation to the Company’s acquisition of Athena Energy Holdings Pte. Ltd. (“**Athena**”) (collectively, the “**Announcements**”).
- 1.2 Further to the Announcements, the Company wishes to announce that, further to the acquisition of Athena, Vietrof Renewal Energy Vietnam Company Limited (“**Vietrof RE**”), a wholly owned, indirect subsidiary of Athena, has on:
- (a) 11 December 2021, entered into a long-term conditional power purchase agreement (“**PPA**”) with Huafu (Vietnam) Industrial Co., Ltd. (“**Huafu Vietnam**”) (the “**Huafu PPA**”), pursuant to which Vietrof RE has agreed to sell, and Huafu Vietnam has agreed to purchase, all the net electrical output of the rooftop photovoltaic power system according to the terms and conditions of the Huafu PPA; and
 - (b) 14 January 2022, entered into an engineering, procurement and construction contract (“**EPC**”) with PowerChina Sichuan Engineering Corporation Limited (“**PowerChina**”) (the “**Huafu EPC**”), pursuant to which PowerChina has agreed to construct the rooftop photovoltaic power system which will be used to supply power to Huafu Vietnam (the “**Proposed Huafu EPC**”),
- (collectively, the “**Huafu Project**”).
- 1.3 As mentioned in the Company’s announcement dated 20 October 2021, the future plans of the Athena group may potentially change the risk profile of the Company in the future. Hence, the Board has continued to assess such developments and will seek shareholders’ approval where necessary, if there is a change in the Company’s risk profile, or should the Company wish to seek the proposed diversification of its core business to include the Renewable Energy Business (as defined in paragraph 2.2) (the “**Proposed Diversification**”).
- 1.4 Given that the Proposed Huafu EPC is anticipated to change the existing risk profile of the Group, the Board proposes to convene an extraordinary general meeting (“**EGM**”) of the Company to seek approval from its shareholders (“**Shareholders**”) for the (a) Proposed Diversification; and (b) Proposed Huafu EPC (collectively, the “**Proposals**”). Subject to the approval by Shareholders at the EGM, the Group may, in its ordinary course of business, enter into transactions relating to the Renewable Energy Business which will not change the risk profile of the Group, in an efficient and timely manner without the need to convene separate general meetings from time to time to seek Shareholders’ approval as and when such potential transactions arise.

2. THE PROPOSED DIVERSIFICATION

2.1 Existing Business

The existing businesses of the Group include the following segments:

- (a) the construction, acquisition, operation and maintenance of power plants and the production and sale of electric power in Indonesia (the “**Power Plant Segment**”). The Group owns a coal-fired power plant with two 15 megawatt units through the acquisition of PT Kariangau Power (“**PT KP**”) in 2016. Currently, PT KP has the license to exclusively supply electricity within the Kawasan Industri Kariangau zone located in the East Kalimantan of Indonesia;
- (b) the ship chartering and provision of freight services in Indonesia, mainly for coal transportation activities. The Group currently owns tugs and barges built specifically for coal transportation which are mainly deployed in East and South Kalimantan, Indonesia;
- (c) the property development segment, comprising property development activities in the People’s Republic of China (“**PRC**”). In April 2011, the Company established a joint venture company, Manhattan Resources (Ningbo) Property Limited (“**MRN**”), in Zhejiang, China. MRN owns parcels of land situated at the south-central business district in Yinzhou District, Ningbo, Zhejiang Province. The Group is currently developing the real estate project Ningbo Yinzhou Manhattan Tower (“**Ningbo Project**”), which comprise a mixed use office and commercial tower, incorporating retail, SOHO and high end office. The tower will have 56 storeys and be approximately 254 meters, which will make it the highest building in the district. Currently, the Ningbo Project team has completed the basement excavation work and raft foundation construction. The tower building and podium building construction is expected to commence in late January 2022. The underground structure for the main tower is expected to be completed in first quarter of 2022, and the underground structure for the podium is expected to be completed in the third quarter of 2022; and
- (d) the mineral resources segment, comprising mineral resources and mining activities in the PRC,

(collectively, the “**Existing Business**”).

2.2 Information regarding the Renewable Energy Business

The Group has explored the viability of, and intends to expand the scope of the Existing Business to include renewable energy business comprising on-grid and off-grid renewable energy business segments, and selective clean energy power projects, with a focus on the Asia (primarily in Vietnam, Indonesia, the Philippines and Bangladesh) and Australia market in the initial years (the “**Renewable Energy Business**”).

Subject to Shareholders’ approval for the Proposed Diversification at the EGM, the Company envisages its renewable energy portfolio, including wind projects, C&I solar projects and utility scale solar projects.

The Company aims to be amongst the first movers to pursue the green energy business in Asia and Australia and to become a leading renewable energy company in Asia and Australia by providing solutions to power customers and industries to reduce their carbon emission.

2.3 Rationale for the Proposed Diversification

Over the past decade, with the general global trend on decarbonisation, the financial performance of the Existing Business has not been satisfactory. Additionally, as highlighted in the Company's annual report for the financial year ended 31 December 2020 ("FY2020"), the COVID-19 pandemic has presented an unprecedented challenge to public health in 2020 and the Group has experienced significant commercial impact and disruption in the supplier chains caused by the outbreak of COVID-19. On the Power Plant Segment, the demand for the electricity supply has been substantially lowered due to the hit of COVID-19.

As such, the Company had reviewed its corporate strategy and decided to pursue businesses which will be sustainable and provide a stable income. After thorough evaluation, the Company had decided to select and adopt renewable energy as one of its core businesses. The Renewable Energy Business is strongly aligned with the Company's investment policy and transformation objectives.

The Board further believes that the Proposed Diversification is in the interests of Shareholders for the following reasons:

(a) The Proposed Diversification will reduce the Group's dependence on the Existing Business and provide a more diversified business and income base

Given the current uncertainties prevailing in the global economy, the Group believes it is more prudent not to rely solely on its Existing Business. The Proposed Diversification would reduce the Group's reliance on the Existing Business by diversifying its revenue stream, as well as improve future prospects and better support the growth of the Group, so as to enhance Shareholders' value.

(b) The Proposed Diversification is expected to provide additional and recurrent revenue streams with a view to achieving long-term growth

The Group believes that the Proposed Diversification represents an opportunity for the Group to enter into a new market offering Renewable Energy Business opportunities which would potentially provide additional and recurrent revenue streams and assist in continual growth of the Group. As the Group grows and expands its Renewable Energy Business, the Group may build a sustainable and profitable business which will contribute positively to its financial position and in turn enhance Shareholders' value.

(c) The Proposed Diversification will give the Group the flexibility to enter into transactions relating to the Renewable Energy Business in the ordinary course of business

Upon receipt of approval from Shareholders for the Proposed Diversification, the Group may, in the ordinary course of business, enter into transactions relating to the Renewable Energy Businesses without having to seek Shareholders' approval, subject to compliance with the relevant rules of the Listing Manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST"). This can be done as long as such transactions do not change the Group's risk profile, and will eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential transactions relating to the Renewable Energy Business arise.

(d) Positive prospects in the renewable energy industry in Asia and Australia

The Group believes that there are positive prospects in the renewable energy industry in Asia and Australia. For example, in Asia, the Indonesian Government has in recent years, announced that it would accelerate and promote the development of renewable energy in Indonesia. As such, the Group believes that there will be favourable contracting terms for sale of renewable power to be issued by the Indonesian Government which will provide incentives and securities to promote developments of renewable energy in Indonesia.

In view of the foregoing reasons and the increasing significance and importance placed on environmental, social and governance performance, the Board believes that it is an opportune time to diversify the Group's revenue sources to not just increase the resilience of the Existing Business and to build a new core business which will be sustainable but to also build a new core business which will be sustainable and provide a stable and growing source of income for the Group.

3. THE PROPOSED HUAFU EPC

3.1 Background

As mentioned above, following the Proposed Diversification, the Group's Renewable Energy Business will include pipeline commercial and industrial solar energy projects projects ("**C&I Projects**") (including the Huafu Project) which are envisaged to operate on a business model where the Group:

- (a) secures a sufficient and sustained demand for its renewable energy through PPAs entered into with customers, pursuant to which the Company agrees to supply, and the customers agrees to purchase, power for an agreed price over a long period of time (typically a 20-year period). The power will typically be supplied to the customers via solar facilities constructed on the assets of the customers which could include the roofs of the customers' factories; and
- (b) enters into an EPC with a contractor, which is experienced in solar energy developments, to construct the solar facilities.

3.2 Information on the Huafu Project

As disclosed above, Vietrof RE has entered into the Huafu PPA and Huafu EPC on 11 December 2021 and 14 January 2022, respectively. Through the Huafu Project, Huafu Vietnam will be required to pay Vietrof RE based on a pre-agreed tariff structure for all the net electrical output of the rooftop photovoltaic power system which shall be constructed by PowerChina and supplied by Vietrof RE, for a period of twenty years ("**PPA Consideration**") unless otherwise extended by mutual agreement or terminated in accordance with Huafu PPA. Pursuant to the terms of the Huafu EPC, the construction of the rooftop photovoltaic power system is to be completed within five months unless otherwise extended by mutual agreement or terminated in accordance with the Huafu EPC. Accordingly, it is expected that the Huafu PPA will commence on or around July 2022.

The Group's obligations under the Huafu PPA are conditional upon the Huafu EPC (a) taking effect; (b) and/or being approved by the Shareholders at the EGM. The Group's obligations under the Huafu EPC are in turn conditional upon the terms of the Proposed Huafu EPC being approved by the Shareholders at the EGM.

3.3 Information on Huafu Vietnam and PowerChina

(a) Huafu Vietnam

Huafu Vietnam was incorporated in 2013 and is in the principal business of supplying and manufacturing yarn in Southeast Asia, with a production capacity up to 280000 spindles of yarn and 20000 tons of dyeing yarn.

Huafu Fashion Co., Ltd. (“**Huafu Fashion**”) is the shareholder of Huafu Vietnam and is the first company in the colour spun industry in China to be listed on the Shenzhen Stock Exchange. Huafu Fashion is a global leading colour spun industrial brand and is in the principal business of supplying and manufacturing new-type yarn, such as middle and high-class colour spun yarns, and provides semi-worsted colour yarns, vortex spun colour yarns, rotor spun colour yarns, high-class new-type grey yarns and dyed yarns as auxiliary products, and also related services, such as fashion trend analysis, certification of raw materials and products, and technical consulting.

For more information, please refer to the URL http://www.e-huafu.com/hjj/index_246.aspx.

(b) PowerChina

Power Construction Corporation of China, branded as POWERCHINA, is a wholly State-owned company administered by the State-owned Assets Supervision and Administration Commission and part of the heavy and civil engineering construction industry. PowerChina was incorporated in 2107 and is a first-tier power engineering construction company, which principal business includes power engineering, infrastructure, energy conservation and environmental protection, oil and gas chemical industry, electrical and mechanical installation, steel structure safety, maintenance, operation and maintenance of power plants. PowerChina has an extensive footprint in Asia and in more than 20 countries and regions, including Africa and South America. To date, PowerChina has successively built and delivered approximately 250 thermal power plants, 60 substations, 1,700 kilometres of transmission lines, 70 towering structures, 70 civil buildings and infrastructures in China and the rest of the world.

PowerChina has successfully completed projects in the fields of circulating fluidized bed boiler construction, seawater desalination, waste-to-energy, distributed energy, and renewable energy (photovoltaic, wind power). Some prominent examples include, Pakistan's first large-scale photovoltaic power station (100 MW), Singapore's first large-scale biomass and coal mixed-burning power station, the world's largest single-unit capacity supercritical air-cooled power generation unit (600 MW), the world's largest single-unit capacity coal-fired circulating fluidized bed boiler demonstration power station project (600 MW), South America's first thermal power generating unit made in China (600 MW), the largest W-flame boiler power station made in China (600 MW), the largest domestic projects such as underground power stations and the largest geothermal power stations in China.

For more information, please refer to the URL <http://qzw.sc.gov.cn/scsgzw/c100135/2019/10/25/e6049af6a8164e54b14deb27af382cb9.shtml>.

3.4 **Consideration for the Huafu EPC**

The aggregate consideration payable by Vietrof RE to PowerChina for the construction of the rooftop photovoltaic power system for the Huafu Project, is in the range of between S\$17,600,000 – S\$24,700,000 (the “**EPC Consideration**”).

The Consideration was arrived at pursuant to arm’s length negotiations between Vietrof RE and PowerChina on a willing-buyer willing-seller basis, after taking into account among others, commercial considerations, the technical capabilities of the contractor and the expected return profile of selected jurisdictions.

3.5 **Rationale for the Huafu Project**

On 28 October 2021, the Company announced the completion of the acquisition of Athena, a Singapore incorporated company in the principal business of developing, financing, constructing, owning and operating renewable energy assets in Asia and Australia. Through the acquisition of Athena, the Company has enhanced its capabilities with 4MW of operating and approximately 30MW of committed rooftop C&I Projects in Vietnam, with pipeline renewable energy projects across Asia and Australia.

The Company is keen to expand and include sizable renewable assets into its portfolio, such as the Huafu Project. In this regard, the Company has strategically prioritised the Vietnamese market due to its size and prospects. With the expansion of the Company’s portfolio to include the Huafu Project, the economical scale of the portfolio can be better achieved, which will provide the Company’s stakeholders a better yield for their investment commitments.

3.6 **Financial effects of the Huafu Project**

Given that the terms of the Huafu PPA and Huafu EPC are confidential and commercially sensitive, the financial effects of the Huafu Project will not be disclosed as the Group’s existing customers, potential customers, competitors as well as other EPC contractors (the “**other commercial parties**”) should not be privy to such information. If the financial effects of the Huafu Project are disclosed, the other commercial parties may be able to deduce the financial margins of the Group and use them as bargaining chips in negotiating commercial contracts with the Group, and this will not be in the best interests of the Group.

As at the date of this announcement, there are no net profits attributable to Vietrof RE for its entry into the Huafu PPA or the Huafu EPC since the rooftop photovoltaic power system has not been fully constructed and is only expected to commence full commercial operation in July 2022. Notwithstanding, the Board is of the view that the Huafu Project will result in a positive financial impact to the Group given that the long-term benefits of the PPA Consideration will outweigh the EPC Consideration and the availability of the source of funds as disclosed in paragraph 4 below.

4. **SOURCE OF FUNDS**

- 4.1 The nature of the Renewable Energy Business is that it tends to be more capital intensive in the initial stages and typically take at least approximately nine to twelve months from the date of entering into the PPAs before the C&I Projects can commence commercial operations and generate profits. Hence, the Company will require additional funding to finance the Group’s capital expenditure for new C&I Projects (including the Huafu Project), general working capital requirements and expenses relating to the Renewable Energy Business.

- 4.2 The Company intends to fund the Renewable Energy Business through a combination of its internal resources, bank borrowings, fund-raising exercises, the proceeds from the proposed disposal of two vacant land parcels in East Kalimantan to PT Dermaga Perkasapratama (if approved by the Shareholders) and/or shareholders' loans (and in the case where loans are obtained from an Interested Person, such loans shall be subject to approval from Shareholders in accordance with the Listing Manual) as necessary.
- 4.3 In this regard, the Group is discussing with a European investment fund (the "Fund") to provide the Group with a loan facility of up to US\$24 million to finance the Huafu EPC and Athena's other pipeline C&I Projects in Vietnam. The Fund has completed the due diligence exercise on the Group and the Company is currently working with it towards finalising the financing agreement by the end of January 2022. In addition, the Company is in discussions with several banks in relation to securing financing facilities for the pipeline C&I Projects.
- 4.4 The Directors will determine the optimal mix of internal funding and external funding, taking into account the cash flow requirements of the Group and prevailing funding costs. In addition, the Company may consider tapping on the capital market including but not limited to rights issues, share placements, exchange of equity-based assets and/or issuance of debt instruments as and when necessary and deemed appropriate.

5. CIRCULAR TO SHAREHOLDERS

Further details of the Proposals will be set out in a circular to Shareholders to be issued by the Company to Shareholders in due course for the purpose of obtaining Shareholders' approval at the EGM.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement and the Announcements, none of the Directors or the controlling shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Proposals, otherwise than through their respective shareholdings (if any) in the Company.

7. DIRECTORS' SERVICE CONTRACTS

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

8. CAUTIONARY STATEMENT

Shareholders should note that there is no certainty or assurance that the Huafu Project will be completed. Accordingly, Shareholders are advised to exercise caution when trading in the shares of the Company. The Company will make the necessary announcements when there are further material developments on the Proposals. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Madelyn Kwang
Company Secretary
14 January 2022