ANNUAL REPORT 2010

MANHATTAN RESOURCES LIMITED

Content

Chairman's Statement

Dear Shareholders,

Although most of the economies in Asia recovered strongly in 2010, a large number of the developed countries in the west were still feeling the effect of the recession brought on by the financial crisis in 2008 with high unemployment and burdensome public debt. The resultant high fuel cost and volatility of the U.S. dollar had an effect on the operating cost of the Group's marine transportation business.

Group profit for FY2010 was $549,000 as against a profit of $7.8 million in the previous year. A comparative breakdown of the contribution to the Group's result is as follows:

	FY2010 $'000	FY2009 $'000
Shipping	3,458	(2,294)
Equipment Leasing	(174)	7,573
Corporate & Others	(2,650)	2,474
	634	7,753
Discontinued operations – Trading	(85)	-
Net profit attributable to Company's shareholders	549	7,753

In compliance with the change in Indonesian laws, the Group managed to change the entire fleet of vessels to Indonesian flag before the end of 2009. The change in flag of the vessels in 2009 required a large number of vessels to undergo major survey, including docking in local shipyards. Consequently, vessel utilisation rate in 2010 was a material improvement over the previous year resulting in higher volume of coal transported and the marine operations turned from a deficit of $2.3 million in 2009 to a profit of $3.5 million in 2010. The results would have been better if not for the effect of unusual weather conditions which affected the output of the mine which the Group serves. Unfortunately, it appears that the volatile extreme weather pattern is likely to be a more frequent occurrence. Management has taken steps to diversify its geographical spread of its transport route.

Chairman's Statement

The Group's 50% equipment leasing business joint venture, Tat Hong Energy Pte. Ltd. ("THE"), ceased operation during 2009 and effort is being made to dispose of its remaining equipment. During 2009, THE made a contribution of $7.6 million to the Group, largely as a result of the recognition of a one off income of $11.5 million for the recovery of pre-acquisition loan made by the Company to THE. Group's corporate expenses in 2010 was absent of gain of $6.5 million resulting from change in corporate structure in 2009.

The Group's financial position continued to be strengthened by the increasing number of warrants being exercised. During the course of 2010, there were a total of 14,493,500 warrants exercised thereby increasing the Group's capital by $10.1 million. As at the end of 2010, Group cash balance was $38.1 million.

With a positive cash balance, the Group continued to seek out investment opportunities during the year. The Company is endeavouring to secure a parcel of land for commercial development in Ningbo in Zhejiang province in China, for which the Goup would have a 51% interest. Also, the Group, subject to shareholders's approval, would make an investment of US$10 million in a United States company which is involved in the production of treated lumber as building materials in the United States. In addition, the Group is also evaluating a few opportunties which are in the Indonesian coal mining sector. Consequently, the Group has increased its head count, including a few senior appointments.

Group's results for 2011 are expected to rely almost entirely on coal shipping activies as the new investment initiatives are not expected to make any material contribution to Group results during 2011. However, the operating conditons in coal transportation are expected to be volatile depending on weather and the long supply chain of the mining business. Efforts are being made to achieve a better geographical spread of our marine operations in order to achieve a better fleet utilisation rate. I am confident that these initiatives would help to mitigate some of the operational risks. I am also optimistic that the proposed new investments to diversify the Group's income base will bring long term benefits to shareholders.

Again, I wish to register my appreciation of the hard work and dedication of our staff members and also the support our shareholders and customers have given to us. I am sure their loyalty and support will be duly rewarded.

Michael Sumarijanto Soegijono
Chairman
5 April 2011

Directors' Information

Michael Sumarijanto Soegijono
Non-Executive Director and Chairman

Mr Soegijono is a professional architect in Indonesia and is the Vice Chairman of the Indonesian Energy and Mining Society (Bimasena). He is actively involved in various public organisations in Indonesia, particularly in the energy sector through his current membership on the Board of the Indonesian Institute of Energy Economics, the Board of the Indonesian Electrical Society and the Board of the Indonesian Renewable Energy Society; and as past member of Bimasena Working Group for Downstream Oil and Gas Blueprint, Government Regulations for Upstream and Downstream, and proposed Government Regulations for BP Migas and BPH Migas.

Mr Soegijono also serves on a number of non-profit non-governmental organisations including the Board of the Indonesian Botanical Gardens Foundation and the former Chairman of the Ethical Board of the Indonesian Institute of Architects.

Ho Soo Ching
Chief Executive Officer and Managing Director

As CEO and Managing Director of the Group, Mr Ho is responsible for the overall business strategy, operations and day-to-day management of the affairs of the Group. After graduating with B.Sc. in Industrial Chemistry, Mr Ho obtained a M.Sc. in Operational Research from Imperial College in London. Mr Ho spent some 20 years of his career in the financial services industry in various organisations including merchant banking and private equity investment. He has also spent time in other sectors including telecommunications and construction.

Lee Kok Choy
Executive Director

Mr Lee is the Group's Executive Director with primary responsibility in overseeing the day to day operations of the Group. He has more than 25 years of experience in the construction and logistics business in Singapore, Indonesia, Thailand and Myanmar.

Lee Kwong Foo, Edward
Non-Executive Director

Mr Lee, BA(Hons) University of Singapore and MA, Cornell University, served 36 years in the Singapore Administrative Service (Foreign Service Branch).

His diplomatic postings include being Singapore's Ambassador to Indonesia, High Commissioner in Brunei Darussalem, and Ambassador to the Philippines.

Mr Lee was awarded Public Administration Medal (Silver), 1996 and (Gold), 1998; The Long Service Medal, 1997; and the Meritorius Service Medal, 2007 by the Singapore Government; and the Order of Sikatuna, Rank of Datu (Grand Cross), 1993 by the Philippines Government. In 2007, Mr Lee was conferred the Bintang Jasa Utama, the highest civilian award, by Indonesian Government for his contribution to closer relations between Indonesia and Singapore.

Mr Lee is currently a Director of Gas Supply Pte Ltd, Keppel Land Limited, Asia Mobile Holdings, Chairman of Indofood Agri Resources Ltd, and Commissioner of PT Dermaga Perkasapratama. He is a member of the National University of Singapore's Philantrophic Advisory Council. Resident in Indonesia, he is also the Chief Executive of an investment consultancy, PT Eka Lumintas.

Directors' Information

Low Yi Ngo
Non-Executive Director

Mr Low holds a Bachelor of Mechanical and Production Engineering degree from Nanyang Technological University. He started off with Bayan Resources in year 2004, as Project coordinator for the construction of Kalimantan Floating Transfer Station (KFT-1). Mr Low is currently the Marketing Director of the Bayan Resources Group, a company related to the controlling shareholder of the Company, with primary responsibility for the marketing of Bayan Resources' coal.

Liow Keng Teck
Independent Non-Executive Director

Mr Liow is a registered professional engineer. He graduated with an Honours degree in Mechanical Engineering from the University of Singapore. Mr Liow spent almost or entire career in the power utilities sector, where he had been the Managing Director of Development Resources Pte Ltd, a subsidiary of Singapore Power, providing engineering consultancy and project management for power plant and infrastructure projects in the region. Mr Liow had been a consultant/advisor to a major power generating company. Mr Liow provides advisory services in the engineering business and is a Director of a number of public companies including Jaya Holdings Ltd. Mr Liow is the former Chairman of International Capital Investments Ltd and also a member of the Singapore Institute of Directors.

Thia Peng Heok, George
Independent Non-Executive Director

Mr Thia is a Certified Public Accountant and practiced as an accountant with Cooper Brothers & Co. (now PricewaterhouseCoopers). He has more than 20 years' experience in merchant banking and financial services including being Managing/Executive Director at Morgan Grenfell, Merrill Lynch, Sun Hung Kai Securities, Kay Hian Securities and Lum Chang Securities. He is an independent commissioner of PT Indosat tbk as well as being involved in non-profit organisations including the National Cancer Centre and Mount Alvernia Hospital in Singapore.

Tjio Kay Loen
Independent Non-Executive Director

Mr Tjio read Mathematics at the University of Singapore. He had spent more than 20 years with major international and local banks, including Bank of America and OCBC Bank, before joining a major vegetable oil and oleochemical company in Malaysia in the late 1980's. He is a Director of a number of public companies, including KCS Investment Ltd, Dynamax Industries Ltd and Sun Business Networks Ltd.

Information on Key Management Staff

Kek Teng Cheong
Chief Financial Officer

Mr Kek joined the Company in November 2006 as Corporate Finance Manager with responsibility for the Group's corporate finance matters. In September 2007, Mr Kek took over additional responsibilities in overall accounting, financial, taxation and internal control, and was appointed as Chief Financial Officer of the Company.

Prior to joining the Company, Mr Kek has had years of experience in auditing and finance area. He was with MediaStream Limited between December 1999 to November 2006 as Group Financial Controller, Amara Holdings Limited between January 1997 to December 1999 as Corporate Accountant, and as accountant and auditor between July 1990 to January 1997.

Mr Kek holds a Bachelor of Accountancy degree from the University of Singapore and is a Fellow Certified Public Accountant with ICPAS, Singapore.

Dr Chu Soon
Director-Projects

Dr Chu joined the company in November 2010 as Director-Projects. He is responsible for project development in the commercial and coal mining sectors. He has more than 35 years of experience as design engineer and managing director in various civil and marine construction works including oil refineries and gas facilities, power plants, bridges, high rise buildings as well as logging and coal mining projects in Indonesia, Singapore, Malaysia and Brunei.

He is a member of the Board of Professional Engineers, Malaysia. He graduated with a BSc Degree in Civil Engineering, a postgraduate Diploma in Civil Enginerring with Distinction and a Degree of Doctor of Philosophy from the University of Dundee, UK in 1978.

Chang Szie Hou
Director-Projects

Mr Chang joined the Company in August 2009 as Director-Projects responsible for the Group's project development. Before joining, Mr Chang worked with Manhattan Kalimantan Investment Pte Ltd in Indonesia from August 2006 to July 2009 in the capacity of Technical Advisor, responsible for the oil and gas exploration work and the development of the Tarakan Offshore Block.

Mr Chang is a registered professional engineer and is a life member of the Institution of Engineer, Singapore. He graduated with a Followship Diploma in Civil Engineering from Royal Melbourne Institution of Technology in 1968. Mr Chang spent almost or entire career in the construction sector and has been actively involved in project management and foundation engineering in Singapore, Malaysia, Indonesia, Thailand, China and Vietnam.

Information on Key Management Staff

Woo Sen Fong, Eric
Finance Manager

Mr Woo joined the Company in July 2009 and is responsible for the accounting and taxation function of the Group entities in Singapore. Prior to joining the Company, Mr Woo was finance manager with a few companies between 2002 and 2009, including Jabil Circuit (Singapore) Pte Ltd and Panasonic Semiconductor Asia Pte Ltd.

Mr Woo obtained his Bachelor of Art (Hons) in Business Accounting from Oxford Brookes University in 2003 and Association of Certified Chartered Accountants Professional Accounting qualification in 2005. Mr Woo is Certified Public Accountant with ICPAS, Singapore.

Lim Kok Shiang, Sean
Finance Manager

Since 1995, Mr Lim gained experience in auditing and accounting with a number of companies in various industries. In May 2004, Mr Lim joined ASL Shipyard Pte Ltd as Senior Accountant and was transferred to ASL Energy Pte Ltd (now a wholly owned subsidiary of the Company and known as MR Logistics Pte. Ltd.) in January 2005. Mr Lim oversees the financial matters of marine transportation activities.

Mr Lim holds a Bachelor of Business (Accounting) degree from Charles Sturt University of Australia and is a Certified Public Accountant with CPA Australia.

Corporate Information

BOARD OF DIRECTORS

Executive:
Ho Soo Ching (CEO and Managing Director)
Lee Kok Choy (Executive Director)

Non-Executive:
Michael Sumarijanto Soegijono (Chairman)
Lee Kwong Foo, Edward
Low Yi Ngo
Liow Keng Teck (Independent)
Tjio Kay Loen (Independent)
Thia Peng Heok, George (Independent)

Audit Committee
Thia Peng Heok, George (Chairman)
Liow Keng Teck
Tjio Kay Loen

Nominating Committee
Tjio Kay Loen (Chairman)
Lee Kwong Foo, Edward
Thia Peng Heok, George

Remuneration Committee
Liow Keng Teck (Chairman)
Low Yi Ngo
Tjio Kay Loen

COMPANY SECRETARY

Yvonne Choo, FCIS

REGISTERED OFFICE

133 New Bridge Road
#18-08 Chinatown Point
Singapore 059413

SHARE REGISTRAR

B.A.C.S PRIVATE LIMITED
63 Cantonment Road
Singapore 089758
Telephone No.: (65) 6323 6200,
Fax No.: (65) 6323 6990

AUDITORS

Ernst & Young LLP, Public Accountants and
Certified Public Accountants
One Raffles Quay
North Tower Level 18
Singapore 048583

Partner-in-charge: Michael Sim
(for 2 years since the financial year ended
31 December 2009)

Report on Corporate Governance

Introduction

Manhattan Resources Limited ("Company") recognises the importance of good governance in establishing and maintaining an operating environment which serves the interests of all stakeholders. The Company is committed to achieving a high standard of corporate governance to ensure transparency and maximisation of long-term shareholders' value.

This report describes the Company's corporate governance practices with reference to the 2005 Code of Corporate Governance ("Code"). The Company has complied with the principles and guidelines of the Code.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1

The board of directors ("Board") oversees the business affairs of the Company. Each director is expected to act in good faith and always in the interest of the Company and objectively take decisions in the interests of the Company. The principal functions of the Board include the setting of strategic plans, approval of investments, divestments and funding for the Company; overseeing the processes for evaluating the adequacy of internal controls and risk management; being responsible for corporate governance practices as well as reviewing the performance of management and the financial performance of the Company. The Company has in place financial authorisation and approval limits for capital and operating expenditure.

To facilitate effective management, certain functions had been delegated to three Board committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). The NC, RC and AC have each adopted their own terms of reference.

The Board meets on a regular basis. Where warranted, Board meetings are convened to deliberate on substantive matters. A total of 4 Board meetings were held during the financial year ended 31 December 2010. Details of attendance by Board members are as follows:

	Number of meetings attended in 2010			
	Board of Directors	**Audit Committee**	**Remuneration Committee**	**Nominating Committee**
Meetings held in 2010	4	4	1	1
Name of Director				
Michael Sumarijanto Soegijono	3	N/A	N/A	N/A
Ho Soo Ching	4	N/A	N/A	N/A
Lee Kok Choy	4	N/A	N/A	N/A
Lee Kwong Foo, Edward	3	N/A	N/A	1

Report on Corporate Governance

	Number of meetings attended in 2010			
	Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
Name of Director				
Low Yi Ngo	4	N/A	1	N/A
Liow Keng Teck	4	4	1	N/A
Thia Peng Heok, George	2	2	N/A	0
Tjio Kay Loen	4	4	1	1

All newly appointed directors are briefed on the business activities and strategic directions of the Company and its subsidiaries (collectively the "Group") and the joint venture companies. Visits are arranged for non-executive directors to acquaint themselves with the Group's major overseas operations. Directors are briefed on their duties as well as their statutory and regulatory responsibilities upon being appointed to the Board. Where appropriate, arrangements are made for directors to attend relevant courses and seminars for them to keep abreast of developments in legal, financial and commercial areas.

The NC will formalise the process for the selection and appointment of directors. The NC will also consider the appropriateness of issuing letters of appointment to directors setting out their duties, obligations and terms of appointment.

Board Composition and Balance
Principle 2

The Company has eight directors, namely:

Michael Sumarijanto Soegijono	Non-executive Chairman
Ho Soo Ching	Chief Executive Officer and Managing Director
Lee Kok Choy	Executive Director
Lee Kwong Foo, Edward	Non-executive Director
Low Yi Ngo	Non-executive Director
Liow Keng Teck	Independent, Non-executive Director
Thia Peng Heok, George	Independent, Non-executive Director
Tjio Kay Loen	Independent, Non-executive Director

Mr Michael Sumarijanto Seogijono and Mr Lee Kwong Foo, Edward are on the Board of the Commissioners of PT Bayan Resources Tbk and PT Dermaga Perkasapratama respectively. Although both companies are related to the controlling shareholder of the Company, Dato' Low Tuck Kwong, these two directors are not by definition 'directly associated' to the controlling shareholder as they are not under any obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the controlling shareholder. Therefore, they may be considered independent. However, in the interest of good corporate governance, the NC has adopted the view that the two directors are not to be considered independent. Mr Low Yi Ngo is the son of the controlling shareholder and is not an independent director. The three independent directors on the Board are Messrs Liow Keng Teck, Thia Peng Heok, George and Tjio Kay Loen.

Report on Corporate Governance

The Board comprises members who have extensive experience in public service, banking, accounting, financial services, engineering and construction sectors. The composition of the Board is well-balanced. The profiles of the directors are set out on pages 3 and 4 of this Annual Report.

With more than one-third of the Board comprising independent and non-executive directors, the Board is able to exercise objective judgment in the interest of the Company. No individual or group of individuals dominates the Board's decision-making process.

The views and opinions of the non-executive directors provide alternative perspectives to the Group's business and they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.

Role of Chairman and Chief Executive Officer
Principle 3

There is a clear division of responsibilities and roles between the Chairman, who is non-executive, and the Chief Executive Officer. This ensures an appropriate balance of power and views as well as accountability.

The Chairman chairs Board meetings and ensures that the directors receive accurate, timely and clear information and guides the Board on its discussion of substantive issues. The Chairman also leads the Board to ensure its effectiveness, including the facilitation of effective contribution by non-executive directors, ensures effective communication with shareholders, and encourages constructive relations between the Board and management. The Chairman also promotes high standards of corporate governance.

The Chief Executive Officer is responsible for the execution of the Company's strategies and the day-to-day operations of the Company and the overall performance of the Group.

The Chairman and the Chief Executive Officer are not related to each other.

Board Membership
Principle 4

The members of the NC at the date of this report are as follows:

Tjio Kay Loen (Chairman)
Lee Kwong Foo, Edward
Thia Peng Heok, George

A majority of the NC members, including the Chairman, are independent and not related to any substantial shareholder of the Company.

Under its terms of reference, the NC is responsible for reviewing the Board's composition and effectiveness and makes recommendations to the Board on all Board and Board Committee appointments. It is responsible for the nomination of directors for re-election and also reviews the independence of each director on an annual basis.

Report on Corporate Governance

In recommending new directors, if any, the NC relies mainly on the contacts and network of the entire Board. However, the NC may engage the services of external recruitment companies, if necessary. In nominating new directors, consideration is given to the integrity, skills and experience of the candidates and the overall composition of the Board.

In evaluating the contribution and performance of the directors, the NC takes into consideration a number of factors including attendance, preparedness and participation in decision-making.

Pursuant to the Company's Articles of Association, a director appointed during the year may hold office until the next annual general meeting ("AGM") following their appointment and will be eligible for re-election. All directors are required to submit themselves for nomination and re-election at least once every 3 years.

In accordance with Article 101 of the Company's Articles of Association, Mr Liow Keng Teck and Mr Thia Peng Heok George will retire by rotation at the Company's forthcoming AGM.

The NC had recommended the nomination of the two above named directors for re-election at the forthcoming AGM. The Board had accepted the NC's recommendation and accordingly, the two directors will be offering themselves for re-election at this AGM.

In addition, Mr Tjio Kay Loen, at age above 70 is required to retire at the forthcoming AGM pursuant to Section 153 of the Companies Act. The NC, having reviewed and considered all respects, has recommended that Mr Tjio Kay Loen be re-appointed as director.

Key information regarding the directors at the date of this report is as follows:

Name of Director	Board Committee as Chairman or member	Date of appointment	Date of last re-election
Michael Sumarijanto Soegijono	Chairman of the Board	10 September 2006	23 April 2010
Ho Soo Ching	CEO and Managing Director	10 September 2006	23 April 2010
Lee Kok Choy	Executive Director	1 April 2006	30 April 2009
Lee Kwong Foo, Edward	Member of NC	10 September 2006	23 April 2010
Low Yi Ngo	Member of RC	10 September 2006	23 April 2010
Liow Keng Teck	Chairman of RC, Member of AC	10 September 2006	25 April 2008
Thia Peng Heok, George	Chairman of AC, Member of NC	16 October 2006	30 April 2009
Tjio Kay Loen	Chairman of NC, Member of AC and RC	16 October 2006	23 April 2010

Note:

Information on the directors' shareholdings and warrant holdings in the Company and its subsidiary companies are set out on pages 19 and 20 of this Annual Report.

Report on Corporate Governance

Board Performance
Principle 5

The Board believes its performance would be judged on the Group's ability to manage the operations of its activities in an efficient manner and to seek new investment opportunities to enhance shareholders' value. Discussions on the progress are made at formal Board meetings. Regular discussions are also held between management and directors who offer their views and guidance on the matter.

The Board, based on the recommendation of the NC, recognises the need for regular reviews and evaluations of the effectiveness of the Board as a whole and the effectiveness of individual directors.

Access to Information
Principle 6

Directors are provided with adequate and timely information prior to Board meetings and have access to the Company's senior management as well as the Company Secretary. In furtherance of their duties, the directors may take independent professional advice at the Company's expense.

At Board meetings, the Group's actual results are compared with budgets, and material variances are then explained. The strategies and forecast for the following months are discussed and approved as appropriate.

The role of the Company Secretary is clearly defined and includes the responsibility to ensure that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary or her appointed representative attends majority of Board meetings and records minutes of all Board proceedings.

The appointment and the removal of the Company Secretary is a Board matter.

REMUNERATION MATTERS

Procedures for Development of Remuneration Policies
Principle 7

Level and Mix of Remuneration
Principle 8

The members of the RC at the date of this report are as follows:

Liow Keng Teck	Chairman of RC (Independent, Non-executive)
Low Yi Ngo	Member (Non-executive)
Tjio Kay Loen	Member (Independent, Non-executive)

A majority of the RC members, including the Chairman, are independent.

Report on Corporate Governance

The role of the RC is to review and make recommendations to the Board on the remuneration package of each executive director. The RC also recommends the level of fees for directors and Board Committee members which are subject to the approval of shareholders. No director is involved in the deliberation of his own remuneration or fee level. Where necessary, independent professional advice on the framework for remuneration packages may be sought by the RC.

In recommending the remuneration packages of the executive directors, the RC is largely guided by the financial performance of the Company. It believes the remuneration level should be competitive and sufficient to attract, retain and motivate the executive directors. In the last financial year, the remuneration packages of the executive directors comprised a fixed base salary and 13th-month annual wage supplement. No performance-related or incentive bonus was paid to the executive directors. The executive directors have fixed terms of appointment which are less than three years. The employment contracts do not contain any onerous provisions relating to early termination.

The Group had introduced long-term incentive schemes. At an Extraordinary General Meeting held on 16 September 2008, where shareholders had approved the adoption of two long-term incentive schemes, namely the Manhattan Resources Share Option Scheme ("Option Scheme) and Manhattan Resources Performance Share Scheme ("Share Scheme").

The Option Scheme is a plan for eligible employees, and executive directors and non-executive directors. However, the Share Scheme is a plan only for executives who are eligible and executive directors.

The RC has been given the responsibility to administer both the Option Scheme and Share Scheme. On 24 February 2009, the Company granted 4,365,000 share options under the Option Scheme. These options expire on 23 February 2019 and are exercisable if a director or an employee remains in service for 1 year from the date of grant. During the financial year ended 31 December 2009, 25,000 share options granted were forfeited due to resignation of employees. No share has been issued under both the share option and performance share plans, respectively. For other details on share option, refer to pages 20 to 22 of this Annual Report.

In future, the Company's remuneration policy may be amended to take into account the overall performance of the Company, the meeting of key targets, shareholders' value enhancement and individual performance.

Report on Corporate Governance

Disclosure of Remuneration
Principle 9

The remuneration of the directors and the top five key executive officers (who are not directors), is set out below:

(a) The table below shows a breakdown (in percentage terms) of the average remuneration of directors, which fall within broad bands, for the financial year ended 31 December 2010:

Directors of the Company	Salary %	Bonus %	Director's fee %
$250,000 - $600,000:			
Ho Soo Ching *	92.4	7.6	-
Lee Kok Choy	92.5	7.5	-
Below $250,000:			
Michael Sumarijanto Soegijono, Chairman	-	-	100
Lee Kwong Foo, Edward	-	-	100
Low Yi Ngo	-	-	100
Liow Keng Teck	-	-	100
Thia Peng Heok, George	-	-	100
Tjio Kay Loen	-	-	100

(b) Remuneration of the top five key executive officers (who are not directors) for the financial year ended 31 December 2010 is as follows:

Below $250,000	Kek Teng Cheong Dr Chu Soon Chang Szie Hou Woo Sen Fong, Eric Lim Kok Shiang, Sean

There is no immediate family member (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") of a director or the Chief Executive Officer in the employ of the Company whose annual remuneration exceeds $150,000 during the financial year ended 31 December 2010.

Report on Corporate Governance

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10

There are comprehensive management reporting disciplines and structured financial approval authorities to govern the implementation of agreed Company's policies and Board's decisions, and the day-to-day management of the Group's operating units.

For effective monitoring of the Group's business and affairs, management and financial information are provided to the Board. This information includes disclosure documents, quarterly results, forecasts for profit and cash flow, working capital and borrowing levels, compared to approved budgets and the prior year's results.

Audit Committee

Principle 11

The members of the AC at the date of this report are as follows:

Thia Peng Heok, George	Chairman of AC (Independent, Non-executive)
Liow Keng Teck	Member (Independent, Non-executive)
Tjio Kay Loen	Member (Independent, Non-executive)

All AC members are all independent non-executive directors. Mr Thia Peng Hiok, George is a qualified accountant and has the requisite accounting and related financial management expertise and experience to chair the AC. Both Messrs Liow Keng Teck and Tjio Kay Loen have the requisite accounting and financial expertise to discharge their responsibility as members of the AC.

The duties of the AC include:

(a) reviewing the audit plans of the external auditors of the Company and ensuring the adequacy of the system of accounting controls and the co-operation given by the Group's management to the external auditors;

(b) reviewing the quarterly and full year financial statements before their announcements;

(c) reviewing the effectiveness of the internal audit function;

(d) reviewing the adequacy of the internal controls via reviews carried out by the internal auditor;

(e) reviewing legal and regulatory matters that might have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(f) reviewing the cost effectiveness, independence and objectivity of the external auditors and the nature and extent of non-audit services provided by the external auditors;

Report on Corporate Governance

(g) reviewing the annual financial statements and the external auditors' report on the annual financial statements of the Company and the Group before their submission to the Board;

(h) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and the Group and any formal announcements relating to their financial performance;

(i) making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(j) reporting actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and

(k) monitoring and reviewing interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST.

The AC has the power to conduct investigations in accordance with the AC's written terms of reference and has full access to and co-operation from management as well as direct access to the Company's external auditors. In discharging its duties, the AC may seek independent advice at the expense of the Company.

The AC met with the external auditors without the presence of management and reviewed the overall scope of the external audit and assistance given by management to the external auditors. During the financial year ended 31 December 2010, an amount of $40,000 was paid to the Company's external auditors for tax compliance and advisory services. The AC confirmed that the nature and extent of these non-audit services did not prejudice the independence and objectivity of the Company's external auditors.

The AC has recommended to the Board that Ernst & Young LLP be nominated for re-appointment as auditors at the forthcoming AGM of the Company.

The AC has adopted a whistle-blowing programme to encourage and to provide a channel for staff of the Group to report and to raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters.

Internal Controls
Principle 12

The Group's internal accounting controls, operational and compliance controls, and risk management policies and systems established by management (collectively, "internal controls") are designed to provide reasonable assurance with regard to the keeping of proper accounting records, integrity and reliability of its financial information, and safeguarding shareholders' investments and the Group's assets. However, the Board acknowledges that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, losses, fraud or other irregularities.

Report on Corporate Governance

The AC evaluates the findings of the internal auditors on the internal controls annually. The evaluation assists the Board in developing policies that enhances the controls and operating systems of the Group.

The Board is of the view that the internal controls are adequate. However, it will continually review and improve its internal controls on an ongoing basis.

Internal Audit
Principle 13

The primary objectives of the internal audit function are to assess if adequate systems of internal controls are in place to safeguard shareholders' investments and the Group's assets and to ensure that such control procedures are continuously complied with. The internal auditor reports to the AC.

COMMUNICATION WITH SHAREHOLDERS
Principles 10 and 14

The Board is mindful of its obligation to provide timely and relevant information to shareholders.

Timely disclosure of material information is carried out in accordance with the requirements of the Listing Manual of the SGX-ST. The Company's results and annual reports are released on the SGXNET. A copy of the Company's Annual Report and Notice of AGM is also sent to every shareholder.

Shareholders are encouraged to attend and participate at the Company's AGMs to ensure a high level of accountability. The AGM is the principal forum for dialogue with shareholders. The Board welcomes the views of shareholders on matters affecting the Company. The minutes of AGMs are available to shareholders upon request.

As far as possible, resolutions on each distinct issue are tabled separately at general meetings. Where resolutions are "bundled" as they are inter-dependent and linked so as to form one significant proposal, adequate explanations and material implications will be provided.

The chairpersons of the AC, NC and RC are present to address questions at general meetings. The external auditor is also present to address shareholders' queries about the conduct of the audit and the preparation and content of the auditors' report.

Dealing in Securities

The Group has adopted a policy to govern conduct in the dealing of the securities of the Company for directors and officers. Under this policy, directors and officers are prohibited from dealing in the securities of the Company during the period commencing one month before the announcement of the Company's quarterly and full-year financial statements, or when they are in possession of unpublished price-sensitive information.

Report on Corporate Governance

Interested Person Transactions ("IPTs")

The AC had reviewed the Company's IPTs and noted that the aggregate value of IPTs conducted during the financial year ended 31 December 2010 was below $100,000 and within the threshold limits set out under Chapter 9 of the Listing Manual of the SGX-ST.

On 25 September 2009, shareholders of the Company had approved an agreement entered into by PT Aneka Samudera Lintas, a 100% owned subsidiary company, for the provision of coal carrying services to PT Muji Lines. The agreement shall expire in five years from 1 October 2009. During the financial year ended 31 December 2010, PT Aneka Samudera Lintas had charged a total fee and fuel oil costs reimbursement of $28,462,000 under the agreement.

Use of proceeds arising from bonus warrants issue

During the financial year ended 31 December 2010, the Company received total proceeds of about $10.1 million arising from the exercise of warrants. The sum would be applied towards the Company's working capital and for future investments.

CONCLUSION

The Group recognises the importance of good corporate governance practices and will continue to review and improve its corporate governance practices on an ongoing basis.

Report of the Directors

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Manhattan Resources Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2010.

1. Directors

The directors of the Company in office at the date of this report are:

Michael Sumarijanto Soegijono, Chairman
Ho Soo Ching, Chief Executive Officer and Managing Director
Lee Kok Choy
Lee Kwong Foo, Edward
Liow Keng Teck
Low Yi Ngo, David
Thia Peng Heok, George
Tjio Kay Loen

2. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph five below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. Directors' interests in shares, warrants and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares, share options and warrants of the Company, as stated below:

	Direct interest		Deemed interest	
Name of directors	**At beginning of financial year**	**At end of financial year**	**At beginning of financial year**	**At end of financial year**
The Company				
Ordinary shares				
Lee Kok Choy	52,000	52,000	12,869,000	12,869,000
Liow Keng Teck	3,600,000	1,200,000	–	–
Tjio Kay Loen	–	–	510,000	510,000

Report of the Directors

3. Directors' interests in shares, warrants and debentures (cont'd)

	Direct interest		Deemed interest	
Name of directors	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
Warrants				
Lee Kok Choy	15,600	15,600	3,860,700	3,860,700
Liow Keng Teck	1,080,000	80,000	–	–
Tjio Kay Loen	–	–	153,000	153,000
Options				
Michael Sumarijanto Soegijono	250,000	250,000	–	–
Ho Soo Ching	2,000,000	2,000,000	–	–
Lee Kok Choy	700,000	700,000	–	–
Lee Kwong Fook, Edward	250,000	250,000	–	–
Liow Keng Teck	250,000	250,000	–	–
Thia Peng Heok, George	250,000	250,000	–	–
Tjio Kay Loen	250,000	250,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2011.

Except as disclosed in this report, no other director who held office at the end of the financial year had interests in shares, share options or warrants of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year, or on 21 January 2011.

4. Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

5. Option and performance share plans

At an Extraordinary General Meeting held on 16 September 2008, shareholders approved the adoption of two share based incentive plans, Manhattan Resources Share Option Scheme ("Option Scheme") and Manhattan Resources Performance Share Scheme ("Share Scheme"), for the grant of non-transferable options and the issuance of shares to eligible participants, respectively.

Report of the Directors

5. Option and performance share plans (cont'd)

The Remuneration Committee, which comprises three directors, Liow Keng Teck, Low Yi Ngo and Tjio Kay Loen, has been given the responsibility to administer both the Option Scheme and Share Scheme.

On 24 February 2009, the Company granted 4,365,000 share options under the Option Scheme. These options expire on 23 February 2019 and are exercisable if a director or an employee remains in service for 1 year from the date of grant. During the financial year ended 31 December 2009, 25,000 share options granted were forfeited due to resignation of employees. No share has been issued under the share option and performance share plans, respectively.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Option Scheme as at 31 December 2010 are as follows :

Expiry date	Exercise price (S$)	Number of options
23 February 2019	0.48	4,340,000

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the Option Scheme are as follows:

Name of director	Options granted during financial year	Aggregate options granted since commencement of the plan to end of financial year	Aggregate options exercised since commencement of plan to the end of financial year	Aggregate options outstanding as at end of financial year
Michael Sumarijanto Soegijono	–	250,000	–	250,000
Ho Soo Ching	–	2,000,000	–	2,000,000
Lee Kok Choy	–	700,000	–	700,000
Lee Kwong Fook, Edward	–	250,000	–	250,000
Liow Keng Teck	–	250,000	–	250,000
Thia Peng Heok, George	–	250,000	–	250,000
Tjio Kay Loen	–	250,000	–	250,000
Total	–	3,950,000	–	3,950,000

These options are exercisable between the periods from 24 February 2010 to 23 February 2019 at the exercise price of S$0.48.

Report of the Directors

5. Option and performance share plans (cont'd)

Since the commencement of the Option Scheme and Share Scheme till the end of the financial year:

- No options and shares have been granted to the controlling shareholders of the Company and their associates;
- No participant has received 5% or more of the total options available under the Option Scheme;
- No options and shares have been granted to directors and employees of the subsidiaries;
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted; and
- No options and shares have been granted at a discount.

6. Warrants

On 9 October 2008, the Company issued 117,599,999 bonus warrants on the basis of three warrants for every ten existing shares held by entitled shareholders. The warrants issued were listed on 13 October 2008. Each warrant carries the right to subscribe for one new ordinary share at an exercise price of S$0.70 for each new share and may be exercised at any time from the date of issue of the warrants up to 9 April 2011.

Full terms and conditions pertaining to the warrants are set out in details in the Circular to Shareholders dated 25 August 2008.

During the financial year, 14,493,500 (2009 : 27,488,729) warrants were exercised to subscribe for 14,493,500 (2009 : 27,488,729) new ordinary shares at the exercise price of S$0.70 (2009 : S$0.70) each new ordinary share. At the end of financial year, the number of outstanding warrants of the Company was 49,903,484 (2009 : 64,396,984).

7. Audit committee

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Report on Corporate Governance set out in the Annual Report of the Company.

Report of the Directors

8. Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors,

Ho Soo Ching
Director

Lee Kok Choy
Director

Singapore
5 April 2011

Statement by Directors

Pursuant to Section 201(15)

We, Ho Soo Ching and Lee Kok Choy, being two of the directors of Manhattan Resources Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010, and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

Ho Soo Ching
Director

Lee Kok Choy
Director

Singapore
5 April 2011

Independent Auditors' Report

To the Members of Manhattan Resources Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Manhattan Resources Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 27 to 87, which comprise the balance sheets of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

To the Members of Manhattan Resources Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore
5 April 2011

Balance Sheets

As at 31 December 2010

	Notes	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Non-current assets					
Property, plant and equipment	3	31,645	39,054	29	6
Investment properties	4	2,180	2,000	2,180	2,000
Interests in subsidiaries	5	–	–	38,716	38,879
Interests in joint venture companies	6	3,187	6,459	–	–
Loans to joint venture companies	7	–	–	–	–
		37,012	47,513	40,925	40,885
Current assets					
Trade and other receivables	8	21,556	15,770	6,395	400
Prepayments		339	222	17	15
Due from subsidiaries (trade)	9	–	–	–	92
Due from subsidiaries (non-trade)	10	–	–	1,346	–
Pledged fixed deposit	11	38	38	38	38
Cash and cash equivalents	11	53,876	38,108	36,706	32,183
		75,809	54,138	44,502	32,728
Current liabilities					
Payables and accruals	12	12,522	12,129	1,852	676
Advances from joint venture companies	13	787	–	750	–
		13,309	12,129	2,602	676
Net current assets		62,500	42,009	41,900	32,052
Deferred tax liabilities	20	(24)	(24)	(14)	(14)
		99,488	89,498	82,811	72,923
Equity					
Share capital	14	130,833	120,687	130,833	120,687
Accumulated losses		(33,317)	(33,866)	(49,194)	(48,762)
Foreign currency translation reserve		(8,220)	(3,713)	–	–
Acquisition revaluation reserve		5,392	5,392	–	–
Employee share option reserve		1,172	998	1,172	998
Equity attributable to equity holders of the Company		95,860	89,498	82,811	72,923
Non-controlling interests		3,628	–	–	–
Total equity		99,488	89,498	82,811	72,923

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Income Statement

For the financial year ended 31 December 2010

	Notes	Group 2010 $'000	Group 2009 $'000
Revenue	15	30,846	25,968
Other income	16	1,159	18,745
Employee benefits expenses	17	(3,742)	(4,037)
Depreciation of property, plant and equipment	3	(4,378)	(5,030)
Other expenses	18	(23,077)	(25,042)
Finance costs	19	–	(97)
Share of results of joint venture companies, net of tax	6	(174)	(2,751)
Profit before tax from continuing operations		634	7,756
Income tax expense	20	–	(3)
Profit from continuing operations, net of tax		634	7,753
Loss from discontinued operations, net of tax	27	(155)	–
Profit for the financial year		479	7,753
Profit/(loss) attributable to:			
Equity holders of the Company -			
Profit from continuing operations, net of tax		634	7,753
Loss from discontinued operations, net of tax		(85)	–
		549	7,753
Non-controlling interests -			
Loss from discontinued operations, net of tax		(70)	–
		479	7,753
Earnings per share (cents) from continuing operations attributable to equity holders of the Company	21(a)		
- Basic		0.14	1.80
- Diluted		0.14	1.80
Earnings per share (cents)	21(b)		
- Basic		0.12	1.80
- Diluted		0.12	1.80

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2010

	Notes	Group 2010 $'000	Group 2009 $'000
Profit net of tax		479	7,753
Other comprehensive income:			
Foreign currency translation reserve		(4,657)	(510)
Hedging reserve		–	31
Revaluation on acquisition of subsidiary	5	–	5,392
Other comprehensive income for the financial year, net of tax		(4,657)	4,913
Total comprehensive income for the financial year		(4,178)	12,666
Total comprehensive income attributable to:			
Equity holders of the Company		(3,958)	12,666
Non-controlling interests		(220)	–
		(4,178)	12,666

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2010

Group	Share capital	Accumulated losses	Foreign currency translation reserve [1]	Hedging reserve [2]	Acquisition revaluation reserve	Employee share option reserve	Total	Non-controlling interests	Total Equity
	Total attributable to equity holders of the Company								
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2009	101,445	(41,619)	(3,203)	(31)	–	–	56,592	–	56,592
Profit net of tax	–	7,753	–	–	–	–	7,753	–	7,753
Other comprehensive income for the year	–	–	(510)	31	5,392	–	4,913	–	4,913
Total comprehensive income for the year	–	7,753	(510)	31	5,392	–	12,666	–	12,666
Grant of equity-settled share options	–	–	–	–	–	998	998	–	998
Shares issued upon exercise of warrants	19,242	–	–	–	–	–	19,242	–	19,242
At 31 December 2009	120,687	(33,866)	(3,713)	–	5,392	998	89,498	–	89,498
At 1 January 2010	120,687	(33,866)	(3,713)	–	5,392	998	89,498	–	89,498
Profit/(loss) net of tax	–	549	–	–	–	–	549	(70)	479
Other comprehensive income for the year	–	–	(4,507)	–	–	–	(4,507)	(150)	(4,657)
Total comprehensive income for the year	–	549	(4,507)	–	–	–	(3,958)	(220)	(4,178)
Grant of equity-settled share options	–	–	–	–	–	174	174	–	174
Shares issued upon exercise of warrants	10,146	–	–	–	–	–	10,146	–	10,146
Share capital contribution by non-controlling interests	–	–	–	–	–	–	–	3,848	3,848
At 31 December 2010	130,833	(33,317)	(8,220)	–	5,392	1,172	95,860	3,628	99,488

[1] Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company's functional currency. It is also used to record the effect of hedging net investments in foreign operations.

[2] Hedging reserve relates to the Group's share of hedging reserve in a joint venture company, which records the portion of the fair value changes on derivative financial instruments designated as cash flow hedges that are determined to be effective hedges.

[3] Acquisition revaluation reserve represents the fair value adjustments on acquisition of subsidiary relating to previously held interest.

[4] Employee share option reserve represents the equity-settled share options granted to directors and employees (Note 17). The reserve is made up of the cumulative value of services received from directors and employees recorded over the resulting period commencing from the grant dates of equity-settled share options, and is reduced by the expiry of exercise of the share options.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2010

	Total attributable to equity holders of the Company			
Company	**Share capital**	**Accumulated losses**	**Employee share option reserve**	**Total**
	$'000	$'000	$'000	$'000
At 1 January 2009	101,445	(44,763)	–	56,682
Loss net of tax	–	(3,999)	–	(3,999)
Grant of equity-settled share options	–	–	998	998
Shares issued upon exercise of warrants	19,242	–	–	19,242
At 31 December 2009	120,687	(48,762)	998	72,923
At 1 January 2010	120,687	(48,762)	998	72,923
Loss net of tax	–	(432)	–	(432)
Grant of equity-settled share options	–	–	174	174
Shares issued upon exercise of warrants	10,146	–	–	10,146
At 31 December 2010	130,833	(49,194)	1,172	82,811

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow statement

For the financial year ended 31 December 2010

	2010 $'000	2009 $'000
Cash flows from operating activities		
Profit before tax from continuing operations	634	7,756
Loss before tax from discontinued operations	(155)	–
Profit before tax	479	7,756
Adjustments:		
Depreciation of property, plant and equipment	4,378	5,030
Grant of equity-settled share options	174	998
Gain from change in group structure	–	(6,500)
Net gain on fair value adjustment of investment property	(180)	–
Net gain on disposal of property, plant and equipment	(220)	–
Impairment loss of investment in a joint venture company	–	1,187
Recovery of pre-acquisition loan to a joint venture company	–	(11,511)
Unrealised foreign exchange gain	(1,214)	(138)
Net gain on disposal of investment property	–	(652)
Finance costs	–	97
Interest income	(541)	(70)
Share of results of joint venture companies	174	2,751
Operating cash flows before working capital changes	3,050	(1,052)
Increase in trade and other receivables	(2,177)	(3,956)
Increase in prepayments	(117)	(132)
Increase in payables and accruals	393	5,651
Cash flows from operations	1,149	511
Interest received	119	70
Interest paid	–	(155)
Income tax paid, net	–	(10)
Net cash flows from operating activities	1,268	416
Cash flows used in investing activities		
Net cash outflow on acquisition of a subsidiary	–	(16,613)
Purchase of property, plant and equipment	(75)	(5)
Proceeds from disposal of property, plant and equipment	220	–
Proceeds from disposal of investment property	–	1,202
Repayment of pre-acquisition loan by a joint venture company	–	11,511
Repayment of loan by a joint venture company	–	2,790
Advances to other debtors	(3,185)	–
Advances from joint venture companies	787	–
Dividends received from a joint venture company	2,759	–
Net cash flows generated from/(used in) investing activities	506	(1,115)
Cash flows from financing activities		
Proceeds from issue of new ordinary shares upon exercise of warrants	10,146	19,242
Repayment of bank borrowing	–	(5,246)
Proceeds from capital contribution by non-controlling interests	3,848	–
Net cash flows from financing activities	13,994	13,996
Net increase in cash and cash equivalents	15,768	13,297
Cash and cash equivalents at beginning of year	38,108	24,811
Cash and cash equivalents at end of year (Note 11)	53,876	38,108

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2010

1. Corporate information

Manhattan Resources Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 133 New Bridge Road, #18-08 Chinatown Point, Singapore 059413.

The principal activities of the Company are those of investment holding and the provision of management services. The principal activities of the subsidiaries are as shown in Note 5 to the financial statements.

2. Significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with the provisions of Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis, except for investment properties that have been measured at their fair values.

The financial statements are presented in Singapore dollars ($ or SGD) and all values in the tables are rounded to the nearest thousand ($'000) except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

FRS 103 *Business Combinations* (revised) and FRS 27 *Consolidated and Separate Financial Statements* (revised)

The revised FRS 103 *Business Combinations* and FRS 27 *Consolidated and Separate Financial Statements* are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.2 ***Changes in accounting policies (cont'd)***

FRS 103 *Business Combinations* (revised)

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;

- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;

- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and

- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

The adoption of the revised FRS 103 has no effect on the Group's consolidated financial statements for the financial year ended 31 December 2010.

FRS 27 *Consolidated and Separate Financial Statements* (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.2 ***Changes in accounting policies (cont'd)***

FRS 27 *Consolidated and Separate Financial Statements* (revised) (cont'd)

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

2.3 ***Standards issued but not yet effective***

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendment to FRS 32 *Financial Instruments: Presentation - Classification of Rights Issues*	1 February 2010
INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Revised FRS 24 *Related Party Disclosures*	1 January 2011
Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement*	1 January 2011
INT FRS 115 *Agreements for the Construction of Real Estate*	1 January 2011

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

Revised FRS 24 *Related Party Disclosures*

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.4 ***Significant accounting estimates and judgements***

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) ***Impairment of loans and receivables***

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Notes 7 to 10 to the financial statements.

(ii) ***Impairment assessment of the investments in joint venture companies***

The Group's investments in joint venture companies at 31 December 2010 stood at $3,187,000 (2009 : $6,459,000). No impairment loss (2009: $1,187,000) has been recognised against the contract-based intangible asset from a joint venture company during the financial year ended 31 December 2010.

The recoverable amounts of the two joint venture companies were ascertained by management using the fair value less costs to sell approach. More details are given in Note 6 to the financial statements.

(iii) ***Deferred tax assets***

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There was no recognition of tax losses at 31 December 2010 but the unrecognised tax losses at 31 December 2010 was $6,320,000 (2009 : $6,520,000) (Note 20).

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.4 *Significant accounting estimates and judgements (cont'd)*

(a) *Key sources of estimation uncertainty (cont'd)*

(iv) *Depreciation of property, plant and equipment - Vessels*

Vessels are depreciated on a straight-line basis over their estimated useful lives so as to write-down the cost to the estimated residual values at the end of their useful lives. These estimates regarding the useful lives (2 to 15 years) and residual values of the vessels are made by the Group based on past experience and industry trends. The useful lives and residual values are reviewed on an annual basis.

The carrying amount of the Group's vessels as at 31 December 2010 approximated $31,566,000 (2009: $39,002,000).

(b) *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) *Operating lease commitments – As lessor*

The Group has entered into charter party agreements on its fleet of vessels and commercial property leases on its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these vessels and investment properties and so accounts for the contracts as operating leases.

(ii) *Determination of functional currency*

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(iii) *Discontinued operations*

In November 2010, the Group has ceased the trading activities relating to the sale of steel products, which commenced in May 2010, by its 55% owned subsidiary in Ningbo, China. The cessation of this separate major line of business, the Trading segment, has been classified as, "discontinued operations" (Note 27).

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.5 ***Subsidiaries and basis of consolidation***

(a) ***Subsidiaries***

A subsidiary is an entity over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(b) ***Basis of consolidation***

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.5 *Subsidiaries and basis of consolidation (cont'd)*

(b) *Basis of consolidation (cont'd)*

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.11(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.6 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to equity holders of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to equity holders of the Company.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.6 *Transactions with non-controlling interests (cont'd)*

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Company.

2.7 *Joint venture companies*

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in joint venture companies are stated in the Company's balance sheet at cost less any impairment losses. In the Group's financial statements, they are accounted for using the equity method of accounting. Under the equity method, the investments in joint venture companies are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture companies. Goodwill arising from the acquisition of a joint venture company is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of a joint venture company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the joint venture company in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the joint venture companies where these has been a change recognised in other comprehensive income by the joint venture companies. Where there has been a change recognised in other comprehensive income by the joint venture companies, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the joint venture companies are eliminated to the extent of the interests in the joint venture companies.

The Group's share of profit or loss of the joint venture companies is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of joint venture companies.

When the Group's share of losses in a joint venture company equals or exceeds its interest in the joint venture company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture company.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.7 ***Joint venture companies (cont'd)***

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its joint venture companies. The Group determines at the end of each reporting period whether there is any objective evidence that the investments in the joint venture companies is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amounts of the joint venture companies and their carrying values and recognises the amount in profit or loss.

The financial statements of the joint venture companies are prepared and audited at the same reporting date as the Company except for Lian Beng Energy Pte Ltd ("LBE") where management accounts are used. As the carrying value of investment in LBE and the related loans have been fully impaired, it is not likely to have any material impact to the Group's consolidated financial statements. Consistent accounting policies are applied for like transactions and events in similar circumstances. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the joint venture company, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the joint venture company upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2.8 ***Functional currency and foreign currency***

(a) ***Functional currency***

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(b) ***Transactions and balances***

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.8 *Functional currency and foreign currency (cont'd)*

(b) ***Transactions and balances (cont'd)***

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(c) ***Group companies***

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

The Group has elected to recycle the accumulated exchange differences in the separate component of other comprehensive income that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

2.9 *Property, plant and equipment and depreciation*

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals is capitalised. Expenditure for repair and maintenance, including overhaul and dry-docking for vessels, is charged to profit or loss unless such expenditure is separately identified and assessed by management to have increased the future economic benefits derived from the vessels.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.9 ***Property, plant and equipment and depreciation (cont'd)***

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Vessels	-	2 - 15 years
Marine equipment	-	5 years
Furniture, fittings and office equipment	-	5 years
Renovation	-	5 years
Motor vehicles	-	5 years

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate. This is to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.10 ***Investment properties***

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with accounting policy for property, plant and equipment set out in Note 2.9 up to the date of change in use.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.11 *Intangible assets*

(a) *Goodwill*

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments which arose on acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.8.

(b) *Other intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.11 ***Intangible assets (cont'd)***

(b) ***Other intangible assets (cont'd)***

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured on the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.12 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.12 ***Impairment of non-financial assets (cont'd)***

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.13 ***Financial assets***

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

Other than loans and receivables, the Group does not have other category of financial assets.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.14 ***Impairment of financial assets***

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. The Group has financial assets classified under loans and receivables.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.14 *Impairment of financial assets (cont'd)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The impairment loss is recognised in profit or loss. The carrying amount of the asset is reduced through the use of an allowance account.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.15 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, and fixed deposits, less fixed deposits pledged to secure banking facilities, and are subject to an insignificant risk of changes in values.

Cash at bank and on hand and fixed deposits are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.13.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.16 *Financial liabilities*

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 *Employee benefits*

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.18 *Employee benefits (cont'd)*

(b) ***Employee leave entitlement***

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(c) ***Share option plans***

Directors and employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with directors and employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2.19 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.19 *Leases (cont'd)*

(a) ***As lessee***

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) ***As lessor***

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20(b). Contingent rents are recognised as revenue in the period in which they are earned.

2.20 *Revenue*

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Service income***

Income is recognised as and when services are rendered.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.20 ***Revenue (cont'd)***

(b) ***Rental income***

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) ***Sale of goods***

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(d) ***Interest income***

Interest income is recognised using the effective interest method.

(e) ***Dividend income***

Dividend income is recognised when the Group's right to receive payment is established.

2.21 ***Taxes***

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.21 *Taxes (cont'd)*

(b) ***Deferred tax (cont'd)***

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.21 ***Taxes (cont'd)***

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.22 ***Share capital and share issue expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.23 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.24 *Related parties*

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

(i) controls, is controlled by, or is under common control with, the Group;
(ii) has an interest in the Group that gives it significant influence over the Group; or
(iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.25 *Discontinued operations*

A component of the Group is classified as a "discontinued operation" when it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In profit or loss of the current reporting period, and of the comparative period, all income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

2.26 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 24, including the factors used to identify the reportable segments and the measurement basis of segment information.

Notes to the Financial Statements

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3. Property, plant and equipment

Group	Vessels	Marine equipment	Furniture, fittings and office equipment	Motor vehicles	Computers	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
At 1.1.2009	444	590	111	6	56	1,207
Additions	–	–	1	–	4	5
Acquisition of subsidiary	44,734	–	–	67	–	44,801
Exchange differences	(906)	–	–	(2)	–	(908)
At 31.12.2009 and 1.1.2010	44,272	590	112	71	60	45,105
Additions	12	–	60	–	3	75
Disposals	(443)	(590)	–	–	–	(1,033)
Exchange differences	(3,813)	–	(2)	(6)	–	(3,821)
At 31.12.2010	40,028	–	170	65	63	40,326
Accumulated depreciation						
At 1.1.2009	391	590	110	4	48	1,143
Depreciation charge for the financial year	5,000	–	1	22	7	5,030
Exchange differences	(121)	–	–	(1)	–	(122)
At 31.12.2009 and 1.1.2010	5,270	590	111	25	55	6,051
Depreciation charge for the financial year	4,346	–	9	20	3	4,378
Disposals	(443)	(590)	–	–	–	(1,033)
Exchange differences	(711)	–	–	(4)	–	(715)
At 31.12.2010	8,462	–	120	41	58	8,681
Net book value						
At 31.12.2010	31,566	–	50	24	5	31,645
At 31.12.2009	39,002	–	1	46	5	39,054

Notes to the Financial Statements

31 December 2010

3. Property, plant and equipment (cont'd)

Company	Furniture, fittings and office equipment	Motor vehicles	Computers	Total
	$'000	$'000	$'000	$'000
Cost				
At 1.1.2009	111	6	56	173
Additions	–	–	4	4
At 31.12.2009 and 1.1.2010	111	6	60	177
Additions	26	–	2	28
At 31.12.2010	137	6	62	205
Accumulated depreciation				
At 1.1.2009	110	4	48	162
Depreciation charge for the financial year	1	1	7	9
At 31.12.2009 and 1.1.2010	111	5	55	171
Depreciation charge for the financial year	2	1	2	5
At 31.12.2010	113	6	57	176
Net book value				
At 31.12.2010	24	–	5	29
At 31.12.2009	–	1	5	6

4. Investment properties

	Group and Company	
	2010	**2009**
	$'000	$'000
Balance sheet:		
At 1 January	2,000	2,550
Disposal of investment property	–	(550)
Net gain on fair value adjustment of investment property	180	–
At 31 December	2,180	2,000

Notes to the Financial Statements

31 December 2010

4. Investment properties (cont'd)

	Group 2010 $'000	Group 2009 $'000
Income statement:		
Rental income from investment properties		
- Minimum lease payments	146	143
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	(50)	(47)

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2010 and 31 December 2009. The valuations are performed by Knight Frank Pte Ltd, an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The valuations are based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

As at 31 December 2010, the freehold properties (2009: freehold and leasehold properties) are pledged to a bank as security for the Company's banking facilities, which remain unutilised.

The investment properties held by the Group as at 31 December are as follows :

Description and location	Existing use	Tenure
2 office units, Kembangan Plaza, Singapore	Offices	Freehold

5. Interests in subsidiaries

	Company 2010 $'000	Company 2009 $'000
Unquoted equity shares, at cost	41,111	36,274
Less : Impairment loss	(2,395)	(2,395)
Investments in subsidiaries	38,716	33,879
Loan to a subsidiary	–	5,000
	38,716	38,879

Notes to the Financial Statements

31 December 2010

5. Interests in subsidiaries (cont'd)

The loan to a subsidiary, which formed part of the Company's net investment in the subsidiary, was interest-free, unsecured and had no fixed term of repayment. The loan was fully repaid during the financial year.

The Company has the following subsidiaries as at 31 December 2010 and 2009:

Name of subsidiary	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest		Cost of investment by the Company	
			2010	2009	2010	2009
			%	%	$'000	$'000
SLM Holding Pte Ltd *	Shipchartering	Singapore	100	100	2,195	2,195
DLM Marine Pte Ltd *	Dormant	Singapore	100	100	100	100
JLM Marine Pte Ltd *	Dormant	Singapore	100	100	100	100
MR Logistics Pte. Ltd. *	Investment holding	Singapore	100	100	33,879	33,879
Manhattan (Ningbo) Trading Co., Ltd	Trading	China	55	–	4,837	–
					41,111	36,274

Notes to the Financial Statements

31 December 2010

5. Interests in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest	
			2010	2009
			%	%
Held through MR Logistics Pte. Ltd.				
Kaltim Alpha Shipping Pte. Ltd. *	Dormant	Singapore	100	100
Kaltim Bravo Shipping Pte. Ltd. *	Dormant	Singapore	100	100
Epsilon Shipping Pte. Ltd. *	Dormant	Singapore	100	100
PT. Jaya Pesona Abadi	Investment holding	Indonesia	100	100
Held through PT. Jaya Pesona Abadi				
PT. Aneka Samudera Lintas **	Shipping activities	Indonesia	100	100
Held through DLM Marine Pte Ltd				
PT. MR Resources	Dormant	Indonesia	100	100
PT. MR EMAS	Dormant	Indonesia	100	100
PT. MR Engineering	Dormant	Indonesia	100	–

* Audited by Ernst & Young LLP, Singapore.

** Audited by Ernst & Young LLP, Singapore for purposes of Group consolidation.

Notes to the Financial Statements

31 December 2010

6. Interests in joint venture companies

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Investments in joint venture companies:				
Unquoted equity shares, at cost	4,541	31,327	4,541	31,327
Repayment of pre-acquisition loan previously capitalised as cost of investment	–	(11,511)	–	(11,511)
Transfer to subsidiary	–	(15,275)	–	(15,275)
	4,541	4,541	4,541	4,541
Share of post-acquisition reserves:				
At beginning of year	1,918	(4,642)	(4,541)	(4,541)
Share of post acquisition results (net of tax)	(174)	(2,751)	–	–
Impairment loss	–	(1,187)	–	–
Revaluation of pre-acquisition loan	–	11,511	–	–
Share of post- acquisition reserve transferred upon conversion to subsidiary	–	(1,437)	–	–
Share of foreign currency translation reserve	(339)	424	–	–
Dividends received from a joint venture company	(2,759)	–	–	–
At end of year	(1,354)	1,918	(4,541)	(4,541)
Carrying amount of investments	3,187	6,459	–	–

Tat Hong Energy Pte. Ltd. ("THE")

Management has reviewed the net assets of the joint venture company on a realisable basis and has taken into consideration the fair values of property, plant and equipment based on directors' valuation with reference to sale of similar assets during the previous financial year.

Based on the approach, no impairment loss (2009 : $1,187,000) has been recognised for the financial year ended 31 December 2010.

Notes to the Financial Statements

31 December 2010

6. Interests in joint venture companies (cont'd)

Lian Beng Energy Pte. Ltd. ("LBE")

The carrying values of the Group's and Company's investment in LBE and loans to LBE, amounting to $22,241,000 (2009: $22,241,000), have been fully impaired in the previous financial years.

Summarised financial information

The aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in the joint venture companies as at 31 December 2010 and 2009 are as follows:

	Group	
	2010	**2009**
	$'000	$'000
Assets and liabilities :		
Current assets	12,102	15,370
Non-current assets	555	1,073
Total assets	12,657	16,443
Current liabilities	(5,503)	(5,465)
Non-current liabilities	(14,924)	(15,459)
Total liabilities	(20,427)	(20,924)
Results :		
Revenue	1,465	9,625
Expenses	(1,448)	(10,565)
Net loss	(91)	(1,757)

Notes to the Financial Statements

31 December 2010

6. Interests in joint venture companies (cont'd)

Details of joint venture companies

Details of the joint venture companies as at 31 December 2010 and 2009 are as follows:

Name of joint venture companies	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest held by the Group		Cost of investment by the Company	
			2010	2009	2010	2009
			%	%	$'000	$'000
Held by the Company						
Tat Hong Energy Pte Ltd #	Singapore	Supply of heavy machinery and equipment	50	50	–	–
Lian Beng Energy Pte Ltd	Singapore	Investment holding, lease of equipment and provision of coal mining ancillary services	50	50	4,541	4,541
					4,541	4,541

\# Audited by KPMG LLP, Singapore.

7. Loans to joint venture companies

	Group and Company	
	2010	2009
	$'000	$'000
Loans to joint venture companies	17,702	17,702
Less: Impairment loss on loans to a joint venture company	(17,702)	(17,702)
	–	–

The loans, which form part of the Company's net investment in the joint venture companies, are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Financial Statements

31 December 2010

8. Trade and other receivables

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Trade receivables	7,190	10,958	40	40
Less: Allowance for impairment	(2,800)	(2,913)	(15)	(15)
	4,390	8,045	25	25
GST receivable	542	206	145	5
Deposits	4,986	126	4,986	94
Due from related parties (trade)	6,645	6,352	31	19
Advances to other debtors	3,185	–	–	–
Other receivables	1,808	1,041	1,208	257
	21,556	15,770	6,395	400

Trade receivables are non-interest bearing and are generally on 60 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Deposits in 2010 included a net amount comprising security deposits placed with the High Court of Singapore and settlement receipts amounting to $4.9 million of which $2.9 million will be paid out as the net settlement amount in relation to the transfer of 50% equity interest in a joint venture company to the Company (Note 29).

Amounts due from related parties are trade in nature, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Advances to other debtors are non-trade related, non-interest bearing, repayable on demand and are to be settled in cash.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $4,762,000 (2009 : $6,113,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2010	**2009**
	$'000	$'000
Lesser than 3 months	1,001	3,053
3 to 6 months	544	2,424
6 to 12 months	910	529
Above 12 months	2,307	107
	4,762	6,113

Notes to the Financial Statements

31 December 2010

8. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	Individually impaired		Individually impaired	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Trade receivables – nominal amounts	2,800	2,913	15	15
Less: Allowance for impairment	(2,800)	(2,913)	(15)	(15)
	–	–	–	–

Movement in allowance accounts:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
At 1 January	2,913	15	15	15
Acquisition of subsidiary	–	2,530	–	–
Exchange differences	(113)	368	–	–
At 31 December	2,800	2,913	15	15

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

9. Due from subsidiaries (trade)

Amounts due from subsidiaries (trade) are stated after deducting allowance for doubtful debts of $718,000 (2009: $718,000). These amounts are interest-free and are generally on normal trade terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Notes to the Financial Statements

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10. Due from subsidiaries (non-trade)

Amounts due from subsidiaries (non-trade) are stated after deducting allowance for doubtful debts of $4,039,000 (2009: $4,028,000). These amounts are interest-free, unsecured, to be settled in cash and repayable on demand.

11. Cash and bank deposits

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Pledged fixed deposit	38	38	38	38
Cash at banks and on hand	49,995	37,286	36,706	32,183
Fixed deposits	3,881	822	–	–
Cash and cash equivalents	53,876	38,108	36,706	32,183

As at 31 December 2010, fixed deposit amounting to $38,000 (2009 : $38,000) has been pledged to a bank for the Group's and the Company's banking facilities.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Fixed deposits are made for varying periods of between six months and twelve months depending on the immediate cash requirements of the Group, and earn interests at the respective fixed deposit rates. The effective interest rates for the financial year ended 31 December 2010 for the Group and the Company ranged from 0.10% to 1.32% (2009: 0.10% to 1.32%) per annum and 0.22% (2009: 0.22%) per annum, respectively.

12. Payables and accruals

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Trade payables	8,093	10,512	295	185
Accrued expenses	724	561	302	347
Refundable deposit from non-controlling interests	1,545	–	–	–
Deposits received	1,160	–	1,140	–
Rental deposits	28	48	28	28
Other payables	972	1,008	87	116
	12,522	12,129	1,852	676

Trade and other payables are non-interest bearing. Trade payables are normally settled on an average term of 30 (2009 : 30) days, while other payables have an average term of 6 (2009 : 6) months.

Notes to the Financial Statements

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13. Advances from joint venture companies

The amounts are interest-free, unsecured, to be settled in cash and repayable on demand.

14. Share capital

	Group and Company			
	2010		2009	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid:				
Ordinary shares				
As at 1 January	445,203,015	120,687	417,714,286	101,445
Issuance of new shares at $0.70 (2009 : $0.70) per share upon exercise of warrants	14,493,500	10,146	27,488,729	19,242
As at 31 December	459,696,515	130,833	445,203,015	120,687

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

The Company issued 14,493,500 (2009 : 27,488,729) new ordinary shares at $0.70 (2009 : $0.70) each pursuant to an exercise of warrants during the financial year ended 31 December 2010.

15. Revenue

	Group	
	2010	2009
	$'000	$'000
Coal transportation income	30,692	25,825
Rental income	146	143
Logistic service income	1	–
Others	7	–
	30,846	25,968

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16. Other income

	Group 2010 $'000	Group 2009 $'000
Interest income from loans and receivables - fixed deposits	541	70
Gain from change in group structure *	–	6,500
Recovery of pre-acquisition loan to a joint venture company	–	11,511
Net gain on disposal of investment property	–	652
Net gain on fair value adjustment of investment property	180	–
Net gain on disposal of property, plant and equipment	220	–
Miscellaneous income	218	12
	1,159	18,745

* This arose as a result of the re-assessment of pre-acquisition loan in connection with the acquisition of the additional 50% equity interest in MR Log, making it a wholly-owned subsidiary during the financial year ended 31 December 2009.

17. Employee benefits expenses (including directors' and executive officers' remuneration)

	Group 2010 $'000	Group 2009 $'000
Salaries and bonuses	(2,787)	(2,611)
Grant income from jobs credit scheme **	8	39
CPF contributions	(77)	(71)
Share-based payment	(174)	(998)
Others	(712)	(396)
	(3,742)	(4,037)

Directors' and executive officers' remuneration are disclosed in Note 22.

** During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme ("Scheme"). Under this Scheme, the Group received a 12% cash grant on the first $2,500 of each month's wages for each employee in their Central Provident Fund payroll. The Scheme is for one year, and the Group received its grant income of approximately $39,000 in four receipts in March, June, September and December 2009.

In October 2009, the Scheme had been extended for half a year with another two payments at stepped down rates of 6% and 3% of wages in March 2010 and June 2010, respectively, totaling approximately $8,000.

Notes to the Financial Statements

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17. Employee benefits expenses (including directors' and executive officers' remuneration) (cont'd)

Share option plans (Manhattan Resources Share Option Scheme) ("Option Scheme")

Under the Option Scheme, non-transferable options are granted to eligible participants. The exercise price of the options may be determined at the absolute discretion of the committee comprising directors duly authorised and appointed by the Board to administer the Option Scheme. Options with subscription prices which are equal to the average of the last-dealt prices for the shares of the Company on the Singapore Exchange Securities Trading Limited ("Market Price"), may be exercised at any time after one year from the date of grant. Subscription prices which represents a discount to the Market Price, may be exercised at any time after two years from the date of grant. The contractual life of the options is 10 years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

There has been no cancellation or modification to the Option Scheme during both 2010 and 2009.

Movement of share options during the financial year

The following table shows the number and exercise price, and movements in, share options during the financial year:

	Group and Company			
	2010		2009	
	No. of options	Exercise price ($)	No. of option	Exercise price ($)
Outstanding at 1 January	4,340,000	0.48	–	–
Granted	–	–	4,365,000	0.48
Forfeited	–	–	(25,000)	0.48
Outstanding at 31 December	4,340,000	0.48	4,340,000	0.48
Exercisable at 31 December	4,340,000	0.48	–	–

Fair value of share options granted

The fair value of the share options granted under the Option Scheme was estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

Notes to the Financial Statements

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17. Employee benefits expenses (including directors' and executive officers' remuneration) (cont'd)

The following table lists the inputs to the option pricing model for the financial year ended 31 December 2009:

	Option Scheme
Dividend yield	–
Expected volatility	87.5%
Risk-free interest rate (% p.a.)	2.09%
Life of option	10 years
Weighted average share price	$0.33

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

18. Other expenses

Other expenses included the following:

	Group	
	2010	2009
	$'000	$'000
Vessel expenses:		
Fuel	(11,056)	(7,115)
Upkeep and maintenance	(3,898)	(6,006)
Agent fees and port handling charges	(2,059)	(2,274)
Certificate, licence and other compliance expenses	(657)	(1,575)
Other vessel expenses	(2,270)	(3,262)
	(19,940)	(20,232)
Impairment loss of investment in a joint venture company	–	(1,187)
Office and other rental expenses	(171)	(175)
Non-audit fees paid to the auditors of the Company	(40)	(53)
Professional fees	(852)	(721)
Foreign exchange loss	(1,321)	(2,192)

Notes to the Financial Statements

31 December 2010

19. Finance costs

	Group	
	2010	2009
	$'000	$'000
Loss from ineffective hedging instrument	–	(42)
Interest expenses on bank loans	–	(55)
	–	(97)

20. Income tax

Major components of income tax expense

Major components of income tax expense for the financial years ended 31 December 2010 and 2009 are:

	Group	
	2010	2009
	$'000	$'000
Income statement:		
Current income tax - continuing operations:		
Underprovision in respect of previous years	–	(3)
Income tax attributable to continuing operations recognised in profit or loss	–	(3)

Notes to the Financial Statements

31 December 2010

20. Income tax (cont'd)

Relationship between tax expense and accounting profit

The reconciliation of the tax and the product of profit/(loss) before tax multiplied by the applicable tax rate is as follows:

	Group	
	2010	**2009**
	$'000	$'000
Profit before tax from continuing operations	634	7,756
Loss before tax from discontinued operations	(155)	–
Accounting profit before tax	479	7,756
Tax at domestic rates applicable to profit in the countries where the Group operates	(407)	(1,079)
Adjustments:		
Exempt income	–	630
Income not subject to taxation	7,738	6,277
Non-deductible expenses	(7,335)	(5,355)
Utilisation of previously unrecognised deferred tax assets	34	–
Deferred tax assets not recognised	–	(5)
Underprovision in respect of previous years	–	(3)
Share of results of joint venture companies	(30)	(468)
Income tax expense recognised in profit or loss	–	(3)

The corporate income tax rate applicable to Singapore companies of the Group was 17% for the year of assessment ("YA") 2011 and YA 2010. The corporate income tax rate applicable to Indonesian companies of the Group was 25% for YA 2011 and YA 2010.

The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

Notes to the Financial Statements

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20. Income tax (cont'd)

Deferred tax

Deferred income tax as at 31 December 2010 and 2009 relate to the following:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Deferred tax liability:				
Differences in depreciation	24	24	14	14

Deferred tax assets not recognised as at 31 December 2010 and 2009 relate to the following:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Deferred tax assets:				
Differences in depreciation	3	3	3	3
Unabsorbed tax losses	1,074	1,108	824	824
	1,077	1,111	827	827

Unabsorbed tax losses

As at 31 December 2010, the Group and the Company have unabsorbed tax losses of approximately $6,320,000 (2009 : $6,520,000) and $4,844,000 (2009 : $4,844,000), respectively, that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The unabsorbed tax losses brought forward are restated to comply with the tax returns filed in the current financial year with the Comptroller of Income Tax.

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21. Earnings per share

(a) *Continuing operations*

Basic earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2010	**2009**
	$'000	$'000
Profit for the financial year attributable to equity holders of the Company	549	7,753
Add back: Loss from discontinued operations, net of tax, attributable to equity holders of the Company	85	–
Profit from continuing operations, net of tax, attributable to equity holders of the Company used in the computation of basic earnings per share from continuing operations	634	7,753

	2010	**2009**
	No. of shares	No. of shares
Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the financial year	445,203,015	417,714,286
Weighted average number of shares issued during the financial year	3,653,157	13,706,708
Weighted average number of ordinary shares for basic earnings per share computation	448,856,172	431,420,994
Effects of dilution:		
Options	1,422,353	336,175
Warrants	978,500	–
Weighted average number of ordinary shares for diluted earnings per share computation	451,257,025	431,757,169

Notes to the Financial Statements

31 December 2010

21. Earnings per share (cont'd)

(a) *Continuing operations (cont'd)*

As at 31 December 2009, 64,396,984 (2010: Nil) outstanding warrants had not been included in the calculation of diluted earnings per share because they were anti-dilutive.

Since the end of the financial year, no options have been exercised to acquire any new ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements, except for the issuance of 37,167,099 (2009 : Nil) new ordinary shares upon the exercise of warrants.

(b) *Earnings per share computation*

The basic and diluted earnings per share are calculated by dividing the profit for the financial year attributable to equity holders of the Company of $549,000 (2009 : $7,753,000) by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These profit and share data are presented in the tables in Note 21(a).

22. Related party disclosures

(a) *Remuneration of directors and executive officers*

	Group	
	2010	**2009**
	$'000	$'000
Directors' remuneration (including directors' fees) :		
Salaries and bonus	(845)	(779)
Fees	(246)	(246)
CPF contributions	(12)	(14)
Share-based payments	(158)	(908)
	(1,261)	(1,947)
Executive officers' remuneration :		
Salaries and bonus	(579)	(364)
CPF contributions	(31)	(25)
Other benefits	(18)	(12)
Share-based payments	(11)	(63)
	(639)	(464)
	(1,900)	(2,411)

Notes to the Financial Statements

31 December 2010

22. Related party disclosures (cont'd)

(a) ***Remuneration of directors and executive officers (cont'd)***

Directors' interest in share option plan

During the financial year, no share options were granted to the Company's directors. In 2009, 3,950,000 share options were granted to seven of the Company's directors, including the two executive directors, at an exercise price of $0.48 each.

(b) ***Sale and purchase of services, and lease***

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at term agreed between the parties during the financial year:

	Group	
	2010	**2009**
	$'000	$'000
Related parties		
- Coal transportation income	25,891	4,615
- Fuel oil costs reimbursement	2,571	374
- Commercial property lease expense	(141)	(174)

23. Contingent liabilities

Financial support

The Company has committed to provide continuing financial support to certain of its subsidiaries to enable them to operate as going concerns.

Notes to the Financial Statements

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24. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(a) The Shipping segment relates to shipchartering and provision of freight services in Indonesia, mainly for coal carrying activities;

(b) Equipment leasing segment relates to leasing of mining equipment and machinery in Indonesia;

(c) The Corporate and others segment which is involved in Group-level corporate services, treasury functions, investments in properties and others; and

(d) The Trading segment relates to the trading of steel products in China during the financial year. This segment has been classified as "discontinued operations" during the financial year (Note 27).

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Inter-segment revenues are eliminated on consolidation.

Notes to the Financial Statements

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24. Segment information (cont'd)

	Shipping		Equipment leasing		Corporate and others		Trading (Discontinued operations)		Eliminations		Per consolidated financial statements	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue												
External customers	30,692	25,825	–	–	154	142	4,390	–	(4,390)	–	30,846	25,968
Inter-segment	–	–	–	–	24	24	–	–	(24)	(24)	–	–
Total revenue	30,692	25,825	–	–	178	166	4,390	–	(4,414)	(24)	30,846	25,968
Results												
Interest income	75	20	–	–	466	50	16	–	(16)	–	541	70
Depreciation	(4,372)	(4,969)	–	–	(6)	(61)	–	–	–	–	(4,378)	(5,030)
Share of results of joint ventures	–	–	(174)	(2,751)	–	–	–	–	–	–	(174)	(2,751)
Other non-cash expenses												
- Share based payment	–	–	–	–	(174)	(998)	–	–	–	–	(174)	(998)
- Impairment of investment in a joint venture company	–	–	–	(1,187)	–	–	–	–	–	–	–	(1,187)
Segment profit/(loss)	3,458	(2,294)	(174)	7,573	(2,650)	2,474	(155)	–	155	–	634	7,753
Assets												
Investments in joint ventures	–	–	3,187	6,459	–	–	–	–	–	–	3,187	6,459
Segment assets	58,076	55,424	3,187	6,459	43,349	39,768	8,209	–	–	–	112,821	101,651
Segment liabilities	10,589	11,398	–	–	2,731	755	13	–	–	–	13,333	12,153

Notes to the Financial Statements

31 December 2010

24. Segment information (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Singapore	154	143	2,209	2,006
Indonesia	30,692	25,825	34,803	45,507
China	4,390	–	–	–
Discontinued operations (Note 27)	(4,390)	–	–	–
	30,846	25,968	37,012	47,513

25. Commitments

(a) ***Operating lease commitments - as lessee (commercial property leases)***

The Group and the Company have entered into commercial property leases on its office premises and for staff accommodation. The non-cancellable leases have remaining lease terms of ranging from less than 1 year to less than 3 years (2009: less than 1 year) with no contingent rent provision included in the contracts. The Group is restricted from subleasing the office premises to third parties.

Future minimum lease payments under the non-cancellable operating leases as at 31 December are as follows:

	Group and Company	
	2010	2009
	$'000	$'000
Not later than one year	190	57
Later than one year but not later than five years	277	–
	467	57

Notes to the Financial Statements

31 December 2010

25. Commitments (cont'd)

(b) ***Operating lease commitments – as lessor (commercial property leases)***

The Group and the Company have entered into commercial property leases on its property portfolio as disclosed in Note 4. These non-cancellable leases have remaining lease terms of less than 2 years (2009: less than 2 years) with no contingent rent provision included in the contracts. The leases include a clause to enable upward revision of the rental charge on renewal based on prevailing market conditions.

Future minimum rentals receivable under the non-cancellable operating leases as at 31 December are as follows:

	Group and Company	
	2010	**2009**
	$'000	$'000
Not later than one year	128	146
Later than one year but not later than five years	17	45
	145	191

26. Financial instruments

(a) ***Financial risk management objectives and policies***

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, liquidity risk and credit risk. The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

Notes to the Financial Statements

31 December 2010

26. Financial instruments (cont'd)

(a) ***Financial risk management objectives and policies (cont'd)***

Foreign currency risk

The Group's subsidiary in Indonesia has transaction currency exposures arising mainly from purchases that are denominated in a currency other than its functional currency, US Dollars ("USD"). The foreign currencies in which these transactions are denominated are Indonesian Rupiah ("IDR"). Approximately 57% (2009: 76%) of the Group's costs and expenses are denominated in IDR. The Group's trade payable balances as at the balance sheet date have similar exposures.

The Group and Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances, mainly in IDR and USD, amounted to $10,573,000 (2009: $13,299,000) and $8,436,000 (2009: $13,167,000) for the Group and Company respectively.

Where necessary, the Group uses forward currency contracts to manage its foreign exchange risk resulting from cash flows from transactions and financing arrangements denominated in foreign currencies, primarily the USD. During the financial year ended 31 December 2010, the Group did not utilise any forward currency contracts. It is the Group's policy not to trade in derivative contracts.

As at balance sheet date, the Group has no outstanding forward currency contracts.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss/profit net of tax to a reasonably possible change in the USD and IDR exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		Loss net of tax	**Profit net of tax**
		2010 $'000	**2009** $'000
USD/IDR	– strengthened 3 % (2009 : 3%)	+53	–753
	– weakened 3% (2009 : 3%)	–53	+753
USD/SGD	– strengthened 3 % (2009 : 3%)	–332	+395
	– weakened 3% (2009 : 3%)	+332	–395

Notes to the Financial Statements

31 December 2010

26. Financial instruments (cont'd)

(a) *Financial risk management objectives and policies (cont'd)*

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from the Group entities' and the Company's foreign currency deposits, with the banks.

Sensitivity analysis for interest rate risk

As at balance sheet date, the Group has no significant interest rate risks other than those associated with cash and bank balances and fixed deposits which are subject to floating rates and repriced frequently within 1 year.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At the balance sheet date, all of the Group's and the Company's financial liabilities and financial assets will mature in less than one year based on the carrying amounts reflected in the financial statements (Refer to Note 26(c)).

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and amounts due from subsidiaries. For cash and cash equivalents, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Chief Financial Officer.

Notes to the Financial Statements

31 December 2010

26. Financial instruments (cont'd)

(a) ***Financial risk management objectives and policies (cont'd)***

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Credit risk, or the risk of counterparties defaulting, is managed through the application of credit approval and monitoring procedures.

No other financial assets carry a significant exposure to credit risk.

Credit risk concentration profile

The Group's trade receivables at balance sheet date are mainly due to customers in the oil and gas industry in the Indonesian market.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 8 (Trade and other receivables).

(b) ***Fair values***

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Financial instruments whose carrying amounts approximate fair values

Management has determined that the carrying amounts of cash and cash equivalents, trade and other receivables, amounts due from subsidiaries, trade and other payables, and advances from joint venture companies based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently.

Notes to the Financial Statements

31 December 2010

26. Financial instruments (cont'd)

(b) *Fair values (cont'd)*

Financial instruments whose carrying amounts are not reasonable approximation of fair value

Loans to joint venture companies have no fixed repayment terms and are repayable only when the cash flows of the borrowers permit. Accordingly, the fair value of the loans is not determinable as the timing of the future cash flows arising from the loans cannot be estimated reliably.

(c) *Classification and maturity profile of financial instruments*

The table below summarises by category the carrying amounts of the Group's and the Company's financial instruments that are carried in the financial statements and their maturity profile based on contractual undiscounted repayment obligations:

	2010 $'000		2009 $'000	
Group	**Loans and receivables**	**Maturity profile: One year or less**	**Loans and receivables**	**Maturity profile: One year or less**
Financial assets:				
Trade and other receivables	21,556	21,556	15,770	15,770
Pledged fixed deposit	38	38	38	38
Cash and cash equivalents	53,876	53,876	38,108	38,108
Total undiscounted financial assets	75,470	75,470	53,916	53,916

	2010 $'000		2009 $'000	
Group	**Financial liabilities at amortised cost**	**Maturity profile: One year or less**	**Financial liabilities at amortised cost**	**Maturity profile: One year or less**
Financial liabilities:				
Payables and accruals	12,522	12,522	12,129	12,129
Advances from joint venture companies	787	787	–	–
Total undiscounted financial liabilities	13,309	13,309	12,129	12,129
Total net undiscounted financial assets	62,161	62,161	41,787	41,787

Notes to the Financial Statements

31 December 2010

26. Financial instruments (cont'd)

(c) *Classification and maturity profile of financial instruments (cont'd)*

Company	2010 $'000 Loans and receivables	2010 $'000 Maturity profile: One year or less	2010 $'000 Total	2009 $'000 Loans and receivables	2009 $'000 Maturity profile: One year or less	2009 $'000 Maturity profile: One to five years	2009 $'000 Total
Financial assets:							
Loan to subsidiary	–	–	–	5,000	–	5,000	5,000
Trade and other receivables	6,395	6,395	6,395	400	400	–	400
Due from subsidiaries	1,346	1,346	1,346	92	92	–	92
Pledge fixed deposit	38	38	38	38	38	–	38
Cash and cash equivalents	36,706	36,706	36,706	32,183	32,183	–	32,183
Total undiscounted financial assets	44,485	44,485	44,485	37,713	32,713	5,000	37,713

Company	2010 $'000 Financial liabilities at amortised cost	2010 $'000 Maturity profile: One year or less	2010 $'000 Total	2009 $'000 Financial liabilities at amortised cost	2009 $'000 Maturity profile: One year or less	2009 $'000 Maturity profile: One to five years	2009 $'000 Total
Financial liabilities:							
Payables and accruals	2,602	2,602	2,602	676	676	–	676
Total undiscounted financial liabilities	2,602	2,602	2,602	676	676	–	676
Total net undiscounted financial assets	41,883	41,883	41,883	37,037	32,037	5,000	37,037

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27. Discontinued operations

In November 2010, the Group had ceased the trading activities relating to the sale of steel products, which commenced in May 2010, by its 55% owned subsidiary in Ningbo, China. The results relating to this Trading segment are presented separately on the income statement as "Loss from discontinued operations, net of tax".

Income statement disclosure

The results of the Trading segment for the financial year ended 31 December are as follows:

	Group
	2010
	$'000
Revenue	4,390
Other income – interest income on bank deposits	16
Expenses	(4,561)
Loss from discontinued operations	(155)
Income tax	–
Loss from discontinued operations, net of tax	(155)

Loss per share disclosure

	Group
	2010
Loss per share (cents) from discontinued operations attributable to equity holders of the Company	
- Basic	(0.02)
- Diluted	(0.02)

The basic and diluted loss per share from discontinued operations are calculated by dividing the loss from discontinued operations, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These loss and share data are presented in the tables in Note 21(a).

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28. Capital management

The Group's capital management is dependent on capital requirements of projects or investments. Management would evaluate various options taking into consideration market conditions, nature of investment and the Group's structure. As at 31 December 2010, the Group had no borrowings. As a result, the Group does not set a policy on maintaining its capital structure at a specific gearing ratio. The Group would consider dividend payment to shareholders, return of capital to shareholders, issuance of new shares or borrowings whenever it is in the best interest of the shareholders to do so. No changes were made in the primary objective during the financial years ended 31 December 2010 and 2009.

29. Settlement of litigation

The other shareholder, Lian Beng Group Ltd. ("LBG"), of a joint venture company, Lian Beng Energy Pte Ltd ("LBE"), had in August 2008 initiated a proceeding against the Company, for specific performance of the conditional agreement for the proposed purchase of the 50% interest in LBE or a sum of $9.4 million. In September 2009, the plaintiff obtained a default judgment against the Company for the sum of $9.4 million. The Company's appeal to set aside the judgment was granted by the High Court of Singapore ("Court") in February 2010. However, the Court ordered the Company to deposit the said sum of $9.4 million with the Court as security for the plaintiff's claim until further order. The Company had complied with the Court's order.

On 11 January 2011, the Company announced that an out-of-court settlement had been reached with regards to the litigation. The settlement resulted in the Company having to pay a net amount of $2.9 million (Note 8) for the transfer of the 50% equity interest in LBE to the Company and the extinguishment of LBG's shareholder loan to LBE. The net payable amount of $2.9 million will be funded by the net security deposit of $4.9 million to be refunded by the Court (Note 8).

30. Subsequent events

(a) On 12 January 2011, the Company announced that it had entered into a joint venture agreement with Kaiyi Investment Pte Ltd ("KYI"), Ningbo Da Li Shipping Co Ltd ("NDT") and Mr Xu Yi You in relation to the establishment of a joint venture corporation to be named, "Manhattan Resources (Ningbo) Realty Co Ltd" (the "JVC").

The JVC is being established principally to make a bid for a piece of commercial land situated at South Commercial Park at Yinzhou District in Ningbo City, Zhejiang Province, China. The plan is to build approximately 110,000 square metres of office space with associated commercial facilities, with total project cost expected to amount to approximately RMB1.1 billion. It is envisaged that part of the development will be sold and part retained for long term investment. The JVC may also be involved in trading activities in coal and steel products.

Notes to the Financial Statements

31 December 2010

30. Subsequent events (cont'd)

(a) The JVC will be registered as a Sino Foreign Joint Venture Company (limited liability) with a registered capital of US$68,500,000 where the Company will contribute US$34,935,000, representing 51 per cent interest in the JVC.

Under the terms of the joint venture agreement, MRL, KYI and NDT agree to contribute 15 per cent of their respective capital contributions within 15 days from the date the JVC obtains the business licence from the Industrial and Commercial Administration Bureau of Ningbo City, China, with the balance to be contributed subsequently. Mr Xu Yi You shall contribute his share prior to the registration of the JVC.

(b) With the establishment of the proposed JVC, as stated in Note 30(a), the Company has announced on 12 January 2011 that it is in the process of dissolving and liquidating its 55% owned subsidiary, Manhattan Ningbo (Trading) Co., Ltd.

(c) On 14 February 2011, the Company announced that it had entered into an investment agreement ("Investment Agreement") with Ecoblu Products Inc ("Ecoblu") and Dato Low Tuck Kwong ("LTK"), and a revolving credit and warrant purchase agreement ("Credit and Warrant Agreement"), which provide as follows:

(i) pursuant to the terms of the Investment Agreement, LTK will subscribe for 81,000,000 shares in Ecoblu ("New Shares"), representing approximately 45% of the share capital of Ecoblu for an aggregate consideration of US$5,000,000. LTK will subsequently sell these New Shares to the Company for the same consideration, subject to shareholders' approval; and

(ii) pursuant to the terms of Credit and Warrant Agreement, the Company will extend a US$5,000,000 revolving facility ("Loan Facility") to Ecoblu. In consideration of the Loan Facility, Ecoblu will issue the Company a warrant to subscribe for 50,000,000 shares in Ecoblu at an exercise price of US$0.10 each.

((i) and (ii) above together, referred to as the "Proposed Investment".)

The Proposed Investment is conditional on any required regulatory approval and the Company Shareholders' approval being obtained.

31. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 5 April 2011.

Statistics of Shareholdings

As at 21 march 2011

Shares capital	:	$138,350,050.40
Number of shares	:	470,435,615
Class of shares	:	Ordinary share
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 999	11	0.95	3,614	0.00
1,000 - 10,000	704	60.95	3,462,100	0.74
10,001 - 1,000,000	404	34.98	41,420,500	8.80
1,000,001 and above	36	3.12	425,549,401	90.46
Total	**1,155**	**100.00**	**470,435,615**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Manhattan Investments Pte Ltd	219,016,701	46.56	-	-
Dato' Low Tuck Kwong [1]	48,957,700	10.41	220,706,701	46.92
Mohamed Abdul Jaleel	37,097,000	8.01	-	-

Notes:

[1] Dato' Low Tuck Kwong is deemed to be interested in the shareholdings of the Company through his controlling shareholdings in Manhattan Investments Pte Ltd

TWENTY LARGEST SHAREHOLDERS

	Name of Shareholders	Number of Shares	%
1.	Manhattan Investments Pte Ltd	219,016,701	46.56
2.	Low Tuck Kwong	48,957,700	10.41
3.	Phillip Securities Pte Ltd	20,769,000	4.41
4.	BNP Paribas Nominees Singapore Pte Ltd	20,734,000	4.41
5.	Kim Eng Securities Pte. Ltd.	16,844,000	3.58
6.	Tsao Yue Hwa Johnny @ Shu Yue Ming	16,394,000	3.48
7.	Choo Yak Lye or Choo Kok Leong	10,751,000	2.29
8.	Hong Leong Finance Nominees Pte Ltd	10,006,000	2.13
9.	Yap Han Hoe	5,412,000	1.15
10.	UOB Kay Hian Pte Ltd	5,128,000	1.09
11.	Lee Deborah Cheung	4,709,000	1.00
12.	Kong Yew Seng	4,001,000	0.85
13.	Ong See Beng	3,595,000	0.76
14.	OCBC Securities Private Ltd	3,207,000	0.68
15.	Lok Beng Kiat	3,000,000	0.64
16.	HSBC (Singapore) Nominees Pte Ltd	2,987,400	0.64
17.	Choo Kok Leong	2,619,000	0.56
18.	Lim & Tan Securities Pte Ltd	2,051,000	0.44
19.	Chew Keng Chuan	2,000,000	0.43
20.	CIMB Securities (Singapore) Pte. Ltd.	1,891,000	0.40
	Total:	**404,072,801**	**85.91**

PECENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 31.68 % of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Statistics of Warrantholdings

As at 21 march 2011

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	Number of Warrantholders	%	Number of Warrants	%
1 - 999	313	41.40	166,809	0.43
1,000 - 10,000	283	37.44	1,066,861	2.72
10,001 - 1,000,000	150	19.84	19,883,914	50.77
1,000,001 and above	10	1.32	18,046,800	46.08
Total	756	100.00	39,164,384	100.00

SUBSTANTIAL WARRANTHOLDERS

(As recorded in the Register of Substantial Warrantholders)

	Direct Interest	%	Deemed Interest	%
Kim Eng Securities Pte Ltd	4,141,400	10.57	-	-
Tsao Yue Hwa Johnny @ Shu Yue Ming	2,170,600	5.54	-	-
Yap Han Hoe	1,987,000	5.07	-	-

TWENTY LARGEST WARRANTHOLDERS

	Name of Warrantholders	Number of Warrant	%
1.	Kim Eng Securities Pte. Ltd.	4,141,400	10.57
2.	Tsao Yue Hwa Johnny @ Shu Yue Ming	2,170,600	5.54
3.	Yap Han Hoe	1,987,000	5.07
4.	Swanny Sri Sujanty Setyono	1,828,000	4.67
5.	Han Ngi Kwang @Han Bo Ang	1,700,000	4.34
6.	Kong Yew Seng	1,400,800	3.58
7.	CIMB Securities (Singapore) Pte Ltd	1,282,700	3.27
8.	Lee Deborah Cheung	1,249,700	3.19
9.	Lim & Tan Securities Pte Ltd	1,215,000	3.10
10.	Tan Kong Eng	1,071,600	2.74
11.	Chau Wun	931,000	2.38
12.	BNP Paribas Nominees Singapore Pte Ltd	900,000	2.30
13.	UOB Kay Hian Pte Ltd	887,600	2.27
14.	Cheng Chih Cheng @ Thie Tjie Seng	720,000	1.84
15	Sitaram Chandra Das	700,000	1.79
16.	Tang Kay Heng	666,000	1.70
17.	Est of Teo Mui Hoi, Deceased	600,000	1.53
18.	Chandra Das Nareshkumar	535,000	1.37
19.	Citibank Nominees Singapore Pte Ltd	507,000	1.29
20.	Foo Chik Kin	434,100	1.11
	Total:	**24,927,500**	**63.65**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MANHATTAN RESOURCES LIMITED (the "Company") will be held at MND Auditorium, 9 Maxwell Road, Annexe A, MND Complex, Singapore 069112 on Friday, 29 April 2011 at 10.30 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2010 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 101 of the Company's Articles of Association:

   Liow Keng Teck **(Resolution 2)**
   Thia Peng Heok George **(Resolution 3)**

   Mr Liow Keng Teck will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Mr Thia Peng Heok George will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To pass the following Ordinary Resolution pursuant to Section 153(6) of the Companies Act, Cap. 50:

   "That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Tjio Kay Loen be re-appointed a Director of the Company to hold office until the next Annual General Meeting."
   [See Explanatory Note (i)] **(Resolution 4)**

   Mr Tjio Kay Loen will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees respectively and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To approve the payment of Directors' Fees of S$246,000 for the year ending 31 December 2011, payable quarterly in arrears. (2010: S$246,000). **(Resolution 5)**

5. To re-appoint Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Notice of Annual General Meeting

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Share Issue Mandate**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

(a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the Company;

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares of the Company (excluding treasury shares) as at the date of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities;
(ii) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and
(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.
[See Explanatory Note (ii)] **(Resolution 7)**

Notice of Annual General Meeting

8. **Authority to allot and issue shares under the Manhattan Resources Share Option Scheme and Manhattan Resources Performance Share Scheme**

    That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Manhattan Resources Share Option Scheme ("MRSOS"), and/or the vesting of awards under the Manhattan Resources Performance Share Scheme ("MRPSS") respectively provided that the aggregate number of Shares to be issued pursuant the MRSOS and MRPSS shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
    [See Explanatory Note (iii)] **(Resolution 8)**

By Order of the Board

Yvonne Choo
Company Secretary

Singapore, 14 April 2011

Explanatory Notes on Resolutions to be passed:

(i) The effect of the Ordinary Resolution 4 proposed in item 3 above, is to re-appoint a director who is over 70 years of age.

(ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis.

(iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, to allot and issue shares in the Company pursuant to the exercise of options under the Manhattan Resources Share Option Scheme ("MRSOS") and Manhattan Resources Performance Share Scheme ("MRPSS"), provided that the aggregate number of shares to be issued pursuant to the MRSOS and MRPSS shall not exceed in total fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time. The MRSOS and MRPSS were approved by shareholders at an Extraordinary General Meeting of the Company held on 16 September 2008.

Notice of Annual General Meeting

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 133 New Bridge Road #18-08, Chinatown Point, Singapore 059413 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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MANHATTAN RESOURCES LIMITED
(Incorporated in Singapore)
(Co. Reg. No: 199006289K)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy Manhattan Resources Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

I/We, ______________________________

of ______________________________

being a member/members of Manhattan Resources Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at MND Auditorium, 9 Maxwell Road, Annexe A, MND Complex, Singapore 069112 on Friday, 29 April 2011 at 10.30 am and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2010		
2	Re-election of Liow Keng Teck as a Director		
3	Re-election of Thia Peng Heok George as a Director		
4	Re-appointment of Tjio Kay Loen as a Director		
5	Approval of Directors' fees amounting to S$246,000		
6	Re-appointment of Ernst & Young LLP as Auditors		
7	Share Issue Mandate		
8	Authority to allot and issue shares pursuant to the Manhattan Resources Share Option Scheme and Manhattan Resources Performance Share Plan		

* Delete where inapplicable

Dated this ________ day of ________________ 2011

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies' Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 133 New Bridge Road #18-08, Chinatown Point, Singapore 059413 not less than forty-eight (48) hours before the time appointed for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his 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 seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

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. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Co. Reg. No. 199006289K
133 New Bridge Road #18-08 Chinatown Point Singapore 059413
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