MANHATTAN RESOURCES LIMITED

Annual Report 2011

Content

Chairman's Statement

DEAR SHAREHOLDERS,

It is my pleasure to report to you in our annual report for the financial year ended 31 December 2011.

Globally, the instability of economic recovery continued from a year on with high unemployment rates in the developed countries and sovereign debt problems in Europe, while emerging markets grow almost unabated. The resultant volatility of United States ("US") dollar and commodity price also continue to have an effect on the Group's operating costs.

Closer to home, the unusual weather pattern in Indonesia and some disruptions along the transport route affected the output of the mines which the Group serves. Consequently, the volume of coal transported for our long term customer has seen a significant reduction during the financial year ended 31 December 2011 ("FY2011").

For FY2011, the Group recorded a net loss attributable to the equity holders of the Company of approximately S$11.4 million, against a profit of S$0.5 million for 2010. Revenue decreased 11.7% to S$27.2 million from last year's S$30.8 million.

During the financial year ended 31 December 2011, the Group took on two investment opportunities with an aim to diversify our revenue base. In China, the Group has successfully acquired a parcel of land for mixed commercial development in Yingzhou District, Ningbo in Zhejiang Province through a 51% owned subsidiary company, Manhattan Resources (Ningbo) Property Co., Ltd ("MRN"). The project is now in the design and planning stage and in preliminary discussion with various authorities and potential hotel groups on the building plans. We are positive about the long term prospects of the Chinese economy and are optimistic that our premier commercial development in the vibrant Yangtze Delta will bring long term benefits to the Group.

The Company has also invested in Eco Building Products, Inc. ("EcoB"), a US company which manufactures and distributes treated lumber products as building materials. Armed with its patent pending proprietary lumber coating technology, EcoB is currently establishing its foothold in the treated lumber and construction business amidst the growing confidence in the US housing market.

Chairman's Statement



Going forward, the Group will monitor closely the performance of our investment projects to ensure seamless execution and safeguard shareholders' interest.

With marine transportation remaining as our core business, efforts have been and will continue to be made to improve the shipping operations and fleet utilisation. The Group continues its fleet renewal process, including the sale of older and lower specification vessels and the addition of newer and more sophisticated vessels. A renewed and enlarged fleet size will help us to meet the increasing demand of our long term contract customer who will see increased mine output at both its existing and new mine concessions in the years to come.

The Group's financial position remains healthy with a cash balance of S$82.3 million and zero gearing as at end of 2011. To optimise our capital structure, we are exploring utilising of our internal funds or leveraging on our existing assets to obtain new sources of funding to meet the Group's capital expenditure requirements and expansion plans.

Towards the end of FY2011, our Board has also been reorganised for future growth. On behalf of the Board, I express our sincere gratitude for the services and contributions of all our past and present Directors.

I would also like to take this opportunity to thank all our staff members for their dedication and hard work, as well as the continued support of our stakeholders and customers. With a cohesive team of management and your unwavering support, I am certain we will be able to steer the Company and the Group towards growth and profitability in the coming years.

Michael Sumarijanto Soegijono
Chairman
12 April 2012

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.

LOW YI NGO

Chief Executive Officer and Managing Director

Mr Low was appointed Chief Executive Officer ("CEO") and Managing Director ("MD") of the Company in November 2011 and is responsible for the overall business strategy, operations and day-to-day management of the affairs of the Group.

Mr Low obtained a Bachelor's degree in Mechanical and Production Engineering from Nanyang Technological University in 2004. He started off with Bayan Resources in 2004, as Project Coordinator for the construction of Kalimantan Floating Transfer Station ("KFT-1"). Prior to joining the Company as the CEO and MD, Mr Low was 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.

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, Nominating and Remuneration Committees' Member

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

His diplomatic postings include being Singapore's Ambassador to Indonesia.

Mr Lee was awarded the Meritorious Service Medal, 2007 by the Singapore Government; the Order of Sikatuna, Rank of Datu (Grand Cross), 1993 by the Philippines Government, and the Bintang Jasa Utama, by the Indonesian Government in 2007.

Mr Lee is currently a director of several Singapore companies like Keppel Land Limited and Chairman of Indofood Agri Resources Ltd. He is a member of the President's Advancement Council of the National University of Singapore.

Directors' Information

LIOW KENG TECK

Independent Non-Executive Director, Chairman of Audit Committee and Remuneration Committee's Member

Mr Liow is a registered professional engineer. He graduated with an Honours degree in Mechanical Engineering from the University of Singapore. Mr Liow has extensive experience 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, Chairman of Remuneration Committee and Audit Committee's Member

Mr Thia is a Certified Public Accountant and practised 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.

CHOO HSUN YANG

Independent Non-Executive Director, Chairman of Nominating Committee, Audit and Remuneration Committees' Member

Mr Choo graduated from Nanyang Technological University with a Bachelor of Business (Financial Analysis) in 1994. He joined OCBC Asset Management ("OAM"), shortly after graduation. Within OAM, Mr Choo was responsible for institutional sales.

In 1997, Mr Choo joined the institutional sales desk of Commerzbank Asset Management Asia Ltd ("CAM Asia"), responsible for North Asia clients. In CAM Asia, he was involved in several strategic initiatives of Commerzbank, which includes representing the Bank as a board member, in its Taiwanese joint-venture mutual fund operations. Mr Choo was also part of the preparatory team that explores the possibility of a Sino-Foreign Joint Venture Fund Management Company in China. Mr Choo joined BNP Paribas Wealth Management Singapore in 2007, as a relationship manager responsible for Independent Financial Advisors. In May 2011, Mr Choo left BNP Paribas Wealth Management Singapore to set up a management consultancy firm.

HIROCHIKA SHINOHARA

Independent Non-Executive Director, Nominating Committee's Member

Since September 2011, Mr Shinohara is the President Director of PT. Bangun Prima Semesta and PT. Cendikia Global Solusi, which are subsidiaries of PT. Voksel Electric Tbk. He graduated from The University of Tokyo with an Economics Degree and joined Sumitomo Corporation of Japan and had been in charge of Sumitomo's heavy equipment business in Indonesia from 1999 to August 2011 with experience in diverse fields ranging from sales, marketing, operational and financial management.

Information on Key Management Staff

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 Fellowship Diploma in Civil Engineering from Royal Melbourne Institution of Technology in 1968. Mr Chang spent almost his 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.

LEE HUI GEK

Chief Financial Officer

Ms Lee joined the Company in March 2011 as the Group Chief Accountant. In December 2011, Ms Lee was appointed the Chief Financial Officer of the Company and will oversee the overall financial activities of the Group. Prior to that, Ms Lee, a Senior Assurance Manager has been with Ernst & Young LLP for more than 17 years.

Ms Lee obtained her Bachelor of Accountancy degree from Nanyang Technological University, Singapore and is a Certified Public Accountant with Institute of Certified Public Accountants of Singapore and CPA Australia.

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:

Low Yi Ngo, CEO and Managing Director
(Appointed on 28 November 2011)
Lee Kok Choy, Executive Director

Non-Executive:

Michael Sumarijanto Soegijono, Chairman
Lee Kwong Foo, Edward
Liow Keng Teck (Independent)
Thia Peng Heok, George (Independent)
Choo Hsun Yang (Independent)
(Appointed on 26 July 2011)
Hirochika Shinohara (Independent)
(Appointed on 27 February 2012)

Audit Committee

Liow Keng Teck, Chairman
(Appointed on 7 December 2011)
Thia Peng Heok, George
Choo Hsun Yang
(Appointed on 29 November 2011)

Nominating Committee

Choo Hsun Yang, Chairman
(Appointed on 27 February 2012)
Lee Kwong Foo, Edward
Hirochika Shinohara
(Appointed on 27 February 2012)

Remuneration Committee

Thia Peng Heok, George, Chairman
(Appointed on 7 December 2011)
Lee Kwong Foo, Edward
(Appointed on 7 December 2011)
Liow Keng Teck
Choo Hsun Yang
(Appointed on 7 December 2011)

COMPANY SECRETARIES

Lian Kim Seng
(Appointed on 1 February 2012)
Madelyn Kwang Yeit Lam
(Appointed on 1 February 2012)

REGISTERED OFFICE

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Singapore 059413
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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
(since the financial year ended 31 December 2009)

Operations Review

For FY2011, the Group recorded a net loss attributable to the equity holders of the Company of close to S$11.4 million, against a profit of S$0.5 million for the previous financial year. The loss for FY2011 was mainly due to an impairment of goodwill and the loss incurred by a newly acquired subsidiary of the Group, Eco Building Products, Inc. ("EcoB"). At the same time, the results from the MR Logistics Pte. Ltd. subgroup ("MR Log") had been less than satisfactory due to a significant reduction in volume of coal transported under the long term contract. Impairment loss of receivables and foreign exchange loss of the Group's subsidiary companies, Lian Beng Energy Pte. Ltd. ("LBE") and Manhattan Resources (Ningbo) Property Co., Ltd ("MRN") also adversely affected the Group's results. A comparative breakdown of the contribution to the Group's results is as follows:

	FY2011 S$'000	**FY2010** S$'000
MR Log (Shipping)	1,892	3,458
MRN (Property development)	(1,138)	–
EcoB (Building products)		
EcoB's net loss, after non-controlling interests	(1,613)	–
Impairment of goodwill	(6,082)	–
	(7,695)	–
LBE (Overburden removal)	(1,055)	–
THE (Equipment leasing)	(256)	(174)
Corporate and Others	(2,907)	(2,650)
	(11,159)	634
Discontinued operations – MNT (Trading)	16	(85)
Loss on liquidation of MNT	(293)	–
	(277)	(85)
(Loss)/profit net of tax attributable to equity holders of the Company	(11,436)	549

Operations Review

MR LOG (SHIPPING)

The coal transportation revenue for FY2011 had declined by S$6.3 million (20.5%) from S$30.7 million in FY2010 to S$24.4 m.

The decrease in revenue derived entirely from the decrease of S$9.8 million in revenue from our long term contract customer, PT Muji Lines ("Muji"). Compared to FY2010, the volume of coal carried for them had significantly decreased by 1.2 million tonnes. The fall in volume could be viewed in two categories, namely, small barges and big barges. The fall in volume for small barges was due to the shipping activities being hindered by a combination of lower shipping requirements from Muji for most months of the year, dry season in mid-year whereby the water level had gone down to less than 3 meters and also, the collapse of a major bridge in November 2011 that totally blocked off the shipping route between the mine site and the coal terminal causing our operations to stop totally for 16 days.

Besides the similar disruption to our big barges, the fall in volume was also due to the change in requirements from Muji in FY2011. Big barges were time-chartered to them for deployment at Banjarmasin, Indonesia. This, however, turned out to be a positive move as it not only helped to reduce the fall in revenue from the coal transportation, it also helped to reduce the shipping costs as the costs of fuel oil, agency fees and harbor dues were bore by the hirer when vessels were being time-chartered. Such charter-hire activities had contributed to an increase of S$2.6 million revenue in FY2011. Lastly, a slight improvement of S$0.8 million revenue from spot charter for third parties had helped to partially off-set the decline in coal transportation revenue.

The decline in coal transportation activities had led to the decrease in vessel expenses by 23.1% in FY2011. However, this was offset by an impairment loss of S$809k in trade receivables recognised in 4Q 2011 after a year end evaluation of the debt recovery.

MRN (PROPERTY DEVELOPMENT)

On 12 January, 2011, the Company entered into a joint venture agreement with Ningbo Da Li Shipping Co Ltd, Kaiyi Investments Pte Ltd and Mr Xu Yi You to establish a joint venture company ("JV Company") known as Manhattan Resources (Ningbo) Realty Co., Ltd for the purpose of tendering for commercial land situated at South Commercial Park in Yingzhou District in Ningbo City, Zhejiang Province in China for mixed commercial development. The registered capital of the JV Company is US$68.5 million and our commitment is US$35 million, representing 51% equity interest in the JV Company. The JV Company has since changed its official name to Manhattan Resources (Ningbo) Property Co., Ltd ("MRN") to better reflect its activities in China.

MRN has succeeded in its tender for the right to use and develop the piece of land measuring 19,467 square metres in June 2011. Following the formal possession of the site in late December 2011, soil investigation work has commenced, and MRN is currently in preliminary discussion with various authorities and potential hotel groups on the building plans.

ECOB (BUILDING PRODUCTS)

On 14 February 2011, the Company announced a proposed investment of US$10 million into Ecoblu Products, Inc. (later renamed to Eco Building Products, Inc. in July 2011), a producer and marketer of treated lumber products as building materials in the United States. An Extraordinary General Meeting was convened on 22 July 2011 and the proposed investment in EcoB was approved by the shareholders and payment for the 81 million EcoB shares was made on 25 July 2011. The Group has consolidated 45.37% of the results of EcoB from the date of acquisition as if EcoB is a subsidiary through its gain of potential voting rights in the form of warrants received from EcoB.

The acquisition of EcoB has contributed to an increase in sales revenue by S$1.7 million in FY2011. Correspondingly, with EcoB's plans to expand its markets, its expenses had also increased, contributing to a loss of S$1.6 million to the Group in FY2011. Based on an evaluation of the investment, an impairment loss was recognised on the provisional goodwill of S$6.1 million at year end.

LBE (OVERBURDEN REMOVAL)

During the financial year ended 31 December 2011, the Group consolidated the results of LBE, which has become its wholly owned subsidiary. LBE contributed approximately S$1.0 million to the Group's sales revenue. Its overburden removal contract with an Indonesian contractor had expired in end 2011.

Based on a recent debt recovery review, an impairment loss of S$1.7 million was recognised for LBE's receivables as at year end.

THE (EQUIPMENT LEASING)

With the cessation of THE's operations in 2009 and majority of its equipment being disposed of, the Group's share of loss in THE was mainly due to foreign exchange loss and depreciation.

CORPORATE AND OTHERS

The Group's loss before tax from continuing operations amounted to approximately S$15.0 million in FY2011. This was mainly due to an increase in employee benefits expense and professional fees as a result of the Group's expansion activities. In addition, impairment losses on receivables and goodwill were recognised as part of the Group's year end evaluation process.

MNT (DISCONTINUED OPERATION)

In late June 2011, the Company's 55% owned subsidiary, Manhattan (Ningbo) Trading Co., Ltd ("MNT") was liquidated and the Company received a return of its capital contribution of US$3.5 million in full. As a result of depreciation of US dollar, the Group suffered a loss of S$293,000 on liquidation of MNT.

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").

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 AC, NC and RC have each adopted their own terms of reference.

The number of Board and the Board Committees meetings held during the financial year ended 31 December 2011 and the attendances of the directors of these meetings are set out below:

	Number of meetings attended in 2011			
	Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
Meetings held in 2011	**8**	**7**	**2**	**6**
Name of Director				
Michael Sumarijanto Soegijono	8	NA.	NA.	NA.
Ho Soo Ching(1)	7	NA.	NA.	NA.
Lee Kok Choy	7	NA.	NA.	NA.
Lee Kwong Foo, Edward(2)	8	NA.	NA.	5

Name of Director	Number of meetings attended in 2011			
	Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
Low Yi Ngo(3)	8	NA.	1	NA.
Liow Keng Teck(4)	8	7	2	NA.
Thia Peng Heok, George(5)	6	7	NA.	5
Choo Hsun Yang(6)	6	3	NA.	1
Tjio Kay Loen(7)	8	7	2	6
Hirochika Shinohara(8)	NA.	NA.	NA.	NA.

(1) Resigned as Chief Executive Officer ("CEO") and Managing Director ("MD") on 28 November 2011.
(2) Appointed as RC member on 7 December 2011.
(3) Appointed as CEO and MD on 28 November 2011 and ceased as RC member on 7 December 2011.
(4) Changed from AC member to AC Chairman, from RC Chairman to RC member and ceased as NC member, all on 7 December 2011.
(5) Changed from RC member to RC Chairman and from AC Chairman to AC member, both on 7 December 2011.
(6) Appointed as director on 26 July 2011, NC (member: 28 November 2011, Chairman: 27 February 2012), AC (member: 28 November 2011) and RC (member: 7 December 2011).
(7) Resigned as director on 1 February 2012.
(8) Appointed as director and NC member on 27 February 2012.
NA. Not applicable

The Board meets regularly and is provided with relevant updates and information. Where necessary, Board meetings are convened to deliberate on substantive matters. In addition, our directors often make themselves available and accessible to Management for discussion and consultation.

Board Composition and Balance
Principle 2

As at the date of this report, the Company has eight directors, namely:

Name of Director	Board	Board Committee	Date of appointment	Date of last re-election
Michael Sumarijanto Soegijono	Non-Executive Chairman	None	10 September 2006	23 April 2010
Low Yi Ngo	Executive Director, CEO and MD	None	28 November 2011 (Appointed as Non-Executive Director on 10 September 2006)	23 April 2010

Name of Director	Board	Board Committee	Date of appointment	Date of last re-election
Lee Kok Choy	Executive Director	None	1 April 2006	30 April 2009
Lee Kwong Foo, Edward	Non-Executive and Non-Independent Director	Members of NC and RC	10 September 2006	23 April 2010
Liow Keng Teck	Independent Director	Chairman of AC, Member of RC	10 September 2006	29 April 2011
Thia Peng Heok, George	Independent Director	Chairman of RC, Member of AC	16 October 2006	29 April 2011
Choo Hsun Yang	Independent Director	Chairman of NC, Members of AC and RC	26 July 2011	Not applicable
Hirochika Shinohara	Independent Director	Member of NC	27 February 2012	Not applicable

Mr Michael Sumarijanto Soegijono 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 DR. 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, being appointed as the Chief Executive Officer and Managing Director of the Company on 28 November 2011, is the son of the controlling shareholder. The four independent directors on the Board are Mr Liow Keng Teck, Mr Thia Peng Heok, George, Mr Choo Hsun Yang and Mr Hirochika Shinohara.

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 half of the Board comprising independent directors and more than one-half 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, guides the Board on its discussion of substantive issues and ensures adequate time is available for such discussion. The Chairman also leads the Board to ensure its effectiveness, including the facilitation of effective contribution by non-executive directors, promotes a culture of openness and debate at the Board, ensures effective communication with shareholders, and encourages constructive relations within the Board and 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:

Choo Hsun Yang	Chairman
Lee Kwong Foo, Edward	Member
Hirochika Shinohara	Member

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.

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.

All newly appointed directors are briefed on the business activities and strategic directions of the Company and its subsidiary companies (collectively the "Group") and the joint venture companies. Visits are arranged for some 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.

Report on Corporate Governance

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

In the process for selection, appointment and re-appointment of directors, the NC will also consider factors such as composition and progressive renewal of the Board and each director's competencies, commitment and performance.

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.

Board Performance
Principle 5

The Group's main activities include the provision of coal transportation services in Indonesia, principally for a company which is related to the controlling shareholders. The Company is also constantly seeking for business expansion opportunities, such as its new property development initiative in China.

The Board believes its performance would be judged on the Group's ability to manage the operations of the coal transportation 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.

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

Access to Information
Principle 6

Directors are provided with adequate and timely information prior to Board meetings and have full and free access to Management, Company Secretaries and any information the Board requires. If required, the Board has access to independent professional advice to assist them fulfill their responsibilities and duties.

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.

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:

Thia Peng Heok, George	Chairman
Liow Keng Teck	Member
Lee Kwong Foo, Edward	Member
Choo Hsun Yang	Member

A majority of the RC members, including the Chairman, are independent. Mr Low Yi Ngo who was appointed as the Company's Chief Executive Officer and Managing Director on 28 November 2011 and being an Executive Director, ceased to be a member of the RC on 7 December 2011.

The role of the RC is to review and make recommendations to the Board on the remuneration package of each executive director and key management personnel. 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 and key management personnel, 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 are appointed for a term of 3 years from the date of their last election or re-election as directors of the Company. 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, 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. 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.

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 2011:

Directors of the Company	Salary %	Bonus %	Director's fee %
S$250,000 – S$600,000:			
Ho Soo Ching *(Resigned as director on 28 November 2011 and left on 27 January 2012)*	92.4	7.6	–
Lee Kok Choy	92.6	7.4	–
Below S$250,000:			
Michael Sumarijanto Soegijono	–	–	100
Lee Kwong Foo, Edward	–	–	100
Low Yi Ngo *(Appointed as CEO and MD on 28 November 2011)*	54.7	3.8	41.5
Liow Keng Teck	–	–	100
Thia Peng Heok, George	–	–	100
Tjio Kay Loen *(Resigned on 1 February 2012)*	–	–	100

(b) Remuneration of the top five key executive officers (who are not directors) for the financial year ended 31 December 2011 is as follows:

Below S$250,000:

Kek Teng Cheong *(Left on 9 December 2011)*
Chang Szie Hou
Dr Chu Soon *(Left on 31 July 2011)*
Lee Hui Gek
Woo Sen Fong, Eric *(Left on 9 January 2012)*

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 2011.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10

There are comprehensive management reporting disciplines and structured financial approval authorities to govern the implementation of agreed Company policies and Board 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:

Liow Keng Teck	Chairman
Thia Peng Heok, George	Member
Choo Hsun Yang	Member

All AC members are independent directors. Mr Liow Keng Teck has the requisite operational and financial management expertise and experience to chair the AC. Both Mr Thia Peng Heok, George and Mr Choo Hsun Yang 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 financial 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;

(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 judgments 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 2011, an amount of S$24,000 was paid to the Company's external auditors for tax compliance and advisory services. In the opinion of the AC, 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.

In appointing the auditing firms for the Company and subsidiaries, we have complied with Listing Rules 712 and 715.

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 financial 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 judgment in decision-making, human errors, losses, fraud or other irregularities.

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.

It is the opinion of the Board and AC that, in the absence of contradictory evidence, the internal controls put in place, are generally adequate. In this context, the Group's internal controls have been vigorously tested when it received a Whistle Blow report from an employee which alleged acts of impropriety committed by certain officers in the Company's subsidiary in Indonesia. An independent investigation was promptly commissioned by the AC to look into these allegations.

In light of this latest development, the Board believes that, with the new management team in place, strengthening its human resources and the soon to be established Risk Management Committee, the Group's internal controls and systems are further strengthened and adequate in meeting the needs of the Group's operations. The Board and AC 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 14 and 15

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 are 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 full-year financial results and two weeks from the release of quarterly financial results, or when they are in possession of unpublished price-sensitive information.

Report on Corporate Governance

Interested Person Transactions ("IPTs")

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited are as follows:

Name of interested person	*Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)*	
	S$'000	
	2011	***2010***
Manhattan Investment Pte Ltd		
Lease of office premises	144	141

Pursuant to Rule 906 of the Listing Manual, the Company does not have interested person transactions that require shareholders' mandate.

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 2011, PT Aneka Samudera Lintas had charged a total fee and fuel oil costs reimbursement of S$23,160,000 under the agreement.

Use of proceeds arising from bonus warrants issue

During the financial year ended 31 December 2011, the Company received total proceeds of approximately S$32.4 million arising from the exercise of warrants. The Company has applied S$6.1 million in the investment in Eco Building Products, Inc. ("EcoB") and S$6.5 million as loan to EcoB, while the rest has been applied to the development project in Ningbo.

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.

The directors 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 2011.

1. DIRECTORS

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

Michael Sumarijanto Soegijono
Low Yi Ngo, David
Lee Kok Choy
Lee Kwong Foo, Edward
Liow Keng Teck
Thia Peng Heok, George
Choo Hsun Yang (Appointed on 26 July 2011)
Hirochika Shinohara (Appointed on 27 February 2012)

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, Chapter 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 or date of appointment**	**At end of financial year**	**At beginning of financial year or date of appointment**	**At end of financial year**
The Company				
Ordinary shares				
Lee Kok Choy	52,000	707,000	12,869,000	13,714,000
Liow Keng Teck	1,200,000	1,392,000	–	–
Tjio Kay Loen	–	–	510,000	663,000
Warrants				
Lee Kok Choy	15,600	–	3,860,700	–
Liow Keng Teck	80,000	–	–	–
Tjio Kay Loen	–	–	153,000	–

3. DIRECTORS' INTERESTS IN SHARES, WARRANTS AND DEBENTURES (CONT'D)

Name of directors	Direct interest: At beginning of financial year or date of appointment	Direct interest: At end of financial year	Deemed interest: At beginning of financial year or date of appointment	Deemed interest: At end of financial year
Options				
Michael Sumarijanto Soegijono	250,000	250,000	–	–
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 2012, except that Thia Peng Heok, George and Tjio Kay Loen each exercised his options to acquire 250,000 new shares at S$0.48 per share on 6 January 2012. Their interests in the Company's shares and share options as at 21 January 2012 are as follows:-

Name of directors	Interest: Direct	Interest: Deemed
Ordinary shares		
Thia Peng Heok, George	250,000	–
Tjio Kay Loen	250,000	663,000
Options		
Thia Peng Heok, George	–	–
Tjio Kay Loen	–	–

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, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, date of appointment, or at the end of the financial year, or on 21 January 2012.

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.

The Remuneration Committee 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. No shares have been issued under the Share Scheme.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Option Scheme as at 31 December 2011 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
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	–	1,950,000	–	1,950,000

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

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;

5. OPTION AND PERFORMANCE SHARE PLANS (CONT'D)

- 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 carried the right to subscribe for one new ordinary share at an exercise price of S$0.70 for each new share and could be exercised at any time from the date of issue of the warrants up to 8 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, 46,294,460 (2010 : 14,493,500) warrants were exercised to subscribe for 46,294,460 (2010 : 14,493,500) new ordinary shares at the exercise price of S$0.70 (2010 : S$0.70) each new ordinary share. All outstanding warrants expired subsequent to 8 April 2011.

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.

8. AUDITORS

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

On behalf of the board of directors,

Low Yi Ngo
Director

Lee Kok Choy
Director

Singapore
12 April 2012

Statement by Directors

Pursuant to Section 201(15)

We, Low Yi Ngo 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 2011, 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,

Low Yi Ngo
Director

Lee Kok Choy
Director

Singapore
12 April 2012

Independent Auditors' Report

To the Members of Manhattan Resources Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Manhattan Resources Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 28 to 99, which comprise the balance sheets of the Group and the Company as at 31 December 2011, 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 financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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 2011 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
12 April 2012

Balance Sheets

As at 31 December 2011
(Amounts in Singapore dollars)

	Notes	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Non-current assets					
Property, plant and equipment	3	29,822	31,645	50	29
Investment properties	4	3,400	2,180	3,400	2,180
Development property	5	21,977	–	–	–
Intangibles	6	–	–	–	–
Interests in subsidiaries	7	–	–	76,517	38,716
Interests in joint venture companies	8	1,991	3,187	–	–
Loans to joint venture company	9	–	–	–	–
Total non-current assets		57,190	37,012	79,967	40,925
Current assets					
Inventories	10	1,946	–	–	–
Trade and other receivables	11	21,810	21,556	236	6,395
Prepayments		94	339	18	17
Due from subsidiaries (trade)	12	–	–	–	–
Due from subsidiaries (non-trade)	13	–	–	–	1,346
Loans to subsidiary company	13	–	–	–	–
Derivatives	14	–	–	–	–
Pledged fixed deposit	15	38	38	38	38
Cash and cash equivalents	15	82,331	53,876	32,761	36,706
Total current assets		106,219	75,809	33,053	44,502
Current liabilities					
Payables and accruals	16	(27,850)	(12,522)	(917)	(1,852)
Due to subsidiaries (non-trade)	13	–	–	(2,357)	–
Advance from joint venture company	17	(750)	(787)	(750)	(750)
Income tax payable		(4)	–	–	–
Total current liabilities		(28,604)	(13,309)	(4,024)	(2,602)
Net current assets		77,615	62,500	29,029	41,900
Deferred tax liabilities	24	(24)	(24)	(14)	(14)
Net assets		134,781	99,488	108,982	82,811
Equity					
Share capital	18	163,239	130,833	163,239	130,833
Accumulated losses		(44,753)	(33,317)	(55,429)	(49,194)
Other reserve		(320)	–	–	–
Foreign currency translation reserve		(5,656)	(8,220)	–	–
Acquisition revaluation reserve		5,392	5,392	–	–
Employee share option reserve		1,267	1,172	1,172	1,172
Equity attributable to equity holders of the Company		119,169	95,860	108,982	82,811
Non-controlling interests		15,612	3,628	–	–
Total equity		134,781	99,488	108,982	82,811

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 2011
(Amounts in Singapore dollars)

	Notes	Group 2011 $'000	Group 2010 $'000
Revenue	19	**27,167**	30,846
Other income	20	**1,698**	1,159
Employee benefits expenses	21	**(5,748)**	(3,742)
Depreciation of property, plant and equipment	3	**(3,914)**	(4,378)
Other expenses	22	**(33,830)**	(23,077)
Finance costs	23	**(144)**	–
Share of results of joint venture company, net of tax	8	**(256)**	(174)
(Loss)/profit before tax from continuing operations		**(15,027)**	634
Income tax expense	24	**(35)**	–
(Loss)/profit from continuing operations, net of tax		**(15,062)**	634
Profit/(loss) from discontinued operations, net of tax	31	**30**	(155)
(Loss)/profit for the financial year		**(15,032)**	479
(Loss)/profit attributable to:			
Equity holders of the Company –			
(Loss)/profit from continuing operations, net of tax		**(11,452)**	634
Profit/(loss) from discontinued operations, net of tax		**16**	(85)
Total		**(11,436)**	549
Non-controlling interests –			
Loss from continuing operations, net of tax		**(3,610)**	–
Profit/(loss) from discontinued operations, net of tax		**14**	(70)
Total		**(3,596)**	(70)
(Loss)/profit for the financial year		**(15,032)**	479
(Loss)/earnings per share (cents) from continuing operations attributable to equity holders of the Company	25(a)		
– Basic		**(2.37)**	0.14
– Diluted		**(2.36)**	0.14
(Loss)/earnings per share (cents)	25(b)		
– Basic		**(2.37)**	0.12
– Diluted		**(2.36)**	0.12

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 2011
(Amounts in Singapore dollars)

	Group	
	2011	**2010**
	$'000	$'000
(Loss)/profit net of tax	(15,032)	479
Other comprehensive income for the financial year, net of tax:		
Foreign currency translation reserve	4,812	(4,657)
Total comprehensive income for the financial year	(10,220)	(4,178)
Total comprehensive income attributable to:		
Equity holders of the Company	(8,872)	(3,958)
Non-controlling interests	(1,348)	(220)
Total	(10,220)	(4,178)

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 2011

(Amounts in Singapore dollars)

Group	Share capital	Accumulated (losses)/ profit	Other reserve	Foreign currency translation reserve (1)	Acquisition revaluation reserve (2)	Employee share option reserve (3)	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 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 financial year	–	–	–	(4,507)	–	–	(4,507)	(150)	(4,657)
Total comprehensive income for the financial 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
At 1 January 2011	130,833	(33,317)	–	(8,220)	5,392	1,172	95,860	3,628	99,488
Loss net of tax	–	(11,436)	–	–	–	–	(11,436)	(3,596)	(15,032)
Other comprehensive income for the financial year	–	–	–	2,564	–	–	2,564	2,248	4,812
Total comprehensive income for the financial year	–	(11,436)	–	2,564	–	–	(8,872)	(1,348)	(10,220)
Transactions with shareholders	–	–	(320)	–	–	–	(320)	–	(320)
Grant of equity-settled share options by a subsidiary	–	–	–	–	–	95	95	–	95
Shares issued upon exercise of warrants	32,406	–	–	–	–	–	32,406	–	32,406
Share capital contribution by non-controlling interests	–	–	–	–	–	–	–	16,800	16,800
Distribution of capital to non-controlling interests on liquidation of a subsidiary	–	–	–	–	–	–	–	(3,545)	(3,545)
Acquisition of subsidiary	–	–	–	–	–	–	–	77	77
At 31 December 2011	163,239	(44,753)	(320)	(5,656)	5,392	1,267	119,169	15,612	134,781

(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) Acquisition revaluation reserve represents the fair value adjustments on acquisition of subsidiary relating to previously held interest.

(3) Employee share option reserve represents the equity-settled share options granted to directors and employees (Note 21). 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 2011
(Amounts in Singapore dollars)

Company	Share capital $'000	Accumulated losses $'000	Employee share option reserve $'000	Total $'000
	Total attributable to equity holders of the Company			
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
At 1 January 2011	130,833	(49,194)	1,172	82,811
Loss net of tax	–	(6,235)	–	(6,235)
Shares issued upon exercise of warrants	32,406	–	–	32,406
At 31 December 2011	163,239	(55,429)	1,172	108,982

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 2011
(Amounts in Singapore dollars)

	Notes	2011 $'000	2010 $'000
Cash flows from operating activities			
(Loss)/profit before tax from continuing operations		(15,027)	634
Profit/(loss) before tax from discontinued operations		30	(155)
(Loss)/profit before tax		(14,997)	479
Adjustments:			
Depreciation of property, plant and equipment	3	3,914	4,378
Grant of equity-settled share options		95	174
Net gain on fair value adjustment of investment properties	20	(1,220)	(180)
Net gain on disposal of property, plant and equipment		–	(220)
Unrealised foreign exchange loss/(gain)		4,146	(1,214)
Finance costs	23	144	–
Interest income	20	(462)	(541)
Share of results of joint venture company		256	174
Impairment loss of goodwill	22	6,082	–
Allowance for stock obsolescence	22	466	–
Inventories written down	22	528	–
Operating cash flows before working capital changes		(1,048)	3,050
Increase in inventories		(1,067)	–
Increase in trade and other receivables		(1,255)	(2,177)
Decrease/(increase) in prepayments		343	(117)
Increase in payables and accruals		11,552	393
Cash flows from operations		8,525	1,149
Interest received		591	119
Interest paid		(144)	–
Income tax paid, net		(31)	–
Net cash flows from operating activities		8,941	1,268
Cash flows used in investing activities			
Net cash outflow on acquisition of a subsidiary	7	(6,140)	–
Purchase of property, plant and equipment		(1,167)	(75)
Development property in progress		(21,977)	–
Proceeds from disposal of property, plant and equipment		–	220
Repayment by/(advances to) other debtors		1,897	(3,185)
Advances (to)/from joint venture company		(36)	787
Dividends received from a joint venture company	8	903	2,759
Net cash flows (used in)/generated from investing activities		(26,520)	506
Cash flows from financing activities			
Proceeds from issue of new ordinary shares upon exercise of warrants		32,408	10,146
Distribution of capital to non-controlling interests on liquidation of subsidiary		(3,174)	–
Proceeds from capital contribution by non-controlling interests		16,800	3,848
Net cash flows from financing activities		46,034	13,994
Net increase in cash and cash equivalents		28,455	15,768
Cash and cash equivalents at beginning of financial year		53,876	38,108
Cash and cash equivalents at end of financial year	15	82,331	53,876

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

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 7 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, Chapter 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 2011. The Group and the Company have early adopted, Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*, which is effective for annual period beginning 1 January 2012. Except for Amendments to FRS 12, the adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

The nature of the changes in accounting policy on adoption of the Amendments to FRS 12 is described below.

(Amounts in Singapore dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*

The Amendments to FRS 12 apply to the measurement of deferred tax liabilities and assets arising from investment properties measured using the fair value model under FRS 40 *Investment Property*, including investment property acquired in a business combination and subsequently measured using the fair value model. For the purposes of measuring deferred tax, the Amendments introduce a rebuttable presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

Upon adoption of the Amendments to FRS 12, there is a presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. Accordingly, there will be no deferred tax liability on investment properties in Singapore as there is no capital gains tax in Singapore. The adoption of Amendments to FRS 12 has no material impact on the financial statements.

2.3 Standards issued but not yet effective

The Group has not adopted the following standard that has been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 107 *Disclosures – Transfers of Financial Assets*	1 July 2011
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2013
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2013
FRS 110 *Consolidated Financial Statements*	1 January 2013
FRS 111 *Joint Arrangements*	1 January 2013
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013

Except for the Amendments to FRS 1, FRS 111 and revised FRS 28 and FRS 112, 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 Amendments to FRS 1, FRS 111 and revised FRS 28 and FRS 112 are described below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures*

FRS 111 and the revised FRS 28 are effective for financial periods beginning on or after 1 January 2013.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies the equity method for its joint ventures. Upon adoption of FRS 111, the Group does not expect any impact on its financial statements presentation.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

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, 9, 12 and 13 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 2011 stood at $1,991,000 (2010: $3,187,000).

The recoverable amount of the joint venture company was ascertained by management using the fair value less costs to sell approach. More details are given in Note 8 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 2011 but the unrecognised tax losses at 31 December 2011 were disclosed in Note 24.

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 2011 approximated $27,974,000 (2010: $31,566,000).

(b) ***Judgments 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, judgment 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant accounting estimates and judgements (cont'd)

(b) ***Judgments made in applying accounting policies (cont'd)***

(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 31).

(iv) ***Impairment of derivatives***

The Group records an impairment charge on the derivative asset arising from the fair valuation of warrants received from a subsidiary, in consideration of the grant of a loan facility to it (Note 14). In making this judgment, the Group has considered, among other factors the issuer's historical and current financial performance, future profit forecasts, and the estimated value and probability of future cash flows.

2.5 Subsidiaries, basis of consolidation and business combinations

(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***

<u>Basis of consolidation from 1 January 2010</u>

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Subsidiaries, basis of consolidation and business combinations (cont'd)

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

Basis of consolidation from 1 January 2010 (cont'd)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;

– De-recognises the carrying amount of any non-controlling interest;

– De-recognises the cumulative translation differences recorded in equity;

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(c) ***Business combinations***

Business combinations from 1 January 2010

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Subsidiaries, basis of consolidation and business combinations (cont'd)

(c) ***Business combinations (cont'd)***

Business combinations from 1 January 2010 (cont'd)

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.

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 prior to 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Subsidiaries, basis of consolidation and business combinations (cont'd)

(c) ***Business combinations (cont'd)***

Business combinations prior to 1 January 2010 (cont'd)

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. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been 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 adjustments to the contingent consideration were recognised as part of 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Joint venture companies (cont'd)

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 relating to 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 included as income in the determination 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 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, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture company.

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. 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 and recognises 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Foreign currency

The Group's consolidated financial statements are presented in Singapore dollars, which is the Company's functional currency. 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.

(a) ***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.

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.

(b) ***Consolidated financial statements***

For consolidation purpose, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment, where applicable. 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.

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.

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

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.

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 properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance leases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Investment properties (cont'd)

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 values 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.

2.11 Intangible assets

(a) ***Goodwill***

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Intangible assets (cont'd)

(a) ***Goodwill (cont'd)***

Goodwill and fair value adjustments arising on the 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiplies, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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 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 assets at initial recognition.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial assets (cont'd)

Other than loans and receivables and financial assets at fair value through profit or loss, 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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.

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 carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

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.

Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at 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 current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.16 Development properties

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

The costs are of development properties include:

– Freehold and leasehold rights for land;

– Amounts paid to contractors for construction; and

– Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realisable value of development properties is the estimated selling price in the ordinary course of the business, based on market prices at the end of the reporting period and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Raw materials: purchase costs on a first-in first-out basis.

– Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Inventories (cont'd)

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.18 Financial liabilities

Financial liabilities are recognised 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 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, 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.

2.19 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 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.

(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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 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, even if that right is not explicitly specified in an arrangement. 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.

(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 2.22(b). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding 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:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Revenue (cont'd)

(a) ***Service income***

Income is recognised as and when services are rendered.

(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, usually on delivery of goods. 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.

2.23 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Taxes (cont'd)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Taxes (cont'd)

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

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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(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.

2.24 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.

2.25 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Contingencies (cont'd)

(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.

2.26 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Related parties (cont'd)

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.27 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 separately 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.

2.28 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 28, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Vessels	Marine equipment	Leasehold improvements	Machinery and equipment	Furniture, fittings and office equipment	Motor vehicles	Computers	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
At 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 and 1.1.2011	40,028	–	–	–	170	65	63	40,326
Additions	–	–	632	338	95	72	30	1,167
Acquisition of subsidiary	–	–	119	766	33	41	90	1,049
Exchange differences	409	–	10	(174)	(4)	4	8	253
At 31.12.2011	40,437	–	761	930	294	182	191	42,795
Accumulated depreciation								
At 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 and 1.1.2011	8,462	–	–	–	120	41	58	8,681
Depreciation charge for the financial year	3,777	–	8	52	22	27	28	3,914
Acquisition of subsidiary	–	–	23	102	6	1	3	135
Exchange differences	224	–	3	12	2	–	2	243
At 31.12.2011	12,463	–	34	166	150	69	91	12,973
Net book value								
At 31.12.2011	27,974	–	727	764	144	113	100	29,822
At 31.12.2010	31,566	–	–	–	50	24	5	31,645

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Computers $'000	Total $'000
Cost				
At 1.1.2010	111	6	60	177
Additions	26	–	2	28
At 31.12.2010 and 1.1.2011	137	6	62	205
Additions	22	–	16	38
At 31.12.2011	159	6	78	243
Accumulated depreciation				
At 1.1.2010	111	5	55	171
Depreciation charge for the financial year	2	1	2	5
At 31.12.2010 and 1.1.2011	113	6	57	176
Depreciation charge for the financial year	10	–	7	17
At 31.12.2011	123	6	64	193
Net book value				
At 31.12.2011	36	–	14	50
At 31.12.2010	24	–	5	29

4. INVESTMENT PROPERTIES

	Group and Company	
	2011	**2010**
	$'000	$'000
Balance sheet:		
At 1 January	**2,180**	2,000
Net gain on fair value adjustment of investment property	**1,220**	180
At 31 December	**3,400**	2,180

	Group	
	2011	**2010**
	$'000	$'000
Income statement:		
Rental income from investment properties		
– Minimum lease payments	**157**	146
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	**(50)**	(50)

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2011 and 31 December 2010. 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 2011 and 2010, the freehold 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 2011 and 2010 are as follows:

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

5. DEVELOPMENT PROPERTY

	Group
	2011
	$'000
Land use rights	**20,806**
Land use costs, taxes and dues	**930**
Development costs	**241**
Total	**21,977**

The Group has acquired the right to use and develop a piece of land measuring 19,467 square metres, situated at South Commercial Park in Yingzhou District in Ningbo City, Zhejiang Province in China for commercial development.

6. INTANGIBLES

	Group
	2011
	$'000
Goodwill	**6,082**
Less: Impairment loss	**(6,082)**
Total	**–**

Goodwill arises from the acquisition of Eco Building Products, Inc. ("EcoB") in July 2011 as disclosed in Note 7 to the financial statements. Goodwill amounting to $6,082,000 has been provisionally determined and subject to the completion of the purchase price allocation exercise. Management has performed an impairment test and as EcoB is continuing to incur losses, and with uncertainty of future recovery, an impairment loss of $6,082,000 was recognised for the financial year ended 31 December 2011. The impairment loss of $6,082,000 has been recognised in profit or loss under the line item "other expenses".

7. INTERESTS IN SUBSIDIARIES

	Company	
	2011	**2010**
	$'000	$'000
Unquoted equity shares, at cost	83,453	41,111
Less: Impairment loss	(6,936)	(2,395)
Investments in subsidiaries	76,517	38,716
Loans:		
Transferred from joint venture	17,702	–
Additional loan during the financial year	3,154	–
Less: Repayment from subsidiary	(4,538)	–
Total	16,318	–
Allowance for impairment:		
Transferred from joint venture	(17,702)	–
Written back due to repayment	4,538	–
Impairment allowance during the financial year	(3,154)	–
Total	(16,318)	–
Interests in subsidiaries	76,517	38,716

Loans amounted to $17,702,000 were given to a subsidiary when it was previously a joint venture investment.

The loans are unsecured, interest-free and have no fixed terms of repayment.

The Company has made an additional allowance for impairment of $3,154,000 (2010: $Nil) as the extension of additional loan to the subsidiary for its settlement of loan to the other corporate shareholder, prior to its conversion to a subsidiary during the financial year.

The subsidiary repaid $4,538,000 (2010: $Nil) of the loans during the financial year, resulting in a write-back of allowance of impairment by the same amount.

7. INTERESTS IN SUBSIDIARIES (CONT'D)

The Company has the following subsidiaries as at 31 December 2011 and 2010:

Name of subsidiary	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest		Cost of investment by the Company	
			2011	2010	2011	2010
			%	%	$'000	$'000
SLM Holding Pte Ltd *	Investment holding	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
Lian Beng Energy Pte. Ltd. *	Investment holding and overburden removal	Singapore	100	50	4,541	–
Manhattan Resources (Ningbo) Property Co., Ltd **	Property development	China	51	–	36,492	–
Eco Building Products, Inc. **	Manufacturer of proprietary coated lumber products	USA	45.37	–	6,146	–
Manhattan (Ningbo) Trading Co., Ltd	Liquidated	China	–	55	–	4,837
					83,453	41,111

(Amounts in Singapore dollars)

7. INTERESTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest 2011 %	2010 %
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	100
Held through Lian Beng Energy Pte. Ltd.				
PT Lian Beng Energy***	Overburden removal	Indonesia	100	50
Held through Eco Building Products, Inc.				
E Build & Truss Inc.	Building sub-contractor	USA	45.37	–
Red Shield Lumber Inc.	Dormant	Canada	45.37	–

* Audited by Ernst & Young LLP, Singapore.

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

*** Audited by member firm of Ernst & Young Global.

7. INTERESTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries

Lian Beng Energy Pte. Ltd.

An out-of-court settlement had been reached with Lian Beng Group Ltd ("LBG") with regards to the litigation during the financial year ended 31 December 2011. The settlement resulted in the Company having to pay a net amount of $2.9 million for the transfer of the remaining 50% equity interest in Lian Beng Energy Pte. Ltd. ("LBE") and the extinguishment of LBG's shareholders loan to LBE.

Notwithstanding the Share Transfer Form for the transfer of the remaining 50% equity interest had been transferred subsequent to the balance sheet date, LBE is a wholly owned subsidiary of the Group as management deems it has the ability to govern the financial and operating policies of LBE so as to obtain economic benefits from its operations.

Manhattan Resources (Ningbo) Property Co., Ltd

Manhattan Resources (Ningbo) Property Co., Ltd ("MRN") (formerly known as Manhattan Resources (Ningbo) Realty Co., Ltd) was newly incorporated in December 2010 by the non-controlling interests and had remained inactive until the first capital injection by the Company in end June 2011.

The Company has contributed share capital of $36,492,000, which is equivalent to 68.72% of the paid-up capital of MRN as at 31 December 2011. However, in accordance to the Joint Venture Agreement, the Company will share profit or loss in MRN, representing 51% equity interest in MRN being the intended registered equity stake.

Accordingly, the Company consolidated the results of MRN based on an equity interest of 51% as at 31 December 2011.

The full registered share capital of MRN will be paid up by all the shareholders by December 2012 (Note 29(c)).

Eco Building Products, Inc.

On 25 July 2011, the Company obtained regulatory and shareholders approval to complete the acquisition of the 45.37% equity interest in Eco Building Products, Inc. (formerly known as Ecoblu Products, Inc.) and its subsidiaries ("EcoB") from Dato DR. Low Tuck Kwong. The Company has also extended a US$5 million revolving facility ("loan facility") to EcoB (Note 13) and in consideration of this loan facility, EcoB issued warrants to the Company to subscribe for 50 million shares in EcoB at an exercise price of US$0.10 per warrant share. The warrants are exercisable for 5 years from the date of issuance. Assuming the full exercise of warrants, the Company will have a 57.47% equity interest in EcoB.

The Company is deemed to have control over EcoB through additional potential voting rights in the form of the warrants.

7. INTERESTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

Eco Building Products, Inc. (cont'd)

The provisional fair values of the identifiable assets and liabilities of EcoB as at the date of acquisition were:

	Carrying value S$'000
Assets	
Property, plant and equipment	914
Inventories	1,873
Trade and other receivables and deposits	1,027
Prepayments	99
Cash	6
Total	3,919
Liabilities	
Trade and other payables and accruals	(2,505)
Notes payables	(1,272)
Total	(3,777)
Net identifiable assets	142
Less: Non-controlling interests measured at the non-controlling interests' proportionate share of EcoB's net identifiable assets	(78)
Goodwill (Note 6)	6,082
Purchase consideration	6,146

Effect of the acquisition of EcoB on cash flows

Total consideration for 45.37% equity interest acquired (settled in cash)	6,146
Less: Cash and cash equivalents of subsidiary acquired	(6)
Net cash outflow or acquisition	6,140

7. INTERESTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

Eco Building Products, Inc. (cont'd)

Impact of the acquisition on profit or loss

From the acquisition date, EcoB has contributed $1,653,000 of revenue and $1,162,000 to the Group's loss for the financial year. If the business combination had taken place at the beginning of the financial year, the revenue from continuing operations would have increased by $2,886,000 and the Group's loss from continuing operations, net of tax would have increased by $2,599,000.

8. INTERESTS IN JOINT VENTURE COMPANIES

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Investments in joint venture companies:				
Unquoted equity shares, at cost	4,541	4,541	4,541	4,541
Transfer to subsidiary (Note 7)	(4,541)	–	(4,541)	–
Total	–	4,541	–	4,541
Share of post-acquisition reserves and impairment loss:				
At beginning of financial year	(1,354)	1,918	(4,541)	(4,541)
Share of post acquisition results (net of tax)	(256)	(174)	–	–
Share of post- acquisition reserve transferred upon conversion to subsidiary	4,541	–	4,541	–
Share of foreign currency translation reserve	(37)	(339)	–	–
Dividends received from a joint venture company	(903)	(2,759)	–	–
At end of financial year	1,991	(1,354)	–	(4,541)
Carrying amount of investments	1,991	3,187	–	–

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 past financial year and recent quotation.

Based on the approach, no impairment loss (2010: $Nil) has been recognised for the financial year ended 31 December 2011.

8. INTERESTS IN JOINT VENTURE COMPANIES (CONT'D)

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

During the financial year, LBE became a wholly owned subsidiary of the Company (Note 7).

Summarised financial information

The aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses adjusted for the proportion of the Group's interests in the joint venture companies as at 31 December 2011 and 2010 are as follows:

	Group	
	2011	**2010**
	$'000	$'000
Assets and liabilities:		
Current assets	**1,935**	12,102
Non-current assets	**61**	555
Total assets	**1,996**	12,657
Current liabilities	(5)	(5,503)
Non-current liabilities	–	(14,924)
Total liabilities	(5)	(20,427)
Results:		
Revenue	–	1,465
Expenses	(256)	(1,448)
Net loss	(256)	(91)

8. INTERESTS IN JOINT VENTURE COMPANIES (CONT'D)

Details of joint venture companies

Details of the joint venture companies as at 31 December 2011 and 2010 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	
			2011	2010	2011	2010
			%	%	$'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 and overburden removal	100	50	–	4,541
					–	4,541

\# Audited by KPMG LLP, Singapore.

9. LOANS TO JOINT VENTURE COMPANY

	Group and Company	
	2011	2010
	$'000	$'000
Loans to joint venture company	–	17,702
Less: Impairment loss on loans to a joint venture company	–	(17,702)
Total	–	–

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

During the financial year, the joint venture company became a wholly owned subsidiary (Note 7).

10. INVENTORIES

	Group
	2011
	$'000
Balance sheet	
Finished goods: Lumber	1,610
Raw materials: Chemicals	336
Total	1,946
Income statement	
Inventories recognised as an expense in cost of building products	(942)
Allowance for stock obsolescence	(466)
Inventories written down	(528)

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade receivables	11,963	7,190	71	40
Less: Allowance for impairment	(3,638)	(2,800)	(15)	(15)
Net trade receivables	8,325	4,390	56	25
GST receivable	14	542	14	145
Deposits	3,690	4,986	65	4,986
Due from related parties (trade)	7,666	6,645	19	31
Advances to other debtors	–	3,185	–	–
Other receivables	1,900	1,808	4	1,208
Interest receivables:				
Subsidiary (Note 13)	–	–	78	–
Banks	215	–	–	–
Total	21,810	21,556	236	6,395

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.

11. TRADE AND OTHER RECEIVABLES (CONT'D)

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 had been 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 7).

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 were non-trade related, non-interest bearing and were repaid in cash during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $3,480,000 (2010: $4,762,000) 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	
	2011	**2010**
	$'000	$'000
Lesser than 3 months	**797**	1,001
3 to 6 months	**417**	544
6 to 12 months	**702**	910
Above 12 months	**1,564**	2,307
Total	**3,480**	4,762

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 Individually impaired		Company Individually impaired	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Trade receivables – nominal amounts	**4,139**	2,800	**15**	15
Less: Allowance for impairment	**(3,638)**	(2,800)	**(15)**	(15)
Total	**501**	–	**–**	–

11. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are impaired (cont'd)

Movement in allowance accounts:

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
At 1 January	(2,800)	(2,913)	(15)	(15)
Charge for the financial year	(809)	–	–	–
Exchange differences	(29)	113	–	–
At 31 December	(3,638)	(2,800)	(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.

12. DUE FROM SUBSIDIARIES (TRADE)

Amounts due from subsidiaries (trade) are stated after deducting allowance for doubtful debts of $547,000 (2010: $718,000). During the financial year, the Company wrote back an allowance of doubtful debt of $171,000 (2010: Nil) due to its recovery.

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.

13. DUE FROM/(TO) SUBSIDIARIES (NON-TRADE)

	Company	
	2011	**2010**
	$'000	$'000
Loan to a subsidiary	**6,504**	–
Less: Allowance for impairment	**(6,504)**	–
Net loan	**–**	–
Amounts due from subsidiaries	**3,667**	5,385
Less: Allowance for impairment	**(3,667)**	(4,039)
Net amounts due from subsidiaries	**–**	1,346
Amounts due to subsidiaries	**(2,357)**	–

On 25 July 2011, the Company extended a US$5 million revolving loan facility ("loan facility") over a period of 3 years to a subsidiary under the terms of the Credit and Warrant Agreement (Note 14). As at 31 December 2011, the subsidiary has drawn down in full the loan facility. The loan bears interest at 6% per annum, and is repayable, together with accrued interest (Note 11), three months from the date it is advanced, but no later than 24 July 2014. So long as no events of default exist, the loan may be rolled over, subject to prior receipt of borrowing notice from the subsidiary and approval by the Company. The available credit under the loan facility can be reduced by the like amount of cash received through the exercise of warrants noted in Note 14. The loan facility is secured by substantially all the assets of the subsidiary. As at 31 December 2011, based on an assessment of the subsidiary's historical and current performance, future profit forecasts, and the estimated value and probability of future cash flows, the Company has made an allowance for impairment against the loan receivable of $6,504,000.

Amounts due from/(to) subsidiaries (non-trade) are interest-free, unsecured, to be settled in cash and repayable on demand. During the financial year, the Company wrote back a net allowance for doubtful debts of $372,000 (2010: $Nil) due to their recovery.

14. DERIVATIVES

	Company
	2011
	$'000
Derivative asset	7,804
Less: Impairment loss	(7,804)
Net derivative asset	–

In consideration of the loan facility extended to a subsidiary pursuant to the Credit and Warrant Agreement (Note 13), the subsidiary issued warrants to the Company for the Company to acquire 50 million new shares in the subsidiary at US$0.10 per warrant share, currently exercisable within 5 years from 25 July 2011 (Note 7).

The fair value of the warrants received was estimated upon acquisition, using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were received.

As at 31 December 2011, based on an assessment of the recoverable amount of the warrants having regard to, among other factors, the issuer's historical and current financial performance, future profit forecasts and the estimated value and probability of future cash flows, the Company recorded an impairment loss of $7,804,000 (2010: $Nil) against the derivative asset.

15. CASH AND BANK DEPOSITS

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Pledged fixed deposit	38	38	38	38
Cash at banks and on hand	56,827	49,995	32,761	36,706
Fixed deposits	25,504	3,881	–	–
Cash and cash equivalents	82,331	53,876	32,761	36,706

As at 31 December 2011, fixed deposit amounting to $38,000 (2010: $38,000) has been pledged to a bank for the Group's and the Company's banking facilities.

15. CASH AND BANK DEPOSITS (CONT'D)

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 2011 for the Group and the Company ranged from 0.10% to 1.32% (2010: 0.10% to 1.32%) per annum and 0.22% (2010: 0.22%) per annum, respectively.

16. PAYABLES AND ACCRUALS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Trade payables	(11,107)	(8,093)	(133)	(295)
Accrued expenses	(3,344)	(724)	(683)	(302)
Refundable deposit from non-controlling interests	–	(1,545)	–	–
Deposits received	–	(1,160)	–	(1,140)
Rebates received	(8,759)	–	–	–
Rental deposits	(34)	(28)	(14)	(28)
Other payables	(4,606)	(972)	(87)	(87)
Total	(27,850)	(12,522)	(917)	(1,852)

Trade and other payables are non-interest bearing. Trade payables are normally settled on an average term of 30 (2010: 30) days, while other payables have an average term of 6 (2010: 6) months.

Rebates received relate to the acquisition of land use rights (Note 5) and may be applied to offset against the acquisition cost of land use rights.

17. ADVANCE FROM JOINT VENTURE COMPANY

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

18. SHARE CAPITAL

	Group and Company			
	2011		2010	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid:				
Ordinary shares				
As at 1 January	459,696,515	130,833	445,203,015	120,687
Issuance of new shares at $0.70 (2010: $0.70) per share upon exercise of warrants	46,294,460	32,406	14,493,500	10,146
As at 31 December	505,990,975	163,239	459,696,515	130,833

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 46,294,460 (2010: 14,493,500) new ordinary shares at $0.70 (2010: $0.70) each pursuant to an exercise of warrants during the financial year ended 31 December 2011.

19. REVENUE

	Group	
	2011 $'000	2010 $'000
Coal transportation income	24,352	30,692
Rental income	157	146
Building products income	1,653	–
Income from overburden removal	1,005	–
Others	–	8
Total	27,167	30,846

20. OTHER INCOME

	Group 2011 $'000	Group 2010 $'000
Interest income from loans and receivables – fixed deposits	**462**	541
Net gain on fair value adjustment of investment properties	**1,220**	180
Net gain on disposal of property, plant and equipment	**–**	220
Miscellaneous income	**16**	218
Total	**1,698**	1,159

21. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION)

	Group 2011 $'000	Group 2010 $'000
Salaries and bonuses	**(4,093)**	(2,787)
Grant income from jobs credit scheme	**–**	8
CPF contributions	**(108)**	(77)
Share-based payment	**–**	(174)
Others	**(1,547)**	(712)
Total	**(5,748)**	(3,742)

Directors' and executive officers' remuneration are disclosed in Note 26(a).

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 represent 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 2011 and 2010.

(Amounts in Singapore dollars)

21. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION) (CONT'D)

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			
	2011		2010	
	No. of options	Exercise price ($)	No. of options	Exercise price ($)
Outstanding at 1 January	4,340,000	0.48	4,340,000	0.48
Granted	–	–	–	–
Forfeited	–	–	–	–
Outstanding at 31 December	4,340,000	0.48	4,340,000	0.48
Exercisable at 31 December	4,340,000	0.48	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.

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.

22. OTHER EXPENSES

Other expenses included the following:

	Group 2011 $'000	Group 2010 $'000
Vessel expenses:		
Fuel	(8,445)	(11,056)
Upkeep and maintenance	(3,408)	(3,898)
Agent fees and port handling charges	(1,183)	(2,059)
Certificate, licence and other compliance expenses	(247)	(657)
Other vessel expenses	(2,044)	(2,270)
Total vessel expenses	(15,327)	(19,940)
Cost of building products	(1,506)	–
Allowance for stock obsolescence	(466)	–
Inventories written down	(528)	–
Cost of overburden removal	(233)	–
Impairment loss of goodwill	(6,082)	–
Impairment loss of trade and other receivables	(2,539)	–
Loss on liquidation of a subsidiary	(293)	–
Office and other rental expenses	(541)	(171)
Audit fees		
– Auditors of the Company	(178)	(159)
– Other auditors	(53)	–
Non-audit fees		
– Auditors of the Company	(24)	(40)
– Other auditors	(200)	–
Professional fees	(1,500)	(852)
Foreign exchange loss	(2,209)	(1,321)

23. FINANCE COSTS

	Group 2011 $'000	Group 2010 $'000
Interest expenses on loans/notes	(144)	–

24. INCOME TAX

Major components of income tax expense

Major components of income tax expense for the financial years ended 31 December 2011 and 2010 are:

	Group 2011 $'000	Group 2010 $'000
Income statement:		
Current income tax – continuing operations:		
Underprovision in respect of previous years	(35)	–
Income tax attributable to continuing operations recognised in profit or loss	(35)	–

Relationship between tax expense and accounting profit

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

	Group 2011 $'000	Group 2010 $'000
(Loss)/profit before tax from continuing operations	(15,027)	634
Profit/(loss) before tax from discontinued operations	30	(155)
Accounting (loss)/profit before tax	(14,997)	479
Tax at domestic rates applicable to profit in the countries where the Group operates	753	(407)
Adjustments:		
Income not subject to taxation	9,058	7,738
Non-deductible expenses	(9,855)	(7,335)
Utilisation of previously unrecognised deferred tax assets	87	34
Underprovision in respect of previous years	(35)	–
Share of results of joint venture companies	(43)	(30)
Income tax expense recognised in profit or loss	(35)	–

24. INCOME TAX (CONT'D)

Relationship between tax expense and accounting profit (cont'd)

The corporate income tax rate applicable to Singapore companies of the Group was 17% for the year of assessment ("YA") 2012 and YA 2011. The corporate income tax rate applicable to Indonesian companies of the Group was 25% for YA 2012 and YA 2011.

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

Deferred tax

Deferred income tax as at 31 December 2011 and 2010 relate to the following:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Deferred tax liability:				
Differences in depreciation	(24)	(24)	(14)	(14)

Deferred tax assets not recognised as at 31 December 2011 and 2010 relate to the following:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Deferred tax assets:				
Differences in depreciation	–	3	–	3
Unabsorbed tax losses	5,893	1,074	681	824
Total	5,893	1,077	681	827

Unabsorbed tax losses

As at 31 December 2011, the Group and the Company have unabsorbed tax losses of approximately $26,000,000 (2010: $6,320,000) and $4,007,000 (2010: $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.

25. 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	
	2011	**2010**
	$'000	$'000
(Loss)/profit for the financial year attributable to equity holders of the Company	(11,436)	549
Add back: (Loss)/profit from discontinued operations, net of tax, attributable to equity holders of the Company	(16)	85
(Loss)/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	(11,452)	634

(Amounts in Singapore dollars)

25. EARNINGS PER SHARE (CONT'D)

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

	2011 No. of shares	2010 No. of shares
Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the financial year	459,696,515	445,203,015
Weighted average number of shares issued during the financial year	23,307,481	3,653,157
Weighted average number of ordinary shares for basic earnings per share computation	483,003,996	448,856,172
Effects of dilution:		
Options	2,493,243	1,422,353
Warrants	–	978,500
Weighted average number of ordinary shares for diluted earnings per share computation	485,497,239	451,257,025

Since the end of the financial year, 500,000 options have been exercised by 2 directors of the Company to acquire new ordinary shares, where one of them have resigned as director on 1 February 2012. 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 500,000 (2010: 37,167,099) new ordinary shares upon the exercise of options. The issuance of 37,167,099 new ordinary shares in the prior financial year was due to the exercise of warrants.

(b) *Earnings per share computation*

The basic and diluted earnings per share are calculated by dividing the (loss)/profit for the financial year attributable to equity holders of the Company of ($11,436,000) (2010: $549,000) 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 25(a).

26. RELATED PARTY DISCLOSURES

(a) *Remuneration of directors and executive officers*

	Group	
	2011 $'000	**2010** $'000
Directors' remuneration (including directors' fees):		
Salaries and bonus	(888)	(845)
Fees	(258)	(246)
CPF contributions	(14)	(12)
Share-based payments	–	(158)
Total	(1,160)	(1,261)
Executive officers' remuneration:		
Salaries and bonus	(816)	(579)
CPF contributions	(45)	(31)
Other benefits	(12)	(18)
Share-based payments	–	(11)
Total	(873)	(639)
Remuneration of directors and executive officers	(2,033)	(1,900)

Directors' interest in share option plan

During the financial year, no share options were granted to the Company's directors.

(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	
	2011 $'000	**2010** $'000
Related parties		
– Coal transportation income	19,102	25,891
– Fuel oil costs reimbursement	4,058	2,571
– Commercial property lease expense	(144)	(141)

27. 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.

28. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has five 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) The Building Products segment relates to the trading and manufacturing of proprietary coated lumber products in the United States of America ("USA").

(c) The Property Development segment relates to property development activities in China;

(d) The Corporate and Others segment which is involved in Group-level corporate services, treasury functions, investments in properties and others, including overburden removal services and equipment leasing services; and

(e) The Trading segment relates to the trading of steel products in China. This segment has been classified as "discontinued operations" in the previous financial year (Note 31).

Except as indicated above, no other 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.

28. SEGMENT INFORMATION (CONT'D)

	Shipping		Building Products		Property Development		Corporate and Others		Trading (Discontinued operations)		Eliminations		Per consolidated financial statements	
	FY2011 $'000	FY2010 $'000	FY2011 $'000	FY2010 $'000	FY2011 $'000	FY2010 $'000	FY2011 $'000	FY2010 $'000	FY2011 $'000	FY2010 $'000	FY2011 $'000	FY2010 $'000	FY2011 $'000	FY2010 $'000
Revenue														
External customers	24,352	30,692	1,653	–	–	–	1,162	154	–	4,390	–	(4,390)	27,167	30,846
Inter-segment	–	–	–	–	–	–	24	24	–	–	(24)	(24)	–	–
Total revenue	24,352	30,692	1,653	–	–	–	1,186	178	–	4,390	(24)	(4,414)	27,167	30,846
Results														
Interest income	70	75	25	–	244	–	301	466	–	16	(178)	(16)	462	541
Depreciation	(3,795)	(4,372)	(95)	–	–	–	(24)	(6)	–	–	–	–	(3,914)	(4,378)
Share of results of joint ventures	–	–	–	–	–	–	(256)	(174)	–	–	–	–	(256)	(174)
Loss on liquidation of subsidiary	–	–	–	–	–	–	–	–	(293)	–	–	–	(293)	–
Other non-cash expenses:														
– Share based payment	–	–	–	–	–	–	–	(174)	–	–	–	–	–	(174)
– Impairment of goodwill	–	–	(6,082)	–	–	–	–	–	–	–	–	–	(6,082)	–
– Impairment of receivables	(809)	–	–	–	–	–	(1,730)	–	–	–	–	–	(2,539)	–
Segment profit/(loss)	1,892	3,458	(10,212)	–	(2,231)	–	(4,183)	(2,824)	(277)	(155)	(16)	155	(15,027)	634
Assets														
Investments in joint ventures	–	–	–	–	–	–	1,991	3,187	–	–	–	–	1,991	3,187
Segment assets	54,378	58,076	4,770	–	64,754	–	39,507	46,536	–	8,209	–	–	163,409	112,821
Segment liabilities	(10,042)	(10,589)	(2,199)	–	(9,011)	–	(7,376)	(2,731)	–	(13)	–	–	(28,628)	(13,333)

28. 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	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Singapore	181	154	3,476	2,209
Indonesia	25,333	30,692	30,004	34,803
China	–	4,390	22,523	–
USA	1,653	–	1,187	–
Discontinued operations (Note 31)	–	(4,390)	–	–
Total	27,167	30,846	57,190	37,012

29. 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 less than 2 years (2010: 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	
	2011	**2010**
	$'000	$'000
Not later than one year	684	190
Later than one year but not later than five years	1,441	277
Total	2,125	467

29. 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 1 year (2010: 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	
	2011	**2010**
	$'000	$'000
Not later than one year	**50**	128
Later than one year but not later than five years	**–**	17
Total	**50**	145

(c) *Capital contribution commitment*

The Group and the Company have committed to inject their share of the remaining registered share capital of $6,500,000 (2010: $Nil) in a subsidiary, Manhattan Resources (Ningbo) Property Co., Ltd by December 2012 (Note 7).

30. 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.

30. FINANCIAL INSTRUMENTS (CONT'D)

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

Foreign currency risk

The Group's subsidiaries in Indonesia have 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 43% (2010: 57%) 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, USD and RMB, amounted to $31,206,000 (2010: $10,573,000) and $456,000 (2010: $8,436,000) 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 2011, 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 SGD, USD, IDR and RMB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		Loss net of tax 2011 $'000	**Profit net of tax 2010 $'000**
IDR/USD	– strengthened 3% (2010: 3%)	-21	+53
	– weakened 3% (2010: 3%)	+21	-53
USD/SGD	– strengthened 3% (2010: 3%)	-14	-332
	– weakened 3% (2010: 3%)	+14	+332
SGD/RMB	– strengthened 3% (2010: Nil)	-542	–
	– weakened 3% (2010: Nil)	+542	–
USD/RMB	– strengthened 3% (2010: Nil)	-144	–
	– weakened 3% (2010: Nil)	+144	–

30. 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 30(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.

30. FINANCIAL INSTRUMENTS (CONT'D)

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

Credit risk (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.

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2011		2010	
	$'000	% of total	$'000	% of total
By country:				
USA	1,130	9%	–	–
Indonesia	10,759	90%	7,190	100%
Singapore	74	1%	–	–
Total	11,963	100%	7,190	100%

At the end of the reporting period, approximately 35% (2010: 31%) of the Group's trade and other receivables were due from related parties.

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.

30. FINANCIAL INSTRUMENTS (CONT'D)

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

Credit risk (cont'd)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11 (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/to subsidiaries, loan to subsidiary, trade and other payables and advance from joint venture company based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently.

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

Loans to a subsidiary 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:

30. FINANCIAL INSTRUMENTS (CONT'D)

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

Group	2011 $'000 Loans and receivables	2011 $'000 Maturity profile: One year or less	2010 $'000 Loans and receivables	2010 $'000 Maturity profile: One year or less
Financial assets:				
Trade and other receivables	21,810	21,810	21,556	21,556
Pledged fixed deposit	38	38	38	38
Cash and cash equivalents	82,331	82,331	53,876	53,876
Total undiscounted financial assets	104,179	104,179	75,470	75,470

Group	2011 $'000 Financial liabilities at amortised cost	2011 $'000 Maturity profile: One year or less	2010 $'000 Financial liabilities at amortised cost	2010 $'000 Maturity profile: One year or less
Financial liabilities:				
Payables and accruals	(27,850)	(27,850)	(12,522)	(12,522)
Advance from joint venture company	(750)	(750)	(787)	(787)
Total undiscounted financial liabilities	(28,600)	(28,600)	(13,309)	(13,309)
Total net undiscounted financial assets	75,579	75,579	62,161	62,161

30. FINANCIAL INSTRUMENTS (CONT'D)

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

Company	2011 $'000 Loans and receivables	2011 $'000 Maturity profile: One year or less	2010 $'000 Maturity profile: and receivables	2010 $'000 Maturity profile: One year or less
Financial assets:				
Trade and other receivables	236	236	6,395	6,395
Due from subsidiaries	–	–	1,346	1,346
Pledge fixed deposit	38	38	38	38
Cash and cash equivalents	32,761	32,761	36,706	36,706
Total undiscounted financial assets	33,035	33,035	44,485	44,485

Company	2011 $'000 Financial liabilities at amortised cost	2011 $'000 Maturity profile: One year or less	2010 $'000 Financial liabilities at amortised cost	2010 $'000 Maturity profile: One year or less
Financial liabilities:				
Payables and accruals	(917)	(917)	(1,852)	(1,852)
Due to subsidiaries	(2,357)	(2,357)	–	–
Advance from joint venture company	(750)	(750)	(750)	(750)
Total undiscounted financial liabilities	(4,024)	(4,024)	(2,602)	(2,602)
Total net undiscounted financial assets	29,011	29,011	41,883	41,883

31. 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	
	2011 $'000	2010 $'000
Revenue	–	4,390
Other income – interest income on bank deposits	–	16
Foreign exchange gain	30	–
Expenses	–	(4,561)
Profit/(loss) from discontinued operations	30	(155)
Income tax	–	–
Profit/(loss) from discontinued operations, net of tax	30	(155)

Earnings/(loss) per share disclosure

	Group	
	2011	2010
Earnings/(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 25(a).

32. 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 2011, 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 2011 and 2010.

33. LITIGATION

(a) ***Legal suit against the Company***

Asia Link Marine Industries Pte Ltd ("Asia Link"), a company incorporated in Singapore, has commenced a Suit in the High Court of Singapore (the "High Court") against the Company and Mr Lee Kok Choy, a director of the Company (the "Director"), on 28 February 2011.

In the Statement of Claim, Asia Link had alleged that the Company and the Director had entered into an oral agreement with Asia Link to provide services and supplies to 7 vessels of which the Company and/or the Director were the masters and/or owners during the period from July 2008 to late 2009. Asia Link has made a claim for a sum of approximately $371,000 plus interest and costs which it alleged is due and owing for the services and supplies provided.

The Company's legal position is that neither the Company nor the Director were masters/owners of the 7 vessels and no such agreement had been entered into by the Company and the Director with Asia Link.

The Suit against the Director was struck out successfully on 24 October 2011. The Suit has been fixed for trial in the High Court for 3 days from 23 April 2012 to 25 April 2012.

The Company has sought legal advice on this Suit and will vigorously resist the claim by Asia Link.

(b) ***Legal proceedings by a subsidiary***

Prior to the Company's acquisition of Eco Building Products, Inc. ("EcoB") in end July 2011, and as stated in EcoB's 10Q Announcement for the results for the 2nd quarter ended 31 December 2011 ("10Q Announcement"), EcoB had filed a legal action in The Superior Court San Diego, County of San Diego, against Bluwood USA, Inc., in August 2010 (Case #37-2010-00058482-CU-MC-NC), for disputes concerning a Purchase, Distribution and Services Agreement. According to the 10Q Announcement, a variety of defendants have been added to the case and a variety of claims apply (including claims from EcoB and counterclaims from the defendants) and the case is presently in the discovery phase.

33. LITIGATION (CONT'D)

(b) ***Legal proceedings by a subsidiary (cont'd)***

The 10Q Announcement also states that the dispute has been sent to arbitration and a portion of the dispute has been stayed in court. The 10Q Announcement also states that EcoB is seeking relief in the amount of approximately US$20,000,000 and other relief and that the arbitration panel has been selected and approved.

EcoB has also confirmed in the 10Q Announcement that other than as disclosed above, there are no pending legal proceedings or claims against or involve EcoB that, in the opinion of EcoB's management, could reasonably be expected to have a material adverse effect on its business and financial condition.

The Company does not have information on the legal action between EcoB and Bluwood other than what is disclosed in EcoB's 10Q Announcement.

34. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 12 April 2012.

Statistics of Shareholdings

As at 16 March 2012

Share capital	:	S$163,478,802.40
Number of shares	:	506,490,975
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Number of treasury shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	17	1.51	6,450	0.00
1,000 – 10,000	651	57.87	3,057,318	0.60
10,001 – 1,000,000	421	37.42	45,720,407	9.03
1,000,001 & Above	36	3.20	457,706,800	90.37
Total	**1,125**	**100.00**	**506,490,975**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 16 MARCH 2012

		No. of Shares	%
1	Manhattan Investments Pte Ltd	219,016,701	43.24
2	Dato DR. Low Tuck Kwong	48,957,700	9.67
3	BNP Paribas Nominees Singapore Pte Ltd	32,503,000	6.42
4	Maybank Kim Eng Securities Pte Ltd	21,774,200	4.30
5	Tsao Yue Hwa Johnny @Shu Yue Ming	18,849,600	3.72
6	Phillip Securities Pte Ltd	14,942,899	2.95
7	Choo Yak Lye or Choo Kok Leong	13,270,000	2.62
8	Hong Leong Finance Nominees Pte Ltd	10,072,000	1.99
9	CIMB Securities (Singapore) Pte Ltd	8,841,100	1.74
10	UOB Kay Hian Pte Ltd	8,434,000	1.66
11	Citibank Nominees Singapore Pte Ltd	6,059,000	1.20
12	Bank of Singapore Nominees Pte Ltd	5,005,500	0.99
13	OCBC Securities Private Ltd	4,755,100	0.94
14	Ong See Beng	3,840,000	0.76
15	HSBC (Singapore) Nominees Pte Ltd	3,722,000	0.73
16	Chau Wun	2,830,300	0.56
17	Choo Kok Leong	2,729,000	0.54
18	Sitaram Chandra Das	2,500,000	0.49
19	Swanny Sri Sujanty Setyono	2,190,000	0.43
20	Lim & Tan Securities Pte Ltd	2,172,000	0.43
Total		**432,464,100**	**85.38**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 16 March 2012)

	Direct Interest	%	Deemed Interest	%
Manhattan Investments Pte Ltd	219,016,701	43.24	–	–
Dato DR. Low Tuck Kwong(1)	48,957,700	9.67	220,706,701	43.58
Mohamed Abdul Jaleel s/o Muthumaricar Shaik Mohamed	37,097,000	7.32	–	–

(1) Dato DR. Low Tuck Kwong is deemed to be interested in the 219,016,701 shares held by Manhattan investments Pte Ltd through his controlling shareholdings in Manhattan Investments Pte Ltd and 1,690,000 share held by his spouse.

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

32.45% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Manhattan Resources Limited (Company) will be held at MND Auditorium, 9 Maxwell Road, Annexe A, MND Complex, Singapore 069112 on Monday, 30 April 2012 at 3:30 p.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the directors' report and the audited consolidated financial statements for the financial year ended 31 December 2011, together with the auditors' report thereon. (**Resolution 1**)

2. To re-elect Mr Michael Sumarijanto Soegijono, a director retiring by rotation under Article 101 of the Company's Articles of Association. *(See explanatory notes)* (**Resolution 2**)

3. To re-elect Mr Lee Kok Choy, a director retiring by rotation under Article 101 of the Company's Articles of Association. (**Resolution 3**)

4. To re-elect the following directors who were appointed and retiring under Article 105 of the Company's Articles of Association:-

   (a) Mr Choo Hsun Yang (**Resolution 4**)

   (b) Mr Hirochika Shinohara (**Resolution 5**)

   (See explanatory notes)

5. To re-appoint Mr Liow Keng Teck as a director of the Company under Section 153(6) of the Singapore Companies Act, Chapter 50 to hold office until the next annual general meeting.
   (See explanatory notes) (**Resolution 6**)

6. To appoint Mr Chang Szie Hou as a director of the Company under Section 153(6) of the Singapore Companies Act, Chapter 50 to hold office until the next annual general meeting.
   (See explanatory notes) (**Resolution 7**)

7. To approve director's fees of S$15,139 for Mr Choo Hsun Yang for the period from 26 July 2011 to 31 December 2011. *(See explanatory notes)* (**Resolution 8**)

8. To approve directors' fees of S$241,500 for the financial year ending 31 December 2012 payable in arrears (2011: S$246,000). (**Resolution 9**)

9. To re-appoint Ernst & Young LLP as auditors of the Company for the financial year ending 31 December 2012, and to authorise the directors to fix their remuneration. (**Resolution 10**)

10. To transact any other ordinary business that 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, with or without modifications, the following resolutions as ordinary resolutions:-

11. Share Issue Mandate **(Resolution 11)**

That, under Section 161 of the Singapore Companies Act, Chapter 50 (***Act***) and the Listing Manual of the Singapore Exchange Securities Trading Limited (***SGX-ST***), authority be given to the directors of the Company to:-

(a) (i) issue shares in the Company (***Shares***) whether by way of rights, bonus or otherwise; and/or

(ii) 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 or exchangeable into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and

(b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the directors while this Resolution was in force,

provided that:-

(1) the aggregate number of Shares to be issued under this Resolution (including Shares to be issued in pursuance of the Instruments, made or granted under this Resolution) does not exceed 50 per cent of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted under this Resolution) does not exceed 20 per cent of the Company's total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares shall be calculated based on the total number of issued Shares excluding treasury shares, if any, at the time of the passing of this Resolution, after adjusting for:-

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Act, the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

(See explanatory notes)

12. Authority to grant options, awards and issue shares under the Manhattan Resources Share Option Scheme and Manhattan Resources Performance Share Scheme

(Resolution 12)

That approval be given to the directors:-

(i) to offer and grant options and/or awards from time to time in accordance with the provisions of the Manhattan Resources Share Option Scheme and Manhattan Resources Performance Share Scheme (collectively, ***the Schemes***); and

(ii) under Section 161 of the Act, 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 under the exercise of options and/or the vesting of awards under the Schemes, provided that the aggregate number of new shares to be issued under the Schemes shall not exceed 15 per cent of the total number of issued shares (excluding treasury shares) from time to time.

(See explanatory notes)

By Order of the Board

Madelyn Kwang / Lian Kim Seng
Company Secretaries

13 April 2012
Singapore

Notes:

(1) A member of the Company entitled to attend and vote at the above meeting may appoint not more than two proxies to attend and vote on his behalf.

(2) A proxy need not be a member of the Company and where there is more than one proxy, the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy must be stated.

(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 48 hours before the time appointed for holding the meeting.

Notice of Annual General Meeting

Explanatory Notes

Resolution 2

If re-elected, Mr Michael Sumarijanto Soegijono, a non-executive director of the Company, shall remain as Chairman of the Board.

Resolutions 4 and 8

If re-elected, Mr Choo Hsun Yang, an independent director of the Company, shall remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Mr Choo was appointed as a director of the Company on 26 July 2011 after approval of directors' fees for year ended 31 December 2011 at the last annual general meeting held on 29 April 2011.

Resolution 5

If re-elected, Mr Hirochika Shinohara, an independent director of the Company, shall remain as a member of the Nominating Committee.

Resolution 6

If re-appointed, Mr Liow Keng Teck, an independent director of the Company, shall remain as the Chairman of the Audit Committee and a member of the Remuneration Committee.

Resolution 7

Mr Chang Szie Hou has more than 40 years experience in civil engineering and construction in South-East Asia and China. Mr Chang is the technical director for the Company's commercial building development project in Ningbo.

Mr Chang has been with the Company for the past two years and has been involved in the development process of this investment. Please refer to the Notice set out below under Article 104 of the Company's Articles of Association.

Resolution 11

The proposed Resolution 11, if passed, will empower the directors, from the date of the Annual General Meeting until the next annual general meeting of the Company, to issue Shares and/or Instruments up to an aggregate number not exceeding 50 per cent of the total number of issued Shares excluding treasury shares, with a sub-limit of 20 per cent for Shares issued other than on a *pro rata* basis to Shareholders.

Resolution 12

The proposed Resolution 12, if passed, will empower the directors to offer and grant options and/or awards under the Schemes (which were approved at the extraordinary general meeting of the Company held on 16 September 2008) and to allot and issue shares in the capital of the Company, under the exercise of options and/or the vesting of awards under the Schemes, provided that the aggregate number of shares to be issued under the Schemes does not exceed 15 per cent of the total number of issued shares excluding treasury shares of the Company for the time being.

Notice under Article 104 of the Company's Articles of Association

NOTICE IS ALSO HEREBY GIVEN that, under Article 104 of the Company's Articles of Association, the Directors recommend that shareholders vote in favour of the ordinary resolution relating to the appointment of Mr Chang Szie Hou as director of the Company at the Annual General Meeting.

MANHATTAN RESOURCES LIMITED
Registration No. 199006289K
(Incorporated in the Republic of Singapore)

IMPORTANT
1. For investors who have used their CPF monies to buy the Company's shares, this Report is forwarded to them at the request of their CPF approved nominees and is sent solely FOR THEIR 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.

PROXY FORM

I/We ______________________________ (NRIC/Passport No.) ______________________

of ____ (Address)

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

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)
And/or (delete as appropriate)			

as my/our proxy/proxies to attend and vote for me/us on my/our behalf and if necessary, to demand a poll, at the annual general meeting of the Company (***AGM***) to be held at MND Auditorium, 9 Maxwell Road, Annexe A, MND Complex, Singapore 069112 on Monday, 30 April 2012 at 3:30 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the AGM and at any adjournment thereof.

(If you wish to exercise all your votes "For " or "Against", please tick with "✓" within the box provided. Alternatively, please indicate the number of votes "For" or "Against" each resolution.)

No.	Resolutions	For	Against
Ordinary Business			
1.	To adopt Directors' Report and Audited Accounts for the year ended 31 December 2011.		
2.	To re-elect Mr Michael Sumarijanto Soegijono as a director.		
3.	To re-elect Mr Lee Kok Choy as a director.		
4.	To re-elect Mr Choo Hsun Yang as a director.		
5.	To re-elect Mr Hirochika Shinohara as a director		
6.	To re-appoint Mr Liow Keng Teck as a director under Section 153(6) of the Companies Act, Chapter 50.		
7.	To appoint Mr Chang Szie Hou as a director under Section 153(6) of the Companies Act, Chapter 50.		
8.	To approve director's fees for Mr Choo Hsun Yang for the period from 26 July 2011 to 31 December 2011.		
9.	To approve directors' fees for the year ending 31 December 2012.		
10.	To re-appoint Ernst & Young LLP as auditors and to authorise Directors to fix their remuneration.		
Special Business			
11.	To authorise directors to issue shares and/or Instruments under Section 161 of the Companies Act, Chapter 50.		
12.	To authorise directors to offer and grant options and/or awards and to issue shares under the Schemes.		

Dated this ________________ day of April 2012.

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

____
Signature(s) of member(s)/Common Seal of corporate member

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes:-

1. A member should insert the total number of ordinary shares in the capital of the Company (***Shares***) held. If the member has Shares entered against his name in the Depository Register (as defined in Section 130A of the Singapore Companies Act, Chapter 50), he should insert that number of Shares. If the member has Shares registered in his name in the Register of Members, he should insert that number of Shares. If a member has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members, he should insert the aggregate number of Shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, this instrument appointing a proxy or proxies will be deemed to relate to all Shares held by the member.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

4. This 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 48 hours before the time appointed for the Annual General Meeting.

5. The instrument appointing a proxy shall be in writing in the common form approved by the Directors under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, under seal or under the hand of its attorney duly authorised.

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 Annual General Meeting, in accordance with Section 179 of the Singapore Companies Act, Chapter 50.

7. 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 appointer are not ascertainable from the instructions of the appointer specified in this instrument appointing a proxy or proxies.

8. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

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Designed and produced by
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