MANHATTAN RESOURCES LIMITED

ANNUAL REPORT 2012

CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

Low Yi Ngo, CEO and Managing Director
Chang Szie Hou, Executive Director
(Appointed on 30 April 2012)

Non-Executive:

Michael Sumarijanto Soegijono, Chairman
Lee Kwong Foo, Edward
Liow Keng Teck (Independent)
Choo Hsun Yang (Independent)
Hirochika Shinohara (Independent)
(Appointed on 27 February 2012)
Chew Eng Soo (Independent)
(Appointed on 1 July 2012)
Oliver Khaw Kar Heng
(Appointed on 11 March 2013)

Audit Committee

Liow Keng Teck, Chairman
Choo Hsun Yang
Chew Eng Soo
(Appointed on 13 July 2012)

Nominating Committee

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

Remuneration Committee

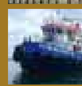
Hirochika Shinohara, Chairman
(Appointed on 13 August 2012)
Lee Kwong Foo, Edward
Liow Keng Teck
Choo Hsun Yang

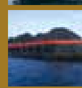
Risk Management Committee

Chew Eng Soo, Chairman
(Appointed on 13 August 2012)
Low Yi Ngo
(Appointed on 13 August 2012)
Liow Keng Teck
(Appointed on 13 August 2012)
Choo Hsun Yang
(Appointed on 13 August 2012)

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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#18-08 Chinatown Point
Singapore 059413
Telephone No.: (65) 6345 0777
Fax No.: (65) 6342 0777
www.manhattan.sg

SHARE REGISTRAR

B.A.C.S PRIVATE LIMITED
63 Cantonment Road
Singapore 089758
Telephone No.: (65) 6593 4848
Fax No.: (65) 6593 4847

AUDITORS

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

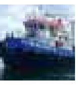
Partner-in-charge: Michael Sim
(since the financial year ended 31 December 2009)

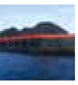
CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

2012 was a challenging year for the Group. The on-going global economic uncertainties, though cautiously positive, continue to put pressure on the global coal demands and selling prices. Consequently, coupled with the unusual weather conditions in Indonesia, the demand for charter activities during the financial year ended 31 December 2012 ("FY2012") were adversely affected.

For FY2012, the Group reported a decline in revenue by S$4.1 million to S$21.4 million and recorded a net loss attributable to the equity holders of the Company of approximately S$10.7 million. Net loss would have been substantially reduced to S$3.2 million without taking into consideration the loss from discontinued operation in Eco Building Products, Inc. ("EcoB") and one-off expenses such as impairment loss on investment in EcoB, and legal and professional fees. Despite the challenging operating environment, we were able to improve the operational efficiency. During the financial year, expenditure on fuel consumption decreased by S$1.8 million to S$6.6 million, due to better control over fuel distribution and consumption. To remain competitive and to provide quality service to our customers, the Group has engaged more qualified personnel to oversee the repair and maintenance of vessels as well as to perform more stringent quality controls on repair vendors.





Net cash used in operations increased to S$7.9 million during the financial year, mainly due to capital expenditure and prepayments for new vessels, as part of the Group's fleet renewal process. Cash and cash equivalents remain healthy at S$72.4 million as at 31 December 2012.

In respect of the investment projects undertaken by the Group in FY2011, we acknowledge with a heavy heart the failed venture in the investment in EcoB, which saw further losses in operations of S$2.4 million and impairment loss of S$3.9 million in FY2012. Currently, the Company is pursuing its claims via its appointed U.S. counsel and reserves all its rights against EcoB, its directors and

CHAIRMAN'S STATEMENT

officers. As for the property development investment in Manhattan Resources (Ningbo) Property Limited ("MRN"), the project is still at preliminary planning stage, pending the settlement of the equity transfer and claims by the Chinese partners.

To better manage risks and to enhance the risk management systems, the Group established a Risk Management Committee ("RMC") on 13 August 2012, whose responsibility is to assist the Board of directors to provide an oversight of risk management of the Group. More importantly, consistent with the risk management objectives, management have considered both the internal and external factors, evaluated the current and upcoming events, and redefined our corporate strategy so that we have a clearer, more focused strategic direction going forward.

While global economic conditions are expected to remain uncertain in 2013, the operating performance of the Group remains challenging and the Group shall continue to focus on optimising operational efficiency and cost effectiveness as well as to re-evaluate the feasibility of existing investment projects.

At the forthcoming Annual General Meeting, three of our directors in the current Board, namely Messrs Michael Sumarijanto Soegijono, Lee Kwong Foo, Edward and Chang Szie Hou, will retire in compliance with provisions of the Singapore Companies Act and the Company's Articles of Association and have each indicated that they do not wish to seek re-election. Their stewardship, guidance and wisdom will be sorely missed with their exit.

In closing, on behalf of our directors, we wish to extend our appreciation to our fellow directors, business partners, our employees for their contribution in the past years. Last but not the least, we would like to express the Group's gratitude to our shareholders for their continued support.

Michael Sumarijanto Soegijono
Chairman
5 April 2013

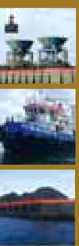
DIRECTORS' INFORMATION

Michael Sumarijanto Soegijono

Non-Executive Non-Independent 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, Risk Management Committee's Member

As Chief Executive Officer and Managing Director of the Group, Mr Low 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 Chief Executive Officer and Managing Director, Mr Low was the Marketing Director of PT Bayan Resources Tbk, a company related to the controlling shareholder of the Company, with primary responsibility for the marketing of Bayan Resources' coal.

Chang Szie Hou

Executive Director

Mr Chang joined the Company in August 2009 as Director-Projects responsible for the Group's project development. Prior to joining, Mr Chang was 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 in 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 Kwong Foo, Edward

Non-Executive Non-Independent 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 Advisory Council of the National University of Singapore.

DIRECTORS' INFORMATION

Liow Keng Teck

Independent Director, Chairman of Audit Committee, Risk Management and Remuneration Committees' 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 member of the Singapore Institute of Directors. Mr Liow is the former Chairman of International Capital Investments Ltd and a former director of a number of public companies including Jaya Holdings Limited.

Choo Hsun Yang

Independent Director, Chairman of Nominating Committee, Audit, Remuneration and Risk Management Committees' Member

Mr Choo graduated with a Bachelor of Business (Financial Analysis) from Nanyang Technological University in 1994 and he has spent 15 years in the investment management industry, with various prominent financial firms.

Hirochika Shinohara

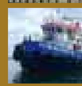
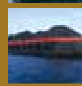
Independent Director, Chairman of Remuneration Committee and Nominating Committee's Member

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.

Chew Eng Soo

Independent Director, Chairman of Risk Management Committee and Audit Committee's Member

Mr Chew has worked in senior Finance and Business Management positions in multinational corporations, such as ICI, Zeneca Specialties and Basf. In the last five years, Mr Chew was Senior Vice President, Basf Polyurethanes Asia Pacific based in Hong Kong and Senior Vice President, Basf Paper Chemicals Asia Pacific based in Singapore before his retirement in 2012. He was a Board Director for a number of Basf companies, such as Basf Thailand Co Ltd, Shanghai Basf Polyurethanes Co Ltd, Basf Paper Chemicals Jiangsu Co Ltd and Shanghai GaoQiao Basf Dispersions Co Ltd. Mr Chew graduated with a Bachelor of Economics (Accounting major) in 1975 and a Post Graduate diploma in Accounting in 1976 from the University of Malaya, Kuala Lumpur.

Oliver Khaw Kar Heng

Non-Executive Non-Independent Director

Mr Khaw is the Head of Legal/Senior Foreign Counsel of PT Bayan Resources Tbk (a company related to the controlling shareholder of the Company) since 2008. In the past 10 years, Mr Khaw has worked as Group Legal Counsel for LKT Industrial Berhad and was a Partner at Lee, Oliver & Gan, a law firm in Kuala Lumpur, Malaysia.

Mr Khaw graduated with a Master's Degree in Business Administration in 2005 from University of Western Sydney, Australia and a Bachelor in Law in 1996 from Anglia Ruskin University, United Kingdom. He was admitted for practice as Barrister-at-Law in UK in 1997 and as Advocate & Solicitor in Malaysia in 1998.

INFORMATION ON KEY MANAGEMENT STAFF

Lee Hui Gek

Chief Financial Officer

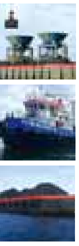
Ms Lee was appointed as the Chief Financial Officer of the Company in December 2011 and she oversees the overall financial activities of the Group. Prior to that, Ms Lee was with an international firm of certified public accountants as a Senior Assurance Manager.

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.

Tan Soon Yun

Finance Manager, Corporate

Ms Tan joined the Company in May 2012. She handles group accounting matters and is responsible for the accounting and taxation function of the Group entities in Singapore. Ms Tan was formerly an Assurance Manager of an international firm of certified public accountants. Ms Tan obtained her Bachelor of Business Administration degree from National University of Singapore and is a member with ACCA.



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 Ptd. Ltd.) in January 2005. In 2012, Mr Lim also oversees the operational matters, in addition to the financial matters of the coal 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.

Xia Ya Hui

Corporate Business Development

In this new corporate position, Ms Xia carries out project as well as communications work for the Group. Ms Xia joined the Group in May 2011 as project research officer. Prior to that, she worked in a commodities trading house as a commercial and project manager. She has also worked in the Investor Relations industry. Ms Xia graduated from Nanyang Technological University, Singapore with a Bachelor of Engineering Degree (Electrical and Electronics Engineering) in 2000.

OPERATIONS AND FINANCIAL REVIEW

For the financial year ended 31 December 2012 ("FY2012"), the Group recorded a net loss attributable to the equity holders of the Company of S$10.7 million, as compared to S$11.4 million in FY2011. The loss for FY2012 was mainly contributed by the impairment loss on investment in Eco Building Products, Inc. ("EcoB") and the increase in legal and professional fees due mainly to the commissioning of independent reviews of operations of subsidiaries, as well as the advisory services relating to the divestment of EcoB. A comparative breakdown of the contribution to the Group's results is as follows:

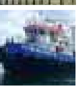
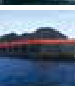
	FY2012 S$'000	**FY2011 S$'000**
MR Logistics Pte. Ltd. ("MR Log") (Shipping)	(587)	1,892
Manhattan Resources (Ningbo) Property Limited ("MRN") (Property development)	227	(1,137)
Lian Beng Energy Pte. Ltd. ("LBE") (Overburden removal)	(479)	(1,055)
Tat Hong Energy Pte. Ltd. ("THE") (Equipment leasing)	(19)	(256)
Corporate and Others	(9,068)	(2,907)
	(9,926)	(3,463)
Discontinued operation – EcoB (Building Products)		
EcoB's net loss, after non-controlling interests	(730)	(1,614)
Impairment of goodwill	–	(6,082)
	(730)	(7,696)
Discontinued operation – Manhattan (Ningbo) Trading Co., Ltd ("MNT") (Trading)		
MNT's net profit, after non-controlling interests	–	16
Loss on liquidation of MNT	–	(293)
	–	(277)
Loss net of tax attributable to equity holders of the Company	(10,656)	(11,436)

OPERATIONS AND FINANCIAL REVIEW

MR LOG (SHIPPING)

The coal transportation revenue for FY2012 had declined by S$3.1 million from S$24.4 million in FY2011 to S$21.2 million. The lower revenue in FY2012 was mainly due to a decrease in the volume of coal transported in view of the continual weak market sentiments of the global economy and prolonged dry seasons in Indonesia in FY2012.

The net loss of S$0.5 million in FY2012 was mainly due to an increase in depreciation of S$1 million, a rise in upkeep and maintenance expenses of S$0.4 million and additional impairment loss of S$0.3 million in trade and other receivables. Given management's commitment to improve its operational efficiency and costs effectiveness, vessel expenses excluding upkeep and maintenance had declined by S$1.9 million during the financial year.

MRN (PROPERTY DEVELOPMENT)

In FY2012, MRN contributed S$0.2 million net profit to the Group's results, mainly due to interest income on fixed deposits and foreign exchange gain arising from an appreciation of Singapore Dollar ("SGD") against Renminbi.

LBE (OVERBURDEN REMOVAL)

The overburden removal segment remains inactive. The loss in LBE was mainly due to foreign exchange loss, which was partially offset by a write-back of allowance for other receivables subsequent to its recovery during FY2012.

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 statutory expenses.

CORPORATE AND OTHERS

The loss of S$9 million from Corporate and Others segment was mainly due to the impairment loss on investment in EcoB amounting to S$3.9 million, and legal and professional fees.

ECOB (DISCONTINUED OPERATION)

Following the Board's decision to divest the investment in EcoB in the second quarter of 2012, the Company has ceased accounting for EcoB's results since 1 April 2012. As at year end, the Group has impaired in full the carrying amount of its investment in EcoB.

FINANCIAL POSITION

As at 31 December 2012, the Group's total assets of S$146.6 million were S$16.8 million lower than the previous financial year. The lower total assets were mainly due to depreciation charge during the financial year, foreign exchange loss arising from the conversion of US dollars ("USD") to SGD and dilution of shareholding interest in investment in EcoB. These were also contributed by the decrease in trade and other receivables and cash and cash equivalents. Trade and other receivables were lower mainly due to customers paid down their outstanding accounts. The cash outflows of approximately S$10 million during FY2012 were mainly due to capital expenditure and prepayments for new vessels.

The Group's total liabilities of S$23.9 million at 31 December 2012 were S$4.7 million lower than the previous financial year of S$28.6 million. Payables and accruals decreased by S$4.7 million, mainly due to more prompt settlements of payables.

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 ("2005 Code") issued on 14 July 2005.

The Company is reviewing the recent revisions to the 2005 Code as approved by the Monetary Authority of Singapore on 2 May 2012 ("2012 Code") and will take steps, where applicable, to comply with the 2012 Code, which is effective from the financial year commencing on or after 1 November 2012.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1

The board of directors ("Board") oversees the business affairs of the Company and its subsidiaries (collectively, the "Group"). Each director is expected to act in good faith and objectively take decisions in the interests of the Company and the Group. The principal functions of the Board include the approval of appointment of directors and succession planning process; the setting of strategic plans; the approval of material investments, divestments and funding for the Company and the Group; overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance; being responsible for corporate governance practices; dealing with matters such as conflict of interest issues relating to substantial shareholders or directors or interested person transactions or those transactions or matters which require Board's approval under the provisions of the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST") or any applicable regulations as well as reviewing the performance of management and the financial performance of the Company and the Group. The Company and the Group have in place internal guidelines for financial authorisation and approval limits relating to capital and operating expenditure and specified transactions.

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"). On 13 August 2012, the Company established the Risk Management Committee ("RMC"). The AC, NC, RC and RMC have each adopted their own terms of reference.

REPORT ON CORPORATE GOVERNANCE

The number of Board and the Board Committees meetings held during the financial year ended 31 December 2012 and the attendances of the directors of these meetings are set out below:

	Number of meetings attended in 2012				
	Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee	Risk Management Committee(1)
Meetings held in 2012	**6**	**5**	**3**	**1**	**2**
Name of Director					
Michael Sumarijanto Soegijono	5	NA	NA	NA	NA
Low Yi Ngo	**6**	**NA**	**NA**	**NA**	**2**
Chang Szie Hou(2)	3	NA	NA	NA	NA
Lee Kwong Foo, Edward	**5**	**NA**	**3**	**1**	**NA**
Liow Keng Teck	6	5	2	NA	2
Choo Hsun Yang	**6**	**5**	**3**	**1**	**2**
Hirochika Shinohara(3)	5	NA	–	–	NA
Thia Peng Heok, George(4)	**4**	**2**	**2**	**NA**	**NA**
Chew Eng Soo(5)	2	2	NA	NA	2
Oliver Khaw Kar Heng(6)	**NA**	**NA**	**NA**	**NA**	**NA**

(1) The Risk Management Committee was established on 13 August 2012.
(2) Appointed as Director on 30 April 2012.
(3) Appointed as Director and NC member on 27 February 2012. Appointed as RC Chairman on 13 August 2012.
(4) Resigned as Director on 30 June 2012.
(5) Appointed as Director on 1 July 2012. Appointed as AC member on 13 July 2012 and Chairman of RMC on 13 August 2012.
(6) Appointed as Director on 11 March 2013.
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, directors often make themselves available and accessible to management for discussion and consultation. The Board and Board committees may also make decisions by way of circulating resolutions.

REPORT ON CORPORATE GOVERNANCE

Board Composition and Balance
Principle 2

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

Name of Director	Board	Board Committee	Date of appointment	Date of last re-election
Michael Sumarijanto Soegijono	Non-Executive Non-Independent Chairman	None	10 September 2006	30 April 2012
Low Yi Ngo	**Executive Director, CEO and Managing Director**	**Member of RMC**	**28 November 2011 (Appointed as Non-Executive Director on 10 September 2006)**	**23 April 2010**
Chang Szie Hou	Executive Director	None	30 April 2012	Not applicable
Lee Kwong Foo, Edward	**Non-Executive Non-Independent Director**	**Members of NC and RC**	**10 September 2006**	**23 April 2010**
Liow Keng Teck	Independent Director	Chairman of AC, Members of RC and RMC	10 September 2006	30 April 2012
Choo Hsun Yang	**Independent Director**	**Chairman of NC, Members of AC, RC and RMC**	**26 July 2011**	**30 April 2012**
Hirochika Shinohara	Independent Director	Chairman of RC and Member of NC	27 February 2012	30 April 2012
Chew Eng Soo	**Independent Director**	**Chairman of RMC and Member of AC**	**1 July 2012**	**Not applicable**
Oliver Khaw Kar Heng	Non-Executive Non-Independent Director	–	11 March 2013	Not applicable



REPORT ON CORPORATE GOVERNANCE

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. Mr Oliver Khaw Kar Heng is the Head of Legal/Senior Foreign Counsel of PT Bayan Resources Tbk. Although PT Bayan Resources Tbk and PT Dermaga Perkasapratama are related to the controlling shareholder of the Company, Dato' Dr. Low Tuck Kwong, these three 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 three directors are not to be considered independent. Mr Low Yi Ngo, the Chief Executive Officer and Managing Director of the Company, is the son of the controlling shareholder. The four independent directors on the Board are Mr Liow Keng Teck, Mr Choo Hsun Yang, Mr Hirochika Shinohara and Mr Chew Eng Soo.

The Board comprises members who have extensive experience in public service, banking, accounting, financial services, engineering and construction and legal sectors. The composition of the Board is well-balanced. The profiles of the directors are set out on pages 4 to 5 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 judgement in the interest of the Company and the Group. 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 judgement 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 and the Group'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.

REPORT ON CORPORATE GOVERNANCE

Board Membership
Principle 4

The members of the NC as 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 shareholders 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 the Group. Visits are arranged for non-executive directors to acquaint themselves with the Group's major overseas operations. All directors are provided with a Directors' Handbook, which includes coverage of directors' duties and responsibilities and the related requirements under the Singapore Companies Act, Chapter 50 (the "Act"), SGX-ST's Listing Manual and the Codes of Corporate Governance (2005 and 2012). On an on-going basis, the Company updates the directors regarding developments in new laws and regulations or changes in regulatory requirements and financial reporting standards or corporate governance practices or news articles which are relevant to or may affect the businesses of the Company and the Group. In addition, the Company encourages the directors to be members of the Singapore Institute of Directors ("SID"), and for them to receive journal updates and training from SID, as well as to attend relevant courses and seminars, so that they can stay abreast and be apprised of developments in the financial, legal and regulatory requirements and the business environment.

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.

REPORT ON CORPORATE GOVERNANCE

Pursuant to the Company's Articles of Association, a director appointed during the financial year may hold office until the next annual general meeting ("AGM") following their appointment and will be eligible for re-election. In addition, directors of or over 70 years of age are required to be appointed every year at the AGM pursuant to Section 153 of the Act before they can continue to act as a director. 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 shareholder. 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 based 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 matters.

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

Management, including the executive directors, keeps the Board apprised of the Group's operations and performance through updates and reports as well as through informal discussions. Prior to the meetings of the Board or Board Committees, directors are provided, where appropriate, with management information to enable them to be prepared for the meetings. On an on-going basis, all Board members 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. The Board is also provided with updates on the relevant new legislation, regulations and changing commercial risks in the Company's and the Group's operating environment through regular meetings.

REPORT ON CORPORATE GOVERNANCE

REMUNERATION MATTERS

Procedures for Development of Remuneration Policies
Principle 7

Level and Mix of Remuneration
Principle 8

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

Hirochika Shinohara	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.



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 and the Group. It believes the remuneration level should be competitive and sufficient to attract, retain and motivate the executive directors. In the prior 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 Chief Executive Officer and Managing Director and Executive Director are appointed for a term of 3 years and 1 year, respectively, from their date of 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.

REPORT ON CORPORATE GOVERNANCE



Disclosure of Remuneration
Principle 9

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

(a) The table below shows a breakdown (in percentage terms) of the average remuneration of directors, which fall within broad bands, for the financial year ended 31 December 2012:

Directors of the Company	Salary %	Bonus %	Allowance %	Director's fee %
S$250,000 – S$600,000:				
Low Yi Ngo	**80.0**	**6.7**	**13.3**	**–**
Below S$250,000:				
Chang Szie Hou *(Appointed on 30 April 2012)*	**88.9**	**11.1**	**–**	**–**
Lee Kok Choy *(Resigned on 30 April 2012)*	100.0	–	–	–
Michael Sumarijanto Soegijono	**–**	**–**	**–**	**100.0**
Lee Kwong Foo, Edward	–	–	–	100.0
Liow Keng Teck	**–**	**–**	**–**	**100.0**
Choo Hsun Yang	–	–	–	100.0
Hirochika Shinohara *(Appointed on 27 February 2012)*	**–**	**–**	**–**	**100.0**
Chew Eng Soo *(Appointed on 1 July 2012)*	–	–	–	100.0
Thia Peng Heok, George *(Resigned on 30 June 2012)*	**–**	**–**	**–**	**100.0**
Tjio Kay Loen *(Resigned on 1 February 2012)*	–	–	–	100.0

(b) Remuneration of the top five key executive officers (who are not directors) for the financial year ended 31 December 2012 is as follows:

Below S$250,000	**Lee Hui Gek** **Lim Kok Shiang, Sean** **Tan Soon Yun** **Xia Ya Hui** **Leong Keng Woo** *(Left on 2 October 2012)*

There is no immediate family member (as defined in the Listing Manual of SGX-ST) of a director or the Chief Executive Officer in the employ of the Company whose annual remuneration exceeds S$150,000 during the financial year ended 31 December 2012.

REPORT ON CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10

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

For effective monitoring of the Group's business and affairs, management and financial information are provided to the Board for review at the quarterly Board meetings. This information includes disclosure documents, quarterly results, forecasts for profit and cash flow, working capital and funding levels, compared to approved budgets and the corresponding prior financial periods' results, where applicable. In addition, the Company adopts a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from management.

Audit Committee

Principle 11

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

Liow Keng Teck	Chairman
Choo Hsun Yang	Member
Chew Eng Soo	Member

All AC members are independent directors. Mr Liow Keng Teck has the requisite operational and practical financial management expertise and experience to chair the AC. Both Mr Choo Hsun Yang and Mr Chew Eng Soo 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 internal and external auditors of the Company and reviewing the internal auditor's evaluation of the adequacy of the Company's and Group's system of internal controls and the assistance given by the Company's and Group's management to the internal and external auditors;

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

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

(d) reviewing the effectiveness of the Company's and Group's material internal controls, including financial, operational and compliance controls and risk management policies;

REPORT ON CORPORATE GOVERNANCE

(e) meeting with the internal and external auditors, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

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

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

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

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

(j) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor and reviewing the scope and results of the audit;

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

(l) reviewing interested person transactions in accordance with the requirements of SGX-ST's Listing Manual.

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 auditor. In discharging its duties, the AC may seek independent advice at the expense of the Company.

The AC met with both the internal and external auditors without the presence of management and reviewed the overall scope of the internal and external audits and assistance given by management to both the internal and external auditors. During the financial year ended 31 December 2012, an amount of S$19,000 was paid to the Company's external auditor 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 auditor.

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

In appointing the auditing firms for the Company and its subsidiaries, we have complied with Rules 712 and 715 of the Listing Manual of SGX-ST.

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.

REPORT ON CORPORATE GOVERNANCE

Internal Controls
Principle 12

The Group continues to reinforce its internal controls which address financial, operational and compliance risks designed to provide reasonable assurance with regard to the keeping of proper accounting records, integrity and reliability of its financial information, and safeguarding the Group's assets. Under the new management team, it has further strengthened its human resources to support the internal control review initiatives and to implement revised policies and procedures.

The AC annually evaluates the findings of the internal auditor on the internal controls. In addition, it also evaluates the observations and recommendations by the external auditor on any material internal control weaknesses which have come to its attention in the course of its statutory audit. On an ad-hoc basis as warranted by particular circumstances, the AC may commission professional independent reviews of the operations of the Company and its subsidiaries (the "Group") and evaluates the results of such professional independent reviews. The evaluation assists the Board in developing policies that enhances the controls and operating systems of the Company and the Group.

During the financial year ended 31 December 2011, the AC had commissioned KPMG Services Pte. Ltd. ("KPMG") to carry out an independent review of certain transactions relating to its subsidiary, PT. Aneka Samudera Lintas. KPMG had issued its report to the AC on 12 April 2012. The Company had, on 8 May 2012, announced a summary of the findings by KPMG.

During the financial year ended 31 December 2012, the AC had commissioned KPMG to carry out an independent review of the operations of its subsidiary, Manhattan Resources (Ningbo) Property Limited. The Company will make the relevant announcement in due course.

In line with the 2012 Code, the Board has established the RMC on 13 August 2012 to assist the Board in the oversight of risk management together with the AC. The RMC's responsibilities include reviewing the appropriateness of framework and policies for managing risks; setting the risk appetite of the Company and the Group; reviewing key risks identified at business unit levels and their related risk treatment plans.

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

Chew Eng Soo	Chairman
Liow Keng Teck	Member
Choo Hsun Yang	Member
Low Yi Ngo	Member

REPORT ON CORPORATE GOVERNANCE

Management has also implemented a formalised risk management framework, under the guidance of RMC, for the identification, treatment, monitoring and reporting of risks. A risk self-assessment exercise was conducted at business unit level and a risk register with risk treatment plans was identified. Arising from these risk management activities, the Company and the Group have adopted a set of more stream-lined and comprehensive guidelines for approval limits and delegation of authorities, investment approval and documentation requirements, as well as project status reporting. The RMC and the Board are not aware of any significant matter which suggests that key risks are not being satisfactorily managed.

The Group's financial risk management objectives and policies are discussed further in Note 30 to the financial statements.

Based on the internal controls established and maintained by the Company and the Group, the work performed by the internal auditors and statutory audits by the external auditors, the ad-hoc professional independent reviews, and reviews performed by management, Board Committees and the Board, it is the opinion of the Board, AC and RMC that the internal controls put in place, which address the financial, operational and compliance risks, are generally adequate in meeting the current scopes of the Group's operations in the prevailing business environment in all material aspects. However, the Board acknowledges that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, losses, fraud or other irregularities.

The Board will continually review and improve the internal controls and risk management systems of the Company and the Group on an on-going 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 the Group's assets and to ensure that such control procedures are continuously complied with. The internal auditor reports to the AC. During the financial year ended 31 December 2012, the outsourced internal audit function has carried out internal audit in accordance with the internal audit plan approved by the AC. The AC has reviewed and discussed the findings from internal audit with the internal auditor.

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.

REPORT ON CORPORATE GOVERNANCE

The chairpersons of Board Committees 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 auditor's 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, in accordance with the Listing Manual of SGX-ST. Under this policy, directors and officers are prohibited from dealing in the securities of the Company (i) on short-term considerations, (ii) 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 ("blackout period"), and (iii) when they are in possession of unpublished price-sensitive information.

In addition, two weeks before the release of the Company's quarterly financial results for the first three quarters and one month before the release of the Company's full-year financial results, an email is sent to the Company's and Group's directors and employees reminding them of the blackout period; and prohibition to trade any time they are in possession of unpublished material price-sensitive information and on short-term considerations.

Interested Person Transactions ("IPTs")

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the SGX-ST 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	
	2012	**2011**
Manhattan Investments Pte Ltd		
Lease of office premises	154	144

Pursuant to Rule 906 of the Listing Manual of SGX-ST, 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 2012, PT. Aneka Samudera Lintas had charged a total fee and fuel oil costs reimbursement of S$25,589,000 under the agreement.

CONCLUSION

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

DIRECTORS' REPORT

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 2012.

1. DIRECTORS

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

Low Yi Ngo	
Chang Szie Hou	(Appointed on 30 April 2012)
Michael Sumarijanto Soegijono	
Lee Kwong Foo, Edward	
Liow Keng Teck	
Choo Hsun Yang	
Hirochika Shinohara	(Appointed on 27 February 2012)
Chew Eng Soo	(Appointed on 1 July 2012)
Oliver Khaw Kar Heng	(Appointed on 11 March 2013)

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 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 and share options 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				
Liow Keng Teck	1,392,000	1,392,000	–	–
Options				
Michael Sumarijanto Soegijono	250,000	250,000	–	–
Lee Kwong Fook, Edward	250,000	250,000	–	–
Liow Keng Teck	250,000	250,000	–	–

DIRECTORS' REPORT

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

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2013.

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 2013.

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 2012 are as follows:

Expiry date	Exercise price (S$)	Number of options
23 February 2019	0.48	780,000

DIRECTORS' REPORT

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

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 the financial year	Aggregate options granted since commencement of the plan to end of financial year	Aggregate options exercised since commencement of the plan to end of financial year	Aggregate options outstanding at end of financial year
Michael Sumarijanto Soegijono	–	250,000	–	250,000
Lee Kwong Fook, Edward	–	250,000	–	250,000
Liow Keng Teck	–	250,000	–	250,000
Total	–	750,000	–	750,000



These options are exercisable between the period 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;
- 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. AUDIT COMMITTEE

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

7. AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors,

Low Yi Ngo
Director

Chang Szie Hou
Director

5 April 2013

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 201(15)

We, Low Yi Ngo and Chang Szie Hou, 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 2012, 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	Chang Szie Hou
Director	Director

5 April 2013

INDEPENDENT AUDITOR'S 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 27 to 101, which comprise the balance sheets of the Group and the Company as at 31 December 2012, 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.



Auditor's 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 2012 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore
5 April 2013

BALANCE SHEETS

AS AT 31 DECEMBER 2012

	Note	Group		Company	
		2012 $'000	2011 $'000	2012 $'000	2011 $'000
Non-current assets					
Property, plant and equipment	3	25,573	29,822	57	50
Investment properties	4	3,400	3,400	3,400	3,400
Development property	5	22,259	21,977	–	–
Intangibles	6	–	–	–	–
Interests in subsidiaries	7	–	–	70,371	76,517
Interests in joint venture company	9	1,852	1,991	–	–
		53,084	57,190	73,828	79,967
Current assets					
Inventories	10	–	1,946	–	–
Trade and other receivables	11	14,011	21,810	109	236
Prepayments	12	7,071	94	10	18
Due from subsidiaries (trade)	13	–	–	–	–
Due from subsidiaries (non-trade)	14(a)	–	–	2,085	–
Loan to subsidiary company	14(b)	–	–	–	–
Derivatives	15	–	–	–	–
Pledged fixed deposit	16	38	38	38	38
Cash and cash equivalents	16	72,376	82,331	24,348	32,761
		93,496	106,219	26,590	33,053
Current liabilities					
Payables and accruals	17	(23,078)	(27,850)	(1,628)	(917)
Due to subsidiaries (non-trade)	14(a)	–	–	–	(2,357)
Advance from joint venture company	18	(750)	(750)	(750)	(750)
Income tax payable		(83)	(4)	–	–
		(23,911)	(28,604)	(2,378)	(4,024)
Net current assets		69,585	77,615	24,212	29,029
Deferred tax liabilities	24	(14)	(24)	(14)	(14)
Net assets		122,655	134,781	98,026	108,982
Equity					
Share capital	19	163,614	163,239	163,614	163,239
Accumulated losses		(54,583)	(44,753)	(65,799)	(55,429)
Other reserve		(320)	(320)	–	–
Foreign currency translation reserve		(8,562)	(5,656)	–	–
Acquisition revaluation reserve		5,392	5,392	–	–
Employee share option reserve		211	1,267	211	1,172
Equity attributable to equity holders of the Company		105,752	119,169	98,026	108,982
Non-controlling interests		16,903	15,612	–	–
Total equity		122,655	134,781	98,026	108,982



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 2012

		Group	
	Note	**2012**	**2011**
		$'000	**$'000**
Revenue	20	21,404	25,514
Other income	21	2,219	1,721
Employee benefits expenses	22	(4,555)	(4,499)
Depreciation of property, plant and equipment	3	(4,998)	(3,819)
Other expenses	23	(23,676)	(23,476)
Share of results of joint venture company, net of tax	9	(19)	(256)
Loss before tax from continuing operations		(9,625)	(4,815)
Income tax expense	24	(82)	(35)
Loss from continuing operations, net of tax		(9,707)	(4,850)
Loss from discontinued operations, net of tax	8	(2,385)	(10,182)
Loss for the financial year		(12,092)	(15,032)
Loss attributable to:			
Equity holders of the Company –			
Loss from continuing operations, net of tax		(9,926)	(3,756)
Loss from discontinued operations, net of tax		(730)	(7,680)
		(10,656)	(11,436)
Non-controlling interests –			
Profit/(loss) from continuing operations, net of tax		219	(1,094)
Loss from discontinued operations, net of tax		(1,655)	(2,502)
		(1,436)	(3,596)
Loss for the financial year		(12,092)	(15,032)
Loss per share (cents) from continuing operations attributable to equity holders of the Company	25(a)		
– Basic		(1.96)	(0.78)
– Diluted		(1.96)	(0.77)
Loss per share (cents) attributable to equity holders of the Company	25(b)		
– Basic		(2.10)	(2.37)
– Diluted		(2.10)	(2.36)

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 2012

	Group	
	2012	**2011**
	$'000	**$'000**
Loss net of tax	(12,092)	(15,032)
Other comprehensive income:		
Foreign currency translation reserve	(2,401)	4,812
Other comprehensive income for the financial year, net of tax	(2,401)	4,812
Total comprehensive income for the financial year	(14,493)	(10,220)
Total comprehensive income attributable to:		
Equity holders of the Company from:		
– Continuing operations	(12,449)	(8,913)
– Discontinued operations	(948)	41
	(13,397)	(8,872)
Non-controlling interests from:		
– Continuing operations	588	(1,398)
– Discontinued operations	(1,684)	50
	(1,096)	(1,348)
	(14,493)	(10,220)

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 2012

Group	Total attributable to equity holders of the Company								
	Share capital $'000	Accumulated (losses)/ profit $'000	Other reserve $'000	Foreign currency translation reserve[1] $'000	Acquisition revaluation reserve[2] $'000	Employee share option reserve[3] $'000	Total $'000	Non-controlling interests $'000	Total Equity $'000
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 and 1 January 2012	163,239	(44,753)	(320)	(5,656)	5,392	1,267	119,169	15,612	134,781
Loss net of tax	–	(10,656)	–	–	–	–	(10,656)	(1,436)	(12,092)
Other comprehensive income for the financial year	–	–	–	(2,741)	–	–	(2,741)	340	(2,401)
Total comprehensive income for the financial year	–	(10,656)	–	(2,741)	–	–	(13,397)	(1,096)	(14,493)
Forfeiture of employee share options	–	826	–	–	–	(826)	–	–	–
Shares issued upon exercise of share options	240	–	–	–	–	–	240	–	240
Transfer of share option reserve to share capital upon exercise of share options	135	–	–	–	–	(135)	–	–	–
Dilution of shareholding interest in investment (Note 8)	–	–	–	(165)	–	(95)	(260)	2,387	2,127
At 31 December 2012	163,614	(54,583)	(320)	(8,562)	5,392	211	105,752	16,903	122,655

(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 22). 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 2012

Company	Total attributable to equity holders of the Company			
	Share capital	Accumulated losses	Employee share option reserve	Total
	$'000	$'000	$'000	$'000
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
At 1 January 2012	163,239	(55,429)	1,172	108,982
Loss net of tax	–	(11,196)	–	(11,196)
Shares issued upon exercise of share options	240	–	–	240
Transfer of share option reserve to share capital upon exercise of share options	135	–	(135)	–
Forfeiture of employee share options	–	826	(826)	–
At 31 December 2012	163,614	(65,799)	211	98,026

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 2012



	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Loss before tax from continuing operations		(9,625)	(4,815)
Loss before tax from discontinued operations		(2,385)	(10,182)
Loss before tax		(12,010)	(14,997)
Adjustments:			
Depreciation of property, plant and equipment	3	5,070	3,914
Net gain on disposal of property, plant and equipment		(481)	–
Unrealised foreign exchange differences		(1,418)	4,646
Interest income		(1,142)	(462)
Share of results of joint venture company		19	256
Impairment loss on investment	8	3,909	–
Impairment loss of goodwill	6	–	6,082
Allowance for stock obsolescence	10	–	466
Inventories written down	10	–	528
Finance costs		–	144
Grant of equity-settled share options		–	95
Net gain on fair value adjustment of investment properties	4	–	(1,220)
Operating cash flows before working capital changes		(6,053)	(548)
Decrease/(increase) in inventories		607	(1,067)
Decrease/(increase) in trade and other receivables		5,025	(1,255)
(Increase)/decrease in prepayments		(7,023)	343
(Decrease)/increase in payables and accruals		(1,604)	11,552
Increase in intangibles		(14)	–
Cash flows (used in)/from operations		(9,062)	9,025
Interest received		1,142	591
Interest paid		–	(144)
Income tax paid, net		–	(31)
Net cash flows (used in)/from operating activities		(7,920)	9,441
Cash flows used in investing activities			
Net cash outflow on acquisition of a subsidiary	7	–	(6,140)
Purchase of property, plant and equipment		(4,029)	(1,167)
Development property in progress		(365)	(21,977)
Effect of dilution of investment on cash flows	8	(204)	–
Proceeds from disposal of property, plant and equipment		520	–
Repayment by other debtors		–	1,897
Advances to joint venture company		–	(36)
Dividends received from a joint venture company	9	–	903
Net cash flows used in investing activities		(4,078)	(26,520)
Cash flows from financing activities			
Shares issued upon exercise of share options		240	–
Proceeds from issue of new ordinary shares upon exercise of warrants		–	32,408
Distribution of capital to non-controlling interests on liquidation of subsidiary		–	(3,174)
Proceeds from capital contribution by non-controlling interests		–	16,800
Net cash flows from financing activities		240	46,034
Net (decrease)/increase in cash and cash equivalents		(11,758)	28,955
Effect of exchange rate changes on cash and cash equivalents		1,803	(500)
Cash and cash equivalents at beginning of financial year		82,331	53,876
Cash and cash equivalents at end of financial year	16	72,376	82,331

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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 and principal place of business 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 that are effective for annual periods beginning on or after 1 January 2012. 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 in the financial year ended 31 December 2012. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

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



Description	*Effective for annual periods beginning on or after*
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurement*	1 January 2013
Amendments to FRS 107 *Disclosures*	
– *Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012	
– Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
– Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
– Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Disclosures*	
– *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

Except for the Amendments to Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112, the directors expect that the adoption of the other standards 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.

<u>Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

FRS 111 *Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures* are effective for financial periods beginning on or after 1 January 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have rights to the assets and obligations for the liabilities 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 does not expect any impact on its financial statements as the Group currently applies equity accounting for its investment in a joint venture company.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is effective for financial periods beginning on or after 1 January 2014.

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. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

2.4 Significant accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, 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 require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant accounting estimates and judgments (cont'd)

(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. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(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 11, 13, 14 and 16 to the financial statements.

(ii) ***Impairment assessment of the investment in joint venture company***

The Group's investment in joint venture company at 31 December 2012 stood at $1,852,000 (2011: $1,991,000).

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 9 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 judgment 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 deferred tax asset attributable to tax losses at 31 December 2012 and the unrecognised tax losses at 31 December 2012 are disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant accounting estimates and judgments (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 (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 2012 was approximately $25,017,000 (2010: $27,974,000).

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant accounting estimates and judgments (cont'd)

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

(iii) ***Asset held for sale***

In the second quarter of 2012, the Board decided to divest the investment in Eco Building Products, Inc. ("EcoB"). Accordingly, the Company ceased accounting for EcoB's results, and reclassified the investment as held for sale and carried in the balance sheet at the lower of the carrying amount and fair value less cost to sell of $3,909,000. Management has performed an impairment review and based on the assessment of EcoB's historical and current performance, and the estimated value and probability of future cash flows, an impairment loss of $3,909,000 was recognised for the financial year ended 31 December 2012.

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

In the prior financial year ended 31 December 2011, the Group recorded an impairment charge on the derivative asset arising from the fair valuation of warrants received from EcoB, in consideration of the grant of a loan facility to EcoB (Note 15). In making this judgment, the Group has considered, among other factors, EcoB'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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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)

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.

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.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

– Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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 prior to 1 January 2010 (cont'd)

– Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

– Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

(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.

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 remeasured until it is finally settled within equity.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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



2.7 Joint venture companies

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

Investments in joint venture companies are stated in the Company's balance sheet at cost less any impairment losses. In the Group's financial statements, they are accounted for using the equity method of accounting. Under the equity method, the investments in joint venture companies are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture companies. Goodwill 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Joint venture companies (cont'd)

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.

2.8 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Foreign currency (cont'd)

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

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

(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.

2.9 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

The capitalised assets of overhaul and dry-docking are recorded as an additional cost of tug boats and barges and the costs are depreciated over the period up to the next scheduled overhaul and dry-docking. Any remaining carrying amount of the cost of the previous overhaul and dry-docking is derecognised and charged to current year's profit or loss.

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	–	15 years
Leasehold improvements	–	shorter of 5 years or lease terms
Machinery and equipment	–	5 – 7 years
Furniture, fittings and office equipment	–	3 – 5 years
Motor vehicles	–	5 – 8 years
Computers	–	1 – 3 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Intangible assets (cont'd)

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

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

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

Goodwill and fair value adjustments 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Intangible assets (cont'd)

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

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

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

2.12 Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

2.13 Financial assets



Financial assets are recognised 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial assets (cont'd)

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 each reporting date whether there is any objective evidence that a financial asset is impaired.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Impairment of financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

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.

2.15 Cash and cash equivalents

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 the end of each reporting period 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.

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Employee benefits (cont'd)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Employee benefits (cont'd)

(d) ***Termination benefits***

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after end of the reporting period are discounted to present value.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Leases (cont'd)

(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:

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.



(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Taxes (cont'd)

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Related parties (cont'd)

(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;

(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 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Non-current assets held for sale and discontinued operations (cont'd)

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, 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.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

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.

NOTES TO THE FINANCIAL STATEMENTS

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3. PROPERTY, PLANT AND EQUIPMENT

Group	Vessels $'000	Leasehold improvements $'000	Machinery and equipment $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Computers $'000	Total $'000
Cost							
At 1 January 2011	40,028	–	–	170	65	63	40,326
Additions	–	632	338	95	72	30	1,167
Acquisition of subsidiary (Note 7)	–	119	766	33	41	90	1,049
Exchange differences	409	10	(174)	(4)	4	8	253
At 31 December 2011 and 1 January 2012	40,437	761	930	294	182	191	42,795
Additions	3,572	85	225	94	–	53	4,029
Disposal	(428)	–	–	(7)	–	–	(435)
Written off	–	–	–	(4)	–	–	(4)
Dilution of shareholding interest in investment (Note 8)	–	(323)	(1,121)	(107)	(84)	(109)	(1,744)
Reclassification	(12)	–	–	–	12	–	–
Exchange differences	(2,235)	(35)	(34)	(8)	(10)	(5)	(2,327)
At 31 December 2012	41,334	488	–	262	100	130	42,314
Accumulated depreciation							
At 1 January 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 (Note 7)	–	23	102	6	1	3	135
Exchange differences	224	3	12	2	–	2	243
At 31 December 2011 and 1 January 2012	12,463	34	166	150	69	91	12,973
Depreciation charge for the financial year	4,831	110	36	52	23	18	5,070
Disposal	(394)	–	–	(2)	–	–	(396)
Written off	–	–	–	(1)	–	–	(1)
Dilution of shareholding interest in investment (Note 8)	–	(39)	(197)	(22)	(17)	(34)	(309)
Reclassification	(2)	–	–	–	2	–	–
Exchange differences	(581)	(3)	(5)	(2)	(4)	(1)	(596)
At 31 December 2012	16,317	102	–	175	73	74	16,741
Net book value							
At 31 December 2012	25,017	386	–	87	27	56	25,573
At 31 December 2011	27,974	727	764	144	113	100	29,822

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

Company	Leasehold improvements $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Computers $'000	Total $'000
Cost					
At 1 January 2011	–	137	6	62	205
Additions	–	22	–	16	38
At 31 December 2011 and 1 January 2012	–	159	6	78	243
Additions	17	1	–	23	41
Disposals	–	(7)	–	–	(7)
At 31 December 2012	17	153	6	101	277
Accumulated depreciation					
At 1 January 2011	–	113	6	57	176
Depreciation charge for the financial year	–	10	–	7	17
At 31 December 2011 and 1 January 2012	–	123	6	64	193
Depreciation charge for the financial year	8	10	–	11	29
Disposals	–	(2)	–	–	(2)
At 31 December 2012	8	131	6	75	220
Net book value					
At 31 December 2012	9	22	–	26	57
At 31 December 2011	–	36	–	14	50



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. INVESTMENT PROPERTIES

	Group and Company	
	2012	2011
	$'000	$'000
Balance sheet:		
At 1 January	3,400	2,180
Net gain on fair value adjustment of investment properties	–	1,220
At 31 December	3,400	3,400

	Group	
	2012	2011
	$'000	$'000
Income statement:		
Rental income from investment properties		
– Minimum lease payments	182	157
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	(51)	(50)

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2012 and 31 December 2011. 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 2012 and 2011, 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 2012 and 2011 are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

5. DEVELOPMENT PROPERTY

	Group	
	2012	**2011**
	$'000	**$'000**
At 1 January	21,977	–
Capital expenditure	1,338	21,581
Exchange differences	(1,056)	396
At 31 December	22,259	21,977

During the financial year, the amounts capitalised were as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Land use rights	–	20,410
Land use costs, taxes, dues	1,169	930
Development costs	169	241
	1,338	21,581

In the prior financial year ended 31 December 2011, the Group had 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 the development of a mixed use property. The tenure of the land use term is 40 years commencing from August 2011.

6. INTANGIBLES

Goodwill arose from the acquisition of Eco Building Products, Inc. ("EcoB") in the prior financial year ended 31 December 2011. Management had performed an impairment test and having regard to EcoB's losses, and the uncertainty of any future recovery, an impairment loss of $6,082,000 was recognised for the financial year ended 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

7. INTERESTS IN SUBSIDIARIES

	Company	
	2012	**2011**
	$'000	**$'000**
Shares:		
Unquoted equity shares, at cost	76,517	83,453
Less: Impairment loss	(6,146)	(6,936)
Investments in subsidiaries	70,371	76,517
Loans:		
At 1 January	16,318	–
Transferred from joint venture	–	17,702
Additional loan during the financial year	21	3,154
Less: Repayment from subsidiary	–	(4,538)
At 31 December	16,339	16,318
Allowance for impairment of loans:		
At 1 January	(16,318)	–
Transfer from joint venture	–	(17,702)
Write back due to repayment	–	4,538
Impairment allowance during the financial year	(21)	(3,154)
At 31 December	(16,339)	(16,318)
	70,371	76,517

During the financial year ended 31 December 2011, loans amounting to $17,702,000 were given to a subsidiary when it was previously a joint venture investment.

The Company had made an allowance for impairment of $3,154,000 in the prior financial year on 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 ended 31 December 2011. The subsidiary repaid $4,538,000 of the loans in the prior financial year, resulting in a write-back of allowance of impairment by the same amount.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

7. INTERESTS IN SUBSIDIARIES (CONT'D)

The Company has the following subsidiaries as at 31 December 2012:

Name of subsidiary	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest		Cost of investment by the Company	
			2012 %	2011 %	2012 $'000	2011 $'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	100	4,541	4,541
Manhattan Resources (Ningbo) Property Limited **	Property development	China	51	51	36,492	36,492
Eco Building Products, Inc. ("EcoB") (Note 8)	Manufacturer of proprietary coated lumber products	USA	21.2	45.4	–	6,146
					77,307	83,453



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

7. INTERESTS IN SUBSIDIARIES (CONT'D)



Name of subsidiary	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest 2012 %	2011 %
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	100

* 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

7. INTERESTS IN SUBSIDIARIES (CONT'D)

Manhattan Resources (Ningbo) Property Limited

Manhattan Resources (Ningbo) Property Limited ("MRN") (formerly known as "Manhattan Resources (Ningbo) Realty Co., Ltd") was 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 68.7% of the paid-up capital of MRN as at 31 December 2012 and 31 December 2011. The Company had contributed its share of the remaining capital of approximately US$5,000,000 on 4 January 2013 (Note 29 (c)). However, notwithstanding, in accordance with 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 2012 and 31 December 2011.

Eco Building Products, Inc.

In July 2011, the Company obtained regulatory and shareholders approval to complete the acquisition of the 45.4% 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 had also extended a US$5 million revolving facility ("loan facility") to EcoB (Note 14) 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 would have had a 57.5% equity interest in EcoB.

Under the Singapore Financial Reporting Standard 27, *Consolidated and Separate Financial Statements*, the Company's 45.4% shareholding in EcoB together with its additional potential voting rights in the form of the warrants had presented a reasonable assumption that the Company has the power to exercise control over EcoB through its voting rights, and accordingly, EcoB was accounted for as a subsidiary since the date of acquisition to 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

7. INTERESTS IN 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 $'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 45.4% equity interest acquired (settled in cash)	6,146
Less: Cash and cash equivalents of subsidiary acquired	(6)
Net cash outflow on acquisition	6,140

Impact of the acquisition on profit or loss

From the acquisition date, EcoB had contributed $1,653,000 of revenue and $10,212,000 to the Group's loss in the prior financial year ended 31 December 2011. If the business combination had taken place at the beginning of 2011, 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 $14,433,000.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

8. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In the second quarter of 2012, the Board decided to divest the investment in EcoB. Accordingly, the Company ceased accounting for EcoB's results, and reclassified the investment as held for sale and carried in the balance sheet at the lower of the carrying amount and fair value less cost to sell of $3,909,000.

During the financial year ended 31 December 2012 and through to 12 March 2013, as disclosed in various filings by EcoB with the United States Securities and Exchange Commission ("SEC"), EcoB had purportedly made issuances of shares and convertible securities. In the event that the various purported issuance of shares and convertible securities reported in EcoB's SEC filings, are found to be valid, and no additional shares are issued to the Company by EcoB, then based on EcoB's various filings with the SEC, the Company's shareholding interest in EcoB would have been diluted from approximately 45.4% (or 57.5% assuming the full exercise of warrants held by the Company) on 25 July 2011 and 31 December 2011 to approximately 27.8% (or 38.4% assuming the full exercise of warrants held by the Company) by 30 June 2012 and to 19.8% (or 28.5% assuming the full exercise of warrants held by the Company) by 5 March 2013. Having regard to these developments, the Company considers that it does not have control or the ability to control EcoB as of 30 June 2012.

Management has performed an impairment review and based on the assessment of EcoB's historical and current performance, and the estimated value and probability of future cash flows, an impairment loss of $3,909,000 was recognised in respect of the Group's investment in EcoB for the financial year ended 31 December 2012. The impairment loss has been recognised in profit or loss under "Other expenses". Similarly, an impairment loss of $6,146,000 was recognised in respect of the Company's investment in EcoB in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

8. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

Balance sheet disclosures

The major classes of assets and liabilities of EcoB classified as held for sale and the related reserves as at 31 March 2012 are as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Assets:		
Property, plant and equipment	1,435	–
Intangibles	14	–
Inventories	1,273	–
Trade and other receivables	1,222	–
Prepayments	44	–
Cash	204	–
	4,192	–
Liabilities:		
Payables and accruals	(2,410)	–
Reserves:		
Foreign currency translation reserve	(165)	–
Employee share option reserve	(95)	–
Non-controlling interests	2,387	–
	2,127	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

8. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

Income statement disclosures

	Group	
	2012	**2011**
	$'000	**$'000**
Revenue	1,381	1,653
Interest income	–	25
Cost of sales	(1,106)	(1,506)
Employee benefits expenses	(885)	(1,249)
Depreciation of property, plant and equipment	(72)	(95)
Impairment loss of goodwill	–	(6,082)
Inventories written down	–	(528)
Allowance for stock obsolescence	–	(466)
Other expenses	(1,679)	(1,772)
Finance costs	(24)	(192)
Loss before tax from discontinued operation	(2,385)	(10,212)
Taxation	–	–
Loss from discontinued operation, net of tax	(2,385)	(10,212)



Cash flow statement disclosures

	Group	
	2012	**2011**
	$'000	**$'000**
Operating	(491)	457
Investing	287	(368)
Add: Cash and cash equivalents acquired	–	6
Net cash (outflow) on dilution/Net cash inflow on acquisition	(204)	95

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

8. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

Loss per share disclosures

Loss per share from discontinued operation attributable to equity holders of the Company (cents per share)

	Group	
	2012	**2011**
	$'000	**$'000**
Basic	(0.14)	(1.59)
Diluted	(0.14)	(1.58)

The basic and diluted loss per share from discontinued operation are calculated by dividing the loss from discontinued operation, 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 shares data are presented in the tables in Note 25.



9. INTERESTS IN JOINT VENTURE COMPANY

The Group has 50% (2011: 50%) equity interest in a jointly-controlled entity, Tat Hong Energy Pte. Ltd. ("THE")#. This joint venture company is incorporated in Singapore and its principal activities are those relating to the supply of heavy machinery and equipment and investment holding.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Share of post-acquisition reserves and impairment loss:				
At 1 January	1,991	(1,354)	–	(4,541)
Share of post acquisition results (net of tax)	(19)	(256)	–	–
Share of post-acquisition reserve transferred upon conversion to subsidiary	–	4,541	–	4,541
Share of foreign currency translation reserve	(120)	(37)	–	–
Dividends received from a joint venture company	–	(903)	–	–
At 31 December	1,852	1,991	–	–
Carrying amount of investment	1,852	1,991	–	–

Audited by KPMG LLP, Singapore.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

9. INTERESTS IN JOINT VENTURE COMPANY (CONT'D)

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 has been recognised for the financial years ended 31 December 2012 and 2011.

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 company as at 31 December 2012 and 2011 are as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Assets and liabilities:		
Current assets	1,859	1,935
Non-current assets	–	61
Total assets	1,859	1,996
Current liabilities and total liabilities	(7)	(5)
Results:		
Expenses	(19)	(256)
Net loss	(19)	(256)

10. INVENTORIES

	Group	
	2012	**2011**
	$'000	**$'000**
Balance sheet		
Finished goods: Lumber	–	1,610
Raw materials: Chemicals	–	336
	–	1,946

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

10. INVENTORIES (CONT'D)

	Group 2012 $'000	Group 2011 $'000
Income statement		
Inventories recognised as an expense in cost of building products	–	(942)
Allowance for stock obsolescence	–	(466)
Inventories written down	–	(528)

Inventories in the prior financial year ended 31 December 2011 related to lumber and chemicals held by EcoB which has been deconsolidated in the current financial year ended 31 December 2012 (Note 8).

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade receivables:				
Third parties	4,444	11,295	53	71
Related party	9,571	8,659	–	–
	14,015	19,954	53	71
Less: Allowance for impairment	(3,732)	(3,638)	(34)	(15)
	10,283	16,316	19	56
GST receivable	14	14	14	14
Deposits	3,503	3,690	57	65
Due from related parties	3	304	–	19
Other receivables	31	1,271	19	4
Interest receivables:				
Subsidiary (Note 14)	–	–	–	78
Banks	177	215	–	–
	14,011	21,810	109	236

Trade receivables are non-interest bearing, except for overdue trade receivables from a related party, which is interest bearing at SIBOR + 4% per annum. Trade receivables are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

During the financial year ended 31 December 2012, the Company has provided an impairment loss of $163,660 (2011: Nil) on the interest receivable from EcoB as at 31 March 2012. The Company ceased accounting for the interest receivable from EcoB since the second quarter of the financial year ended 31 December 2012, following the Board's decision to divest the investment and uncertainty over its recovery.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

11. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $6,759,000 (2011: $9,959,000) 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	
	2012	**2011**
	$'000	**$'000**
Lesser than 3 months	3,627	4,680
3 to 6 months	2,202	1,593
6 to 12 months	–	928
Above 12 months	930	2,758
	6,759	9,959

Receivables that are impaired

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

	Group		Company	
	Individually impaired		**Individually impaired**	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables – nominal amounts	3,944	4,139	38	15
Less: Allowance for impairment	(3,732)	(3,638)	(34)	(15)
	212	501	4	–

Movement in allowance accounts:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	(3,638)	(2,800)	(15)	(15)
Charge for the financial year	(279)	(809)	(19)	–
Exchange differences	185	(29)	–	–
At 31 December	(3,732)	(3,638)	(34)	(15)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

11. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are impaired (cont'd)

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. PREPAYMENTS

Prepayments mainly relate to progress payment for the acquisition of vessels in the current financial year ended 31 December 2012.

13. DUE FROM SUBSIDIARIES (TRADE)



Amounts due from subsidiaries (trade) are stated after deducting allowance for doubtful debts of $547,000 (2011: $547,000). In the prior financial year ended 31 December 2011, the Company wrote back an allowance of doubtful debt of $171,000 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.

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

		Company	
		2012	**2011**
		$'000	**$'000**
(a)	Amounts due from subsidiaries	5,773	3,667
	Less: Allowance for impairment	(3,688)	(3,667)
		2,085	–
	Amounts due to subsidiaries	–	(2,357)
(b)	Loan to EcoB	6,111	6,504
	Less: Allowance for impairment	(6,111)	(6,504)
		–	–

(a) Amounts due from/(to) subsidiaries (non-trade) are interest-free, unsecured, to be settled in cash and repayable on demand. During the financial year ended 31 December 2012, the Company provided an allowance of $21,000 for impairment on the amount due from subsidiaries. In the prior financial year ended 31 December 2011, the Company wrote back a net allowance for doubtful debts of $372,000 due to their recovery.

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14. DUE FROM/(TO) SUBSIDIARIES (NON-TRADE) (CONT'D)

(b) In the prior financial year ended 31 December 2011, the Company extended a US$5 million revolving loan facility ("loan facility") over a period of 3 years to EcoB under the terms of the Credit and Warrant Agreement (Note 15). As at 31 December 2011, EcoB had 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 EcoB 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 15.

As at 31 December 2012, based on an assessment of EcoB's historical and current performance, its financial position, and the estimated value and probability of future cash flows, the Company had made an allowance for impairment against the loan receivable of $6,111,000 (2011: $6,504,000). The investment in EcoB was classified as held for sale during the financial year ended 31 December 2012 (Note 8).

15. DERIVATIVES

	Company	
	2012 $'000	2011 $'000
Derivative asset	7,804	7,804
Less: Impairment loss	(7,804)	(7,804)
	–	–

In consideration of the loan facility extended to EcoB in the prior financial year ended 31 December 2011 pursuant to the Credit and Warrant Agreement (Note 14), EcoB issued warrants to the Company for the Company to acquire 50 million new shares in EcoB at US$0.10 per warrant share, 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.

In the prior financial year ended 31 December 2011, based on an assessment of the recoverable amount of the warrants having regard to, among other factors, EcoB'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 against the derivative asset.

Following the Board's decision to divest EcoB, the Company's interest in EcoB has been reclassified to held for sale (Note 8).

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16. CASH AND BANK DEPOSITS

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Pledged fixed deposit	38	38	38	38
Cash at banks and on hand	38,182	56,827	24,348	32,761
Fixed deposits	34,194	25,504	–	–
Cash and cash equivalents	72,376	82,331	24,348	32,761

As at 31 December 2012, fixed deposit amounting to $38,000 (2011: $38,000) has been pledged to a bank for the Group's and the Company's banking facilities.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Fixed deposits are made for varying periods of between six months and twelve months depending on the immediate cash requirements of the Group, and earn interests at the respective fixed deposit rates. The effective interest rates for the financial year ended 31 December 2012 for the Group and the Company ranged from 0.18% to 3.10% (2011: 0.10% to 1.32%) per annum and 0.18% (2011: 0.22%) per annum, respectively.

17. PAYABLES AND ACCRUALS

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade payables	(7,181)	(11,107)	(212)	(133)
Accrued expenses	(4,122)	(3,344)	(1,382)	(683)
Rebates received	(8,347)	(8,759)	–	–
Rental deposits	(32)	(34)	(32)	(14)
Other payables	(3,396)	(4,606)	(2)	(87)
	(23,078)	(27,850)	(1,628)	(917)

Trade and other payables are non-interest bearing. Trade payables are normally settled on an average term of 30 (2011: 30) days, while other payables have an average term of 6 (2011: 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, subject to applicable development regulations and conditions.

18. ADVANCE FROM JOINT VENTURE COMPANY

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

NOTES TO THE FINANCIAL STATEMENTS

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19. SHARE CAPITAL

	Group and Company			
	2012		2011	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid:				
Ordinary shares				
At 1 January	505,990,975	163,239	459,696,515	130,833
Exercise of employee share options (Note 22)	500,000	240	–	–
Transfer of share option reserve to share capital upon exercise of share options	–	135	–	–
Issuance of new shares at $0.70 per share upon exercise of warrants	–	–	46,294,460	32,406
At 31 December	506,490,975	163,614	505,990,975	163,239

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.

During the financial year ended 31 December 2012, the Company issued 500,000 (2011: Nil) new ordinary shares at $0.48 (2011: Nil) each pursuant to an exercise of share options.

In the prior financial year ended 31 December 2011, the Company issued 46,294,460 new ordinary shares at $0.70 each pursuant to an exercise of warrants.

20. REVENUE

	Group	
	2012	2011
	$'000	$'000
Coal transportation income	21,222	24,352
Rental income	182	157
Income from overburden removal	–	1,005
	21,404	25,514

NOTES TO THE FINANCIAL STATEMENTS

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21. OTHER INCOME

	Group	
	2012	2011
	$'000	$'000
Interest income from loans and receivables – fixed deposits	1,142	437
Net gain on disposal of property, plant and equipment	481	–
Write back of trade and other receivables	446	–
Miscellaneous income	150	64
Net gain on fair value adjustment of investment properties	–	1,220
	2,219	1,721

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

	Group	
	2012	2011
	$'000	$'000
Salaries and bonuses	(3,616)	(3,611)
CPF contributions	(132)	(108)
Others	(807)	(780)
	(4,555)	(4,499)

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 2012 and 2011.

NOTES TO THE FINANCIAL STATEMENTS

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22. 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			
	2012		2011	
	No. of options	Exercise price ($)	No. of option	Exercise price ($)
Outstanding at 1 January	4,340,000	0.48	4,340,000	0.48
Exercised	(500,000)	0.48	–	–
Forfeited	(3,060,000)	–	–	–
Outstanding at 31 December	780,000	0.48	4,340,000	0.48
Exercisable at 31 December	780,000	0.48	4,340,000	0.48
Expiry date	23 February 2019		23 February 2019	

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.

NOTES TO THE FINANCIAL STATEMENTS

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23. OTHER EXPENSES

Other expenses included the following:

	Group	
	2012	**2011**
	$'000	**$'000**
Vessel expenses:		
Fuel	(6,619)	(8,445)
Upkeep and maintenance	(3,855)	(3,408)
Agent fees and port handling charges	(1,015)	(1,183)
Certificate, licence and other compliance expenses	(894)	(247)
Other vessel expenses	(1,447)	(2,044)
	(13,830)	(15,327)
Cost of overburden removal	–	(233)
Impairment loss of trade and other receivables	(390)	(2,539)
Loss on liquidation of a subsidiary	–	(293)
Impairment on investment in EcoB	(3,909)	–
Office and other rental expenses	(436)	(378)
Legal and professional fees	(2,804)	(838)
Included in legal and professional fees are the following:		
– Audit fees:		
Auditors of the Company	(149)	(178)
Other auditors	–	(53)
– Non-audit fees:		
Auditors of the Company	(19)	(24)
Foreign exchange loss	(283)	(2,209)

24. INCOME TAX

Major components of income tax expense

Major components of income tax expense for the financial years ended 31 December 2012 and 2011 are:

	Group	
	2012	**2011**
	$'000	**$'000**
Income statement:		
Current income tax – continuing operations:		
Current income taxation	(16)	–
Underprovision in respect of prior financial years	(66)	(35)
Income tax attributable to continuing operations recognised in profit or loss	(82)	(35)

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24. INCOME TAX (CONT'D)

Relationship between tax expense and accounting profit

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

	Group	
	2012	**2011**
	$'000	**$'000**
Loss before tax from continuing operations	(9,625)	(4,815)
Loss before tax from discontinued operations	(2,385)	(10,182)
Accounting loss before tax	(12,010)	(14,997)
Tax benefit at domestic rates applicable to profit in the countries where the Group operates	1,784	1,469
Adjustments:		
Income not subject to taxation	297	3,202
Non-deductible expenses	(2,110)	(4,715)
Utilisation of previously unrecognised deferred tax assets	10	87
Underprovision in respect of prior financial years	(66)	(35)
Share of results of joint venture company	3	(43)
Income tax expense recognised in profit or loss	(82)	(35)

The corporate income tax rate applicable to Singapore companies of the Group was 17% for the year of assessment ("YA") 2013 and YA 2012. The corporate income tax rate applicable to Indonesian companies of the Group was 25% for YA 2013 and YA 2012, except for a subsidiary's vessel charter income which is subjected to a final tax at a rate of 1.20% in YA2013 and YA2012 under the Taxation Laws of Indonesia.

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

Deferred tax

Deferred income tax as at 31 December 2012 and 2011 relate to the following:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax liability:				
Differences in depreciation	(14)	(24)	(14)	(14)

NOTES TO THE FINANCIAL STATEMENTS

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24. INCOME TAX (CONT'D)

Deferred tax (cont'd)

Deferred tax assets not recognised as at 31 December 2012 and 2011 relate to the following:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets:				
Unabsorbed tax losses	6,046	6,056	700	711

Unabsorbed tax losses

As at 31 December 2012, the Group and the Company have unabsorbed tax losses of approximately $26,900,000 (2011: $26,959,000) and $4,120,000 (2011: $4,179,000), 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.

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25. EARNINGS PER SHARE (CONT'D)

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

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	
	2012	**2011**
	$'000	**$'000**
Loss for the financial year attributable to equity holders of the Company	(10,656)	(11,436)
Add back: Loss from discontinued operations, net of tax, attributable to equity holders of the Company	730	7,680
Loss 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	(9,926)	(3,756)

	2012 No. of shares	**2011 No. of shares**
Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the financial year	505,990,975	459,696,515
Weighted average number of shares issued during the financial year	491,803	23,307,481
Weighted average number of ordinary shares for basic earnings per share computation	506,482,778	483,003,996
Effects of dilution:		
Options	715,897	2,493,243
Weighted average number of ordinary shares for diluted earnings per share computation	507,198,675	485,497,239

During the financial year ended 31 December 2012, 500,000 options have been exercised by 2 former directors of the Company who have resigned during the financial year, to acquire new ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

(b) ***Earnings per share computation***

The basic and diluted earnings per share are calculated by dividing the loss for the financial year attributable to equity holders of the Company of $10,656,000 (2011: $11,436,000) 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).

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26. RELATED PARTY DISCLOSURES

(a) ***Remuneration of directors and executive officers***

	Group 2012 $'000	Group 2011 $'000
Directors' remuneration (including directors' fees):		
Salaries and bonus	(678)	(888)
Fees	(244)	(258)
CPF contributions	(21)	(14)
Other benefits	(60)	–
	(1,003)	(1,160)
Executive officers' remuneration:		
Salaries and bonus	(528)	(816)
CPF contributions	(42)	(45)
Other benefits	(4)	(12)
	(574)	(873)
	(1,577)	(2,033)

Directors' interest in share option plan

During the financial years ended 31 December 2012 and 31 December 2011, 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 during the financial year, took place at terms agreed between the parties, which were made at terms equivalent to those prevailing in arm's length transactions with third parties.

	Group 2012 $'000	Group 2011 $'000
Related parties		
– Coal transportation income[1]	20,139	19,102
– Fuel oil costs reimbursement[1]	5,450	4,058
– Commercial property lease expense[2]	(154)	(144)

Note:

(1) On 25 September 2009, shareholders of the Company have approved an agreement entered into by the Company's subsidiary, PT. Aneka Samudera Lintas, for the provision of coal carrying services to PT Muji Lines ("Muji Lines"). The agreement shall expire in five years from 1 October 2009. Muji Lines is wholly owned by PT Bayan Resources Tbk ("Bayan Resources"). Dato' Dr. Low Tuck Kwong is a controlling shareholder of both the Company and Bayan Resources.

(2) The Company leases its office premises from Manhattan Investments Pte Ltd, a substantial shareholder, whose controlling shareholder is Dato' Dr. Low Tuck Kwong.

NOTES TO THE FINANCIAL STATEMENTS

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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 four reportable operating segments as follows:

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

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

(c) 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

(d) The Building Products segment relates to the trading and manufacturing of proprietary coated lumber products in the United States of America ("USA"). This segment has been classified as "disposal group held for sale" in the current financial year (Note 8).

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

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.

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28. SEGMENT INFORMATION (CONT'D)

	Shipping		Property Development		Corporate and Others	
	FY2012 $'000	FY2011 $'000	FY2012 $'000	FY2011 $'000	FY2012 $'000	FY2011 $'000
Revenue						
External customers	21,222	24,352	–	–	182	1,162
Inter-segment	–	–	–	–	24	24
Total revenue	21,222	24,352	–	–	206	1,186
Results						
Interest income (Note A)	69	70	1,038	244	131	301
Depreciation (Note A)	(4,857)	(3,795)	(114)	–	(27)	(24)
Share of results of joint ventures	–	–	–	–	(19)	(256)
Loss on liquidation of subsidiary	–	–	–	–	–	–
Other non-cash expenses:						
– Impairment of goodwill (Note A)	–	–	–	–	–	–
– Impairment of receivables	(326)	(809)	–	–	(64)	(1,730)
– Impairment of investment in EcoB	–	–	–	–	(3,909)	–
– Write-back of trade and other receivables	–	–	–	–	446	–
Segment profit/(loss)	(500)	1,892	446	(2,231)	(9,571)	(4,183)
Assets						
Investment in joint venture	–	–	–	–	1,852	1,991
Segment assets	51,894	54,378	63,337	64,754	31,349	39,507
Segment liabilities	(7,442)	(10,042)	(9,834)	(9,011)	(6,649)	(7,376)

Note A: The amounts relating to the building products segment has been excluded to arrive at the amounts shown in profit or loss as they are presented separately in the consolidated income statement within the line item "Loss from discontinued operations, net of tax".

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Building Products (Discontinued operation) FY2012 $'000	Building Products (Discontinued operation) FY2011 $'000	Trading (Discontinued operation) FY2012 $'000	Trading (Discontinued operation) FY2011 $'000	Eliminations FY2012 $'000	Eliminations FY2011 $'000	Per consolidated financial statements FY2012 $'000	Per consolidated financial statements FY2011 $'000
1,381	1,653	–	–	(1,381)	(1,653)	21,404	25,514
–	–	–	–	(24)	(24)	–	–
1,381	1,653	–	–	(1,405)	(1,677)	21,404	25,514
–	25	–	–	(96)	(203)	1,142	437
(72)	(95)	–	–	72	95	(4,998)	(3,819)
–	–	–	–	–	–	(19)	(256)
–	–	–	(293)	–	–	–	(293)
–	(6,082)	–	–	–	6,082	–	–
–	–	–	–	–	–	(390)	(2,539)
–	–	–	–	–	–	(3,909)	–
–	–	–	–	–	–	446	–
(2,385)	(10,212)	–	(263)	2,385	10,182	(9,625)	(4,815)
–	–	–	–	–	–	1,852	1,991
–	4,770	–	–	–	–	146,580	163,409
–	(2,199)	–	–	–	–	(23,925)	(28,628)

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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	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	182	181	5,309	3,476
Indonesia	21,222	25,333	25,097	30,004
China	–	–	22,678	22,523
USA	–	–	–	1,187
	21,404	25,514	53,084	57,190

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 (2011: less than 2 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	
	2012	**2011**
	$'000	**$'000**
Not later than one year	316	684
Later than one year but not later than five years	70	1,441
	386	2,125

NOTES TO THE FINANCIAL STATEMENTS

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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 2 years (2011: less than 1 year) 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 2012 are as follows:

	Group and Company	
	2012	**2012**
	$'000	**$'000**
Not later than one year	192	50
Later than one year but not later than five years	61	–
	253	50

(c) ***Capital contribution commitment***

In the prior financial year ended 31 December 2011, the Group and the Company had committed to inject their share of the remaining registered share capital of approximately US$5,000,000 (2011: US$5,000,000) in a subsidiary, Manhattan Resources (Ningbo) Property Limited. The amount of approximately US$5,000,000 (equivalent to approximately S$6,118,000) was injected on 4 January 2013.

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, and this role has been assumed by the Risk Management Committee upon its establishment in August 2012. It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

30. FINANCIAL INSTRUMENTS (CONT'D)

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

Foreign currency risk

The Group's subsidiaries in Indonesia have transactional 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 42% (2011: 43%) 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 $29,909,000 (2011: $31,206,000) and $712,000 (2011: $456,000) 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 2012, the Group did not utilise any forward currency 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 2012 $'000	**Profit net of tax 2011 $'000**
IDR/USD	– strengthened 3% (2011: 3%)	-15	-21
	– weakened 3% (2011: 3%)	+15	+21
USD/SGD	– strengthened 3% (2011: 3%)	-20	-14
	– weakened 3% (2011: 3%)	+20	+14
SGD/RMB	– strengthened 3% (2011: 3%)	-563	-542
	– weakened 3% (2011: 3%)	+563	+542
USD/RMB	– strengthened 3% (2011: 3%)	-105	-144
	– weakened 3% (2011: 3%)	+105	+144

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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 (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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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 coal mining 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			
	2012		2011	
	$'000	% of total	$'000	% of total
By country:				
Indonesia	13,760	99%	18,750	94%
Singapore	53	1%	74	1%
USA	–	–	1,130	5%
	13,813	100%	19,954	100%

At the end of the reporting period, approximately 68% (2011: 35%) 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.

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).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

30. FINANCIAL INSTRUMENTS (CONT'D)

(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 borrower 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:

	2012 $'000		2011 $'000	
Group	**Loans and receivables**	**Maturity profile: One year or less**	**Loans and receivables**	**Maturity profile: One year or less**
Financial assets:				
Trade and other receivables	14,011	14,011	21,810	21,810
Pledged fixed deposit	38	38	38	38
Cash and cash equivalents	72,376	72,376	82,331	82,331
Total undiscounted financial assets	86,425	86,425	104,179	104,179

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

30. FINANCIAL INSTRUMENTS (CONT'D)

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



	2012 $'000		2011 $'000	
Group	**Financial liabilities at amortised cost**	**Maturity profile: One year or less**	**Financial liabilities at amortised cost**	**Maturity profile: One year or less**
Financial liabilities:				
Payables and accruals	(23,078)	(23,078)	(27,850)	(27,850)
Advance from joint venture company	(750)	(750)	(750)	(750)
Total undiscounted financial liabilities	(23,828)	(23,828)	(28,600)	(28,600)
Total net undiscounted financial assets	62,597	62,597	75,579	75,579

	2012 $'000		2011 $'000	
Company	**Loans and receivables**	**Maturity profile: One year or less**	**Loans and receivables**	**Maturity profile: One year or less**
Financial assets:				
Trade and other receivables	109	109	236	236
Due from subsidiaries (non-trade)	2,085	2,085	–	–
Pledge fixed deposit	38	38	38	38
Cash and cash equivalents	24,348	24,348	32,761	32,761
Total undiscounted financial assets	26,580	26,580	33,035	33,035

	2012 $'000		2011 $'000	
Company	**Financial liabilities at amortised cost**	**Maturity profile: One year or less**	**Financial liabilities at amortised cost**	**Maturity profile: One year or less**
Financial liabilities:				
Payables and accruals	(1,628)	(1,628)	(917)	(917)
Due to subsidiaries	–	–	(2,357)	(2,357)
Advance from joint venture company	(750)	(750)	(750)	(750)
Total undiscounted financial liabilities	(2,378)	(2,378)	(4,024)	(4,024)
Total net undiscounted financial assets	24,202	24,202	29,011	29,011

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

31. 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 2012, 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 2012 and 2011.

32. LITIGATION

(a) ***Legal suit by Asia Link***

Asia Link Marine Industries Pte Ltd (now known as "Ensafe Offshore Marine Pte Ltd" or "Ensafe") commenced a suit against the Company and a former director of the Company on 28 February 2011 for a claim of approximately $371,000. The suit against the former director was struck out on 24 October 2011. The trial of the suit commenced on 23 April 2012 and concluded on 25 April 2012 with the High Court dismissing the claim and ordering costs in favour of the Company in the sum of $22,500 plus disbursements on a full reimbursement basis.

On 28 September 2012, the Company applied to wind up Ensafe on non-payment of the sum ordered by the High Court. On receipt of the full amount from Ensafe in January 2013, the Company withdrew the winding up application on 18 January 2013.

(b) ***Claims against EcoB***

On 6 September 2012, the Company, through its U.S. counsel, wrote to EcoB in relation to (a) certain purported transactions by EcoB, including those described in the Form 8-K filed by EcoB with the United States Securities and Exchange Commission ("SEC") on 22 August 2012, as amended on 27 August 2012 (the "August 8-K"), which may affect the Revolving Credit and Warrant Purchase Agreement dated 14 February 2011 between EcoB and the Company (the "Credit Agreement") and the Investment Agreement dated 14 February 2011 between Dato' Dr. Low Tuck Kwong, EcoB and the Company (the "Investment Agreement") and (b) EcoB's failure to make payments of principal and interest under the Credit Agreement.

Further to the Company's letter dated 6 September 2012, EcoB had made purported offers to the Company to settle, among other things, EcoB's failure to make payments of principal and interest under the Credit Agreement. EcoB had unilaterally delivered a stock certificate for 4,412,517 shares in the capital of EcoB ("EcoB Stock Certificate") to the Company in lieu of the outstanding interest payment owing from EcoB to the Company under the Credit Agreement. The Company has rejected and returned the EcoB Stock Certificate. The Company, through its U.S. counsel, subsequently attempted to clarify certain terms of EcoB's purported offers, and attempted to engage in discussions with EcoB in regard to EcoB's purported offers; however, no clarification of EcoB's proposal or any other acceptable offers have been made by EcoB and no settlement has been concluded with EcoB in relation to the Credit Agreement to-date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

32. LITIGATION (CONT'D)

(b) ***Claims against EcoB (cont'd)***

On 28 February 2013, the Company, through its U.S. counsel, wrote to EcoB in relation to (i) certain statements made by EcoB in the Annual Report on Form 10-K filed by EcoB with the SEC on 15 October 2012 ("Annual Report"), the Quarterly Report on Form 10-Q filed by EcoB with the SEC on 19 November 2012, as amended on 26 November 2012 ("November 10-Q") and the Quarterly Report on Form 10-Q filed by EcoB with the SEC on 19 February 2013 ("February 10-Q"), in relation to the Credit Agreement and the Investment Agreement, including but not limited to statements which imply that the Company has accepted offers of settlement from EcoB and that the Credit Agreement and the Investment Agreement no longer apply; and (ii) certain additional actions purportedly taken by EcoB, including but not limited to various purported issuances of shares and convertible securities, which may affect the Investment Agreement and/or the Credit Agreement.



The Company has requested EcoB to (i) correct such statements as soon as possible, and in no event later than seven days from its receipt of the letter; and (ii) cure any breaches under the Investment Agreement and/or the Credit Agreement within 45 days from its receipt of the letter. The Company has reserved all its rights against EcoB with respect to the Credit Agreement and Investment Agreement.

The Company continues to be of the view that the Credit Agreement and the Investment Agreement are in full force and effect and the terms and conditions thereof continue to apply.

The Company, through its U.S. counsel, received letters from EcoB's U.S. counsel dated 8 March 2013 and 27 March 2013 denying the Company's claims against EcoB as stated in the Company's U.S. counsel's letters dated 28 February 2013, in relation to certain purported transactions by EcoB which may affect the Investment Agreement and Credit Agreement and the statements made by EcoB in their public filings.

Further, the Company, through its U.S. counsel, had, on 27 March 2013, written to EcoB in relation to certain statements made by EcoB in the Schedule 14C Information Statement filed by EcoB with SEC on or about 12 March 2013, including but not limited to statements that EcoB has purportedly received consent from its majority stockholders authorising the board of EcoB to amend EcoB's Articles of Incorporation to increase the maximum number of shares of common stock from 500 million to 950 million ("Purported Amendment") and that the Company's shareholding interest in EcoB is currently 19.8% ("27 March Letter"). The Company made it clear to EcoB that the actions reported in the Schedule 14C Information Statement has not been approved by the required shareholders.

In the 27 March Letter, the Company required EcoB to (i) cause the Purported Amendment to be rescinded immediately and cease any actions that have not been properly approved by EcoB's shareholders; and (ii) immediately comply with all of its obligations under the Credit Agreement and Investment Agreement. The Company has reserved all rights and causes of action against EcoB, its directors and its officers. To date, neither EcoB nor its U.S. counsel have responded to the 27 March Letter.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

32. LITIGATION (CONT'D)

(c) ***Claim against the Company's subsidiary, Manhattan Resources (Ningbo) Property Limited ("MRN")***

MRN had on 29 January 2013, received notice of proceedings ("Claim Notice") filed by Ningbo Da Li Shipping Co Ltd and Mr Xu Yi You (collectively, the "Chinese Partners") against MRN and Kai Yi Investment Pte Ltd ("Kai Yi") in relation to an equity transfer agreement dated 23 October 2012 entered into between the Chinese Partners and Kai Yi ("Equity Transfer Agreement") in respect of equity interest held in MRN by the Chinese Partners.

Pursuant to the Equity Transfer Agreement, the Chinese Partners agreed to transfer their entire injected and committed shareholdings in MRN of 27% to Kai Yi. Upon completion of the Equity Transfer Agreement, MRN will be 49% held by Kai Yi and 51% held by the Company.

The Claim Notice alleges, amongst others, that MRN had provided a guarantee ("Guarantee") in favor of the Chinese Partners for the due performance by Kai Yi of its obligations under the Equity Transfer Agreement. Accordingly, the Chinese Partners are currently claiming against MRN under the Guarantee ("Claim") for a total amount of RMB65,558,465.



In the event that the Company fails to defend the Claim and is unable to recover the claimed amount from Kai Yi or future cash flows from its investment in MRN, the effects would be a loss of approximately $13,026,000.

The Company has been informed by the general manager of MRN that the Guarantee had not been duly approved by either the board of directors or the shareholders of MRN or the relevant competent government authority. MRN intends to defend the Claim rigorously.

33. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 5 April 2013.

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2013
PURSUANT TO RULE 1207(9)

Issued and fully paid-up capital	:	S$163,478,802.40
Number of ordinary shares in issue	:	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	20	1.60	8,348	0.00
1,000 – 10,000	674	53.83	3,263,432	0.64
10,001 – 1,000,000	522	41.69	46,137,900	9.11
1,000,001 and above	36	2.88	457,081,295	90.25
TOTAL	**1,252**	**100.00**	**506,490,975**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 18 MARCH 2013



		No. of shares	%
1	Manhattan Investments Pte Ltd	219,016,701	43.24
2	Dato' Dr. Low Tuck Kwong	52,098,700	10.29
3	BNP Paribas Nominees Singapore Pte Ltd	32,488,000	6.42
4	Tsao Yue Hwa Johnny @ Shu Yue Ming	19,342,600	3.82
5	Phillip Securities Pte Ltd	16,229,595	3.21
6	Maybank Kim Eng Securities Pte Ltd	16,110,300	3.18
7	Choo Yak Lye or Choo Kok Leong	13,370,000	2.64
8	Hong Leong Finance Nominees Pte Ltd	11,750,000	2.32
9	UOB Kay Hian Pte Ltd	8,005,000	1.58
10	Bank of Singapore Nominees Pte Ltd	6,555,500	1.29
11	CIMB Securities (Singapore) Pte Ltd	6,077,100	1.20
12	Citibank Nominees Singapore Pte Ltd	5,530,999	1.09
13	OCBC Securities Private Ltd	4,813,100	0.95
14	Ong See Beng	3,840,000	0.76
15	HSBC (Singapore) Nominees Pte Ltd	3,412,000	0.67
16	Chau Wun	2,830,300	0.56
17	Choo Kok Leong	2,729,000	0.54
18	ABN AMRO Nominees Singapore Pte Ltd	2,312,000	0.46
19	Swanny Sri Sujanty Setyono	2,190,000	0.43
20	Lim & Tan Securities Pte Ltd	2,151,500	0.42
		430,852,395	85.07

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 18 March 2013)

	Direct Interest	%	Deemed Interest	%
Manhattan Investments Pte Ltd	219,016,701	43.24	–	–
Dato' Dr. Low Tuck Kwong(1)	52,098,700	10.28	220,706,701	43.57
More Time Investments Limited(2)	–	–	219,016,701	43.24
Mohamed Abdul Jaleel s/o Muthumaricar Shaik Mohamed(3)	1,722,000	0.34	38,539,000	7.61

(1) Dato' Dr. Low Tuck Kwong is deemed to be interested in the 219,016,701 shares which are held by Manhattan Investments Pte Ltd through his 100% interest in More Time Investments Limited and 1,690,000 shares held by his spouse.

(2) More Time Investments Limited is deemed interested in the 219,016,701 shares which are held by Manhattan Investments Pte Ltd through its 59.5% interest in Manhattan Investments Pte Ltd.

(3) Mohamed Abdul Jaleel s/o Muthumaricar Shiak Mohamed is deemed interested in 38,539,000 shares, of which 17,834,000 shares are registered in the name of BNP Paribas Nominees Singapore Pte Ltd, 11,705,000 shares are registered in the name of Phillip Securities Pte Ltd and 9,000,000 shares are registered in the name of Hong Leong Finance Ltd.

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

34.09% 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 29 April 2013 at 3 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 2012, together with the independent auditor's report thereon. **(Resolution 1)**

2. To re-elect Mr Low Yi Ngo, a director retiring under article 101 of the Company's Articles of Association. *(See explanatory notes)* **(Resolution 2)**

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

   (a) Mr Chew Eng Soo **(Resolution 3)**
   (See explanatory notes)



   (b) Mr Oliver Khaw Kar Heng **(Resolution 4)**

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

5. To note the retirement of the following directors who had each indicated that he does not wish to seek re-election at this Annual General Meeting:

   (a) Mr Michael Sumarijanto Soegijono, a director retiring under Section 153(6) of the Act.

   (b) Mr Chang Szie Hou, a director retiring under Section 153(6) of the Act.

   (c) Mr Lee Kwong Foo, Edward, a director retiring under Article 101 of the Company's Articles of Association.

6. To approve additional directors' fees of S$2,739 for the period from 13 August 2012 to 31 December 2012.
(See explanatory notes) **(Resolution 6)**

7. To approve directors' fees of S$184,575 for the financial year ending 31 December 2013 payable half-yearly in arrears (2012: S$241,500). **(Resolution 7)**

8. To re-appoint Ernst & Young LLP as auditors of the Company for the financial year ending 31 December 2013, and to authorise the directors to fix their remuneration. **(Resolution 8)**

9. 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:–

10. Share Issue Mandate **(Resolution 9)**

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.

NOTICE OF ANNUAL GENERAL MEETING

(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)

11. Authority to grant options, awards and issue shares under the Manhattan Resources Share Option Scheme and Manhattan Resources Performance Share Scheme **(Resolution 10)**

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

12 April 2013
Singapore

NOTICE OF ANNUAL GENERAL MEETING

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.

Explanatory Notes

Resolution 3

If re-elected, Mr Chew Eng Soo, an independent director of the Company, shall remain as the Chairman of the Risk Management Committee and member of the Audit Committee.

Resolution 5

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

Resolution 6

Directors' fees are approved in advance. The directors' fees for financial year ended 31 December 2012 (***FY 2012 directors' fees***) were approved at the last annual general meeting held on 30 April 2012.

The additional directors' fees arise from fees payable to members of the Risk Management Committee which was established on 13 August 2012 after approval of the FY 2012 directors' fees.

Resolution 9

The proposed Resolution 9, 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 10

The proposed Resolution 10, 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.

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

PROXY FORM

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.

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 to be represented	
			Number of shares	%
And/or (delete as appropriate)				

or failing whom, Chairman of the Meeting, 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 29 April 2013 at 3 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.

No.	Resolutions	To be used on a show of hands		To be used in the event of a poll	
		* For	* Against	** No. of votes For	** No. of votes Against
	Ordinary Business				
1.	To adopt Directors' Report and Audited Financial Statements for the financial year ended 31 December 2012, together with the independent auditor's report.				
2.	To re-elect Mr Low Yi Ngo as a director.				
3.	To re-elect Mr Chew Eng Soo as a director.				
4.	To re-elect Mr Oliver Khaw Kar Heng as a director.				
5.	To re-appoint Mr Liow Keng Teck as a director under Section 153(6) of the Singapore Companies Act, Chapter 50.				
6.	To approve additional directors' fees for the period from 13 August 2012 to 31 December 2012.				
7.	To approve directors' fees for the financial year ending 31 December 2013.				
8.	To re-appoint Ernst & Young LLP as auditor and to authorise directors to fix its remuneration.				
	Special Business				
9.	To authorise directors to issue shares and/or Instruments under Section 161 of the Singapore Companies Act, Chapter 50.				
10.	To authorise directors to offer and grant options and/or awards and to issue shares under the Schemes.				

* Please indicate your vote "For" or "Against" with an "X" within the box provided.
** If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ____________ day of April 2013

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.

Designed and produced by
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