MANHATTAN RESOURCES LIMITED

ANNUAL REPORT

2018

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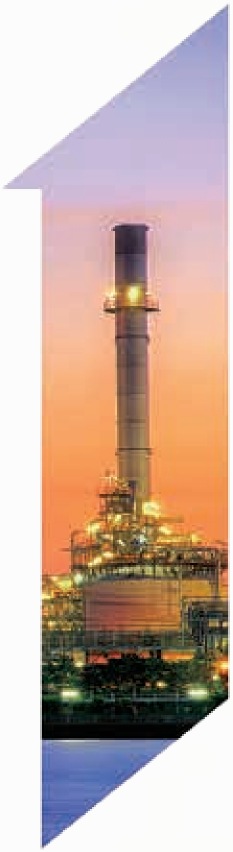


CEO'S STATEMENT

Dear Shareholders,

THE YEAR IN REVIEW

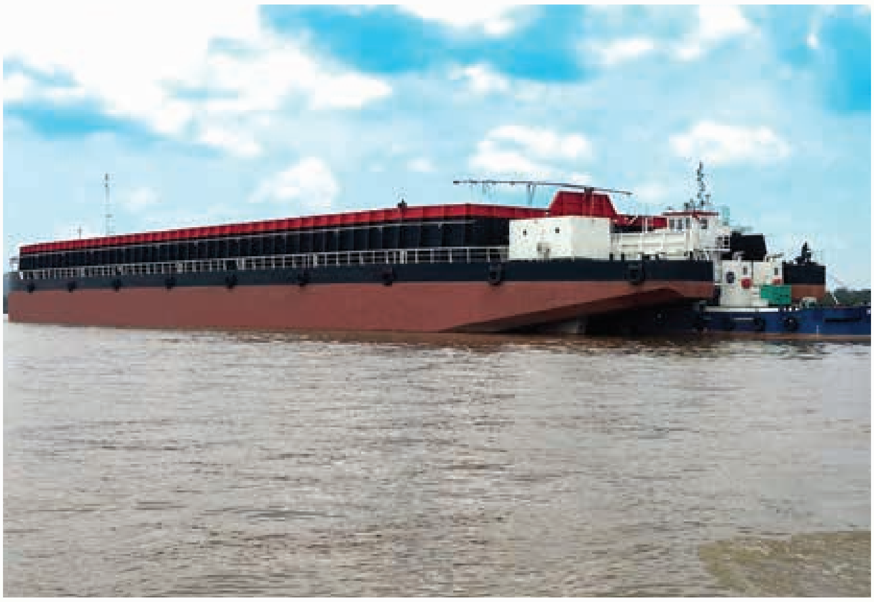
I have the pleasure in presenting, on behalf of the Board of Directors of Manhattan Resources Limited ("MRL" or "Company" or together with its subsidiaries, "Group"), the Company's Annual Report 2018. Year 2018 was a challenging year for the Group. We have initiated several corporate exercises to further improve the performance of the Group.

In December 2018, the renounceable non-underwritten rights issue of up to 568,765,975 Rights Shares at an issue price of S$0.0245 for each Rights Shares ("Rights Issue") was completed. It provided shareholders with the opportunity to obtain further equity participation in the Company by subscribing for the Rights Shares. The proceeds from the Rights Issue will enable the Group to finance its working capital requirements, including our real estate project, Ningbo Yinzhou Manhattan Tower, by Manhattan Resources (Ningbo) Property Limited ("MRN"), a subsidiary of the Company, in the PRC ("Ningbo Project").

We have been making progress in our Ningbo Project. We have completed the works for the bored piling and diaphragm walls, and the basement excavation work is expected to commence soon. Ningbo Yinzhou Manhattan Tower will be a 56-storey building, which sits on a land area of approximately 24,000 square meter and which will have a built-up area of approximately 250,000 square meter. The Ningbo Project is located in the South Commercial Park of Yingzhou District in Ningbo City and is currently expected to be completed in 2022.

On the shipping segment, we have completed the disposal of 27 tugs and 25 barges on 9 November 2018. Notwithstanding that the coal and shipping industries may appear to be recovering from economic downturns, we were of the view that the old age of the majority of the vessels (being more than twelve years) makes it cost-ineffective for the Group to continue operating its business in an extremely competitive environment. It is, therefore, appropriate to rationalise the Group's vessels in the light of industry trends and conditions, so that the Group is able to operate its barging and shipping segment in a more cost-effective manner by using its existing younger fleet; and chartering these vessels to operate and serve its customers. Thereafter, the Directors will be able to devote more time and energy towards existing businesses, identify and explore any new business opportunities which may enhance shareholders' value.

CEO'S STATEMENT



On the thermal energy segment, we have been continuously providing electricity to the customers in the Kariangau industry area of Balikpapan, East Kalimantan, Indonesia as well as to the Indonesian national power company, PT Perusahaan Listrik Negara (Persero). Despite the coal price fluctuation in FY2018, the Management had been working diligently to mitigate the impact of fluctuation in costs to the end customers. The management and our operational teams are committed to closely monitor and control the operating costs to ensure the resilience and competitiveness of the plants. Our goal is to operate and maintain PT KP as a sustainable business that delivers long-term value and growth in the region. We have successfully retired the existing bank facilities which enables our power plant to enjoy lower financial cost in future.

On the mining segment, the Group holds 25% shareholding interests in Giantminer, which owns 100% of China-based mining company, Urumqi Jinshi Huilong Mining Co., Ltd. The applications for renewal of the permits have been submitted for approval. We will make further announcements as and when there are any material developments.

OUTLOOK

We expect 2019 to be challenging. For the Group's property development business in the PRC, the investment and operating environment would continue to be challenging as its economic growth is gradually slowing down. Accordingly, the prospects for the PRC property market may be uncertain and challenging for the next twelve months. For the Group's power plant business in Indonesia, the financial performance of this business segment will continue to be affected by fluctuations in coal price. We will continue to monitor the operational efficiency and cost-effectiveness of the Group's power plant.

BOARD CHANGES

I would also like to express my gratitude to the late Mr Liow Keng Teck, the former board chairman and independent director who passed away on 18 July 2018. Mr Liow's passing was a great loss to the Company. My fellow directors, our management and staff are deeply saddened by the passing of the late Mr Liow.

Separately, we welcome Mr Lee Fook Choon, to the Board as an Independent Director of the Group with effect from 18 October 2018.

IN APPRECIATION

On behalf of the Board, I would like to extend our heartfelt appreciation to our management and employees for their hard work and unwavering loyalty.

Finally, I want to thank all our business partners and shareholders for their continued support and we look forward to the challenges and opportunities that 2019 brings. Thank you.

Low Yi Ngo
Chief Executive Officer/Managing Director
27 March 2019

DIRECTORS' INFORMATION

LOW YI NGO

Chief Executive Officer and Managing Director,
Member of Nominating Committee

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

Prior to his current appointment, Mr Low first started off with Bayan Resources as Project Coordinator for the construction of Kalimantan Floating Transfer Station in 2004. Subsequently, he became the Marketing Director of PT Bayan Resources Tbk, a company related to the controlling shareholder of the Company, with a primary responsibility to market Bayan Resources' coal. Mr Low is also a non-executive director of Kangaroo Resources Limited, an Australian coal mining company.

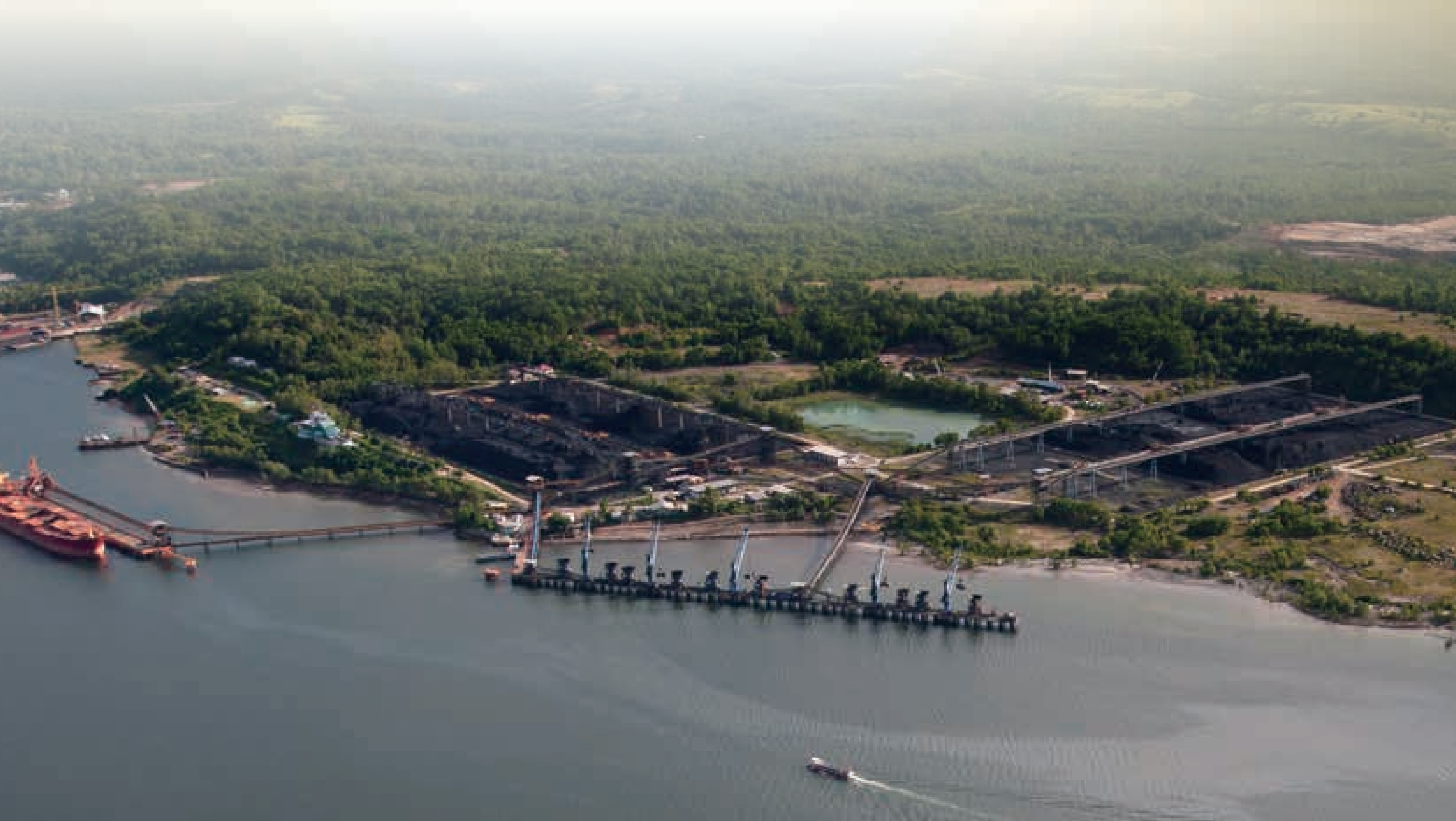
Mr Low obtained a Bachelor's degree in Mechanical and Production Engineering from the Nanyang Technological University in 2004.

ELAINE LOW

Non-Executive
Non-Independent Director

Ms Low was appointed to the Board in May 2014 and currently holds several directorships in the medical, education and coal mining industries. She is also an affiliate of Association of Chartered Certified Accountants and a member of the Institute of Singapore Chartered Accountants.

Ms Low graduated with a Master's Degree in Public Policy in 2014 from the National University of Singapore, Lee Kuan Yew School of Public Policy.



DIRECTORS' INFORMATION

OLIVER KHAW KAR HENG

Non-Executive
Non-Independent Director,
Member of Audit and Remuneration Committees

Mr Khaw is the Group's Non-Independent Director and was appointed to the Board in March 2013.

He is currently the Head of Legal/Senior Foreign Counsel of PT Bayan Resources Tbk (a company related to the controlling shareholder of the Company), a position held since 2008. Mr Khaw has previously worked as Group Legal Counsel for LKT Industrial Berhad, a semiconductor equipment manufacturer listed on Bursa Malaysia and was a partner at Lee, Oliver & Gan, a law firm in Kuala Lumpur, Malaysia.

Mr Khaw graduated with a MBA in 2005 from the University of Western Sydney, Australia and with a LL.B (Hons) in 1996 from Anglia Ruskin University, United Kingdom. He was admitted to practice law as a Barrister in UK in 1997 and as an Advocate & Solicitor in Malaysia in 1998.

TUNG ZHIHONG, PAUL

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

Mr Tung was appointed to the Board in May 2014 and is currently a Senior Finance & Business Manager with a multinational corporation. Prior to his current role, Mr Tung was an Audit Manager with PricewaterhouseCoopers.

Mr Tung holds a Bachelor of Commerce degree majoring in Financial Accounting, Corporate Finance and Investment Finance from the University of Western Australia.

LEE FOOK CHOON

Independent Director,
Member of Audit, Nominating and Remuneration Committees

Mr Lee is the Group's Independent Director and was appointed to the Board in October 2018. He is currently the President (Asia) of Leica Geosystems – part of Hexagon, a position held since January 2019. Mr Lee has previously worked as Country Manager for Autodesk Malaysia, Singapore & Brunei.

Mr Lee holds a Master in Business Administration (International Business) from RMIT Graduate Business School and Bachelor of Engineer (Hons) from National University of Singapore.

KEY MANAGEMENT

CHANG SZIE HOU
Project Director

Mr Chang joined the Company in August 2009 and is 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 also spent a large part of his career in the construction sector and has been actively involved in project management and foundation engineering in Singapore, Malaysia, Indonesia, Thailand, China and Vietnam. Mr Chang is currently a registered professional engineer and a life member of the Institution of Engineer in Singapore.

Mr Chang graduated with a Fellowship Diploma in Civil Engineering from Royal Melbourne Institution of Technology in 1968.

LIM KOK SHIANG, SEAN
General Manager of MR Logistics Group

Mr Lim joined the Group in January 2005 and is responsible for all operational matters relating to the coal transportation business of the Group.

Mr Lim has worked as an auditor and accountant across various industries since 1995. In May 2004, Mr Lim joined ASL Shipyard Pte Ltd as Senior Accountant and was transferred to MR Logistics Pte Ltd since January 2005. He took on the operational duties of the coal transportation business in January 2012.

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

CHAN MOON KONG
General Manager

Mr Chan joined the Group in March 2017 and is assisting the CEO/Managing Director in overseeing the logistics operations.

Mr Chan had held various senior management positions in the shipping industry over the past 18 years. He started his career with the Sembcorp group and has accumulated more than 30 years of experience in the ship repair, marine and logistics business.

Mr Chan graduated from the University of London with a Bachelor of Mechanical Engineering (First Class Honours) Degree.

SOH TIEN CHYE, STEPHEN
Deputy General Manager

Mr Soh joined the Group in September 2014 and his key responsibilities include the operations and business affair of the Group.

Prior to joining the Group, Mr Soh worked in an international public accounting firm as an Assurance Manager.

Mr Soh obtained his Bachelor of Accountancy from the Nanyang Technological University and he is also a chartered accountant with the Institute of Singapore Chartered Accountants.

KEY MANAGEMENT

KARTHIK SUNDAR
Head of PT Kariangau Power

Mr Karthik Sundar had been part of the management of PT KP prior to the Group's acquisition of PT KP in June 2016. Mr Sundar has over 8 years of experience in the power plant industry. Before joining PT KP, he had worked as project engineer in various power plant companies.

Mr Sundar graduated with a Bachelor of Engineering in Mechanical Engineering from Visvesvaraya Technological University.

TAN SOON YUN
Deputy Chief Financial Officer

Ms Tan joined the Company in May 2012. She oversees the Group's finance teams and is responsible for the Group's financial matters.

Ms Tan was formerly an Assurance Manager of an international public accounting firm.

Ms Tan obtained her Bachelor of Business Administration degree from the National University of Singapore and is a chartered accountant with Institute of Singapore Chartered Accountants and member of Association of Chartered Certified Accountants.

HUANG HUI, LOUISE
Legal Counsel

Ms Huang joined the Group as Regional Legal Counsel in April 2015 and her key responsibilities include overseeing and managing the Group's legal and compliance affairs.

Ms Huang specialises in foreign direct investment (FDI) in PRC, corporate finance and merger and acquisition exercises. Prior to joining the Group, she was heading the legal function of a PRC-focused investment portfolio, and she worked as the Registered Foreign Lawyer with Singapore firms on PRC-related merger and acquisitions, SGX listing and FDI projects.

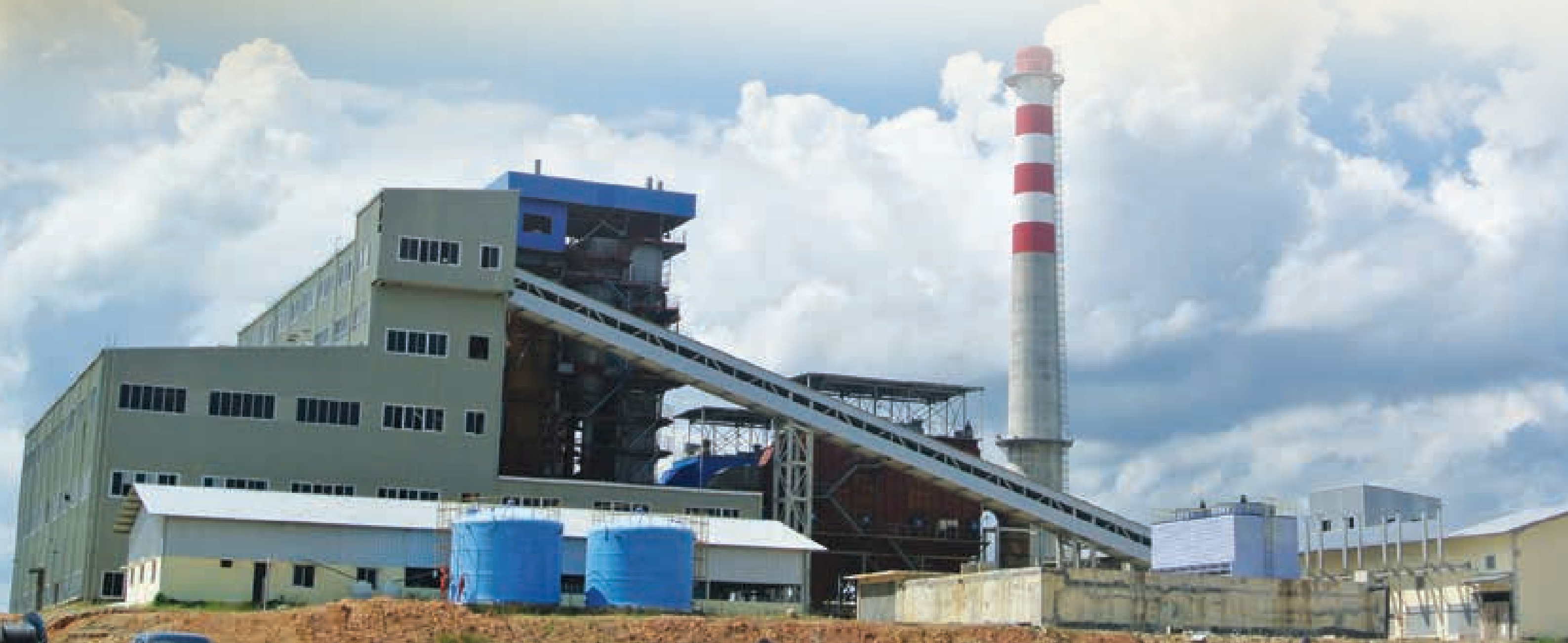
Ms Huang holds a LLM (Master of Law) in International Business Law from National University of Singapore and a LLB in International Economic Law from East China University of Politics and Law.

CHAN PUI FOH, TERRENCE
Finance Manager

Mr Chan joined the Group in January 2015 as Finance Manager and is responsible for the financial matters of the Ningbo Project.

Mr Chan was formerly an Assistant Assurance Manager of an international public accounting firm.

Mr Chan graduated from Sunway University College with a Bachelor of Science in Applied Accounting and is also a member of Association of Chartered Certified Accountants.



OPERATIONS AND FINANCIAL REVIEW

INCOME STATEMENT

The Group's revenue of S$28.1 million in FY2018 represented an increase of 2.6% from S$27.4 million in the previous year. As a whole, the Group reported net attributable profits to equity holders of the Company of S$3.7 million in FY2018 as compared to net attributable losses to equity holders of S$14.4 million in FY2017.

The shipping revenue registered an increase of 39% mainly due to greater coal carrying activities during the year . The shipping segment recorded a net profit of S$8.2 million in FY2018 as compared to a net loss of S$4.5 million in FY2017. The increase in net profit was mainly due to increase in revenue and less repair and maintenance costs incurred for the vessels. The Group also recognized a gain of disposal of vessels of approximately S$12 million in FY2018 and recorded an estimated tax of approximately S$3.2 million in relation to the disposal of vessels.

The power plant segment recorded a net loss of $3.9 million in FY2018, as compared to a net loss of S$6.9 million in FY2017, mainly due to increase in coal price in FY2018. Compared to FY2017, there was an absence of one-off warranty claims in FY2018. In FY2017, there was a deferred tax assets written off amounting to S$7.2 million as the subsidiary participated in the Tax Amnesty Programme introduced by the Indonesia Tax office.

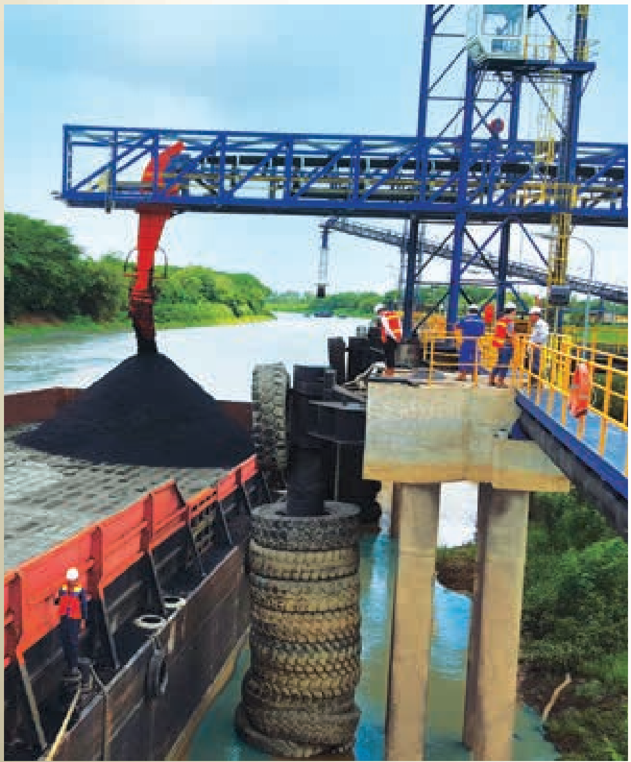
The property development segment recorded a net profit of S$3.4 million in FY2018 as compared to a loss of S$2.2 million in FY2017. The profit was attributable to foreign exchange gain and a fair value uplift of investment property under construction of approximately S$3.7 million, offset by tax expenses amounting to S$0.9 million.

OPERATIONS AND FINANCIAL REVIEW

FINANCIAL POSITION

Cash and bank deposit remains healthy at S$66.2 million in FY2018 with an increase from S$44.2 million in FY2017. The increase in cash was mainly due to the proceeds from the rights issue exercise which was completed in December 2018 and capital injection in PT Kariangau Power. The cash outflow in FY 2018 was mainly due to repayment of bank loans, additions to property under development and investment property under construction, expenditure for fixed assets and properties.

As at 31 December 2018, the group's total asset stood at S$253.7 million. The Group's total liabilities decreased from S$116.6 million in FY2017 to S$112.4 million in FY2018 mainly due to repayment of bank loans. Total equity as at 31 December 2018 for the Group was S$141.4 million and net asset value per ordinary share was 8.31 cents.



REPORT ON CORPORATE GOVERNANCE

INTRODUCTION

Manhattan Resources Limited (the "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 achieve a high standard of corporate governance to ensure transparency and maximisation of long-term shareholders' value. The Company and its subsidiaries (collectively, the "Group") has complied with the principles and guidelines set out in the Code of Corporate Governance 2012 where practicable.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1

The board of directors ("Board") oversees the business affairs of 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, compliance and information technology controls; 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"). Each board committee has its own written terms of reference and whose actions are reported to and monitored by the Board. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

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

The number of Board and Board Committees meetings held during the financial year ended 31 December 2018 and the attendances of the directors of these meetings are set out below:

	Number of meetings attended in 2018			
	Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
Meetings held in 2018	4	4	1	0
Name of Director				
Liow Keng Teck (deceased)(1)	2	2	NA	0
Low Yi Ngo	4	NA	NA	0
Elaine Low	1	NA	NA	NA
Oliver Khaw Kar Heng	4	4	1	NA
Tung Zhihong, Paul	4	4	1	0
Lee Fook Choon(2)	1	1	1	NA

(1) Late Mr Liow (board chairman and independent director) passed away on 18 July 2018.

(2) Appointed as independent director and member of AC, RC and NC with effect from 18 October 2018.

NA Not applicable

Board Composition and Guidance

Principle 2

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

Name of Director	Board	Board Committee	Date of appointment	Date of last re-election
Low Yi Ngo	Executive Director, CEO and Managing Director	Member of NC	28 November 2011 (Appointed as Non-Executive Director on 10 September 2006)	29 April 2016
Elaine Low	Non-Executive and Non-Independent Director	–	24 April 2017 (Appointed as Executive Director on 2 May 2014)	23 April 2018
Oliver Khaw Kar Heng	Non-Executive and Non-Independent Director	Member of AC and RC	11 March 2013	24 April 2017
Tung Zhihong, Paul	Independent Director	Chairman of RC and NC, Member of AC	2 May 2014	24 April 2017
Lee Fook Choon	Independent Director	Member of AC, RC and NC	18 October 2018	–

Note: The details of directors' shareholding in the Company and its related corporations are disclosed in the "Directors' Statement" section of this annual report.

REPORT ON CORPORATE GOVERNANCE

Mr Oliver Khaw Kar Heng is the Head of Legal/Senior Foreign Counsel of PT Bayan Resources Tbk. Although PT Bayan Resources Tbk is related to the controlling shareholder of the Company, Dato' Dr. Low Tuck Kwong, Mr Oliver Khaw Kar Heng is not by definition 'directly associated' with the controlling shareholder as he is not under any obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the controlling shareholder. Therefore, he may be considered independent. However, in the interest of good corporate governance, the NC has adopted the view that Mr Oliver Khaw is not to be considered independent. Mr Low Yi Ngo, the Chief Executive Officer and Managing Director and Ms Elaine Low, Non-Executive and Non-Independent Director of the Company, are the children of the controlling shareholder. The two independent directors on the Board are Mr Lee Fook Choon and Mr Tung Zhihong, Paul.

None of the independent directors have served the Company for a period exceeding nine years.

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

The Board consists of five directors of whom two are considered independent by the Board. The independent directors constitute more than one-third of the Board. The Board is able to exercise objective judgment 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 judgment on business activities and transactions involving conflicts of interest and other complexities.

Chairman and Chief Executive Officer
Principle 3

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.

Before the passing of Mr Liow Keng Teck, he was an independent director and Chairman of the Board who played a vital role in leading the Board to achieve high standards of corporate governance. He had a clear role that was distinct from that of the Chief Executive Officer. The late Chairman was not related to the Chief Executive Officer.

The Board is searching for a suitable candidate for the position of new Chairman. The Board is of the view that with the experience and knowledge of its current members, the Board will continue to uphold high standards of corporate governance and objective judgement on the corporate affairs of the Company.

REPORT ON CORPORATE GOVERNANCE

Board Membership

Principle 4

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

Tung Zhihong, Paul	Chairman
Low Yi Ngo	Member
Lee Fook Choon	Member

A majority of the NC members are independent, including the NC Chairman and are 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. The NC will also review Board succession plans for directors, in particular the Chairman and the CEO.

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 Code of Corporate Governance 2012. On an ongoing 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.

For new directors with no prior experience of an issuer listed on SGX-ST, the Company ensures that they undergo training in the roles and responsibilities of a director of a listed company within one year from the date of his appointment to the Board as prescribed by SGX-ST.

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

The Board has prescribed that each Board member should not hold more than six board representations in public listed companies. The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company. Board and Board Committee meetings are scheduled in advance to facilitate the Directors' scheduling of their commitments.

The Company's Constitution requires one-third, or the number nearest to but not less than one-third, of the Directors, including the person holding the office of Managing Director (or an equivalent appointment however described), to retire from office. The Directors to retire every year are those who have been longest in office since their last election or appointment. No Director stays in office for more than three years without being re-elected by shareholders. In addition, a newly appointed Director will hold office only until the next annual general meeting at which he/she will be eligible for re-election.

The Directors retiring under regulation 101 and 105 of the Company's Constitution at the forthcoming AGM of the Company are Mr Low Yi Ngo and Mr Lee Fook Choon respectively.

If re-elected as a Director of the Company, Mr Low Yi Ngo, the Managing Director and Chief Executive Officer, will remain as a member of the Nominating Committee; and Mr Lee Fook Choon, an independent Director, will remain as a member of each of the Audit, Remuneration and Nominating Committees.

Each member of the NC abstains from voting on any resolution, making any recommendation and/or participating in respect of matters in which he/she is interested in.

The NC uses circular resolutions in writing to sanction decisions, as and when necessary.

Pursuant to Rule 720(6) of the Listing Manual of SGX-ST, the information relating to the retiring Directors as set out in Appendix 7.4.1 of the Listing Manual of SGX-ST is disclosed below:

Name of Director	Low Yi Ngo	Lee Fook Choon
Date of Appointment	10 September 2006	18 October 2018
Date of last re-appointment (if applicable)	29 April 2016	NA
Age	40	42
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After reviewing the recommendations made by the Nominating Committee, the Board of Directors is of the view that based on Mr Low's experience and overall contribution, he will continue to contribute positively to the Company.	After reviewing the recommendations made by the Nominating Committee, the Board of Directors is of the view that based on Mr Lee's qualification and experience, he will be able to contribute positively to the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Responsible for the overall business strategy, operations and day-to-day management of the affairs of the Group.	Non-Executive.

REPORT ON CORPORATE GOVERNANCE

Name of Director	Low Yi Ngo	Lee Fook Choon
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chief Executive Officer and Managing Director, member of Nominating Committee	Independent Director, Member of Audit Committee, Nominating Committee and Remuneration Committee.
Professional qualifications	Bachelor of Mechanical and Production Engineering	Master in Business Administration (International Business) and Bachelor of Engineer (Hons)
Working experience and occupation(s) during the past 10 years	2006 to 2011 Non-Executive Director of Manhattan Resources Limited 2011 to Present Chief Executive Officer and Managing Director of Manhattan Resources Limited	August 2008 to February 2011 Regional Sales Manager, Autodesk Asia Pte. Ltd. February 2011 to April 2013 Senior Sales Manager, Autodesk Asia Pte. Ltd. April 2013 to January 2016 Head of Sales, Autodesk Asia Pte. Ltd. January 2016 to October 2018 Country Manager, Autodesk Asia Pte. Ltd. January 2019 to present President (Asia) of Leica Geosystems – part of Hexagon
Shareholding interest in the listed issuer and its subsidiaries	5,341,200 shares (0.47%)	300,900 shares (0.03%)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Low is the brother of Ms Elaine Low (Non-Executive and Non-Independent Director of the Company) and son of Dato' Dr Low Tuck Kwong (substantial shareholder).	NIL
Conflict of interest (including any competing business)	NIL	NIL
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

REPORT ON CORPORATE GOVERNANCE

Name of Director	Low Yi Ngo	Lee Fook Choon
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	NIL	NIL
Present	1) PT Bayan Resources Tbk 2) Kangaroo Resources Limited[(1)] *(1): Kangaroo Resources Limited will be converted to a private company and renamed as Kangaroo Resources Pty Ltd by end March 2019.*	NIL
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable, as this relates to re-appointment of director.	Not applicable, as this relates to re-appointment of director.
Response to questions (a) to (k) under Appendix 7.4.1 of the Listing Manual of SGX-ST	Negative Confirmation	Negative Confirmation

Board Performance

The Group's business activities include the provision of coal transportation services in Indonesia, and the operations and maintenance of power plants in Indonesia. The Company is also involved in property development in China with the construction of its building in Ningbo, China.

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

During the financial year, all directors are requested to complete a Board Evaluation Questionnaire which are collated and presented to the NC for review before submitting to the Board to determine actions required to improve the effectiveness of the Board and Committees of the Board as a whole. Taking into account the board size and composition, the NC is of the opinion that the evaluation of the Board as a whole and its Committees would suffice to assess the effectiveness and performance of the Board, its Committees and directors.

REPORT ON CORPORATE GOVERNANCE

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 director, 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 ongoing basis, all Board members have full and free access to management, the Company Secretary and any information the Board requires. If required, the Board has access to independent professional advice to assist them in fulfilling 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.

REMUNERATION MATTERS

Procedures for Developing 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:

Tung Zhihong, Paul	Chairman
Oliver Khaw Kar Heng	Member
Lee Fook Choon	Member

A majority of the RC members, including the RC 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.

REPORT ON
CORPORATE GOVERNANCE

In recommending the remuneration packages of the executive director and key management personnel, the RC is largely guided by the financial performance of the Company and the Group. It believes that the remuneration level should be competitive and sufficient to attract, retain and motivate the executive director and key management personnel. In the prior financial year, the remuneration package of the executive director comprised a fixed base salary and 13th-month annual wage supplement. No performance-related or incentive bonus was paid to the executive director. Having reviewed and considered the variable components of the service contracts of the executive director and the key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. The Chief Executive Officer/Managing Director has entered into employment agreement with the Company. The RC has reviewed the termination clause of the executive director's and key management personnel's contract of service and found them to be fair, reasonable and are in line with market practice.

The Manhattan Resources Share Option Scheme and Manhattan Resources Performance Share Scheme had expired on 15 September 2018. The Company's remuneration policy may be amended to take into account the overall performance of the Company, the meeting of key targets, shareholders' value enhancement and individual performance.

Disclosure of Remuneration
Principle 9

Taking note of the highly competitive industry conditions and pressure in talent market and the sensitivity and confidentiality of remuneration matters, the Board decided not to disclose the remuneration of each individual director and the total remuneration of the top five key executive officers (who are not directors) of the Group, including names of the top key executives. The Board is of the view that disclosure of such information would not be in the interests of the Company as such information is confidential and sensitive, and could be exploited by competitors. The Company needs to maintain stability in the management team.

The remuneration of the directors and the top five executives (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 2018:

Directors of the Company	Salary %	Bonus %	Allowance %	Director's fee %
Below S$250,000:				
Elaine Low	–	–	–	100
Liow Keng Teck (deceased)	–	–	–	100
Oliver Khaw Kar Heng	–	–	–	100
Tung Zhihong, Paul	–	–	–	100
Lee Fook Choon	–	–	–	100
S$250,000 to S$499,999:				
Low Yi Ngo	92	8	–	–

REPORT ON CORPORATE GOVERNANCE

(b) The remuneration paid to the top five key executives (who are not directors) for the financial year ended 31 December 2018 is as follows:

Remuneration Band	Number
Below $250,000	5

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 employment of the Company whose annual remuneration exceeds S$50,000 during the financial year ended 31 December 2018.

For the financial year ended 31 December 2018, there was no termination, retirement and post-employment benefits granted to directors, the Chief Executive Officer and the key management personnel other than the standard contractual notice period termination payment in lieu of service.

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 12

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

Oliver Khaw Kar Heng	Member
Tung Zhihong, Paul	Member
Lee Fook Choon	Member

REPORT ON CORPORATE GOVERNANCE

A majority of the AC members are independent. Mr Oliver Khaw Kar Heng, Mr Tung Zhihong, Paul and Mr Lee Fook Choon have the requisite expertise or experience 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 auditors' evaluation of the adequacy of the Company's and Group's system of internal accounting 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, information technology controls and risk management policies and systems;

(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 auditors and the nature and extent of non-audit services provided by the external auditors;

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

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

(k) reviewing, monitoring and advising the Board on the Company's and Group's overall risk exposures, tolerance and strategy;

(l) reviewing the Company's and Group's overall risk assessment, framework, processes and methodology;

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

(n) 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 auditors. In discharging its duties, the AC may seek independent advice at the expense of the Company.

REPORT ON CORPORATE GOVERNANCE

The AC is kept abreast by the Management and the external auditors of changes to accounting standards which have impact on the Group's consolidated financial statements.

Following discussions with management and the external auditors, significant issues that impact the financial statements for the year ended 31 December 2018 were identified and included in the Independent Auditor's Report to the Members of the Company under "Key Audit Matters". In the review of the financial statements for the year ended 31 December 2018, the AC had obtained an understanding on the work performed by external auditors and management's assessment of the various key audit matters. The AC is satisfied that these issues, including the impairment assessment of investment in associate, impairment assessment of power plant and valuation of investment properties, have been properly dealt with and concurred with management's assessment and conclusion of the key audit matters.

The AC meets with both the internal and external auditors without the presence of management at least once a year to review 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 2018, an amount of S$206,000 and S$10,000 was paid/payable to the Company's external auditors for audit fee and non-audit services for the financial year ended 31 December 2018. In the opinion of the AC, the nature and extent of these non-audit services did not prejudice the independence and objectivity of the Company's external auditors.

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

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

The AC has adopted a whistle-blowing policy to encourage and to provide a channel for stakeholders to report and to raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting and other matters. An email address has been created to receive any whistle-blowing concerns and stakeholders are invited to write to ACchairman@manhattan.sg.

Internal Audit
Risk Management and Internal Controls
Principle 11

The Group continues to reinforce its internal controls (including financial, operational, compliance and information technology) and risk management systems 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. The management has also strengthened its human resources to support the internal controls and risk management systems review initiatives and to implement revised policies and procedures.

The AC annually evaluates the findings of the internal auditors on internal controls. In addition, it also evaluates the observations and recommendations by the external auditors 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 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.

REPORT ON CORPORATE GOVERNANCE

The Board, with the assistance from the AC, is responsible for 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.

Management has implemented a formalised risk management framework, under the guidance of AC, for the identification, treatment, monitoring and reporting of risks. The AC shall also review and discuss risk management matters at least twice a year. 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 stream-lined and comprehensive guidelines for approval limits and delegation of authorities, investment approval and documentation requirements, as well as project status reporting. The AC and the Board are not aware of any 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.

The Board has obtained a written confirmation from the CEO and Deputy CFO that:

(a) the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2018 give a true and fair view of the Group's operations and finances, and

(b) the system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment.

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, and reviews performed by management, Board Committees and the Board, it is the opinion of the Board and AC that the internal controls (including financial, operational, compliance and information technology) and risk management systems, are adequate and effective in meeting the current scopes of the Company's and 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 judgment 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.

The internal audit function is outsourced to Crowe Horwath First Trust Risk Advisory Pte Ltd.

Principle 13

The primary objectives of the internal audit function are to assess if adequate systems of internal controls are in place to safeguard shareholders' investments and the Group's assets and to ensure that such control procedures are continuously complied with. The internal auditors report to the AC. During the financial year ended 31 December 2018, 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 auditors.

The AC has considered the internal audit function to be independent, effective and adequately resourced.

REPORT ON CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights
Principle 14

Communication with Shareholders
Principle 15

Conduct of Shareholder Meetings
Principle 16

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

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

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

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

The chairpersons of Board Committees are present to address questions at general meetings. The external auditors are also present to address shareholders' queries about the conduct of the audit and the preparation and content of the auditor's report.

The Group encourages shareholder participation at general meetings. A shareholder who is entitled to attend and vote may appoint not more than two proxies. For shareholders who hold shares through nominees such as CPF and custodian banks, they are now able to attend and vote at general meetings under the multiple proxy regime.

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 before 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.

REPORT ON CORPORATE GOVERNANCE

Interested Person Transactions ("IPTs")

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the SGX-ST are as follows:

Name of interested person	*Aggregate value of all IPTs 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*	*Aggregate value of all IPTs under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S$100,000) S$'000*
KaiYi Investment Pte. Ltd.		
Lease of office premises	–	(178)
PT Muji Lines		
Coal transportation income	–	10,353
PT Dermaga Perkasapratama		
Sale of electricity	5,036	–
PT Bara Tabang		
Purchase of coal	–	(3,128)
Gallant Power		
Subscription of additional issued shares in PT KP	3,582	–

Use Of Proceeds

Proceeds raised from rights issue have not been disbursed as of the date of this report.

DIRECTORS' STATEMENT

The directors present their statement 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 sheets and statement of changes in equity of the Company for the financial year ended 31 December 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) 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.

DIRECTORS

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

Low Yi Ngo
Elaine Low
Oliver Khaw Kar Heng
Tung Zhihong, Paul
Lee Fook Choon (appointed on 18 October 2018)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in the paragraph below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object 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.

DIRECTORS' STATEMENT

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, if later	At end of financial year	At beginning of financial year, or date of appointment, if later	At end of financial year
The Company				
Ordinary shares				
Low Yi Ngo	3,300,200	5,341,200	–	–
Lee Fook Choon	300,900	300,900	–	–

Options

	Direct interest		Deemed interest	
Name of directors	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
Subsidiaries				
Manhattan Property Development Pte. Ltd.				
Ordinary shares				
Low Yi Ngo [(1)]	–	–	49	49
Elaine Low [(2)]	–	–	49	49
Manhattan Resources (Ningbo) Property Limited				
Share equity				
Low Yi Ngo [(3)]	–	–	49%	49%
Elaine Low [(4)]	–	–	49%	49%
PT Kariangau Power				
Share equity				
Elaine Low [(5)]	–	–	–	6.58%

DIRECTORS' STATEMENT

(1) Low Yi Ngo is deemed to have an interest in the 49 ordinary shares held by KaiYi Investment Pte. Ltd. through his 36% interest in KaiYi Investment Pte. Ltd.

(2) Elaine Low is deemed to have an interest in the 49 ordinary shares held by KaiYi Investment Pte. Ltd. through her 36% interest in KaiYi Investment Pte. Ltd.

(3) Low Yi Ngo is deemed to have an interest in 49% of the equity held by KaiYi Investment Pte. Ltd. through his 36% interest in KaiYi Investment Pte. Ltd.

(4) Elaine Low is deemed to have an interest in 49% of the equity held by KaiYi Investment Pte. Ltd. through her 36% interest in KaiYi Investment Pte. Ltd.

(5) Elaine Low is deemed to have an interest in 6.58% of the equity held by Gallant Power Pte. Ltd. through her 100% interest in Gallant Power Pte. Ltd.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed in this statement, 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, either at the beginning of the financial year or at the end of the financial year.

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 Option Scheme and Share Scheme had expired on 15 September 2018.

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 2018 are as follows:

Expiry date	Exercise price ($)	Number of options
23 February 2019	0.48	275,000

DIRECTORS' STATEMENT

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
Liow Keng Teck*	–	250,000	–	250,000

* Liow Keng Teck ceased to be a director of the Company on 20 July 2018

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

All options had expired on 23 February 2019 and none of them were exercised.

DIRECTORS' STATEMENT

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.

AUDITOR

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

On behalf of the board of directors,

Low Yi Ngo
Director

Tung Zhihong, Paul
Director

Singapore
1 April 2019

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Manhattan Resources Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

Impairment of investment in associate

As at 31 December 2018, the Group has an investment in associate, Giantminer Pte. Ltd. amounting to $26,148,000, representing 10.3% of the Group's total assets. As disclosed in Note 8, Giantminer Pte. Ltd. and its wholly owned subsidiary (the "Giantminer Group") are engaged in the business of mining mineral resources in the People's Republic of China. Management has performed an impairment assessment on its investment as the Giantminer Group has not commenced operations during the current financial year. Management determined the recoverable amount of the investment in associate based on value in use. We have determined this to be a key audit matter based on the quantitative materiality of the investment and the significant estimation required to determine the recoverable amount. Based on management's assessment, they have concluded that the investment in associate is not impaired.

Our audit procedures included, amongst others, assessing the appropriateness of the valuation model, related data, including key assumptions used by management such as selling prices, annual output and estimated maximum production capacity. We also engaged our internal valuation specialist to assist us in assessing the reasonableness of management's valuation methodology and assessing the appropriateness of certain key assumptions and inputs, such as discount rates, projection period and long term growth of mining industry, used in determining the recoverable amount of the investment in associate. We also assessed the adequacy of Note 2.4(a)(i) and Note 8 relating to the disclosures of the impairment testing.

Impairment of power plant

As at 31 December 2018, included in property, plant and equipment are power plants with an aggregate carrying amount of $39,651,000 which represented 15.6% of the total assets on the statement of financial position.

The Group's power plant recorded losses before taxes for the financial year ended 31 December 2018. This gives rise to indication of impairment and management performed an impairment test to determine its recoverable value. Management has determined the recoverable amount of the power plants based on value in use computations. We have determined this to be a key audit matter based on the quantitative materiality of the power plants and the significant estimation required to determine the recoverable amount.

Our audit procedures included, amongst others, evaluating and assessing the assumptions used by management. We examined management's methodology used to assess the recoverable amount of the power plants. We reviewed the robustness of management's budgeting process by comparing the actual results achieved against previously forecasted budgets. We assessed and tested the assumptions which the outcome of the impairment test is most sensitive to, such as saleable electricity. We corroborated whether the forecast of saleable electricity is supported by customer contracts secured to date. We also checked management's assumptions of gross margins and operating costs against historical performance of the power plants.

Together with our internal valuation specialists, we assessed the appropriateness of the discount rate used in the calculation. This included an assessment of the specific inputs, inter alia, the discount rate, the risk-free rate, the equity risk premium and beta, along with gearing and cost of debt. Such inputs were benchmarked either against risk rates in specific international markets in which the Group operates or equivalent data for peer companies. We also assessed the adequacy of Note 2.4(a)(ii) and Note 3 relating to the disclosures of the impairment testing.

INDEPENDENT AUDITOR'S REPORT

Valuation of investment properties

As at 31 December 2018, the Group has investment property under construction amounting to $14,759,000. This relates to a mix use property in Ningbo, People's Republic of China as disclosed in Note 6. The investment property under construction is stated at fair value and the valuation is highly dependent on a range of assumptions used by the external appraiser, such as location, market knowledge and historical transactions. The valuation of investment property under construction is significant to our audit due to magnitude, complexity in valuation and high sensitivity to changes in key assumptions applied. Accordingly, we have determined this to be a key audit matter.

Management engaged an external appraiser to determine the fair values of these investment property under construction and property under development. The valuation is determined based on the market comparison approach.

As part of our audit procedures, we have considered the objectivity, independence and expertise of the external appraiser engaged by management. Given the complexity, our internal real estate and valuation specialists assisted us in evaluating the appropriateness of the valuation model, data and assumptions used by the management and the external appraiser in their valuation of the investment property under construction. We also assessed the reasonableness of the estimated selling price by comparing them to external available industry data, taking into consideration comparability and market factors. We also assessed the adequacy of Note 2.4(a)(iii) and Note 6 relating to the disclosure of investment property under construction to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of Management and Directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Philip Ling Soon Hwa.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
1 April 2019

BALANCE
SHEETS
AS AT 31 DECEMBER 2018

		Group			Company		
	Note	2018 $'000	31 December 2017 $'000	1 January 2017 $'000	2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current assets							
Property, plant and equipment	3	49,890	60,803	60,237	102	202	276
Land use rights	4	11,049	12,084	13,768	–	–	–
Intangible assets	5	17,666	20,466	24,511	–	–	–
Investment property under construction	6	14,759	10,319	7,685	–	–	–
Property under development	6	48,980	45,218	33,675	–	–	–
Goodwill	5	82	82	82	–	–	–
Deferred tax assets	24	–	–	8,170	–	–	–
Prepayments	11	3,310	3,218	1,694	–	–	–
Interests in subsidiaries	7	–	–	–	76,489	76,489	76,489
Investment in associate	8	26,148	26,154	26,163	26,148	26,154	26,163
Interests in joint venture company	9	1,814	1,854	1,965	–	–	–
Trade and other receivables	10	7,183	7,160	8,898	–	–	–
Loan to subsidiary	13	–	–	–	24,444	31,462	–
		180,881	187,358	186,848	127,183	134,307	102,928
Current assets							
Trade and other receivables	10	5,901	12,079	4,827	65	45	77
Prepayments	11	640	614	592	22	6	9
Due from subsidiaries (trade)	12	–	–	–	1,448	859	–
Due from subsidiaries (non-trade)	13	–	–	–	2,952	3,969	38,356
Inventories	14	84	112	1,172	–	–	–
Cash and bank deposits	15	66,222	44,201	64,645	28,743	2,557	5,545
		72,847	57,006	71,236	33,230	7,436	43,987
Asset held for sale	3	–	–	10,482	–	–	–
		72,847	57,006	81,718	33,230	7,436	43,987
Current liabilities							
Loans and borrowings	16	(6,818)	(13,915)	(13,266)	–	(9,249)	(10,008)
Trade and other payables	17	(53,436)	(45,142)	(65,660)	(3,372)	(486)	(515)
Due to subsidiaries (non-trade)	13	–	–	–	(29,011)	(18,325)	(20,801)
Advance from joint venture company	18	(1,432)	(750)	(750)	(1,432)	(750)	(750)
Income tax payable		(3,260)	(90)	(97)	–	–	–
		(64,946)	(59,897)	(79,773)	(33,815)	(28,810)	(32,074)
Net current assets/(liabilities)		7,901	(2,891)	1,945	(585)	(21,374)	11,913

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

BALANCE SHEETS

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	2018 $'000	31 December 2017 $'000	1 January 2017 $'000	2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current liabilities							
Trade and other payables	17	(25,107)	(26,634)	–	–	–	–
Deferred tax liabilities	24	(8,966)	(9,065)	(10,527)	(14)	(14)	(14)
Loans and borrowings	16	(13,345)	(20,971)	(27,974)	–	–	–
Net assets		141,364	127,797	150,292	126,584	112,919	114,827
Equity							
Share capital	19	202,932	189,004	189,004	202,932	189,004	189,004
Accumulated losses		(105,271)	(109,015)	(94,572)	(76,422)	(76,159)	(74,251)
Capital reserves		353	14	14	–	–	–
Other reserve		(320)	(320)	(320)	–	–	–
Foreign currency translation reserve		(8,659)	(3,567)	1,664	–	–	–
Acquisition revaluation reserve		5,392	5,392	5,392	–	–	–
Employee share option reserve		74	74	74	74	74	74
Equity attributable to owners of the Company		94,501	81,582	101,256	126,584	112,919	114,827
Non-controlling interests		46,863	46,215	49,036	–	–	–
Total equity		141,364	127,797	150,292	126,584	112,919	114,827

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 2018

		Group	
	Note	2018	2017
		$'000	$'000
Revenue	20	28,149	27,432
Other income	21	15,817	1,697
Employee benefits expenses	22	(4,856)	(4,862)
Depreciation and amortisation	3,4,5,11	(7,333)	(9,463)
Operating expenses	23	(18,599)	(19,496)
Impairment loss	23	(10)	(16)
Other expenses	23	(2,970)	(383)
Finance costs on loans and borrowings		(3,056)	(3,896)
Share of results of associate, net of tax	8	(6)	(11)
Share of results of joint venture company, net of tax	9	(104)	49
Profit/(loss) before tax		7,032	(8,949)
Income tax expense	24	(3,672)	(7,354)
Profit/(loss) for the financial year		3,360	(16,303)
Profit/(loss) attributable to:			
Owners of the Company		3,744	(14,443)
Non-controlling interests		(384)	(1,860)
Profit/(loss) for the financial year		3,360	(16,303)
Earnings per share (cents) attributable to owners of the Company	25		
– Basic		0.64	(2.54)
– Diluted		0.64	(2.54)

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 2018

	Group	
	2018	2017
	$'000	$'000
Profit/(loss) net of tax	3,360	(16,303)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(7,303)	(6,192)
Other comprehensive income for the financial year, net of tax	(7,303)	(6,192)
Total comprehensive income for the financial year	(3,943)	(22,495)
Total comprehensive income attributable to:		
Owners of the Company	(1,348)	(19,674)
Non-controlling interests	(2,595)	(2,821)
	(3,943)	(22,495)

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 2018

Group	Share capital $'000	Accumulated losses $'000	Capital reserve [1] $'000	Other reserve $'000	Foreign currency translation reserve [2] $'000	Acquisition revaluation reserve [3] $'000	Employee share option reserve [4] $'000	Total $'000	Non-controlling interests $'000	Total Equity $'000
	Total attributable to owners of the Company									
At 1 January 2017 (SFRS(I) framework)	189,004	(94,572)	14	(320)	1,664	5,392	74	101,256	49,036	150,292
Loss net of tax	–	(14,443)	–	–	–	–	–	(14,443)	(1,860)	(16,303)
Other comprehensive income										
Foreign currency translation	–	–	–	–	(5,231)	–	–	(5,231)	(961)	(6,192)
Other comprehensive income for the financial year, net of tax	–	–	–	–	(5,231)	–	–	(5,231)	(961)	(6,192)
Total comprehensive income for the financial year	–	(14,443)	–	–	(5,231)	–	–	(19,674)	(2,821)	(22,495)
At 31 December 2017	189,004	(109,015)	14	(320)	(3,567)	5,392	74	81,582	46,215	127,797

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 2018

Group	Share capital $'000	Accumulated losses $'000	Capital reserve (1) $'000	Other reserve $'000	Foreign currency translation reserve (2) $'000	Acquisition revaluation reserve (3) $'000	Employee share option reserve (4) $'000	Total $'000	Non-controlling interests $'000	Total Equity $'000
	Total attributable to owners of the Company									
At 1 January 2018 (SFRS (I) framework)	189,004	(109,015)	14	(320)	(3,567)	5,392	74	81,582	46,215	127,797
Profit net of tax	–	3,744	–	–	–	–	–	3,744	(384)	3,360
Other comprehensive income										
Foreign currency translation	–	–	–	–	(5,092)	–	–	(5,092)	(2,211)	(7,303)
Other comprehensive income for the financial year, net of tax	–	–	–	–	(5,092)	–	–	(5,092)	(2,211)	(7,303)
Total comprehensive income for the financial year	–	3,744	–	–	(5,092)	–	–	(1,348)	(2,595)	(3,943)
Changes in ownership interests in subsidiaries										
Capital injection by a non-controlling interest	–	–	339	–	–	–	–	339	3,243	3,582
Total changes in ownership interests in subsidiaries	–	–	339	–	–	–	–	339	3,243	3,582
Total transactions with owners in their capacity as owners	–	–	339	–	–	–	–	339	3,243	3,582
Issuance of ordinary shares from Rights Issue	13,928	–	–	–	–	–	–	13,928	–	13,928
At 31 December 2018	202,932	(105,271)	353	(320)	(8,659)	5,392	74	94,501	46,863	141,364

(1) Capital reserve represents the capital contribution in excess of the registered capital and differences between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received.

(2) 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.

(3) Acquisition revaluation reserve represents the fair value adjustments on acquisition of subsidiary in 2009 relating to previously held interest.

(4) 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 2018

	Total attributable to owners of the Company			
Company	Share capital $'000	Accumulated losses $'000	Employee share option reserve $'000	Total $'000
At 1 January 2017	189,004	(74,251)	74	114,827
Loss net of tax	–	(1,908)	–	(1,908)
At 31 December 2017	189,004	(76,159)	74	112,919
At 1 January 2018	189,004	(76,159)	74	112,919
Effect of adopting (SFRS(I)) 9	–	(94)	–	(94)
At 1 January 2018 (SFRSI framework)	189,004	(76,253)	74	112,825
Issuance of ordinary shares from Rights Issue (Note 19)	13,928	–	–	13,928
Loss net of tax	–	(169)	–	(169)
At 31 December 2018	202,932	(76,422)	74	126,584

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 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit/(loss) before tax		7,032	(8,949)
Adjustments:			
Depreciation of property, plant and equipment	3	4,831	6,744
Amortisation of land use rights	4	514	558
Amortisation of intangible assets	5	1,924	2,092
Amortisation of prepayments	11	64	69
Gain from fair value of investment property under construction		(3,683)	–
Impairment loss on trade and other receivables	23	10	16
Write back of allowance for impairment of other receivables	21	–	(5)
Gain on disposal of property, plant and equipment	21	(11,961)	(88)
Unrealised foreign exchange differences		731	(1,052)
Finance costs		3,056	3,896
Interest income	21	(109)	(289)
Share of results of associate	8	6	11
Share of results of joint venture company	9	104	(49)
Operating cash flows before working capital changes		2,519	2,954
Decrease in inventories		24	1,008
Increase in property under development	6	(5,364)	(11,998)
Decrease/(increase) in trade and other receivables		6,022	(6,748)
Increase in prepayments		(52)	(1,802)
Increase in trade and other payables		2,907	10,785
Cash flows generated from/(used in) operations		6,056	(5,801)
Interest received		109	357
Finance costs paid		(2,951)	(3,698)
Net cash flows generated from/(used in) operating activities		3,214	(9,142)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(2,785)	(2,541)
Proceeds from sale of property, plant and equipment		18,013	150
Subsequent expenditure on investment property under construction	6	(1,224)	(2,738)
Decrease/(increase) in fixed deposits		9,791	(113)
Net cash flows generated from/(used in) investing activities		23,795	(5,242)
Cash flows from financing activities			
Capital injection in a subsidiary by a non-controlling interest	7b	3,582	–
Advances from joint ventures		662	–
Proceeds from rights issue		13,928	–
Repayment of bank loans		(13,818)	(3,128)
Cash at banks pledged	15	47	5
Net cash flows generated from/(used in) financing activities		4,401	(3,123)
Net increase/(decrease) in cash and cash equivalents		31,410	(17,507)
Effect of exchange rate changes on cash and cash equivalents		904	(2,890)
Cash and cash equivalents at beginning of financial year		33,573	53,970
Cash and cash equivalents at end of financial year	15	65,887	33,573

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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, #18-09 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. SUMMARY OF 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 (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for more information on how the Group adopted SFRS(I).

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

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 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on the adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 Financial Instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

(i) *Classification and measurement*

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are both held to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

(ii) *Impairment*

SFRS(I) 9 requires the Group to record expected credit losses on all its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, there was no material impact on the Group's trade and other receivables.

The Company recognised additional impairment on the Company's loan to a fellow subsidiary of $94,000, which has resulted in a corresponding increase in accumulated losses as at 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018. There were no material impact on the adoption of SFRS(I) 15 for the Group's and the Company's revenue.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual improvements to SFRS(I)s 2015-2017 cycle	1 January 2019
Amendments to SFRS(I) 3 *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. lease liability) and an asset representing the rights to use the leased assets during the lease term (i.e. right of use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application 1 January 2019.

On adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) Its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- Not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- To apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019;
- To apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes rising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019. On the adoption of SFRS(I) 16, the Group expects an increase in total assets and total liabilities and gearing ratio.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 end of each reporting period. 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.

(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 are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were 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 investment in associate

The recoverable amount of the investment in associate is determined based on value in use calculation, which is based on a discounted cash flow model that involved significant management's estimates. Such estimates are based on valuation techniques and require considerable judgment on key assumptions such as selling prices, annual production output, estimated maximum production capacity, projection periods and long term growth of the mining industry.

The carrying amount of the Group's investment in associate at the balance sheet date is disclosed in Note 8 to the financial statements.

(ii) Impairment of non-financial assets

The non-financial assets of the Group include power plant, land use rights and intangible assets.

Management has determined the recoverable amount based on value in use computation which involved significant estimates. Such estimates are based on valuation techniques, which require considerable judgments in forecasting future cash flows and developing other assumptions.

The carrying amount of the Group's power plant, land use rights and intangible assets at the balance sheet date are disclosed in Note 3, Note 4 and Note 5, respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant accounting estimates and judgments (cont'd)

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

(iii) Valuation of Investment property under construction

The Group carries its investment property under construction at fair value, with changes in fair values being recognised in profit or loss.

The Group engaged an accredited independent property valuer to determine the fair value of its investment property under construction in Ningbo on a yearly basis. The fair value is determined using the market comparison approach. These estimates are based on local market conditions existing at each valuation date.

The carrying amount, key assumptions and valuation techniques used to determine the fair value of the investment property under construction are disclosed in Note 6.

(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:

Operating lease commitments

As lessee

The Group has also entered into leasing arrangements on certain vessels. The Group has determined based on an evaluation of the terms and conditions of the lease arrangements that the lease term do not constitute a substantial portion of the economic life of the vessels, that the lease agreements do not contain a bargain purchase option and ownership is not transferred at the end of the lease term and hence accounts for these arrangements as an operating lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Subsidiaries, basis of consolidation and business combinations

(a) Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

(b) Basis of consolidation

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

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

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

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

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(b) Basis of consolidation (cont'd)

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

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

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

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

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

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

(c) Business combinations and goodwill

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.

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 profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(c) Business combinations and goodwill (cont'd)

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. 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.

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 the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have 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.

2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners 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 owners of the Company.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.8.

2.8 Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Joint ventures and associates (cont'd)

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

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

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Foreign currency

The financial statements are presented in Singapore dollars, which is also 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 measured.

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 foreign 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.

2.10 Mineral exploration, evaluation and development expenditure

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of the commercial viability of an identified resource.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Mineral exploration, evaluation and development expenditure (cont'd)

Once the legal right to explore has been acquired, exploration and evaluation expenditure incurred in respect of areas of interest are capitalised in respect of each area of interest for which the rights of tenure are current and where:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

(ii) exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and while active and significant operations in, or in relation to, the area are continuing.

Exploration and evaluation expenditure incurred that does not satisfy the policy stated above is expensed in the period in which it is incurred. Exploration and evaluation expenditure that has been capitalised which no longer satisfies the policy stated above is written off in the period in which that decision is made.

No amortisation is provided in respect of mineral exploration, evaluation and development expenditure until they are reclassified as mining properties following a decision to develop the mine. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable and where a decision is made to proceed with development, the deferred exploration, evaluation and development expenditure is reclassified to mining properties and then amortised.

The net carrying value of each area of interest is reviewed regularly and, to the extent to which this value exceeds its recoverable value, that excess is provided for or written off in the year in which this is determined.

2.11 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 measured at cost less accumulated depreciation and any accumulated impairment losses.

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.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

Power plant	–	25 – 26 years
Infrastructure	–	25 – 26 years
Vessels	–	15 years
Leasehold improvements	–	shorter of 10 years or lease terms
Machinery and equipment	–	4 – 26 years
Furniture, fittings and office equipment	–	3 – 5 years
Motor vehicles	–	4 – 8 years
Computers	–	1 – 3 years

Construction-in-progress for qualifying assets, includes borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

2.12 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Intangible assets

Following initial acquisition, intangible assets are carried 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.

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 de-recognition of an intangible asset are measured as 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.

Business licence

The business licence was acquired in business combination. Customer contracts and customers relationships have also been included in the value of the business licence as these contracts are not separable from the business licence. The business licence together with the customer contracts are amortised on a straight line basis over its finite useful life based on the validity of the business licence as disclosed in Note 5.

2.14 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 of disposal 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Impairment losses of continuing operations are recognised in profit or loss.

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.

2.15 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Investments in debt instruments

Amortised costs

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

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 recognized in other comprehensive income for debt instruments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

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 in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss 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.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and fixed deposits, less cash at bank and fixed deposits pledged to secure banking facilities, and which 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 financial assets under SFRS(I) 9. The accounting policy for this category of financial assets is stated in Note 2.15.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held 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 an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. 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 gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.20 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 at purchase costs 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.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 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.

2.23 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

(c) Share option plans

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

The employee share option reserve is transferred to retained earnings upon expiry of the share options.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Employee benefits

(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.

2.24 Leases

(a) As lessee

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

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

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

(b) As lessor

Leases in which the Group does not transfer 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 2.26(d). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Property, plant and equipment once classified as held for sale are not depreciated.

2.26 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.

(a) Sale of electricity

Revenue from sale of electricity is recognized when electricity is transmitted to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the power generation revenue, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(b) Coal transportation income

Revenue from coal carrying activities are recognised over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(c) Charter hire income

Charter hire income is recognised as operating lease income in accordance with SFRS(I) 1-17 Leases. Revenue from the operating lease component of charter hire is recognised on a time-apportioned basis over the charter hire period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Revenue (cont'd)

(d) 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.

Consideration from customers in relation to sale of electricity, coal transportation income, charter hire income and rental income are billed to the customers on a monthly basis according to the terms stated in the contract and the Group's credit term policies.

(e) Interest income

Interest income is recognised over time using the effective interest method.

(f) Dividend income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Taxes (cont'd)

(c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.28 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.

2.29 Contingencies

A contingent liability is:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Related parties

A related party is defined as follows:

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

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

(ii) Has significant influence over the Company; or

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

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

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

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

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

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

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

(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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.31 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.

2.32 Government grant

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet by deducting the grant in arriving at the carrying amount of the asset.

Where the grant relates to compensation for expenditure, it is deferred and is set-off on a systematic basis over the periods in which the entity incurs the related costs.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Power plant $'000	Infrastructure $'000	Vessels $'000	Leasehold improvements $'000	Machinery and equipment $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Computers $'000	Construction-in-progress $'000	Total $'000
Cost										
At 1 January 2017	50,583	3,925	10,308	932	5,644	347	190	152	–	72,081
Additions	–	–	1,232	67	195	2	228	22	795	2,541
Disposals	–	–	(796)	–	–	–	–	–	–	(796)
Transfer from assets held for sale	–	–	40,767	–	–	–	–	64	–	40,831
Exchange differences	(4,575)	(369)	(779)	(8)	(568)	(20)	(10)	(1)	–	(6,330)
At 31 December 2017 and 1 January 2018	46,008	3,556	50,732	991	5,271	329	408	237	795	108,327
Additions	74	379	1,898	8	213	5	15	33	160	2,785
Disposals	–	–	(48,904)	–	(166)	–	–	(87)	–	(49,157)
Transfer	–	–	766	–	–	–	–	–	(766)	–
Exchange differences	(2,183)	(176)	(18)	(19)	(280)	(26)	(21)	(8)	(29)	(2,760)
At 31 December 2018	43,899	3,759	4,474	980	5,038	308	402	175	160	59,195

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

Group	Power plant $'000	Infrastructure $'000	Vessels $'000	Leasehold improvements $'000	Machinery and equipment $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Computers $'000	Construction-in-progress $'000	Total $'000
Accumulated depreciation and impairment										
At 1 January 2017	1,258	106	9,014	690	203	273	156	144	–	11,844
Depreciation charge for the financial year	2,002	155	4,077	87	275	44	83	21	–	6,744
Disposal	–	–	(734)	–	–	–	–	–	–	(734)
Transfer from assets held for sale	–	–	30,378	–	–	–	–	54	–	30,432
Exchange differences	(545)	(57)	3	(8)	(116)	(24)	(11)	(4)	–	(762)
At 31 December 2017 and 1 January 2018	2,715	204	42,738	769	362	293	228	215	–	47,524
Depreciation charge for the financial year	1,847	146	2,372	93	264	18	75	16	–	4,831
Disposal	–	–	(42,979)	–	(63)	–	–	(63)	–	(43,105)
Exchange differences	(314)	(31)	524	(16)	(66)	(21)	(13)	(8)	–	55
At 31 December 2018	4,248	319	2,655	846	497	290	290	160	–	9,305
Net book value										
At 31 December 2018	39,651	3,440	1,819	134	4,541	18	112	15	160	49,890
At 31 December 2017	43,293	3,352	7,994	222	4,909	36	180	22	795	60,803
At I January 2017	49,325	3,819	1,294	242	5,441	74	34	8	–	60,237

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Company	Leasehold improvements $'000	Furniture, fittings and office equipment $'000	Computers $'000	Total $'000
Cost				
At 1 January 2017	428	56	149	633
Additions	3	–	27	30
At 31 December 2017 and 1 January 2018	431	56	176	663
Additions	–	–	4	4
At 31 December 2018	431	56	180	667
Accumulated depreciation				
At 1 January 2017	185	30	142	357
Depreciation charge for the financial year	85	9	10	104
At 31 December 2017 and 1 January 2018	270	39	152	461
Depreciation charge for the financial year	87	7	10	104
At 31 December 2018	357	46	162	565
Net book value				
At 31 December 2018	74	10	18	102
At 31 December 2017	161	17	24	202
At 1 January 2017	243	26	7	276

Assets held for sale

In 2016, PT Aneka Samudera Lintas ("PT ASL") entered into a conditional sale and purchase of vessels agreement (the "Agreement") with PT Karunia Samudera Lines ("PT KSL") for the sale of 22 tugs and 22 barges (collectively, the "Vessels") for a total consideration of IDR170,580,000,000 (equivalent to $18,400,000). As the proposed disposal had not been completed as at 31 December 2016, the Vessels with an aggregate carrying value of $10,482,000 were reclassified from property, plant and equipment to assets held for sale. It was expected under the Agreement that the disposal of vessels should be completed on 5 January 2017.

The disposal had not been completed in 2017 and both parties did not extend or enter into a new agreement. Hence, remaining unsold Vessels were reclassified from assets held for sale to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Disposal of vessels

Following the termination of the above agreement, PT ASL has entered into a agreement during the current financial year for the disposal of 27 tugs and 25 barges for consideration of US$12,175,720 (equivalent to $18,013,000). The disposal was completed on 9 November 2018 and the Group recorded a gain on disposal of $11,961,000.

Assets pledged as security

The property, plant and equipment of PT Kariangau Power ("PT KP") with a carrying amount of $47,605,000 (31 December 2017: $51,557,000, 1 January 2017: $58,593,000) have been mortgaged to secure PT KP's bank loans (Note 16).

4. LAND USE RIGHTS

	Group	
	2018	2017
	$'000	$'000
Cost:		
At 1 January	14,184	14,184
Exchange differences	(1,750)	(1,185)
At 31 December	12,434	12,999
Accumulated amortisation:		
At 1 January	915	416
Amortisation for the year	514	558
Exchange differences	(44)	(59)
At 31 December	1,385	915
Net carrying amount	11,049	12,084
Amount to be amortised:		
Not later than one year	510	533
Later than one year but not later than five years	2,040	2,133
Later than five years	8,499	9,418
	11,049	12,084

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. LAND USE RIGHTS (CONT'D)

Arising from the acquisition of PT KP in 2016, the Group has land use rights over three plots of land in Indonesia, of which one plot is currently utilised by the Group's power plant. As at 31 December 2018, the remaining two plots with an aggregate carrying amount of $9,441,000 (31 December 2017: $10,324,000, 1 January 2017: $11,764,000) remain temporarily vacant. These land use rights have a lease term of 29 years with a remaining tenure of 22 years (31 December 2017: 23 years, 1 January 2017: 24 years).

Land use rights with a net carrying amount of $1,608,000 (31 December 2017: $1,760,000, 1 January 2017: $2,004,000) has been pledged to secure PT KP's bank loans (as disclosed in Note 16).

5. INTANGIBLE ASSETS

	Business licence $'000
Group	
Cost:	
At 1 January 2017	25,600
Exchange differences	(2,139)
At 31 December 2017 and 1 January 2018	23,461
Exchange differences	(1,021)
At 31 December 2018	22,440
Accumulated amortisation:	
At 1 January 2017	1,089
Amortisation	2,092
Exchange differences	(186)
At 31 December 2017 and 1 January 2018	2,995
Amortisation	1,924
Exchange differences	(145)
At 31 December 2018	4,774
Net carrying amount:	
At 31 December 2018	17,666
At 31 December 2017	20,466

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. INTANGIBLE ASSETS (CONT'D)

Business licence relates to the business licence for the rights to supply electricity exclusively within the Kawasan Industri Kariangau ("KIK") zone, which arose from the acquisition of PT KP in 2016. Customer contracts and customer relationships have also been included in the value of the business licence as these contracts are not separable from the business licence. The useful life of the business licence together with the customer contracts is estimated to be 12 years, with a remaining useful life of 10 years (31 December 2017: 11 years, 1 January 2017: 12 years).

The amortisation expense is included in the "Depreciation and amortisation" line item in profit or loss.

Goodwill

Goodwill arising from business combinations has been allocated to PT KP as a single cash-generating unit ("CGU"). As at 1 January 2017, 31 December 2017 and 31 December 2018, the carrying value of goodwill amounted to $82,000.

6. INVESTMENT PROPERTY UNDER CONSTRUCTION/PROPERTY UNDER DEVELOPMENT

	Group	
	2018	2017
	$'000	$'000
Investment property under construction:		
At 1 January	10,319	7,685
Development costs capitalised	1,224	2,738
Gain on fair value adjustment recognised in profit or loss	3,683	–
Exchange differences	(467)	(104)
At 31 December	14,759	10,319
Property under development:		
At 1 January	45,218	33,675
Development costs capitalised	5,364	11,998
Exchange differences	(1,602)	(455)
At 31 December	48,980	45,218

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. INVESTMENT PROPERTY UNDER CONSTRUCTION/PROPERTY UNDER DEVELOPMENT (CONT'D)

In 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 Yinzhou District in Ningbo City, Zhejiang Province in the People's Republic of China ("PRC") for the development of a property.

In 2013, the Group further acquired the right to use and develop the two additional pieces of land measuring a total area of 3,914 square metres and this is adjacent to the first piece mentioned above.

The tenure of the land use term for the above lands are 40 years commencing from August 2011.

Investment property under construction for which the fair value is not reliably determinable are valued at cost until such time that a fair value valuation becomes reliable.

Property under development is classified based on construction progress and the estimated commencement date of presale. Property under development is classified as non-current as the presale permit is expected to be granted by the local authorities beyond 12 months from the end of the reporting period.

The investment property under construction and property under development held by the Group as at 31 December is as follows:

Description and location	% owned	Site area (square metre)	Gross floor area (square metre)	Stage of completion as at date of annual report (expected year of completion)
A 56-storey integrated development with residential apartments, offices and retail components along Yinzhou District, Ningbo, People's Republic of China	51	23,381	Approximately 160,000	2022

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

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2018. The valuations were performed by Ningbo Zhengpeng Property Evaluation Co., Limited, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued. Details of valuation techniques and inputs used are disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INTERESTS IN SUBSIDIARIES

	Company		
		31 December	1 January
	2018	2017	2017
	$'000	$'000	$'000
Shares:			
Unquoted equity shares, at cost	83,325	83,325	83,325
Less: Impairment loss	(6,836)	(6,836)	(6,836)
Investments in subsidiaries	76,489	76,489	76,489

(a) *Composition of the Group*

The Company has the following subsidiaries as at 31 December 2018:

Name of subsidiary	Principal activities	Country of incorporation and place of business	Proportion of ownership interest			Cost of investment by the Company		
			2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
			%	%	%	$'000	$'000	$'000
SLM Holding Pte Ltd *	Investment holding	Singapore	100	100	100	2,195	2,195	2,195
DLM Marine Pte Ltd *	Dormant	Singapore	100	100	100	100	100	100
MR Logistics Pte. Ltd. *	Investment holding	Singapore	100	100	100	33,879	33,879	33,879
Lian Beng Energy Pte. Ltd.*	Investment holding	Singapore	100	100	100	4,541	4,541	4,541
Manhattan Resources (Ningbo) Property Limited [3], **	Property development	People's Republic of China	–	51	51	–	42,610	42,610
Manhattan Property Development Pte. Ltd. [3], *	Investment holding	Singapore	51	51	51	42,610	– [1]	– [1]
						83,325	83,325	83,325

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INTERESTS IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group (cont'd)

Name of subsidiary	Principal activities	Country of incorporation and place of business	Proportion of ownership interest		
			2018	31 December 2017	1 January 2017
			%	%	%
Held through SLM Holding Pte Ltd					
PT Kariangau Power ***	Power plant	Indonesia	86.11	92.18	92.18
PT Niaga Power Kariangau ****	Operations and maintenance of electrical installation	Indonesia	95	95	–
PT Power Kariangau Kalimantan ****	Operations and maintenance of electrical installation	Indonesia	95	95	–
Held through MR Logistics Pte. Ltd.					
Kaltim Alpha Shipping Pte. Ltd. *	Investment holding	Singapore	100	100	100
Epsilon Shipping Pte. Ltd. *	Dormant	Singapore	100	100	100
PT. Jaya Pesona Abadi ****	Investment holding	Indonesia	100	100	100
Held through PT. Jaya Pesona Abadi					
PT. Aneka Samudera Lintas ***	Shipping activities	Indonesia	100	100	100
Held through DLM Marine Pte Ltd					
PT. MR Resources (2)	Dormant	Indonesia	–	–	100
PT. MR EMAS (2)	Dormant	Indonesia	–	–	100
PT. MR Engineering ****	Dormant	Indonesia	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INTERESTS IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group (cont'd)

Name of subsidiary	Principal activities	Country of incorporation and place of business	Proportion of ownership interest		
			2018	31 December 2017	1 January 2017
			%	%	%
Held through Lian Beng Energy Pte. Ltd.					
PT Lian Beng Energy ****	Dormant	Indonesia	100	100	100
Held through Manhattan Property Development Pte. Ltd.					
Manhattan Resources (Ningbo) Property Limited (3), **	Property development	People's Republic of China	100	–	–

* Audited by Ernst & Young LLP, Singapore.

** Audited by member firm of Ernst & Young Global for purposes of Group consolidation.

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

**** Exempted from audit in the country of incorporation.

(1) The amount is below $1,000.

(2) On 23 August 2017, these subsidiaries have been liquidated and their names have been struck off in the registers in Indonesia.

(3) On 11 July 2018, Manhattan Resources (Ningbo) Property Limited was restructured to be wholly owned by Manhattan Property Development Pte. Ltd ("MPDPL"). MPDPL continues to be 51% held by the Company.

NOTES TO THE
FINANCIAL STATEMENTS
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7. INTERESTS IN SUBSIDIARIES (CONT'D)

(b) Transaction in 2018

On 30 April 2018, Gallant Power Pte. Ltd. ("Gallant"), a related company, subscribed for 30,408 new ordinary shares of PT KP, with a nominal value of IDR 1,000,000 per share, representing approximately 6.58% of the enlarged issued and paid up share capital in PT KP. The cash consideration received for the additional shares subscription by Gallant amounted to US$2,730,000 (equivalent to $3,582,000). As a result of the share subscription, the Group's equity interest in the issued and paid-up capital of PT KP was diluted from 92.18% to 86.11%. As the share subscription by Gallant did not result in a loss of control, the gain on dilution of $339,000 was taken to "capital reserves" within equity.

(c) Transaction in 2017

On 17 August 2017, SLM Holding Pte Ltd, a wholly owned subsidiary of the Company, incorporated two subsidiaries, PT Niaga Power Kariangau and PT Power Kariangau Kalimantan with an issued capital of IDR 2,665,000,000 (equivalent to $272,000) and IDR 2,659,800,000 (equivalent to $271,000), respectively. The intended business activities of the 2 subsidiaries are the operations and maintenance of electrical installation.

(d) Interest in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group:

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest			Profit/(loss) allocated to NCI during the reporting period			Accumulated NCI at the end of reporting period		
		2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
		%	%	%	$'000	$'000	$'000	$'000	$'000	$'000
Manhattan Resources (Ningbo) Property Limited	People's Republic of China	49	49	49	122	(1,018)	867	42,602	43,881	45,575
PT Kariangau Power	Indonesia	13.89	7.82	7.82	(450)	(786)	(89)	4,965	2,983	4,056

<u>Significant restrictions</u>

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are:

Cash and cash equivalents of $19,488,000 (31 December 2017, 1 January 2017: $26,925,000) held in People's Republic of China are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INTERESTS IN SUBSIDIARIES (CONT'D)

(d) Interest in subsidiaries with material non-controlling interest (NCI) (cont'd)

Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Manhattan Resources (Ningbo) Property Limited			PT Kariangau Power		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Current:						
Assets	30,511	37,570	57,743	6,450	3,753	4,029
Liabilities	(4,496)	(1,195)	(10,802)	(46,378)	(26,946)	(20,419)
Net current assets/(liabilities)	26,015	36,375	46,941	(39,928)	(23,193)	(16,390)
Non-current:						
Assets	69,222	60,857	45,030	78,105	85,741	106,819
Liabilities	(9,333)	(8,718)	–	(8,057)	(30,022)	(38,487)
Net non-current assets	59,889	52,139	45,030	70,048	55,719	68,332
Net assets	85,904	88,514	91,971	30,120	32,526	51,942

Summarised statement of comprehensive income

	Manhattan Resources (Ningbo) Property Limited		PT Kariangau Power	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Revenue	–	–	13,147	16,677
Profit/(loss) before income tax	1,169	(2,086)	(4,520)	(8,572)
Income tax (expense)/credit	(920)	8	602	(7,187)
Profit/(loss) after tax	249	(2,078)	(3,918)	(15,759)
Other comprehensive income	(2,859)	(1,379)	1,512	(3,657)
Total comprehensive income	(2,610)	(3,457)	(2,406)	(19,416)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INTERESTS IN SUBSIDIARIES (CONT'D)

(d) Interest in subsidiaries with material non-controlling interest (NCI) (cont'd)

Other summarised information

	Manhattan Resources (Ningbo) Property Limited		PT Kariangau Power	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Net cash flows (used in)/from operations	(47)	(3,022)	10,085	7,895
Additions to investment property under construction and property under development	(6,588)	(14,736)	–	–

8. INVESTMENT IN ASSOCIATE

The investment in associate is summarised below:

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Investment, at cost	26,179	26,179	26,179	26,179	26,179	26,179
Share of post-acquisition results, net of tax	(31)	(25)	(16)	(31)	(25)	(16)
At the end of year	26,148	26,154	26,163	26,148	26,154	26,163

Name	Principal activities	Country of incorporation and place of business	Proportion of ownership interest		
			2018	31 December 2017	1 January 2017
			%	%	%
Giantminer Pte. Ltd.	Investment holding and other mining and quarrying	Singapore	25	25	25

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. INVESTMENT IN ASSOCIATE (CONT'D)

The summarised financial information in respect of Giantminer and its subsidiary, based on its SFRS(I) financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Giantminer and its subsidiary		
	2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Current assets	25,361	25,337	25,337
Non-current assets	1,068	1,104	1,127
Total assets	26,429	26,441	26,464
Current liabilities	622	613	597
Total liabilities	622	613	597
Net assets	25,807	25,828	25,867
Net assets excluding goodwill	25,807	25,828	25,867
Proportion of the Group's ownership	25%	25%	25%
Group's share of net assets	6,452	6,457	6,467
Other adjustments	19,696	19,697	19,696 (1)
	26,148	26,154	26,163 (1)

(1) The acquisition of Giantminer was deemed to be an asset acquisition. The Company had accounted for its proportion of interest in Giantminer amounting to $26,163,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. INVESTMENT IN ASSOCIATE (CONT'D)

Summarised statement of comprehensive income

	Giantminer Pte. Ltd.	
	2018	2017
	$'000	$'000
Revenue	–	–
Loss after tax	(33)	(44)
Other comprehensive income	–	–
Total comprehensive income	(33)	(44)

9. INTERESTS IN JOINT VENTURE COMPANY

The Group has 50% (1 January, 31 December 2017: 50%) equity interest in a joint arrangement, 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	
	2018	2017
	$'000	$'000
Share of post-acquisition reserves:		
At 1 January	1,854	1,965
Share of post-acquisition results (net of tax)	(104)	49
Share of foreign currency translation reserve	64	(160)
At 31 December	1,814	1,854
Carrying amount of investment	1,814	1,854

THE is audited by KPMG LLP, Singapore.

On 31 December 2018, THE has commenced voluntary liquidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Summarised balance sheet

	Tat Hong Energy Pte. Ltd.		
	2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Current and total assets	3,864	5,457	4,161
Current and total liabilities	(9)	(1,523)	(5)
Net assets	3,855	3,934	4,156
Proportion of the Group's ownership	50%	50%	50%
Group's share of net assets	1,927	1,967	2,078
Other adjustments	(113)	(113)	(113)
Carrying amount of investment	1,814	1,854	1,965

Summarised statement of comprehensive income

	Tat Hong Energy Pte. Ltd.	
	2018	2017
	$'000	$'000
Revenue	–	–
(Loss)/profit after tax	(208)	98
Other comprehensive income	128	(320)
Total comprehensive income	(79)	(222)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. TRADE AND OTHER RECEIVABLES

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables (current):						
Third parties	6,319	4,924	5,397	38	38	38
Related parties	2,721	4,557	3,973	–	–	–
	9,040	9,481	9,370	38	38	38
Less: Allowance for impairment	(5,739)	(5,773)	(6,266)	(34)	(34)	(34)
	3,301	3,708	3,104	4	4	4
Other receivables (current):						
GST receivable	17	5	11	17	5	11
Deposits	3,057	3,209	3,241	3,031	3,031	3,044
Due from related parties	697	6,395	745	–	5	5
Other receivables	5,302	4,837	3,973	48	35	35
Interest receivable from banks	3	58	130	–	–	–
	9,076	14,504	8,100	3,096	3,076	3,095
Less: Allowance for impairment	(6,476)	(6,133)	(6,377)	(3,035)	(3,035)	(3,022)
	2,600	8,371	1,723	61	41	73
Trade and other receivables (current)	5,901	12,079	4,827	65	45	77
Trade and other receivables (non-current):						
Other receivables	14,287	14,117	16,427	–	–	–
Less: Allowance for impairment	(7,104)	(6,957)	(7,529)	–	–	–
	7,183	7,160	8,898	–	–	–
Total trade and other receivables	13,084	19,239	13,725	65	45	77
Add:						
Cash and bank deposits (Note 15)	66,222	44,201	64,645	28,743	2,557	5,545
Loan to subsidiary (Note 13)	–	–	–	24,444	31,462	–
Due from subsidiaries (Note 12)	–	–	–	1,448	859	–
Due from subsidiaries (Note 13)	–	–	–	2,952	3,969	38,356
Total financial assets carried at amortised cost	79,306	63,440	78,370	57,652	38,892	43,978

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. TRADE AND OTHER RECEIVABLES (CONT'D)

(i) Trade receivables are non-interest bearing and are to be settled in cash. Trade receivables are generally on 30 to 120 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(ii) Amounts due from related parties are unsecured, repayable upon demand and are to be settled in cash.

(iii) In 2012, the Group entered into a ship sale and purchase agreement ("SPA") with a shipbuilder for the purchase of vessels. The Group subsequently sold the vessels to a third party buyer in 2013. The Group retains an unpaid seller's lien on the vessels until the consideration has been fully paid.

Included in the current and non-current other receivables is the outstanding consideration arising from the sale of the vessels of US$10,584,000 (approximately $14,965,000), which is to be paid in equal monthly instalments over a period of 120 months. Any outstanding consideration bears interest at 1 month SIBOR + 3.4% per annum. Due to the barge incidents in prior years, the Group and third party buyer entered into a Second Amendment to the SPA, whereby the monthly instalments were deferred and interest waived commencing from 1 January 2014.

Management had performed an impairment review and had made an allowance of $7,319,000 on the other receivables due from the third party buyer in 2015.

(iv) Included in other receivables (non-current) is an amount of $3,532,000 (31 December 2017: $3,588,000, 1 January 2017: $3,642,000) placed with local government authorities in Ningbo for the development of a property. These deposits are refundable to the Group based on milestones achieved.

Trade receivables pledged as security

Trade receivables amounting to $825,000 (31 December 2017: $776,000, 1 January 2017: $1,544,000) have been pledged as security for the Group's loans and borrowings as disclosed in Note 16.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $205,000 as at 31 December 2017 and $641,000 as at 1 January 2017 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	
	31 December 2017	1 January 2017
	$'000	$'000
Lesser than 3 months	136	–
Above 12 months	69	641
	205	641

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are impaired

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

	Group Individually impaired		Company Individually impaired	
	31 December 2017 $'000	1 January 2017 $'000	31 December 2017 $'000	1 January 2017 $'000
Current				
Trade receivables – nominal amounts	5,777	6,270	38	38
Less: Allowance for impairment	(5,773)	(6,266)	(34)	(34)
	4	4	4	4

Movement in allowance for trade receivables accounts:

	Group		Company	
	31 December 2017 $'000	1 January 2017 $'000	31 December 2017 $'000	1 January 2017 $'000
At 1 January	(6,266)	(5,953)	(34)	(34)
Charge for the financial year	(3)	(93)	–	–
Exchange differences	496	(220)	–	–
At 31 December	(5,773)	(6,266)	(34)	(34)

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, have defaulted on payments and/or for which collectability is uncertain. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are impaired (cont'd)

Movement in allowance for other receivables accounts:

	Group		Company	
	31 December 2017 $'000	1 January 2017 $'000	31 December 2017 $'000	1 January 2017 $'000
At 1 January	(13,906)	(13,501)	(3,022)	(3,022)
Charge for the financial year	(13)	–	(13)	–
Write back of allowance	5	310	–	–
Acquisition of a subsidiary	–	(491)	–	–
Exchange differences	824	(224)	–	–
At 31 December	(13,090)	(13,906)	(3,035)	(3,022)

The write back of allowance was made on receipt of outstanding amounts.

Expected credit losses

There was no impact arising from the Group's and Company's adoption of SFRS(I) 9. The movement in allowance for expected credit losses of trade and other receivables computed based on lifetime ECL are as follows:

	Group		Company	
	Trade receivables 2018 $'000	Other receivables 2018 $'000	Trade receivables 2018 $'000	Other receivables 2018 $'000
At 1 January (SFRS(I) framework)	(5,773)	(13,090)	(34)	(3,035)
Exchange differences	34	(490)	–	–
At 31 December	(5,739)	(13,580)	(34)	(3,035)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. PREPAYMENTS

Included in non-current prepayments are VAT prepayment arising from the property development segment and advanced payments made for the construction of haul roads to facilitate the transportation of coal to the power plant. The advanced payments on the road haul costs are amortised over the remaining tenure of 23 years (31 December 2017: 24 years, 1 January 2017: 25 years). Included in current prepayments are prepaid taxes arising from the sale of electricity amounting to $415,000 (31 December 2017: $310,000, 1 January 2017: $159,000).

Amortisation expenses of $64,000 (31 December 2017: $69,000) has been recognised in the "Depreciation and amortisation" line item of profit or loss for the financial year ended 31 December 2018.

12. DUE FROM SUBSIDIARIES (TRADE)

Amounts due from subsidiaries (trade) are stated after deducting allowance for doubtful debts of $1,448,000 (31 December 2017: $859,000, 1 January 2017: $Nil).

These amounts are interest-free and are generally on normal trade terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

		Company	
		31 December	1 January
	2018	2017	2017
	$'000	$'000	$'000
Current			
Amounts due from subsidiaries	6,892	7,862	42,215
Less: Allowance for impairment	(3,940)	(3,893)	(3,859)
	2,952	3,969	38,356
Amounts due to subsidiaries	(29,011)	(18,325)	(20,801)
Non-current			
Loan to subsidiary	24,444	31,462	–

Amounts due from/(to) subsidiaries (non-trade) are unsecured, interest-free, repayable on demand and to be settled in cash.

Included in amounts due from subsidiaries as at 1 January 2017 are advances to a subsidiary of $33,718,000 for the acquisition of PT KP in the previous financial year as disclosed in Note 7. In 2017, the advances to subsidiary had been classified as non-current, as the Company has no intention of demanding repayment within the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. LOAN TO SUBSIDIARY AND DUE FROM/(TO) SUBSIDIARIES (NON-TRADE) (CONT'D)

	Company		
	2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Loan to subsidiaries – nominal amounts	35,264	42,181	10,713
Less: Allowance for impairment	(10,820)	(10,719)	(10,713)
	24,444	31,462	–

Loan to subsidiary and amounts due from subsidiaries denominated in US Dollars amount to $19,903,763 (31 December 2017: $28,607,000, 1 January 2017: $31,121,000) as at 31 December 2018.

Movement in allowance for amounts due from subsidiaries (non-trade) account:

	Company	
	31 December 2017	1 January 2017
	$'000	$'000
At 1 January	(3,859)	(3,755)
Charge for the financial year	(34)	(114)
Exchange differences	–	10
At 31 December	(3,893)	(3,859)

Movement in allowance for loan to subsidiary account:

	Company	
	31 December 2017	1 January 2017
	$'000	$'000
At 1 January	(10,713)	(10,713)
Charge for the financial year	(6)	–
At 31 December	(10,719)	(10,713)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. LOAN TO SUBSIDIARY AND DUE FROM/(TO) SUBSIDIARIES (NON-TRADE) (CONT'D)

Expected credit losses

The movement in allowance for expected credit losses of amounts due from subsidiaries (non-trade) and loan to subsidiary computed based on lifetime ECL are as follows:

	Company	
	Amounts due from subsidiaries (non-trade) 2018 $'000	Loan to subsidiary 2018 $'000
At 1 January	(3,893)	(10,719)
Effects of adopting SFRS(I) 9	–	(94)
At 1 January (SFRS(I) framework)	(3,893)	(10,813)
Charge for the financial year	(47)	(7)
At 31 December	(3,940)	(10,820)

14. INVENTORIES

	Group		
	2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Balance sheets:			
Raw materials (at cost)	84	112	1,172
Income statement:			
Inventories recognised as an expense in cost of sales	5,883	9,415	1,766

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. CASH AND BANK DEPOSITS

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash at banks and on hand	66,115	33,848	54,250	28,743	2,557	5,545
Fixed deposits	107	10,353	10,395	–	–	–
Cash and bank deposits	66,222	44,201	64,645	28,743	2,557	5,545

As at 31 December 2018, included in fixed deposits and cash at banks is an aggregate amount of $228,000 (31 December 2017: $10,628,000, 1 January 2017: $10,675,000) pledged to banks for the Group'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 3 and 12 months while short term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective fixed deposit rates.

The effective interest rates as at 31 December 2018 for the Group and the Company were 0.22% (31 December 2017: 0.53%, 1 January 2017: 0.46%) and 0.12% (31 December 2017: 0.05%, 1 January 2017: 0.42%) per annum, respectively.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting periods:

	Group		
	2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Cash at banks and on hand	66,115	33,848	54,250
Less: Cash at banks pledged	(228)	(275)	(280)
Cash and cash equivalents	65,887	33,573	53,970

At the balance sheet date, cash and bank deposits denominated in US Dollars amounted to $35,864,000 (31 December 2017: $23,663,000, 1 January 2017: $44,342,000) and $13,780,000 (31 December 2017: $1,868,000, 1 January 2017: $4,070,000) for the Group and Company respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. LOANS AND BORROWINGS

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Non revolving loans:						
Current	(6,818)	(13,915)	(13,266)	–	(9,249)	(10,008)
Non-current	(13,345)	(20,971)	(27,974)	–	–	–
Total loans and borrowings	(20,163)	(34,886)	(41,240)	–	(9,249)	(10,008)

Non revolving loans ("NRL") bear effective interests ranging from 2.55% to 11.00% (31 December 2017: 2.80% to 12.00%, 1 January 2017: 2.63% to 12.13%) per annum and are repayable over a remaining period of 1 year to 3 years (31 December 2017: 1 to 4 years, 1 January 2017: 1 to 5 years).

The NRL is secured by (i) the mortgage on the land and certain property, plant and equipment; (ii) fiduciary security over receivables arising out of operational transaction, claims of performance guarantee from certain suppliers and insurance claims; (iii) security over certain receivables and bank accounts. The Group had made full repayments of the NRL subsequent to the financial year end.

During the financial year, the Company had also made full repayments of the NRL.

A reconciliation of liabilities arising from financing activities is as follows:

	1 January 2017	Cash flows	Non-cash changes		31 December 2017
			Foreign exchange movement	Other	
	$'000	$'000	$'000	$'000	$'000
Loans and borrowings					
Current	13,266	(3,128)	(1,031)	4,808	13,915
Non-current	27,974	–	(2,195)	(4,808)	20,971
Total	41,240	(3,128)	(3,226)	–	34,886

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. LOANS AND BORROWINGS (CONT'D)

	31 December 2017	Cash flows	Non-cash changes		2018
			Foreign exchange movement	Other	
	$'000	$'000	$'000	$'000	$'000
Loans and borrowings					
Current	13,915	(13,818)	(905)	7,626	6,818
Non-current	20,971	–	–	(7,626)	13,345
Total	34,886	(13,818)	(905)	–	20,163

17. TRADE AND OTHER PAYABLES

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables (current):						
Third parties	(12,135)	(11,845)	(13,214)	(298)	(204)	(205)
Related parties	(15,495)	(16,310)	(9,296)	–	–	–
	(27,630)	(28,155)	(22,510)	(298)	(204)	(205)
Accrued expenses	(7,067)	(5,717)	(3,872)	(349)	(281)	(309)
Other payables	(9,428)	(4,813)	(16,870)	(1)	(1)	(1)
Amounts due to related parties	(9,311)	(6,457)	(22,246)	(2,724)	–	–
Amounts due to directors	–	–	(162)	–	–	–
Trade and other payables (current)	(53,436)	(45,142)	(65,660)	(3,372)	(486)	(515)
Trade and other payables (non-current):						
Other payables	(8,438)	(8,719)	–	–	–	–
Amounts due to related parties	(16,669)	(17,915)	–	–	–	–
	(25,107)	(26,634)	–	–	–	–
Total trade and other payables	(78,543)	(71,776)	(65,660)	(3,372)	(486)	(515)
Add:						
Loans and borrowings (Note 16)	(20,163)	(34,886)	(41,240)	–	(9,249)	(10,008)
Due to subsidiaries (non-trade) (Note 13)	–	–	–	(29,011)	(18,325)	(20,801)
Advance from joint venture company (Note 18)	(1,432)	(750)	(750)	(1,432)	(750)	(750)
Total financial liabilities carried at amortised cost	(100,138)	(107,412)	(107,650)	(33,815)	(28,810)	(32,074)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. TRADE AND OTHER PAYABLES (CONT'D)

Trade and other payables are non-interest bearing. The credit terms of trade payables are normally ranged from 30 to 120 days (2017: 40 to 60) days, while other payables have an average term of 6 (2017: 6) months.

Other payables (non-current)

Included in other payables are government grants received in advance amounting to $8,438,000 (31 December 2017: $8,719,000, 1 January 2017: $8,851,000) for the construction of infrastructure in connection with the land use rights acquired by Manhattan Resources (Ningbo) Property Limited in 2011. These payments may be applied to offset the construction costs of the relevant infrastructure, subject to the applicable development regulations and conditions.

The relevant construction permits were obtained in the previous financial year and the construction of property under development had commenced in the previous financial year. The government grants have been classified as non-current as it is not expected that these grants will be applied to offset the construction costs within the next 12 months.

Amounts due to related parties and directors

Amounts due to related parties and directors are non-trade in nature, unsecured, interest-free, repayable on demand and are to be settled in cash.

Included in these amounts are $21,899,000 (31 December 2017: $18,762,000, 1 January 2017: $21,679,000) denominated in US Dollars.

Amounts due to related parties includes an amount payable to Energy Resources Investment Pte Ltd ("ERI") of $16,669,000 (31 December 2017: $16,624,000, 1 January 2017: $16,663,000) arising from the acquisition of PT KP. As at 31 December 2018, these amounts were classified as part of non-current liability as ERI had agreed to not demand for repayment within the next 12 months.

18. ADVANCE FROM JOINT VENTURE COMPANY

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. SHARE CAPITAL

	Group and Company			
	2018		2017	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid ordinary shares				
At 1 January	568,490,975	189,004	568,490,975	189,004
Issuance of ordinary shares from Rights Issue	568,490,975	13,928	–	–
At 31 December	1,136,981,950	202,932	568,490,975	189,004

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.

On 20 December 2018, the Company issued 568,490,975 of ordinary shares pursuant to the Rights Issue for a total consideration of approximately $13,928,000.

20. REVENUE

	Group	
	2018	2017
Disaggregation of revenue	$'000	$'000
Sale of electricity	13,147	16,677
Coal transportation income	13,160	10,755
Charter hire income	1,842	–
	28,149	27,432
Timing of transfer of services		
Over time	15,002	10,755
Point in time	13,147	16,677

The Group's revenue by business segment and geographical location is disclosed in Note 28.

<u>Transaction price allocated to remaining performance obligation</u>

In relation to the sale of electricity, the Group recognises revenue in the amount that correspond directly with the value to the customer of the Group's performance completed to date and has applied the practical expedient not to disclose information about its remaining performance obligations.

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21. OTHER INCOME

	Group	
	2018	2017
	$'000	$'000
Interest income on cash and bank deposits	109	289
Write back of allowance for impairment of trade and other receivables (Note 10)	–	5
Gain on disposal of property, plant and equipment	11,961	88
Service income	–	433
Gain from fair value adjustment of investment property under construction	3,683	–
Miscellaneous income	64	882
	15,817	1,697

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

	Group	
	2018	2017
	$'000	$'000
Salaries and bonuses	(3,899)	(3,985)
CPF contributions	(207)	(209)
Others	(750)	(668)
	(4,856)	(4,862)

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

<u>Share option plans (Manhattan Resources Share Option Scheme) ("Option Scheme")</u>

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 2018 and 2017.

The Option Scheme had expired on 15 September 2018.

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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			
	2018		2017	
	No. of options	Exercise price ($)	No. of options	Exercise price ($)
Outstanding at 1 January and 31 December	275,000	0.48	275,000	0.48
Exercisable at 31 December	275,000	0.48	275,000	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 as of date of grant:

	Option Scheme
Dividend yield	NIL
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. OPERATING EXPENSES, IMPAIRMENT LOSS AND OTHER EXPENSES

	Group	
	2018	2017
	$'000	$'000
Operating expenses:		
Coal and fuel	(10,490)	(12,437)
Operations and maintenance	(3,353)	(3,578)
Agent fees and port handling charges	(1,413)	(1,549)
Certificate, licence and other compliance expenses	(405)	(359)
Chartering expenses	(1,279)	(543)
Other expenses	(1,659)	(1,030)
	(18,599)	(19,496)
Impairment loss:		
Impairment loss on trade and other receivables (Note 10)	(10)	(16)
Other expenses included the following:		
Office and other rental expenses	(328)	(420)
Foreign exchange (loss)/gain, net	(953)	1,180
Legal and professional fees	(754)	(801)
Included in legal and professional fees are the following:		
– Audit fees:		
Auditors of the Company	(141)	(134)
Affiliates of the auditors of the Company	(65)	(54)
Other auditors	–	(21)
– Non-audit fees:		
Auditors of the Company	(10)	(19)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. INCOME TAX

Major components of income tax expense

Major components of income tax expense for the financial years ended 31 December 2018 and 2017 are:

	Group	
	2018	2017
	$'000	$'000
Income statement:		
Current income tax:		
Current income taxation	(3,353)	(168)
Deferred income tax:		
Deferred tax assets written off	–	(7,556)
Origination and reversal of temporary differences	(319)	370
	(319)	(7,186)
Income tax recognised in profit or loss	(3,672)	(7,354)

Relationship between tax expense and accounting loss

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

	Group	
	2018	2017
	$'000	$'000
Profit/(loss) before tax	7,032	(8,949)
Tax at the domestic rates applicable to (profit)/loss in the countries where the Group operates	(1,986)	2,179
Adjustments:		
Income not subject to taxation	3	911
Non-deductible expenses	(409)	(2,647)
Share of results of associate and joint venture	(19)	6
Deferred tax assets written off	–	(7,556)
Deferred tax assets not recognised	(1,324)	(247)
Benefits of deferred tax assets previously unrecognised	63	–
Income tax expense recognised in profit or loss	(3,672)	(7,354)

The corporate income tax rate applicable to Singapore companies of the Group was 17% for the year of assessment ("YA") 2019 and YA2018. The corporate income tax rate applicable to Indonesian companies of the Group was 25% for YA2019 and YA2018, except for a subsidiary's vessel charter income which is subjected to a final tax at a rate of 1.20% of revenue in YA2019 and YA2018 under the Taxation Laws of Indonesia.

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. INCOME TAX (CONT'D)

Deferred tax

Deferred tax as at 31 December relates to the following:

	Group						Company		
	Consolidated balance sheet			Consolidated income statement			Balance sheet		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liability:									
Differences in depreciation	(1,015)	(1,062)	(14)	(2)	287	–	(14)	(14)	(14)
Differences in amortization	(7,055)	(8,003)	–	604	(657)	–	–	–	–
Fair value adjustments on acquisition of subsidiary	–	–	(10,513)	–	–	(350)	–	–	–
Fair value adjustment on investment property under development	(896)	–	–	(921)	–	–	–	–	–
	(8,966)	(9,065)	(10,527)				(14)	(14)	(14)
Deferred tax assets:									
Unutilised tax losses	–	–	8,170	–	7,556	–	–	–	–
	–	–					–	–	–
Deferred tax (expense)/credit				(319)	7,186	(350)			

Unabsorbed tax losses

As at 31 December 2018, the Group and the Company have unabsorbed tax losses of approximately $29,544,000 (2017: $27,673,000) and $4,713,000 (2017: $5,363,000), 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.

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24. INCOME TAX (CONT'D)

Unabsorbed tax losses (cont'd)

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.

In 2017, certain subsidiaries participated in the Tax Amnesty Programme introduced by the Indonesian Tax Office, resulting in $30,224,000 of unabsorbed tax losses foregone.

Unrecognised temporary differences relating to investment in subsidiaries and joint venture

At the end of the respective reporting periods, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of the Group's subsidiaries and joint venture as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

25. EARNINGS PER SHARE

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

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

	Group	
	2018	2017
	$'000	$'000
Profit/(loss) for the financial year, net of tax, attributable to equity holders of the Company used in the computation of basic earnings per share	3,744	(14,443)
	No. of shares	No. of shares
Weighted average number of ordinary shares for basic and diluted earnings per share computation	587,181,089	568,490,975

The outstanding share options as disclosed in Note 22 have not been included in the calculation of diluted earnings per share in the current financial year because these are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. RELATED PARTY DISCLOSURES

(a) *Remuneration of directors and executive officers*

	Group	
	2018	2017
	$'000	$'000
Directors' remuneration (including directors' fees):		
Salaries and bonus	(260)	(299)
Directors' fees	(117)	(121)
CPF contributions	(15)	(19)
Other benefits	(8)	(12)
	(400)	(451)
Executive officers' remuneration:		
Salaries and bonus	(1,020)	(907)
CPF contributions	(59)	(56)
Other benefits	(12)	(16)
	(1,091)	(979)
	(1,491)	(1,430)

Directors' interest in share option plan

During the financial years ended 31 December 2018 and 31 December 2017, 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	
	2018	2017
	$'000	$'000
Related parties		
– Coal transportation income	10,353	10,399
– Sale of electricity	5,036	5,424
– Purchase of coal	(3,128)	(10,190)
– Commercial property lease expense	(178)	(246)

Related parties comprise companies which are related to a substantial shareholder and his close family members.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 5 reportable operating segments as follows:

(a) The Power Plant segment relates to the construction, acquisition, operations and maintenance of power plants and the production and sale of electric power in Indonesia;

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

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

(d) The Mineral Resources segment relates to the mineral resources and mining activities in the PRC; and

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

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.

28. SEGMENT INFORMATION (CONT'D)

	31 December 2018							31 December 2017						
	Power Plant $'000	Shipping $'000	Property Development $'000	Mineral Resources $'000	Corporate and Others $'000	Eliminations $'000	Per consolidated financial statements $'000	Power Plant $'000	Shipping $'000	Property Development $'000	Mineral Resources $'000	Corporate and Others $'000	Eliminations $'000	Per consolidated financial statements $'000
Revenue														
External customers	13,147	15,002	–	–	–	–	28,149	16,677	10,755	–	–	–	–	27,432
Inter-segment	–	–	–	–	24	(24)	–	–	–	–	–	24	(24)	–
Total revenue	13,147	15,002	–	–	24	(24)	28,149	16,677	10,755	–	–	24	(24)	27,432
Results														
Interest income	26	56	8	–	19	–	109	16	38	233	–	2	–	289
Depreciation and amortisation	(4,804)	(2,423)	–	–	(106)	–	(7,333)	(5,204)	(4,146)	(11)	–	(102)	–	(9,463)
Share of results of associate	–	–	–	(8)	–	–	(8)	–	–	–	(11)	–	–	(11)
Share of results of joint venture company	–	–	–	–	(104)	–	(104)	–	–	–	–	49	–	49
Impairment loss on trade and other receivables	(1)	–	–	–	(10)	–	(11)	(1)	(3)	–	–	(12)	–	(16)
Gain on disposal of property, plant and equipment	–	11,961	–	–	–	–	11,961	–	88	–	–	–	–	88
Interest expenses	(2,654)	(142)	–	–	(260)	–	(3,056)	(3,472)	(153)	–	–	(271)	–	(3,896)
Deferred tax assets written off	–	–	–	–	–	–	–	(7,556)	–	–	–	–	–	(7,556)
Write back of allowance for impairment of trade and other receivables								–	–	–	–	5	–	5
Segment (loss)/profit	(4,520)	11,524	4,291	(8)	(994)	(3,261)	7,032	266	(4,313)	(2,199)	(11)	(2,692)	–	(8,949)
Income tax expenses	602	(3,353)	(921)	–	–	–	(3,672)	(7,187)	(172)	7	–	(2)	–	(7,354)

28. SEGMENT INFORMATION (CONT'D)

	Power Plant $'000	Shipping $'000	Property Development $'000	Mineral Resources $'000	Corporate and Others $'000	Eliminations $'000	Per consolidated financial statements $'000
31 December 2018							
Assets							
Investment in associate	–	–	–	26,148	–	–	26,148
Investment in joint venture company	–	–	–	–	1,814	–	1,814
Additions to property, plant and equipment	679	2,100	–	–	6	–	2,785
Segment assets	84,555	12,440	99,734	26,148	30,851	–	253,728
Segment liabilities	(51,705)	(21,394)	(12,380)	–	(26,885)	–	(112,364)
31 December 2017							
Assets							
Investment in associate	–	–	–	26,154	–	–	26,154
Investment in joint venture company	–	–	–	–	1,854	–	1,854
Additions to property, plant and equipment	292	2,224	–	–	25	–	2,785
Segment assets	95,241	19,826	98,477	26,154	4,666	–	244,364
Segment liabilities	(71,743)	(19,184)	(10,573)	–	(15,067)	–	(116,567)
1 January 2017							
Assets							
Investment in associate	–	–	–	26,163	–	–	26,163
Investment in joint venture company	–	–	–	–	1,965	–	1,965
Additions to property, plant and equipment	–	111	–	–	–	–	111
Segment assets	110,848	20,830	102,813	26,163	7,912	–	268,566
Segment liabilities	(56,903)	(16,057)	(11,390)	–	(33,924)	–	(118,274)

NOTES TO THE FINANCIAL STATEMENTS

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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		
				31 December	1 January
	2018	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000
Singapore	–	–	28,063	28,210	2,241
Indonesia	28,149	27,432	83,595	98,291	113,412
China	–	–	69,223	60,857	71,195
	28,149	27,432	180,881	187,358	186,848

Information about major customers

	Power plant		Shipping	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Revenue from a major customer	8,029	11,253	10,353	10,399

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29. COMMITMENTS

(a) *Rental commitments*

The Group has entered into commercial property leases on its office premises and for staff accommodation. The non-cancellable leases for the Group have remaining lease terms ranging from 1 to 2 years (2017: 1 to 3 years) with no renewal options or contingent rent provisions included in the contracts. The Group is restricted from subleasing the office premises and staff accommodation to third parties.

Lease payments under operating leases recognised as an expense in profit or loss for the financial year ended 31 December 2018 approximated $328,000 (2017: $420,000).

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

	Group	
	2018 $'000	2017 $'000
Not later than one year	301	226
Later than one year but not later than five years	506	221
	807	447

(b) *Operating lease commitments – as lessee*

The Group had entered into operating lease agreements for the charter hire of vessels in prior years. The non-cancellable leases for the Group have remaining lease terms of 8 years (2017: 9 years).

Future minimum charter hire of vessels under the non-cancellable operating leases as at 31 December are as follows:

	Group	
	2018 $'000	2017 $'000
Not later than one year	1,317	1,350
Later than one year but not later than five years	5,269	5,400
Later than five years	4,610	7,425
	11,196	14,175

NOTES TO THE FINANCIAL STATEMENTS

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29. COMMITMENTS (CONT'D)

(c) *Power purchase agreements*

A subsidiary of the Group has signed power purchase agreement to supply electricity to various customers on an actual or "take or pay" basis at a pre-determined minimum amount per month and at pre-determined rates. These agreements are valid for a period of 3 to 7 years and can be extended upon the written approvals of the parties.

Future minimum sale of electricity as at 31 December are as follows:

	Group	
	2018	2017
	$'000	$'000
Not later than one year	5,190	12,054
Later than one year but not later than five years	10,802	40,247
	15,992	52,301

These amounts exclude a power purchase agreement with a major customer as the agreement is on an excess power purchase basis.

PT KP has an on-going power purchase agreement with a related party to supply electricity on a take or pay basis, subject to any amendments as may be agreed by the parties. The rate may be adjusted every month based on a pre-determined formula. PT KP expects the potential sales volume to be approximately $7,000,000 annually. This agreement has a remaining period of 3 years (2017: 4 years).

(d) *Coal sales and purchase agreement*

PT KP has an on-going Coal Sales and Purchase Agreement ("Agreement") with a party to purchase coal at a fixed price. This Agreement will expire on 31 December 2019, subject to any extensions that may be agreed to by the parties.

NOTES TO THE FINANCIAL STATEMENTS

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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 on policies and procedures for the management of these risks, which are executed by the Deputy Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost efficient. The Group and the Company do not apply hedge accounting.

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

Foreign currency risk

The Group's subsidiaries in Indonesia have transactional currency exposures arising mainly from purchases that are denominated in other currencies other than their functional currencies, Indonesian Rupiah ("IDR"). The foreign currencies in which these transactions are mainly denominated are US Dollars ("USD"). Approximately 4% (2017: 21%) of the Group's costs and expenses, excluding impairment losses, are denominated in USD (2017: USD). 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 are mainly denominated in USD.

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30. FINANCIAL INSTRUMENTS (CONT'D)

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

Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

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

		Group	
		Profit before tax decrease/ (increase) 2018 $'000	Loss before tax (increase)/ decrease 2017 $'000
USD/SGD	– strengthened 3% (2017: 3%)	86	(541)
	– weakened 3% (2017: 3%)	(86)	541
USD/RMB	– strengthened 3% (2017: 3%)	(582)	642
	– weakened 3% (2017: 3%)	582	(642)
USD/IDR	– strengthened 3% (2017: 3%)	418	(504)
	– weakened 3% (2017: 3%)	(418)	504

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 bank loans.

Sensitivity analysis for interest rate risk

As at the end of the reporting period, if IDR interest rates had been 50 basis points lower/higher with all other variables held constant, the Group's profit/(loss) before tax would have been $116,000 (2017: $152,000) higher/lower (2017: lower/higher), arising mainly as a result of lower/higher interest expenses on the interest rates of the non-revolving loans. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL INSTRUMENTS (CONT'D)

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

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, the Group's and the Company's financial liabilities and financial assets are based on the carrying amounts reflected in the financial statements. The table in 30(b) summarises the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

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.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 60 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition.

30. FINANCIAL INSTRUMENTS (CONT'D)

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

Credit risk (cont'd)

The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

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30. FINANCIAL INSTRUMENTS (CONT'D)

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

Credit risk (cont'd)

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade and other receivables

The Group provides for lifetime expected credit losses for all trade and other receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on business operating units. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade and other receivables using provision matrix, grouped by business units:

(i) Shipping:

At 31 December 2018	Gross carrying amount $'000	Loss allowance provision $'000
Current	366	–
Past due:		
Within 30 days	536	–
31 to 60 days	618	–
61 to 90 days	345	–
More than 90 days	2,498	(1,334)
	4,363	(1,334)

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL INSTRUMENTS (CONT'D)

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

Credit risk (cont'd)

Trade and other receivables (cont'd)

(ii) Power plant

At 31 December 2018	Gross carrying amount $'000	Loss allowance provision $'000
Current	1,224	–
Past due:		
More than 90 days	431	(431)
	1,655	(431)

The Company provides for expected credit loss ("ECL") on loans to subsidiary and amounts due from subsidiaries based on the general approach and the extent of loss allowance is dependent on the extent of credit deterioration since initial recognition.

In assessing whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on amounts due from subsidiaries and loan to subsidiary as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supporting information, which includes any significant changes in the expected performance and behaviour of these subsidiaries and joint ventures, including changes in the payment status, financial position and operating results, forward-looking information and market data.

The Company computes expected credit loss using the probability of default approach. In calculating the expected credit loss rates, the Company considers implied probability of default from external rating agency.

A significant increase in credit risk is presumed when there is a significant deterioration in the financial position of these subsidiaries.

A default occurs when these subsidiaries and joint ventures fail to make contractual payments within 90 days of when they fall due. The amounts due from subsidiaries and joint ventures are only written off when the respective subsidiary is liquidated or disposed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL INSTRUMENTS (CONT'D)

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

Credit risk (cont'd)

Category	Definition of category	Basis for recognition of expected credit loss provision	Gross carrying amount as at 31 December 2018 $'000	Loss allowance provision $'000
Stage 1	Subsidiaries that have a low risk of default and a strong capacity to meet contractual cash flows.	12-month expected credit loss	27,268	(94)
Stage 2	Amounts due from subsidiaries which have a significant increase in credit risk.	Lifetime expected credit loss	–	–
Stage 3	Amounts due from subsidiaries that are 90 days past due.	Lifetime expected credit loss	14,889	(14,666)

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor; and

- Default or delinquency in payments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 from customers in the coal mining and electricity industries 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					
	2018		31 December 2017		1 January 2017	
	$'000	% of total	$'000	% of total	$'000	% of total
By country:						
Indonesia	3,297	99%	3,704	99%	3,100	99%
Singapore	4	1%	4	1%	4	1%
	3,301	100%	3,708	100%	3,104	100%

At the end of the reporting period, approximately 48% (31 December 2017: 48%, 1 January 2017: 64%) of the Group's trade 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 10.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Classification and maturity profile of financial instruments

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	2018 $'000			
	One year or less	One to five years	Over five years	Total
Group				
Financial assets:				
Trade and other receivables	5,901	6,307	2,037	14,245
Cash and bank deposits	66,222	–	–	66,222
Total undiscounted financial assets	72,123	6,307	2,037	80,467
Financial liabilities:				
Trade and other payables	(53,436)	(25,107)	–	(78,543)
Loans and borrowings	(6,818)	(13,345)	–	(20,163)
Advance from joint venture company	(1,432)	–	–	(1,432)
Total undiscounted financial liabilities	(61,686)	(38,452)	–	(100,138)
Total net undiscounted financial assets/(liabilities)	10,437	(32,145)	2,037	(19,671)

	31 December 2017 $'000			
	One year or less	One to five years	Over five years	Total
Group				
Financial assets:				
Trade and other receivables	12,079	5,926	2,397	20,402
Cash and bank deposits	44,201	–	–	44,201
Total undiscounted financial assets	56,280	5,926	2,397	64,603
Financial liabilities:				
Trade and other payables	(45,142)	(26,634)	–	(71,776)
Loans and borrowings	(16,878)	(24,492)	–	(41,370)
Advance from joint venture company	(750)	–	–	(750)
Total undiscounted financial liabilities	(62,770)	(51,126)	–	(113,896)
Total net undiscounted financial (liabilities)/assets	(6,490)	(45,200)	2,397	(49,293)

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL INSTRUMENTS (CONT'D)

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

	1 January 2017 $'000 One year or less	One to five years	Over five years	Total
Group				
Financial assets:				
Trade and other receivables	4,845	6,648	3,216	14,709
Cash and bank deposits	64,775	–	–	64,775
Total undiscounted financial assets	69,620	6,648	3,216	79,484
Financial liabilities:				
Trade and other payables	(65,660)	–	–	(65,660)
Loans and borrowings	(17,033)	(35,118)	–	(52,151)
Advance from joint venture company	(750)	–	–	(750)
Total undiscounted financial liabilities	(83,443)	(35,118)	–	(118,561)
Total net undiscounted financial (liabilities)/assets	(13,823)	(28,470)	3,216	(39,077)

	2018 $'000 One year or less	One to five years	Total
Company			
Financial assets:			
Trade and other receivables	65	–	65
Loan to subsidiary	–	24,538	24,538
Due from subsidiaries (trade)	1,448	–	1,448
Due from subsidiaries (non-trade)	2,858	–	2,858
Cash and bank deposits	28,743	–	28,743
Total undiscounted financial assets	33,114	24,538	57,652
Financial liabilities:			
Trade and other payables	(3,372)	–	(3,372)
Loans and borrowings	–	–	–
Due to subsidiaries (non-trade)	(29,011)	–	(29,011)
Advance from joint venture company	(1,432)	–	(1,432)
Total undiscounted financial liabilities	(33,815)	–	(33,815)
Total net undiscounted financial (liabilities)/assets	(701)	24,538	23,837

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL INSTRUMENTS (CONT'D)

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

	31 December 2017		
	$'000		
	One year or less	One to five years	Total
Company			
Financial assets:			
Trade and other receivables	45	–	45
Loan to subsidiary	–	31,462	31,462
Due from subsidiaries (trade)	859	–	859
Due from subsidiaries (non-trade)	3,969	–	3,969
Cash and bank deposits	2,557	–	2,557
Total undiscounted financial assets	7,430	31,462	38,892
Financial liabilities:			
Trade and other payables	(486)	–	(486)
Loans and borrowings	(9,464)	–	(9,464)
Due to subsidiaries (non-trade)	(18,325)	–	(18,325)
Advance from joint venture company	(750)	–	(750)
Total undiscounted financial liabilities	(29,025)	–	(29,025)
Total net undiscounted financial (liabilities)/assets	(21,595)	31,462	9,867

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL INSTRUMENTS (CONT'D)

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

	1 January 2017 $'000		
	One year or less	One to five years	Total
Company			
Financial assets:			
Trade and other receivables	77	–	77
Loan to subsidiary	–	–	–
Due from subsidiaries (trade)	–	–	–
Due from subsidiaries (non-trade)	38,356	–	38,356
Cash and bank deposits	5,545	–	5,545
Total undiscounted financial assets	43,978	–	43,978
Financial liabilities:			
Trade and other payables	(515)	–	(515)
Loans and borrowings	(10,140)	–	(10,140)
Due to subsidiaries (non-trade)	(20,801)	–	(20,801)
Advance from joint venture company	(750)	–	(750)
Total undiscounted financial liabilities	(32,206)	–	(32,206)
Total net undiscounted financial assets	11,772	–	11,772

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

During the current financial year, there have been no transfers between Level 1 and Level 2.

Level 2 fair value measurements

Investment property under construction

The valuation of investment property under construction is based on comparable market transactions that consider similar properties that have transacted in the open market.

Level 3 fair value measurements

In 2016, property, plant and equipment classified as held for sale with a carrying amount of $10,482,000 had been stated at the lower of its carrying amount and fair value less costs to sell. The fair value was determined based on a conditional sale and purchase of vessel agreement.

As at 31 December 2017, the proposed disposal had not been completed and the remaining unsold assets held for sales had been reclassified to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(a) *Fair value hierarchy (cont'd)*

Valuation policies and procedures

The Group's Deputy Chief Financial Officer who is assisted by the team (collectively referred to as the "Finance Team"), oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Finance Team reports to the Group's audit committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 1-13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of inputs (including those developed internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available.

For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(b) *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, trade and other payables, loans and borrowings 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.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. CAPITAL MANAGEMENT

The Group's capital management is dependent on capital requirements of projects or investments. Management would evaluate various options taking into consideration market conditions, nature of investment and the Group's structure. The Group seeks to maintain healthy capital ratios to support its business and maximise shareholder value. 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 objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

The Group has complied with externally imposed capital requirements for the financial year ended 31 December 2018 and 31 December 2017.

The Group monitors capital based on the debt to equity ratio. This ratio is calculated as total borrowings divided by equity. The debt to equity ratio as at 31 December were as follows:

	2018 $'000	2017 $'000
Loans and borrowings (Note 16)	20,163	34,886
Equity	141,364	127,797
Debt to equity ratio	7.01	3.66

33. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 1 April 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

SHARE CAPITAL	:	217,406,831.29
NUMBER OF SHARES	:	1,136,981,950
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	ONE VOTE PER SHARE
NUMBER OF TREASURY SHARES	:	NIL
NUMBER OF SUBSIDIARY HOLDINGS	:	NIL

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1-99	5	0.39	221	0.00
100-1,000	112	8.73	98,058	0.01
1,001 – 10,000	471	36.74	2,675,774	0.24
10,001 – 1,000,000	648	50.55	63,004,046	5.54
1,000,001 & ABOVE	46	3.59	1,071,203,851	94.21
TOTAL	1,282	100.00	1,136,981,950	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 20 MARCH 2019

		NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	619,768,890	54.51
2	MANHATTAN INVESTMENTS PTE LTD	88,701,764	7.80
3	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	83,478,394	7.34
4	TSAO YUE HWA JOHNNY @ SHU YUE MING	45,180,800	3.97
5	DBS NOMINEES PTE LTD	37,226,200	3.28
6	MOHAMED ABDUL JALEEL S/O MUTHUMARICAR SHAIK MOHAMED	24,216,000	2.13
7	PHILLIP SECURITIES PTE LTD	19,569,095	1.72
8	MAYBANK KIM ENG SECURITIES PTE.LTD.	14,321,300	1.26
9	CITIBANK NOMINEES SINGAPORE PTE LTD	13,801,500	1.21
10	YUAN RUIDUO	13,676,600	1.20
11	UOB KAY HIAN PTE LTD	9,280,900	0.82
12	OCBC SECURITIES PRIVATE LTD	9,017,300	0.79
13	CHENG YIN MUI OR HO SING MING	8,147,208	0.72
14	ONG SEE BENG	7,540,000	0.66
15	LEE DEBORAH CHEUNG	5,970,000	0.53
16	CHAU WUN	5,660,600	0.50
17	CHEW KENG CHUAN	5,635,000	0.50
18	LOW YI NGO	5,341,200	0.47
19	HSBC (SINGAPORE) NOMINEES PTE LTD	3,959,000	0.35
20	LOW CHENG LUM	2,965,500	0.26
	TOTAL	1,023,457,251	90.02

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 20 March 2019)

		DIRECT INTEREST	%	DEEMED INTEREST	%
1	DATO' DR. LOW TUCK KWONG[(1)]	373,637	0.03%	704,819,654	61.99%
2	MANHATTAN INVESTMENTS PTE LTD	88,701,764	7.80%	–	–
3	MORE TIME INVESTMENTS LIMITED[(2)]	–	–	88,701,764	7.80%
4	XU YUAN XING[(3)]	–	–	75,852,792	6.67%

(1) Dato' Dr. Low Tuck Kwong is deemed interested in 704,819,654 Shares, of which 614,427,890 Shares are registered in the name of Raffles Nominees (Pte) Limited, 88,701,764 Shares 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, registered in the name of Citibank Nominees Singapore Pte Ltd.

(2) More Time Investments Limited is deemed interested in 88,701,764 Shares which are held by Manhattan Investments Pte Ltd through its 59.5% interest in Manhattan Investments Pte Ltd.

(3) Xu Yuan Xing is deemed interested in 75,852,792 Shares which are registered in the name of CGS-CIMB Securities (S) Pte Ltd..

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

Approximately, 30.55% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Manhattan Resources Limited (***Company***) will be held at MND Auditorium, 9 Maxwell Road, Annexe A, MND Complex, Singapore 069112 on Monday, 22 April 2019 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the directors' statement and the audited financial statements for the financial year ended 31 December 2018, together with the independent auditors' report thereon. **(Resolution 1)**

2. To re-elect Mr Low Yi Ngo, a Director retiring under regulation 101 of the Company's Constitution. **(Resolution 2)**

3. To re-elect Mr Lee Fook Choon, a Director retiring under regulation 105 of the Company's Constitution. **(Resolution 3)**

4. To approve directors' fees of S$200,000 for the financial year ending 31 December 2019 payable half-yearly in arrears (2018: S$200,000). **(Resolution 4)**

5. To re-appoint Ernst & Young LLP as auditors of the Company for the financial year ending 31 December 2019, and to authorise the directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business that may properly be transacted at an annual general meeting.

AS SPECIAL BUSINESS

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

7. **Share Issue Mandate** **(Resolution 6)**

   That, under section 161 of the 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,

NOTICE OF
ANNUAL GENERAL MEETING

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 and subsidiary holdings) 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 and subsidiary holdings) (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 and subsidiary holdings, if any, at the time of the passing of this Resolution, after adjusting for:

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

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

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

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

8. Renewal of Shareholders' Mandate for Interested Person Transactions (Resolution 7)

That:

(a) for purpose of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, approval be given for the Company, its subsidiaries and associated companies or any of them, to enter into, amend and/or renew any of the transactions falling within the types of interested person transactions described in the addendum to the Annual Report 2018 (***Addendum***) with any party who is of the class of interested persons described in the Addendum, provided that such transactions are on normal commercial terms, are not prejudicial to the interests of the Company and its minority shareholders, and are in accordance with the review procedures for such interested person transactions as set out in the Addendum (***Shareholders' Mandate***);

NOTICE OF
ANNUAL GENERAL MEETING

(b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until 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; and

(c) the Directors of the Company and each of them be authorised to complete and to do all acts and things (including without limitation to making such arrangements, entering into all such transactions, arrangements and agreements and executing all such documents as may be required or as they (or he/she) may from time to time consider necessary, desirable or expedient, or in the interests of the Company), to give effect to the Shareholders' Mandate and/or this Resolution as they (or he/she) may deem fit (including without limitation to the foregoing, to affix the Common Seal of the Company to any such documents, if required.).

By Order of the Board

Madelyn Kwang
Company Secretary
5 April 2019
Singapore

Notes:

(1) A member of the Company entitled to attend and vote at the Annual General Meeting (other than a member who is a relevant intermediary) is entitled to appoint not more than two proxies to attend and vote on his/her stead. A proxy need not be a member of the Company.

(2) Pursuant to section 181 of the Act, a member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"relevant intermediary" means:

(a) a banking corporation licenced under the Banking Act, Cap. 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.

NOTICE OF
ANNUAL GENERAL MEETING

(3) The instrument appointing a proxy or proxies in the case of an individual shall be signed by the appointor or his/her attorney, and in the case of a corporation, either under its common seal or under the hand of officer(s) or attorney duly authorised.

(4) The instrument appointing a proxy or proxies, duly executed, (together with the original power of attorney or other authority, if any, under which it is signed or a duly certified copy thereof) must be deposited at the registered office of the Company at 133 New Bridge Road, #18-09 Chinatown Point, Singapore 059413 not less than 48 hours before the time appointed for the Annual General Meeting in order for the proxy to be entitled to attend and vote at the Annual General Meeting.

(5) A Depositor shall not be regarded as a member of the Company entitled to attend and vote at the Annual General Meeting unless his name appears on the Depository Register maintained by The Central Depository (Pte) Limited 72 hours before the time appointed for the Annual General Meeting.

Explanatory Notes

Resolution 2
If re-elected, Mr Low Yi Ngo, the Managing Director and Chief Executive Officer of the Company, will remain as a member of the Nominating Committee.

Resolution 3
If re-elected, Mr Lee Fook Choon, an Independent Director of the Company, will remain as a member of each of the Audit, Remuneration and Nominating Committees.

Resolution 6
The proposed Resolution 6, 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 and subsidiary holdings, if any, with a sub-limit of 20 per cent for Shares issued other than on a pro rata basis to Shareholders.

Resolution 7
The proposed Resolution 7, if passed, will renew the Shareholders' Mandate (which was approved at the extraordinary general meeting held on 30 April 2018) and empower the Company, its subsidiaries and associated companies or any of them, to enter into, amend and/or renew any of the Interested Persons Transactions as described in the Addendum to this Notice of Annual General Meeting and to do all acts necessary to give effect to the Shareholders' Mandate. The authority under the renewed Shareholders' Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting is required by law to be held, whichever is earlier. In accordance with the requirements of Chapter 9 of the Listing Manual, Dato' Dr. Low Tuck Kwong, Mr Low Yi Ngo, Ms Elaine Low and Manhattan Investments Pte Ltd will abstain, and will ensure that their associates will abstain from voting on this Ordinary Resolution 7 in relation to the renewal of the Shareholders' Mandate.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, Purposes), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

IMPORTANT
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note No. 4 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. PLEASE READ THE NOTES TO THE PROXY FORM.

PROXY FORM

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

of ____ (Address)

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

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

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting ***(AGM)*** to be held at MND Auditorium, 9 Maxwell Road, Annexe A, MND Complex, Singapore 069112 on Monday, 22 April 2019 at 3.00 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	*No. of votes For	*No. of votes Against
	Ordinary Business		
1.	To adopt Directors' Statement and Audited Financial Statements for the year ended 31 December 2018, together with the independent auditors' report.		
2.	To re-elect Mr Low Yi Ngo as a director.		
3.	To re-elect Mr Lee Fook Choon as a director.		
4.	To approve directors' fees for the financial year ending 31 December 2019.		
5.	To re-appoint Ernst & Young LLP as auditors and to authorise Directors to fix their remuneration.		
	Special Business		
6.	To authorise directors to issue shares and/or Instruments under Section 161 of the Companies Act, Chapter 50.		
7.	To approve renewal of Shareholders' Mandate.		

* 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 2019

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, 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 (other than a member who is a relevant intermediary) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member of the Company (other than a member who is a relevant intermediary) appoints more than one proxy, he shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such percentage is specified, the first named proxy shall be treated as representing 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

4. Pursuant to section 181 of the Companies Act, Chapter 50, a member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "**relevant intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. This instrument appointing a proxy or proxies (together with the original power of attorney or other authority, if any, under which it is signed or a duly certified copy thereof) must be deposited at the registered office of the Company at 133 New Bridge Road, #18-09 Chinatown Point, Singapore 059413 not less than 48 hours before the time appointed for the Annual General Meeting.

6. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member of the Company from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member of the Company attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Annual General Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or by his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer(s).

8. A corporation which is a member of the Company may, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, 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.

9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

10. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member of the Company, being the appointor, is not shown to have Shares entered against his/her names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

Low Yi Ngo, CEO and Managing Director

Non-Executive:

Elaine Low
Oliver Khaw Kar Heng
Tung Zhihong, Paul (Independent)
Lee Fook Choon (Independent)
(appointed on 18 October 2018)

Audit Committee

Tung Zhihong, Paul
Oliver Khaw Kar Heng
Lee Fook Choon

Nominating Committee

Tung Zhihong, Paul, Chairman
Low Yi Ngo
Lee Fook Choon

Remuneration Committee

Tung Zhihong, Paul, Chairman
Oliver Khaw Kar Heng
Lee Fook Choon

COMPANY SECRETARY

Madelyn Kwang Yeit Lam

REGISTERED OFFICE

133 New Bridge Road
#18-09 Chinatown Point
Singapore 059413

SHARE REGISTRAR

B.A.C.S PRIVATE LIMITED
8 Robinson Road #03-00
ASO Building
Singapore 048544
Telephone No.: (65) 6593 4848
Fax No.: (65) 6593 4847

AUDITORS

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

Partner-in-charge: Philip Ling Soon Hwa
(since the financial year ended 31 December 2014)

MANHATTAN RESOURCES LIMITED
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Singapore 059413
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