



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Manhattan Resources Limited

Security: Manhattan Resources Limited

Meeting details:

Date: 22 April 2019

Time: 3.00 p.m.

Venue: MND Auditorium, 9 Maxwell Road, Annexe A, MND Complex, Singapore 069112

Company Description

Manhattan Resources Limited, an investment holding company, primarily provides logistics and other support services to the coal mining, and oil and gas industries. The company operates through five segments: Shipping, Power Plant, Property Development, Mineral Resources, and Corporate and Others. The company is involved in the ship chartering activities; and the provision of barging services, as well as freight services primarily for coal carrying activities in Indonesia. It also acquires, constructs, operates, and maintains power plants; and produces and sells thermal electric power in Indonesia. In addition, the company engages in the property development, and mineral resources and mining activities in the People's Republic of China. It holds mining exploration permits covering an area of 26.99 square kilometers in Xinjiang, the People's Republic of China. Further, the company invests in properties; offers overburden removal and equipment leasing services; and operates and maintains electrical installations. Manhattan Resources Limited was incorporated in 1990 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=L02)

1. The group has business activities in the following areas:

- Shipping: ship-chartering and provision of freight services in Indonesia, mainly for coal carrying activities
- Power plant: construction, acquisition, operations and maintenance of power plants and the production and sale of electric power in Indonesia (currently in Balikpapan, East Kalimantan, Indonesia)
- Property development: property development activities in the PRC (currently Ningbo)
- Mineral: mineral resources and mining activities in the PRC (currently dormant)

(i) For the benefit of new and long standing shareholders, would the board (re)state the group's strategic growth plans and provide shareholders with an overview of its core competencies in the various business segments?

(ii) Are there any synergies between the various segments?

(iii) Would the board/management provide shareholders with better clarity on the following financial and strategic matters? Specifically:

(a) Shipping: With the completion of the disposal of 27 tugs and 25 barges on 9 November 2018, what are the near term plans for the shipping segment? Has management made a decision to close down the shipping division?

(b) Power Plant: With losses amounting to \$(3.9) million in FY2018 and \$(6.9) million in FY2017, can management help shareholders understand if the team has the necessary expertise and experience to run the plant profitably?

(c) Property: Does the group have the resources to complete the funding for the Ningbo Yinzhou Manhattan Tower project? What is the projected total cost for the project?

2. The attendance of directors at board and board committee meetings is shown in the table below (page 10):

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

(Source: Company annual report)

Ms Elaine Low was re-designated as a non-executive and non-independent director of the company with effect from the close of business on 24 April 2017.

As seen from the table above, Ms Elaine Low attended 1 out of the 4 board meetings in FY2018. In FY2017, Ms Elaine Low attended 3 out of the 5 board meetings.

- (i) **Can the company help shareholders understand if there were extenuating circumstances that led the director to be absent for the board meetings?**
- (ii) **How far in advance are board meeting scheduled?**
- (iii) **How can the company and the company secretary work together with the directors to schedule the board and board committee meetings so that all the directors are able to attend the meetings and contribute to the effectiveness of the board?**

In addition, the company appointed Mr Lee Fook Choon as a director of the company on 18 October 2018.

- (iv) **Can the nominating committee help shareholders understand the search and nomination process for directors, especially independent directors?**
- (v) **What was the reason that the nominating committee did not have any board committee meeting in the year, given that the company appointed a new director to the board?**

3. On 4 April 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 28 February 2019) and the

audited financial statements for FY2018 after the finalisation of audit by the external auditor.

The external auditor proposed certain reclassifications and adjustments which the management of the company has adopted accordingly. The variance was as large as \$13.35 million.

The changes included:

- Reclassification of loans and borrowings repayable after one year from current liabilities to non-current liabilities as the group had the unconditional right to defer settlement of the non-current portion twelve months after reporting period
- Increase in other comprehensive income (losses) due to dilution of equity interest from 92.18% to 86.11% in PT Kariangau Power
- Reclassification of foreign exchange differences from “purchase of property, plant and equipment” to “unrealised foreign exchange differences”
- Current account balance amounting to \$9,791,000 was inadvertently classified as long term fixed deposits in the Unaudited FY2018 results. Fixed deposits for more than 3 months are not included as cash and cash equivalents for the purpose of the consolidated cash flow statement
- Increase in coal transportation transactions (as IPTs); the amount as disclosed in the Unaudited FY2018 Results paragraph 13 was inadvertently stated wrongly

In fact, for the financial year ended 31 December **2017**, the company has had to announce material discrepancies between unaudited and audited accounts as well.

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) (“SFRS(I)”) 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.

- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the Act and SFRS(I)?**
- (ii) Has the audit committee evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iii) Would the members of the audit committee (AC) help shareholders understand their personal recent and relevant accounting or related**



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financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?

- (iv) Can the AC update shareholders on the improvement made/to be made to the group's financial reporting systems and processes?**

