

MANHATTAN RESOURCES LIMITED

(Company Registration No. 199006289K)

FURTHER INFORMATION ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2019 (*ANNOUNCEMENT*)

The Directors of Manhattan Resources Limited (*Manhattan or the Company*) refer to the Announcement made on 5 August 2019 and the further information requested by the Singapore Exchange Securities Trading Limited (*SGX-ST*) on 13 August 2019 relating to the Announcement.

SGX-ST's questions and Manhattan's corresponding responses are listed below to enable investors to understand the matters raised by SGX-ST:

a) SGX-ST's Question

In relation to the turnover, costs and net loss, please provide the breakdown in a table format. Please also ensure that the breakdown reconciles to the amounts provided in the main income statement.

Manhattan's Response

Please find the turnover, costs and net loss for all business segments for 2Q2019, 2Q2018, 1H2019 and 1H2018.

2Q 2018	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		2Q 2019	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	Power Plant	Shipping	Property	Corporate & others	Total			Power Plant	Shipping	Property	Corporate & others	Total
Revenue	2,930	4,439	-	-	7,369		Revenue	2,867	312	-	-	3,179
Other income	5	478	62	18	563		Other income	6	2	13	15	36
Cost	(4,498)	(4,512)	(139)	(860)	(10,009)		Cost	(3,080)	(1,029)	(138)	(514)	(4,761)
Foreign exchange gain/(loss)	10	(217)	1,051	(1,270)	(426)		Foreign exchange gain/(loss)	257	11	321	(7)	582
Profit/(loss) for the period	(1,553)	188	974	(2,112)	(2,503)		Profit/(loss) for the period	50	(704)	196	(506)	(964)
Profit/(loss) attributable to owners of the company	(1,241)	188	1,341	(2,112)	(1,824)		Profit/(loss) attributable to owners of the company	218	(704)	97	(506)	(895)
1H 2018	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		1H 2019	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	Power Plant	Shipping	Property	Corporate & others	Total			Power Plant	Shipping	Property	Corporate & others	Total
Revenue	5,793	8,483	-	-	14,276		Revenue	6,473	689	-	-	7,162
Other income	7	1,099	126	32	1,264		Other income	40	9	13	32	94
Cost	(8,659)	(9,497)	(206)	(1,603)	(19,965)		Cost	(6,543)	(2,470)	(290)	(1,301)	(10,604)
Foreign exchange gain/(loss)	(278)	(300)	235	(711)	(1,054)		Foreign exchange gain/(loss)	306	28	(60)	(12)	262
Profit/(loss) for the period	(3,137)	(215)	155	(2,282)	(5,479)		Profit/(loss) for the period	276	(1,744)	(337)	(1,281)	(3,086)
Profit/(loss) attributable to owners of the company	(2,701)	(215)	930	(2,282)	(4,268)		Profit/(loss) attributable to owners of the company	413	(1,744)	(178)	(1,281)	(2,790)

b) SGX-ST's Question

Please provide a breakdown of the Group's Trade and other receivables for both current and non-current categories and provide an explanation for the material variances in each of the line items included in the breakdown.

Manhattan's Response

Please find the breakdown of the Group's Trade and other receivables for both current and non-current categories.

	30 June 2019	31 December 2018	Variance
	S\$'000	S\$'000	S\$'000
<u>Current</u>			Increase/(decrease)
Trade receivables	1,715	3,301	(1,586)
<u>Other receivables</u>			
GST receivables	29	17	12
Deposits	65	26	39
Other receivables	1,222	2,558	(1,335)
	1,316	2,600	(1,284)
Trade and other receivables (current)	3,032	5,901	(2,869)
<u>Non-current</u>			
<u>Other receivables</u>	5,400	7,183	(1,783)
Total other receivables	8,432	13,084	(4,653)

1. The decrease in trade receivables was mainly due to collection during the period.
2. 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 \$14,325,000), 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 \$7,226,570 (31 December 2018: \$7,319,000) on the other receivables due from the third party buyer in 2015. The decrease in current and non-current receivables was due to collection during the period. Please refer to page 90 of the Company's annual report for the year ended 31 December 2018 in relation to this matter.

3. Included in other receivables (non-current) is an amount of \$3,508,000 (31 December 2018: \$3,532,000) placed with local government authorities in Ningbo for the development of a property. These deposits are refundable to the Group based on milestones achieved.

c) SGX-ST's Question

Please provide the aging of the Group's Trade Receivables for both current and non-current categories and the Board's assessment on the recoverability of the Group's trade receivables and the bases for such an assessment.

Manhattan's Response

Please find the aging of the Group's Trade Receivables for both current and non-current categories.

	30 June 2019	31 December 2018
<u>Ageing</u>	S\$'000	S\$'000
Current	991	1,590
≤ 30 days	108	536
31 - 60 days	120	714
61 - 90 days	103	346
91-120 days	278	25
≥ 120 days	115	90
	1,715	3,301

There were no significant historical credit losses incurred on the trade receivables and the Group receive payment from the customers regularly. Hence, the Group is of the view that the no additional allowance for impairment is required.

d) **SGX-ST's Question**

Please provide a breakdown of Trade and other payables for both current and non-current categories and provide an explanation for the material variances in each of the line items included in the breakdown of Trade and other payables.

Manhattan's Response

Please find the breakdown of the Trade and other payables for both current and non-current categories.

	30 June 2019	31 December 2018	Variance
	S\$'000	S\$'000	S\$'000
<u>Trade and other payables (current)</u>			increase/(decrease)
Trade payables	(18,851)	(27,630)	(8,779)
Accrued expenses	(4,337)	(7,067)	(2,730)
Other payables	(5,740)	(9,428)	(3,688)
Amount due to related parties	(6,492)	(9,311)	(2,819)
	(16,569)	(25,806)	(9,237)
Trade and other payables (current)	(35,420)	(53,436)	(18,016)
<u>Trade and other payables (non-current)</u>			
Other payables	(8,374)	(8,438)	(64)
Amounts due to related parties	(27,358)	(16,669)	10,689
	(35,732)	(25,107)	10,625
Total trade and other payables	(71,152)	(78,543)	(7,391)

1. The decrease in trade and other payables (current) was mainly due to payment to suppliers during the period.

2. Included in other payables (non-current) are government grants received in advance amounting to \$8,374,000 (31 December 2018: \$8,438,000) 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. Please refer to page 99 of the Company's annual report for the year ended 31 December 2018 in relation to this matter.

3. Amounts due to related parties (non-current) includes an amount payable to Energy Resources Investment Pte Ltd ("ERI") of \$16,530,000 (31 December 2018: \$16,669,000) arising from the acquisition of PT KP.

Amounts due to related parties (non-current) includes amount payable to Kaiyi Investment Pte. Ltd. ("Kaiyi") of \$10,828,000 (31 December 2018: amount due to related parties (current): \$2,724,000). The Company and Kaiyi had entered into a Loan Agreement on 27 December 2018 and a Supplemental Agreement on 1 March 2019 (collectively, "Loan Agreement"), under which Kaiyi agreed to extend to the Company an interest-free loan amounting to an aggregate of US\$15 million for general funding purposes, to be disbursed in five (5) separate tranches.

e) **SGX-ST's Question**

Please provide more information on the property segment.

Manhattan's Response

The Ningbo Project will be a 56-storey building, which sits on a land area of approximately 24,000 sq m and will have a built-up area of approximately 250,000 sq m offering office, retail and SOHO components. The Ningbo Project is located in the South Commercial Park of Yinzhou District in Ningbo City, which has been planned as one of Ningbo City's major new business centres, and is currently expected to be completed in 2022. Construction of the Ningbo Project is being undertaken by Zhong Tian Construction Group Co., Ltd and works for the bored piling and diaphragm walls have been completed with basement excavation works expected to commence soon.

The Group has experienced delays in the construction of the Ningbo Project largely as a result of MRN's dispute with MCC TianGong Group Corporation Limited (中冶天工集团有限公司) ("MCC") in 2017. MCC, the then-contractor of the Ningbo Project, had initiated legal proceedings against MRN for claims relating to (i) additional design and construction works allegedly performed by MCC amounting to RMB 19,130,074.20; and (ii) damages amounting to RMB 26,169,978.00. Operations at the Ningbo Project site experienced disruptions at the same time. MCC's claims have since been dismissed by the Ningbo City Yinzhou District Court – please refer to the Company's announcements dated 20 April 2017, 6 July 2018 and 6 August 2018 in relation to this matter.

f) **SGX-ST's Question**

Please address the higher than proportionate decrease in "Coal and fuel" under "Other expense" than the decrease in "Sale of electricity".

Manhattan's Response

The decrease in coal and fuel cost was mainly due to completion of disposal of vessels in 4Q 2018. The overall decrease in coal expense was also contributed by the decrease in coal prices in 2Q 2019 and 1H 2019 as compared to 2Q 2018 and 1H 2018.

The revenues for the shipping and power plant business are as follows:

	<u>2Q 2019</u>	<u>2Q 2018</u>	<u>1H 2019</u>	<u>1H 2018</u>
<u>Revenue</u>				
Shipping	312	4,439	689	8,483
Power plant	2,867	2,930	6,473	5,793
	3,179	7,369	7,162	14,276

The breakdowns of the costs for "Coal and fuel" for different segments are as follows:

	<u>2Q 2019</u>	<u>2Q 2018</u>	<u>1H 2019</u>	<u>1H 2018</u>
<u>Costs</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Shipping	136	1,528	359	2,865
Power plant	859	1,517	2,268	2,804
	995	3,045	2,627	5,669

BY ORDER OF THE BOARD

Low Yi Ngo
Chief Executive Officer and Managing Director
15 August 2019