



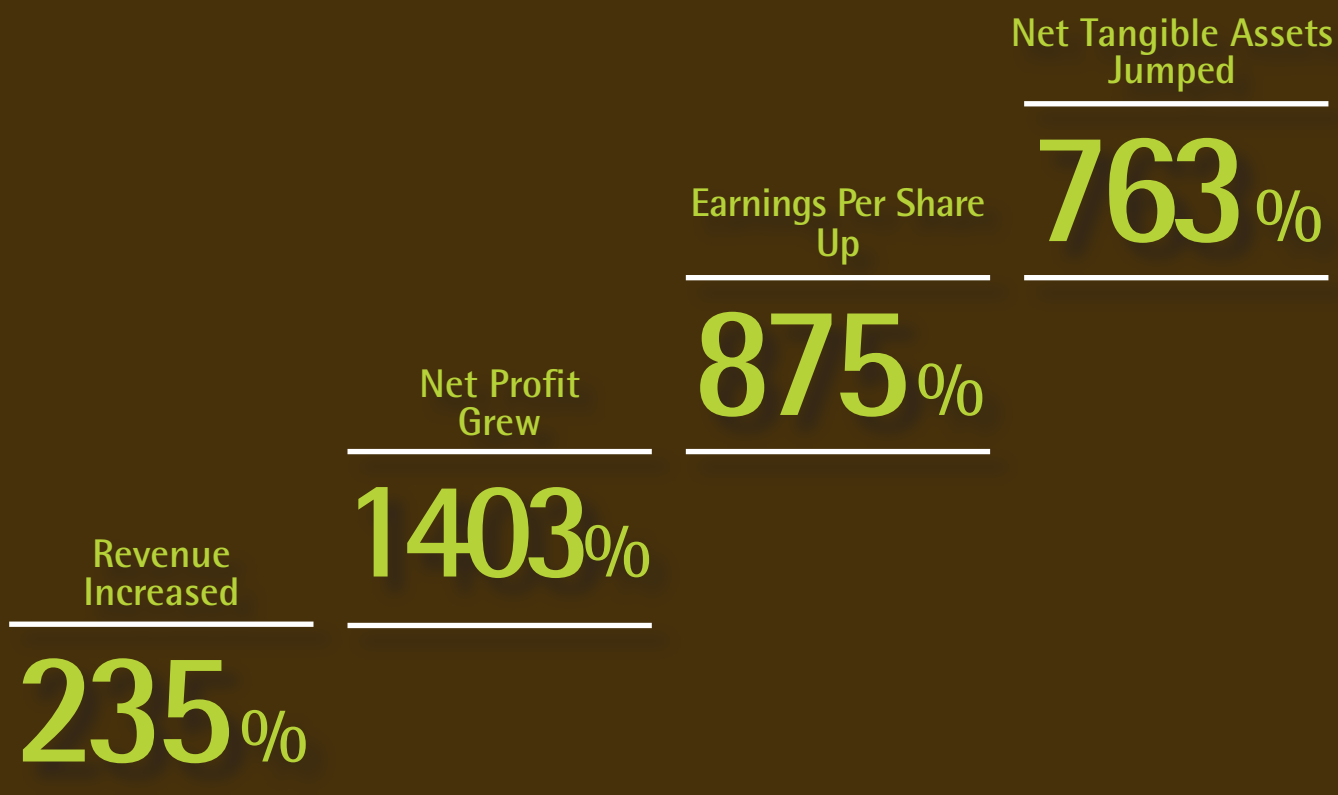
Cultivating Success

**ABTERRA**  
*Bringing you the earth's resources*

Annual Report 2008



# Highlights



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# Corporate Profile

**ABTERRA** is an emerging supply chain manager in the natural resources business. With vertical integration as its core strategy, Abterra is pursuing sustainable long term growth in the Chinese and international markets.

Abterra trades coking coal, coke and iron ore in Australia, India, Indonesia and China. By acquiring upstream assets such as coal mines, iron mines, coking plants and logistic units, Abterra aims to differentiate itself by having control over the inputs in its core trading business.

Tapping on the competitive advantage of a strong parent company, General Nice Resources

(Hong Kong) Ltd., Abterra is able to leverage on its concrete branding and expertise to establish a strong foothold in China, as it swings its doors to welcome extensive investment opportunities.

Abterra Ltd. is listed on the Main Board of the Singapore Stock Exchange and got its name from the Latin translation of "Fruits of the Earth", which aptly reflects the strategic direction the organization pursues.

In October 2006, General Nice Resources (Hong Kong) Limited successfully acquired a majority stake in Abterra Ltd., becoming the controlling shareholder of Abterra Ltd.

# Corporate Initiatives

Abterra aims to pursue sustainable long term growth in the natural resources business as a fully integrated player in the Chinese and international markets.



# Corporate Philosophy

Abterra's fundamental approach to business is to create sustainable long term growth for our customers, our business partners, our employees and our shareholders through our distinctive core values:

## Agility

We constantly train and develop our employees into active and nimble individuals to cater to our customers, our business partners and our stakeholders' needs.

## Reliability

We aim to provide services that are unsurpassed in quality and reliability through the vertical integration of resources into a competitive cost execution for an all-rounded service.

## Integrity

We honor our promises and build bridges of trust with our clients, business partners and stakeholders.

We set high ethical standards and work with the highest level of integrity that is intrinsic to our culture.

## Professionalism

We take pride in our high standards of professionalism. From understanding our clients' needs at an intimate level to building strong rapport with our business partners, we work towards the achievement of honor.

With the corporate philosophy in mind, Abterra commits to the core business to pursue a balanced and healthy growth. We deliver the best products and the best services to continuously meet the demands of our clients.



Through Determined  
**FOCUS**

Strong direction  
and visionary  
leadership has paved  
the way ahead for our  
organisation's focus  
on establishing  
growth.

# Chairman's Statement



**"A record-breaking year, net profit increased more than 14 folds. Indeed satisfying."**

Dear Shareholders,

Please join me in a round of applause for Abterra. This is a record-breaking year, net profit increased more than 14 folds. Indeed satisfying.

I am pleased to present to you the Annual Report of Abterra Ltd on behalf of the Board of Directors.

## **A big jump.**

In this financial year, I have seen how Abterra has matured over the past year.

Turnover for FY2008 was over S\$392 million, an increase of approximately S\$275 million, or nearly 235% over FY2007. Net profit increased more than 14 times to approximately S\$13.8 million. As we improve our financial standing with the various banks, the increase in banking facilities has fuelled a huge jump in our trading volume. This has in turn led to a positive impact on our net income.

Market capitalization increased to approximately S\$270 million and the Group's net tangible asset (NTA) enlarged from S\$25 million to the current S\$214 million.

In this financial year, Abterra has proposed to acquire a 49% equity interest in a coal mining company, Taixing Jiaozhong Coal Industry Co. Ltd., ("Jiaozhong") and a 22.8% equity

interest in a iron ore mining company, Zuoquan Xinrui Metallurgy Mine Co. Ltd. ("Xinrui"). Jiaozhong produces high quality coking coal and has an annual capacity of 150,000 metric tonnes. Xinrui has two iron ore mines with a total mineable reserve of approximately 34.7 million metric tonnes and an annual capacity of 400,000 metric tonnes.

In line with our efforts to vertically integrate our resources, we have successfully acquired a 45% stake of Tianjin Lant Development Co. Ltd. Tianjin Lant provides international logistics and transportation services in the handling of iron ore, coke and coking coal. Tianjin Port Holdings Company Limited, a listed entity on the Shanghai Stock Exchange, owns the remaining 55% of Tianjin Lant.

These acquisitions, along with Zuoquan Yongxing – acquired last May, would form the core of our income for the coming financial year. Offtake arrangements with the various acquisitions are being negotiated and will add to the high margins attributable to these purchases.

The Group has also taken steps to buffer against possible rental price volatility by acquiring an entire office floor in Suntec City. With this acquisition, the Group will have the necessary space to house our expanding talent pool recruited over the past year.

Each of these investments is part of our efforts to vertically integrate resources so as to boost our competitive edge. Having channeled these resources to our control, we are able to customize our consumers' needs and specifications as an all-rounded services provider. We mine, we wash, we select, we provide logistics support. We deliver high quality products.

### **An asset.**

One of our major developments this year is the recruitment of human resources that have contributed to our success. Their efficaciousness, along with their strong network, has driven up revenue and I reiterate – our revenue is three times that of the previous year.

I believe our dedicated employees will achieve greater heights with the company expansion plans. They are our greatest asset.

As you can see, we are growing.

### **A good start.**

Our parent company, General Nice Resources (Hong Kong) Limited is one of the largest exporters of coke and importers of coking coal in China. Tapping on the competitive advantage of our parent company, Abterra has built a concrete fundamental, established a strong business clientele and secured a strong foothold in China.

In the coming financial year, we are expecting more long term contract engagements in the region. With these existing opportunities, we pursue a stable and balanced growth. Stability is the key.

### **A strategic position.**

Urbanization in densely populated countries like China, India and Indonesia has propelled an infrastructure boom which has driven robust demand for steel; this has sequentially raised the demand for steel production's raw materials – coking coal & iron ore.

Coupled with the non-renewable nature of coal and iron ore, the increased consumption of these commodities has pushed prices steadily upwards. According to Bloomberg, average domestic prices of coke in China have increased more than 70% to its peak – RMB 2,250 per ton this March due to supply disruptions and environmental regulations where small scale coal mines have been shut down. We see the current moderation in coke prices as a plus in curbing inflationary pressures but expect prices to be buoyed by robust demand in countries such as China and India.

Australian iron ore miners this year won a 79.88 per cent increase in benchmark contract prices for iron ore fines and a 96.5 per cent increase for iron ore lump. Even with further increases in iron ore (and coking coal) prices, we believe that steel-makers will be able to absorb these price rises and pass them on to end-consumers in the form of higher steel prices. This envisage well for our backward integration strategy, where we aim to eventually control the mines where the iron ore is extracted, the coal mines that supply the coal, the coke ovens where the coal is coked and the transportation units that bring the coke to the ports.

### **A gratifying challenge.**

With our strategic plans streamlined in the pipelines for growth, this is the first full financial year where we have our trading basis in place. Going forward, this will serve as a platform for us to, in due course, backward integrate the entire iron ore and coking coal processes.

One of the biggest challenges that we faced was in handling the legacies of the previous management and construction business. We had ceased our Malaysian spa and bathtub operations this year after an internal review concluded that it did not fit into our core businesses of coal and iron ore. Having witnessed how much Abterra has progressed throughout this financial year, I am confident Abterra will achieve even greater heights.

### **A rosy vista.**

In the coming years, the acquired companies will form the core basis of our income.

We are looking to increase our production capacity with the acquisition of more assets and to increase our stake hold in our existing assets.

In the next financial year, I would see Abterra's increased engagement in various projects and expansion plans. We aim to ultimately evolve into a global player by setting our sights on expansions into the international markets.

A glimpse – The Group is moving towards the minerals and metals business, heading global.

Abterra escalates to a rosy vista.

Yours sincerely,

**Cai Sui Xin**  
Executive Chairman  
9 October 2008

# 主席致辞



“破纪录的一年，  
净利润增长了14倍，  
成绩骄人！”

各位尊敬的股东：  
首先，请您和我一起为天益鼓掌！这是破纪录的一年，净利润增长了14倍，成绩骄人！

接下来，我很荣幸代表天益有限公司董事会向您作年度报告。

## 巨大的飞跃

本财政年度，我见证了天益的成熟。

今年，天益的营业额3.92亿新元，比2007年同期增加235%。实现净利润1380万新元，是去年同期的14倍。

我们与各银行间的财务关系日趋良好，银行业务的增长促进了贸易额的飞跃，同时为来年收入的增加打好了基础。

公司市值倍增至2.7亿新元，集团净有形资产由2500万元猛增至2.14亿新元。

在本财政年度，天益已成功收购煤炭矿业公司——泰星椒仲煤业股份有限公司49%的股权以及铁矿石矿业公司——左权县鑫瑞冶金矿山有限公

司22.8%的股权。泰星椒仲生产高质炼焦煤，年生产能力15万公吨。左权鑫瑞拥有两座铁矿山，总储量约3470万公吨，年生产能力40万公吨。

本着垂直整合资源的理念，公司还成功收购了天津蓝塔发展有限公司45%的股权，另外的55%股权由在上海交易所上市的天津港股份有限公司所持有。天津蓝塔提供铁矿石、焦炭和炼焦煤在国际间安全高效的物流和运输服务。

自2007年5月完成收购左权永兴开始的一系列收购活动为下一财政年度的收入打下了坚实的基础。这些收购活动也是利润率高增长的强大推动力之一。

公司已在新达城购得新的写字楼。这一变化将帮助集团稳定营运开支及缓冲可能发生的租金价格波动。新的办公空间将为公司招募人才提供更好的硬件环境。

公司的每一项投资都是以垂直整合资源为理念，努力增强竞争优势。有了自己的资源渠道，我们可以更好地满足客户的需求，扮演全方位服务提供商的角色。采矿、洗煤、选煤、物流一应俱全——我们提供全方位最优质的服务。

## 人才的摇篮

成功招募人才是我们今年另一项重大的成就。我们的员工经验丰富，社交面广，带动了公司的成熟。请允许我再重申一次——我们的营业额增长了三倍！

我相信，我们的员工和企业将共同成长，共同迈向辉煌！员工就是我们最雄厚的资产！

正如大家所见，我们正在成长！

## 良好的开端

天益的母公司俊安资源是在中国从事焦炭业务的最大进出口商之一，依靠这个强大的后盾，天益已拥有了坚实的基础，确定了长期的业务对象，并在中国市场立足。

下一个财政年度，公司将获得更多的长期合同。为了进一步发展，我们追求一个稳定平衡的增长环境。稳中才能求胜。

## 有利的市场

中国、印度和印尼的城市化推进了大量基础设施的建设，从而带动了原材料市场需求增加，尤其以用于钢铁生产的炼焦煤和铁矿石市场为甚。

由于亚洲经济增长拉动了消费需求以及自然资源的有限性和不可再生性等原因，煤炭和铁矿石等资源的价格持续上扬。根据彭博通讯社报道，由于供应中断和环保法规等原因，中国许多地方小规模煤矿已被关闭，促使中国国内煤炭平均价格增长了70%以上，今年3月达到每吨2250元人民币的高峰。近来的经济放缓导致的煤炭价格降低是暂时的并将在短期内回升。

澳大利亚铁矿石今年已赢得价格谈判，铁矿石精粉价格增加79.88%，粗粉价格增加96.5%。我们认为铁矿石和焦炭价格将不可避免的增加。

随着公司业务网络的扩大，我们的贸易额节节升高，销售状况也大有改善。我们最终的目标是掌握铁矿石矿、煤矿、炼焦、港口运输的整条产业链。

## 艰巨的挑战

本财政年度，公司首次全面妥善的掌控了各方面的业务。展望未来，这将为我们提供一个在适当的时候整合铁矿石和炼焦煤生产过程的平台。

公司最大的挑战之一，是处理公司前身遗留的管理和业务问题。目前，由于马来西亚的水疗浴缸业务与公司核心业务无关，所以我们已经将其停止。

见证了本财政年度天益取得的成就，我深信天益将有更大的发展。

## 美好的未来

收购将构成来年收入的基础。

目前，我们正在寻求更多的收购以增强公司的生产能力，增加公司持有的资产。

在未来的财政年度，我们将会看到天益在各方面的成长以及有更多项目和拓展计划。我们的最终目标是成为一间着眼于国际市场的全球性企业。

公司愿景：全球领先的矿产品和金属业务供应商。

天益将拥有一个美好的未来！

此致

敬礼

蔡穗新

执行主席

2008年10月9日

# Board of Directors



## 1 Cai Sui Xin (Executive Chairman / Executive Director)

Mr. Cai Sui Xin joined the Board on October 18, 2006 as the Managing Director and was appointed as the Executive Chairman on November 1, 2006.

Mr. Cai founded General Nice Development Limited in 1992 and went on to establish other related companies under the General Nice Group. Under the leadership of Mr. Cai, the Group becomes one of China's biggest producers and operators of metallurgy coke. To date, its subsidiaries have won honorable titles like "PRC's Foreign Investment Enterprise of Double Excellence", and "Best Foreign Investment Enterprise in Tianjin".

## 2 Lin Xizhong (Executive Vice-Chairman / Executive Director)

Mr. Lin Xizhong joined the Board on February 6, 2007 as Executive Director and Vice Chairman.

Prior to joining General Nice Development Limited as Vice-Chairman, he was the Senior Vice President of China Minmetals Corporation. Mr. Lin has more than 30 years experience in international trade, resources investment, banking and finance.

## 3 Lau Yu (Chief Executive Officer / Executive Director)

Mr. Lau Yu joined the Board on October 18, 2006 as Executive Director and was appointed as Chief Executive Officer on November 1, 2006.

In 2002, Mr. Lau became a shareholder and director of General Nice Resources (Hong Kong) Limited, a subsidiary of the General Nice Group.

With many years of solid experience in the international trading of raw materials, including steel, coal, coke and iron ore, Mr. Lau expanded the Group's iron ore business through the development of strong relationships with customers in India, Australia, South Africa, Venezuela and Brazil. His strong finance background puts him in a strategic position to contribute to the establishment of a sound financial foundation for the Group.



4

**Maheskumar S/O Shantilal Purshotam Mehta (Executive Director)**

Mr. Maheskumar s/o Shantilal Purshotam Mehta joined the Group as the Head of Trade Operations on September 1, 2005, he was later appointed as Executive Director on July 1, 2006.

Mr. Mehta was a fellow Chartered Accountant with over 30 years of working experiences in accounting, financial institutions and trading operations. Prior to joining Abterra, he was with Rabo Bank as a Senior Manager Trade and Structured Finance, Habib Bank as Head of Business Development and at Prima Comexindo (Jakarta) as Head of Trade Operations for worldwide operations.

5

**Gersom G. Vetuz (Independent Director & Chairman of Audit Committee)**

Mr. Gersom G Vetuz joined the Board on July 1, 2006. He is presently the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees.

Mr. Vetuz has 34 years of experience in Public Accounting in Singapore, and extensive experience in financial audits of multinational companies, public listed companies and local companies in various industries.

He was an Audit Principal with Deloitte & Touche from 1987 to 2005. He has also been a member of the Singapore Institute of Directors since 2005.

6

**Lim Hui Min John (Independent Director & Chairman of Nominating Committee)**

Mr. Lim Hui Min John joined the Board on July 1, 2003. He is presently the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Mr. Lim had previously worked for leading property companies including Keppel Land and DBS Land. He was the Assistant General Manager (Regional Investment) of Keppel Land International Limited, General Manager of Keppel Land (Shanghai) Management & Consultancy Company. He is currently the Development Director of VinaCapital Real Estate Co. Ltd, a leading investment banking and fund management company in Vietnam. Mr. Lim is also an Independent Director and Chairman of the audit committee of Fabchem China Limited since April 2006.

7

**Chew Ban Chuan Victor Mark (Independent Director & Chairman of Remuneration Committee)**

Mr. Chew Ban Chuan Victor Mark joined the Board on May 20, 2004. He is presently the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

Mr. Chew is now the Group General Manager of Enviro- Hub Holdings Ltd., a company listed on the mainboard of the SGX-ST and a director of several of its subsidiaries. Mr. Chew is a legally qualified personnel who holds a Bachelor of Law (Hons) degree from the National University of Singapore. He is also actively involved in community services and sits in several committees.

# Corporate Information

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## Board of Directors

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Executive Chairman  
Executive Vice-Chairman  
Chief Executive Officer

Mr Cai Sui Xin  
Mr Lin Xizhong  
Mr Lau Yu

Mr Maheskumar s/o Shantilal Purshotam Mehta  
Mr Gersom G. Vetuz  
Mr Lim Hui Min John  
Mr Chew Ban Chuan Victor Mark

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## Company Secretary

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Ms Helen Campos Thomas

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## Audit Committee

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Mr Gersom G. Vetuz  
Mr Lim Hui Min John  
Mr Chew Ban Chuan Victor Mark

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## Nominating Committee

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Mr Lim Hui Min John  
Mr Gersom G. Vetuz  
Mr Chew Ban Chuan Victor Mark

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## Remuneration Committee

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Mr Chew Ban Chuan Victor Mark  
Mr Gersom G. Vetuz  
Mr Lim Hui Min John

## Auditors

LTC LLP

## Audit Partner

Thomas Tsang  
appointed in 2007

## Principal Bankers

United Overseas Bank Limited  
West LB AG

## Registrars

B.A.C.S. Private Limited  
63 Cantonment Road  
Singapore 089758

## Investor Relations

Email: [ir@abterra.com.sg](mailto:ir@abterra.com.sg)  
Website: [www.abterra.com.sg/forinvestors](http://www.abterra.com.sg/forinvestors)

## Company Registration No.

199903007C

## Registered Office

7 Temasek Boulevard, #11-05  
Suntec Tower 1  
Singapore 038987  
Tel: (65) 6885 9800  
Fax: (65) 6885 9829  
Email: [info@abterra.com.sg](mailto:info@abterra.com.sg)  
Website: [www.abterra.com.sg](http://www.abterra.com.sg)

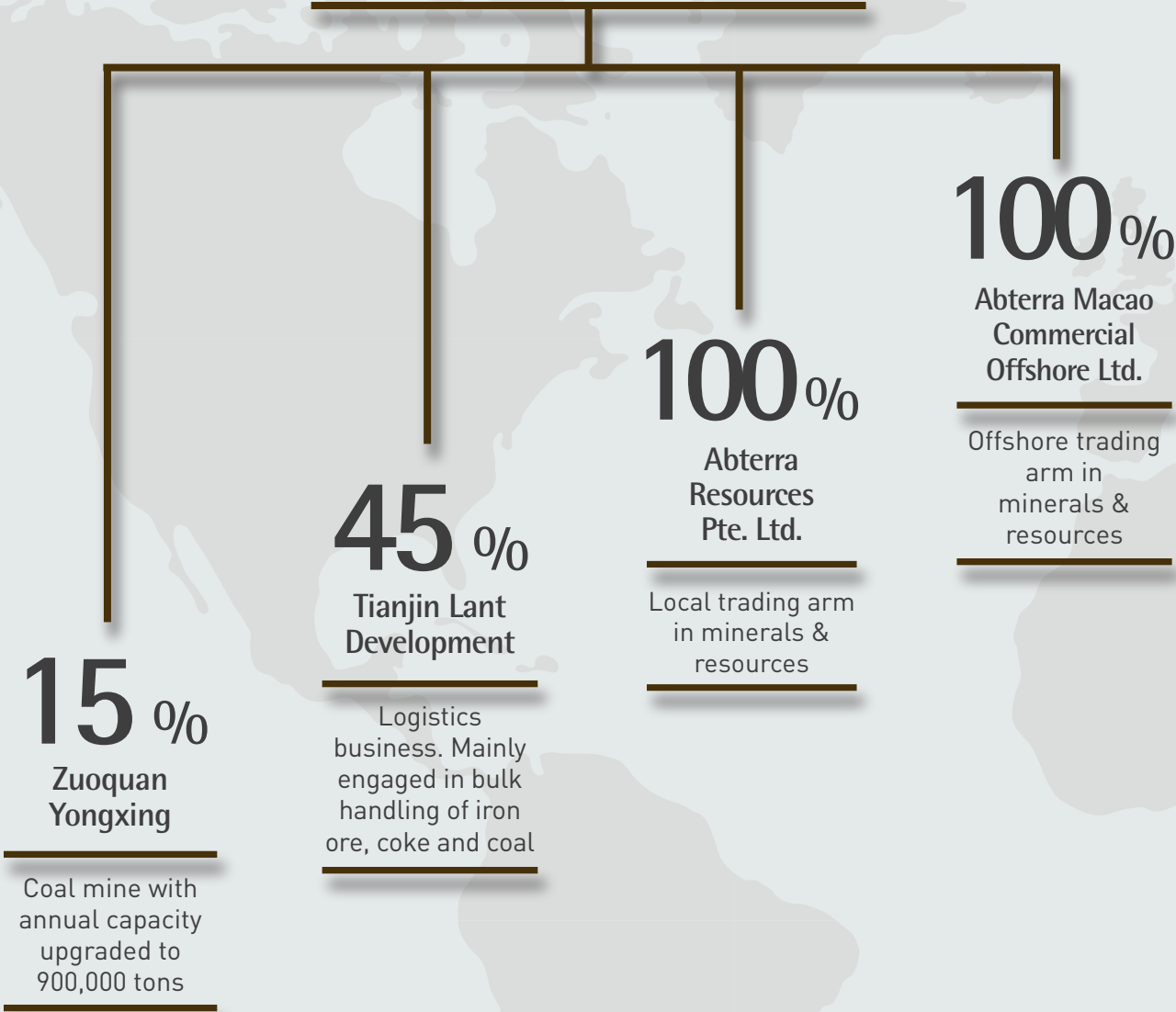


With Progressive  
**GROWTH**

Through steadfast commitment and concerted efforts, Abterra delivers continued success in its provision of the Earth's resources to various industries.

# Corporate Structure

## ABTERRA



# Operating Companies

## Registered Office/Singapore

Abterra Ltd.  
7 Temasek Boulevard  
#11-05, Suntec Tower 1  
Singapore 038987  
Tel: (65) 6885 9800  
Fax: (65) 6885 9829  
Email: [info@abterra.com.sg](mailto:info@abterra.com.sg)  
Website: [www.abterra.com.sg](http://www.abterra.com.sg)

## Macao

Abterra Macao Commercial Offshore Ltd.  
Alameda Dr. Carlos D'Assumpcao nos. 335-341  
Edif. Centro Hotline 21º andar "B"  
Macao

Tel: (853) 287 57840  
Fax: (853) 287 57836  
Email: [macao@abterra.com.sg](mailto:macao@abterra.com.sg)  
Website: [www.abterra.com.sg](http://www.abterra.com.sg)

# 3-Year Financial Statements

Group	2008 \$'000	2007 \$'000	2006 \$'000
Turnover	392,292	117,172	33,825
Operating Profit/(loss)	17,158	711	(5,601)
Financial expense (net)	(1,255)	(284)	(353)
Other items	(28)	708	3,575
Share of results of associates	181	-	-
Profit/(loss) before income tax	16,056	1,135	(2,379)
Income tax expense	(1,848)	-	9
Profit from continuing operations	14,208	1,135	(2,370)
Loss from discontinued operations	(412)	(217)	-
Net profit for the year	13,796	918	(2,370)
Minority interests	164	104	105
Profit/(loss) attributable to shareholders	13,960	1,022	(2,265)
Profit/(loss) ordinary share (cents)	0.39	0.04	(0.11)
<b>Shareholders' equity:</b>			
Share capital	190,629	53,207	36,414
Reserves	22,925	(28,749)	(35,758)
Total shareholders' equity	213,554	24,458	656
Minority interests	132	296	323
Capital employed	213,686	24,754	979
<b>Represented by:</b>			
Non-current assets	33,112	1,348	1,547
Current assets	305,670	99,290	3,794
Current liabilities	(112,314)	(36,316)	(3,957)
Net current assets/(liabilities)	193,356	62,974	(163)
Total assets less current liabilities	226,468	64,322	1,384
Non-current liabilities	(12,782)	(39,568)	(405)
Net assets	213,686	24,754	979
Net asset value per ordinary share (cents)	4.30	0.89	0.05

# 3-Year Financial Statistics





Towards Abundant  
**VALUE**

With the direction set to achieving success, our organisation is able to deliver enhanced value to our stakeholders.

# Operating and Financial Performance Review



**Gross profit margin rose from 2.7% to 4.7% because of the strong demand for our major products, namely coke, coking coal and iron ore, which are mainly used in the refining process to manufacture steel.**

## Financial Highlights

The Management of Abterra is pleased to present its audited financial results for the year ended 30 June 2008. For that year, the Group has been able to achieve revenue of over S\$392 million compared to S\$117 million in FY 2007 due to our business expansion in Asia. Robust demand for resources in Asia has increased our overall trade volume. The Group sold approximately 762,500 metric tonnes (2007: approximately 432,000 metric tonnes) of iron ore and approximately 829,000 metric tonnes (2007: approximately 311,000 metric tonnes) of coke and coking coal during the year. In addition to the increase in trading volume, the unit price of our products also increased sharply along with the global increase in price of other commodities. Gross profit margin rose from 2.7% to 4.7% because of the strong demand for our major products, namely coke, coking coal and iron ore, which are mainly used in the refining process to manufacture steel. Given the numerous infrastructure projects going on in China and India, the Management believes there will be continuous strong demand for our products in the near future.

Tianjin Lant Development Company Limited ("Tianjin Lant") which we acquired 45% in February 2008 had contributed approximately S\$181,000 to the Group. We expect more contributions from Tianjin Lant as it continues to grow. The increase in our business activities has also resulted in

a corresponding increase in our expenses. Administrative expenses increased to S\$2.9 million this year from S\$2.1 million in FY 2007. This is mainly due to an increase in the number of employees and the increasing need to travel to support our regional business expansion. The increase was also due to the interest expenses accrued on the convertible notes issued on 1 June 2007 and 27 July 2007. Financial expenses increased by 623% to approximately S\$6.3 million due to higher trust receipt loan interest incurred resulted from higher trading volume.

In FY 2008, the Group has ceased the operation of World Spa Industries (M) Sdn. Bhd. to focus on the mineral resources business. The Management has appointed a liquidator to close down the business. Loss from the discontinued operations amounted to approximately S\$412,000 for this year (2007: loss of approximately S\$217,000).

Abterra reported an audited consolidated profit of approximately S\$13,796,000 compared to approximately S\$918,000 for the previous year. Basic earnings per ordinary share is approximately 0.39 cent this year compared to 0.04 cent last year.

The Group has a healthy financial position and ended the year with net asset value of approximately S\$214 million (30 June 2007: approximately S\$25 million) and cash and cash equivalents balance of approximately S\$55 million

# Operating and Financial Performance Review

(30 June 2007: S\$17 million). The gearing ratio (measured as "net debt" divided by "total capital") has decreased to approximately 24% (30 June 2007: 70%) as a result of several fund raising activities during the financial year.

## Business Development

Abterra has emerged as a leading supply chain manager of resources and minerals in the Asia Pacific Region. Driven by the strong demand for steel, Abterra supplies steel mills and suppliers with iron ore, coke and coking coal. Besides trading these resources globally, the Group has acquired key assets along the supply chain to vertically integrate our resources in order to secure a stable supply for our customers. During the financial year the Group has successfully acquired the following equity interests:

- Steady supply of coking coal – 15% equity interest in Zuoquan Yongxing Coal Company Limited, a company in the coal mining and coking coal processing business
- Logistics support – 45% equity interest in Tianjin Lant Development Company Limited, a major provider of bulk delivery service of resources products at a major port of Tianjin.

Other than these, Abterra has announced the following proposed acquisitions:

- 49% equity interest in Taixing Jiaozhong Coal Industry Company Limited ("Taixing Jiaozhong") which owns coal mines and can provide a steady supply of coking coal
- 22.8% equity interest in Zuoquan Xinrui Metallurgy Mine Company Limited ("Zuoquan Xinrui") which owns iron ore mines in Shanxi Province of China
- 49.9% equity interest in Shanxi Loudong General Nice Coking and Gas Company Limited ("Shanxi Loudong") which is one of the largest coke manufacturers in Shanxi Province of China

After completion of the above, our vertical integration strategy will be further enhanced. With this strategy, Abterra would possess stronger bargaining power in terms of pricing, lower transaction costs to maximize profit margin and have a long term sustainable and competitive

business platform. The Management will continue to identify investments in the value chain to acquire equity stakes for expansion.

Abterra will also grow organically by increasing the trading volume and product range. Our long term goal is to build a distinguished brand, to vertically integrate resources so as to increase profit margin through controlling supply and reducing cost of sales, all of which ultimately increases our value to shareholders.

## Liquidity and Financial Resources

Abterra's healthy financial standing is further reflected in an increase in net assets value to approximately S\$214 million as at 30 June 2008 (30 June 2007: approximately S\$25 million). As the cash and cash equivalents balance was approximately S\$55 million (30 June 2007: approximately S\$17 million), the Management of Abterra considers its financial resources to be highly liquid. The current ratio as at 30 June 2008 as calculated by dividing its current assets by its current liabilities was approximately 2.72 : 1 (2007: approximately 2.73 : 1).

Apart from the information mentioned in the "Business Development" section above, Abterra currently does not have any specific plan to acquire or take any equity stake in any companies for expansion. It is expected that any future acquisition projects will be financed through Abterra's existing financial resources and/or capital financing from the market. We will also consider taking up bank loans for the acquisitions, depending on market conditions. At the moment, the management does not foresee the need for any material financing activities to execute Abterra's plans.

As at 30 June 2008, Abterra has committed to acquire 49% stake in Taixing Jiaozhong at a cash consideration of approximately RMB188 million (or approximately S\$38 million), 22.8% stake in Zuoquan Xinrui at a total consideration of approximately S\$77.8 million and 49.9% stake in Shanxi Loudong at a consideration of up to approximately RMB181 million to be settled by issuance of new shares. The funds required for the first two projects have already been raised through the rights issue held

# Operating and Financial Performance Review

in October 2007. Save as disclosed above, Abterra did not undertake any material acquisitions and disposals of subsidiaries and affiliated companies in the course of the year ended on 30 June 2008.

Trade receivables increased to approximately S\$114 million mainly due to substantial increase in sales during the year. Debtors' turnover days (as calculated by trade receivables / sales x 365 days) was about 106 days compared to approximately 130 days in last financial year. Subsequent receipt from trade debtors up to 9 October 2008 amounting to approximately S\$90.6 million, representing approximately 79% of total trade receivables balance as at 30 June 2008.

Other receivables, deposits and prepayments increased to approximately S\$71 million mainly because of the S\$49.7 million total deposits paid for acquiring 49% equity interests in Taixing Jiaozhong and 22.8% equity interests in Zuoquan Xinrui. The remaining balance was mainly margin deposits for trade finance facilities, and down payment for the purchase of the commercial property at Suntec City as the Group's new headquarters.

Current liabilities increased by 209% to approximately S\$112 million as at 30 June 2008. The increase was primarily attributed to an increase in bills payable while partially offset by decrease in trade payables. The net increase was in line with the increase in trade activities during the financial year. Some of the banking facilities for Abterra's trade are guaranteed by General Nice Development Limited (the ultimate holding company), General Nice Resources (Hong Kong) Limited (the immediate holding company) and certain directors of Abterra.

The Company had on 27 July 2007 issued the S\$31 million Zero Coupon Convertible Notes Due 2010 ("Tranche 2 Notes") The conversion price is S\$0.065 per share and the Tranche 2 Notes are convertible from 4 March 2008 to 19 July 2010. Some of the Tranche 2 noteholders had already converted their notes before 30 June 2008. At the balance sheet date, the total number of shares to be allotted and issued by the Company if all remaining holders exercise their outstanding rights to convert will be 476,923,076, giving an enlarged number of shares of 5,445,096,841. For the valuation of the Tranche 2 Notes, an implied discount rate of 6% is adopted, this being the annual interest rate

payable to the outstanding principal of the Tranche 2 Notes if the conditions precedent for issuing the Tranche 2 Notes could not be fulfilled on or before 3 March 2008. During the last financial year, the Company had on 1 June 2007 issued the \$45 million Zero Coupon Convertible Notes Due 2010 ("Tranche 1 Notes") with principal amount of S\$45 million. All the Tranche 1 Notes had been converted into Abterra shares in this financial year.

As at 30 June 2008, the Group had an unsecured contingent liability of issuing corporate guarantees of approximately S\$61.7million (2007: S\$0.7 million) in favour of banks for the granting of trade facilities to its group subsidiaries.

## Capital Structure

The movements of issued and paid up capital of the Company during the year are as follows:

- On 18 October 2007, the Company had rights issue of 692,333,686 new ordinary shares in the capital of the Company at an issue price of S\$0.11 for each rights share.
- On 28 December 2007, the Company allotted and issued 3,043,800 shares at S\$0.130692 per share to United Overseas Bank Limited pursuant to the Scheme of Arrangement related to a former subsidiary of the Company, Cascade Building Products Pte. Ltd., which was under receivership.
- On 26 February 2008, the Company completed the placement of 165,000,000 new ordinary shares at the placing price of S\$0.115 per share.
- On 2 February 2007, the Company entered into a conditional sale and purchase agreement for the purchase of 45% equity interest in Tianjin Lant Development Co. Ltd. The transaction was completed on 12 February 2008 and the Company issued 180,000,000 new ordinary shares as the purchase consideration.
- Conversion of all the Tranche 1 Notes during the year has resulted in 900,000,000 new ordinary shares of the Company.
- Partial conversion of the Tranche 2 Notes during the year has resulted in 258,416,532 new ordinary shares of the Company.

# Operating and Financial Performance Review

- On 18 April 2008, the Company had written off S\$40,244,613 accumulated losses of the Company as at 30 June 2007 against its issued and fully paid share capital. This capital reduction exercise was approved by the shareholders of the Company in an extraordinary general meeting. The capital reduction exercise has rationalized the balance sheet of the Company to reflect more reasonably the value of its underlying assets as well as the financial position of the Company.

As at 30 June 2008, the number of issued and paid-up shares of the Company was 4,968,173,765.

## Foreign Exchange Exposures

The Group's purchases and sales are all in US dollars. The operating expenses and capital financing of the Group are mainly transacted in Singapore dollars. The Group's treasury policy is in place to monitor and manage its exposure to fluctuations in exchange rates.

## Capital Commitments

- a) Purchase of office property

On 6 June 2008, the Company had committed to acquire a commercial property at Suntec Tower One from an independent third party at a consideration of S\$31,636,000. The acquisition was funded through a combination of both external bank financing and internal financial resources. As of 30 June 2008, a down payment of S\$3,163,600 was paid. The transaction was subsequently completed on 2 August 2008. As a result, the Company will be able to stabilize its operating expenses in the long run and buffer against possible rental hikes incurred from an extension of the use of the current office.

b) Acquisition of 49% equity interest in Taixing Jiaozhong	S\$'000
Consideration	36,800
Less: deposit paid	(18,400)
Outstanding commitment as at 30 June 2008	<u>18,400</u>

The outstanding commitment is to be settled fully in cash.

c) Acquisition of 22.8% equity interest in Zuoquan Xinrui	S\$'000
Consideration	77,800
Less: deposit paid	(32,320)
Outstanding commitment as at 30 June 2008	<u>45,480</u>

The outstanding commitment is to be settled partly in cash (RMB 160 million, or approximately S\$32.3 million) and partly by issuance of options by the Company.

- d) Acquisition of 49.9% equity interest in Shanxi Loudong

The purchase consideration of up to approximately S\$181 million is to be fully satisfied by the issuance of up to 1,945,398,531 new shares of the Company at a price of S\$0.093 each. No deposit has been paid yet.

## Commentary on Segmental Information

### Geographical segments

The geographical segments are prepared based on the location of our business operations. As the Group operates from Singapore, Macao and Malaysia, the turnover, assets and capital expenditure have been segregated accordingly. The Management had ceased the spa pools and bathroom products business which operated in Malaysia, the related turnover and assets are geographically categorized under Malaysia. Details of the results by geographical segments are shown in note 35 to the financial statements.

### Business segments

The Group was organized into four main operating divisions, namely, iron ore trading, coal trading, other products trading and spa pools and bathroom products business. Because the Management had terminated its spa pools and bathroom products business, the related results, assets and liabilities are grouped under the "discontinued operation" category. Details of the information by business segments are shown in note 35 to the financial statements.

# General Nice Group

General Nice Group is one of the largest importers and exporters of coking coal and coke in China.

The Group has grown rapidly since its establishment in 1992. By the end of 2007, the group business achieved a turnover of RMB 4.37 billion and a profit of RMB 256 million. It is currently one of the largest coke exporters in PRC, exporting an annual volume of 1.5 million tonnes of coke. This amounts for 10% of the total coke export volume of PRC.

The Group aims to produce 10 million tonnes of coke and trade 15 million tonnes of coke by year 2012.

An efficient management team specialized in various stages of production allow for the establishment of a complete chain system, from production to washing-and-selection, and from selection to the processing and transportation of coke. Operating with up-to-date equipment and advanced technology, General Nice Group has built a strong label in mainland China and in many parts of Asia.



# Corporate Governance and Financial Report

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# Corporate Governance

## Introduction

The Board of Directors (“Board”) and the Management of Abterra Ltd. (the “Company”) are committed to maintaining a high standard of corporate governance. Underlying this commitment is the belief that good corporate governance will help to enhance corporate performance and accountability. We strongly believe that the integrity and professionalism of our Board Members and employees, governed by a system of policies, will enable the Company to achieve greater heights and greater returns for our shareholders.

In line with the objective of the company to instill strong corporate governance practices, the Company has introduced the Whistle Blowing Policy to enable all employees to raise concerns about malpractice(s) in the Company. The Whistle Blowing Policy is intended to help employees who have major concerns over any wrongdoing within the Company relating to unlawful conduct, financial malpractice or dangers to the public or the environment.

This report will help shareholders better understand the Company’s practices which were in place throughout the financial year and guided by the Code of Corporate Governance (the “Code”).

## Board of Directors

### *Principle 1 - The Board’s Conduct of Affairs*

#### *Role of the Board*

The Board’s primary role is to protect and enhance long-term shareholders’ value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for management and monitoring the achievement of these goals. As part of its responsibility in discharging its duty, the Board also:

- oversees risk management and internal control processes, financial reporting and compliance, including the release of financial results and announcements of material transactions;
- approves major funding investment and divestment proposals;
- approves the nominations to the Board of directors and appointments to the various Board committees; and approves the framework of remuneration for the Board and key executives as recommended by the Remuneration Committee.

# Corporate Governance

## Board Processes

To give effect to the discharge of its responsibilities, the Board has delegated some of its authorities to three Committees namely, the Audit Committee, the Remuneration Committee and the Nominating Committee. These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored. The attendance of the board members during their tenure of office at the Board and Committee meetings of the Company and the frequency of such meetings are set out below.

Director	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended
Cai Sui Xin	3	-	-	-	-	-	-	-
Lin Xizhong	3	2	-	-	-	-	-	-
Lau Yu	3	3	-	-	-	-	-	-
Maheskumar s/o Shantilal Purshotam Mehta	3	3	-	-	-	-	-	-
Gersom G. Vetuz	3	3	6	6	3	3	1	1
Lim Hui Min John	3	1	6	5	3	2	1	1
Chew Ban Chuan Victor Mark	3	2	6	6	3	3	1	1

Financial authorization limits have been put in place for operating and capital budgets, procurement of goods and services, and cheque signatory arrangements. Matters on which the Board's approval is required include material acquisitions and disposals of assets, corporate or financial restructuring, share issuances and dividend payments to shareholders, and other transactions of a material nature requiring announcement under the listing rules of the Singapore Exchange Securities Trading Limited. The Board also approves the financial results for release to the Singapore Exchange Securities Trading Limited.

The Board are regularly briefed on the Group's activities to keep them updated on the latest developments. The Board are free to request sponsorship from the Company, subject to the approval from the Chairman, to attend courses to update their knowledge and better equip themselves to discharge their duties as Directors.

# Corporate Governance

The Directors of the Company as at the date of this report are:

## **Executive Directors**

1. Mr Cai Sui Xin
2. Mr Lau Yu
3. Mr Lin Xizhong
4. Mr Maheskumar s/o Shantilal Purshotam Mehta

## **Independent Non-Executive Directors**

1. Mr Lim Hui Min John
2. Mr Chew Ban Chuan Victor Mark
3. Mr Gersom G. Vetuz

### *Principle 2 - Board Composition and Guidance*

The Board comprises seven directors, of whom four are executive directors. Of the remaining three non-executive directors, all are considered independent by the Nominating Committee. The Nominating Committee considers an independent director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company.

The Nominating Committee, having reviewed the composition of the Board is satisfied that the present size of the Board is effective for decision making. The Nominating Committee is also satisfied that the Board comprised of Directors with a variety of core competencies necessary, expertise and networkings to discharge their duties and responsibilities, and to provide strategic networking to enhance the business of the Group.

The names and the key information of the Directors of the Company in office are set out in the Profile of Board of Directors section of this Annual Report.

### *Principle 3 - Chairman and Chief Executive Officer*

There is a clear separation of the roles and responsibilities of the Chairman and the Chief Executive Officer ('CEO'). Different individuals assume the roles of the Chairman and the CEO. The Chairman of the Board is Mr Cai Sui Xin. As the Executive Chairman, Mr Cai's role, amongst other matters, is to manage the business of the Board, to exercise control over the quantity, quality and timeliness of the flow of information between the Management of the Company and the Board and to preserve harmonious relations with shareholders.

Together with the Chairman, the CEO, Mr Lau Yu, plays an important role in developing the business and making key decisions on the management and operation of the Group.

### *Principle 4 - Board Membership*

# Corporate Governance

## *Principle 5 - Board Performance*

### *Nominating Committee*

The Nominating Committee comprises entirely of independent non-executive directors. As at the date of this report, the Nominating Committee comprises the following members:

Mr Lim Hui Min John (Chairman)  
Mr Gersom G. Vetuz  
Mr Chew Ban Chuan Victor Mark

The Nominating Committee is responsible for:

- evaluating the effectiveness of the Board as a whole and the contributions of each Director;
- identifying the skills, expertise and capabilities for the effective functioning of the Board;
- maintaining a formal process for the nomination of new Directors;
- re-nominating Directors for re-election at the Annual General Meetings; and
- evaluating and determining the independence of each Director.

The Articles of Association of the Company provides that one-third of the directors, except the Chief Executive Officer shall retire from office at every Annual General Meeting. For the forthcoming Annual General Meeting, Mr Cai Sui Xin and Mr Gersom G. Vetuz are due for retirement and are eligible for re-election pursuant to Article 91 of the Company's Articles of Association.

The effectiveness of the Board is monitored by the Nominating Committee. The Nominating Committee assesses the Board performance in terms of overall performance, achieving an adequate return for shareholders, oversight of Management and Group's performance during the year. In evaluating the contributions and performance of each director, factors taken into consideration include, inter alia, attendance record of the directors at Board meetings and activities, contributions based on the member's respective core competencies, and maintenance of independence. The results of the evaluation process would be used by the Board to effect continuing improvements on Board processes where considered necessary.

The Nominating Committee is satisfied that Mr Lim Hui Min John, Mr Chew Ban Chuan Victor Mark and Mr Gersom G. Vetuz are independent and the directors having external directorships have devoted sufficient time and attention to the affairs of the Group.

## *Principle 6 - Access to Information*

Board members have separate and independent access to the Company's senior management and the company secretary. The company secretary attends all meetings of the Board and Board Committees and ensures that board procedures are followed and that applicable rules and regulations are complied with.

# Corporate Governance

Should directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company will appoint a professional advisor selected by the group or individual, and approved by the Chairman, at the Company's expense, to render the advice.

## Remuneration Matters

### *Principle 7 - Procedures For Developing Remuneration Policies*

#### *Remuneration Committee*

The Remuneration Committee comprises entirely of independent non-executive directors. As at the date of this report, the Remuneration Committee comprises the following members:

Mr Chew Ban Chuan Victor Mark (Chairman)  
Mr Lim Hui Min John  
Mr Gersom G. Vetuz

The Remuneration Committee is responsible for:

- reviewing and approving the structure of the compensation plans and recruitment strategies of the Group so as to align compensation with shareholders' interests; and
- reviewing the executive directors' and senior management's compensation and determine appropriate adjustments.

No director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the Remuneration Committee to assist in its deliberations.

The Remuneration Committee's review covers all aspects of remuneration, including salaries, fees, allowances, bonuses and benefits-in-kind. The Remuneration Committee's recommendations are submitted for endorsement by the entire Board.

Based on the recommendation of the Remuneration Committee, the Company will be considering the preparation of service contracts for the executive directors and key management staff as and when necessary.

### *Principle 8 - Level and Mix of Remuneration*

The Company adopts an overall remuneration policy for employees comprising a fixed component in the form of a base salary, and a variable component in the form of a bonus that is linked to the performance of the Company, the individual, the industry and the economy.

The payment of directors' fees is subject to the approval of shareholders.

# Corporate Governance

## *Principle 9 - Disclosure of Remuneration*

The remuneration of the Directors of the Company for the year under review are as follows:

Director	Director's Fee (%)	Salary* (%)	Bonus (%)	Benefits in kind (%)	Total (%)
<b>Below \$250,000</b>					
Gersom G. Vetuz	100	-	-	-	100
Lim Hui Min John	100	-	-	-	100
Chew Ban Chuan Victor Mark	100	-	-	-	100
Lin Xinzhong	-	84	-	16	100
Maheskumar s/o Shantilal Purshotam Mehta	-	85.5	14.5	-	100
Lau Yu	-	100	-	-	100

\*Salary is inclusive of CPF

The Company has three key executives (who are not directors). None of them received remuneration in excess of \$250,000 during the financial year under review. Save for the directors disclosed in the table above, there are no employees who are immediate family members of the directors or the Chief Executive Officer whose remuneration exceeded \$150,000 during the year under review.

The Company currently does not have any employee share option scheme.

## **Accountability And Audit**

### *Principle 10 - Accountability*

During the financial year 2008, the Company released its half year results within 45 days and full year results within 60 days from the end of the half year and financial year as the case may be.

The shareholders are provided with detailed analysis, explanation and assessment of the Group's financial position and prospects via the issuance of annual reports and half year announcements of results.

### *Principle 11 - Audit Committee*

The Audit Committee comprises entirely of independent non-executive directors. As at the date of this report, the Audit Committee comprises the following members :

Mr Gersom G. Vetuz (Chairman)  
Mr Lim Hui Min John  
Mr Chew Ban Chuan Victor Mark

# Corporate Governance

The Board has reviewed and is satisfied that the members of the Audit Committee are appropriately qualified to discharge their responsibilities. The members of the Audit Committee are scheduled to meet on a quarterly basis, and have the following principal functions:

- review the scope and results of the audit undertaken by the external auditors, including non-audit services performed by them to ensure that there is a balance between maintenance of their objectivity and cost effectiveness;
- review the internal audit plans, the scope and results of internal audit procedures;
- review with the external auditors the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management;
- review the financial statements and other announcements to shareholders and the Singapore Exchange Securities Trading Limited (SGX-ST), prior to submission to the Board;
- conduct investigation into any matter within the Audit Committee's scope of responsibility and review any significant findings of investigations;
- assess the independence and objectivity of the external auditors;
- recommend to the Board on the appointment or re-appointment of external auditors;
- review the assistance given by the Company's officers to the external auditors; and
- review interested person transactions.

The Audit Committee has undertaken a review of all non-audit services provided by the external auditors during the financial year, and in the Audit Committee's opinion, the provision of these services does not impair the independence of the external auditors.

## *Principle 12 - Internal controls*

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

During the year, the Board regularly reviews, with the assistance of the external auditors and internal auditors, the effectiveness of the Company's material internal controls, including operational controls. The Board and Management have reviewed and implemented stringent internal controls to safeguard shareholders' interest and the Company's assets.

## *Principle 13 - Internal audit*

The Board is responsible for maintaining a system of internal control processes to safeguard shareholders' interest and the Group's business and assets.

# Corporate Governance

The Group has outsourced the internal audit function. At least once a year, the internal audit team will closely examine and evaluate the internal control systems of all major operating entities in accordance with the audit plan as approved by the Audit Committee. The internal audit team will report to the Audit Committee on any material non-compliance and internal control weaknesses, and will recommend improvements, where necessary. The Audit Committee oversees and monitors the implementation of any improvements thereto.

## **Communications with Shareholders**

### *Principle 14 - Regular, Effective and Fair Communication With Shareholders*

The Company takes a serious view of maintaining full and adequate disclosure, in a timely manner, of material events and matters concerning its business. All the necessary disclosures are made in public announcements, press releases and annual reports to shareholders.

The Company's website at [www.abterra.com.sg](http://www.abterra.com.sg) also provides up-to-date information on the Group and its businesses.

## **Corporate Governance**

### *Principle 15 - Shareholders Participation at Annual General Meetings*

The annual general meeting of the Company provides a principal forum for dialogue and interaction with shareholders. Members of the Board and the Company's external auditors are present to address questions raised by shareholders at Annual General Meetings.

The Articles of Association of the Company provides for voting in person at the Annual General Meetings of the Company.

Issues or matters requiring shareholders' approval are tabled in the form of separate and distinct resolutions.

## **Dealing in Securities**

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by the directors and the key employees of the Group. This internal code is modeled on the Best Practices Guide of the SGX-ST relating to dealings in securities and has been disseminated to the directors and the key employees of the Group.

# Corporate Governance

## **Compliance With Existing Best Practices Guide of the Singapore Exchange**

The Board of Directors confirms that for the financial year ended 30 June 2008, the Company has complied with the principal corporate governance recommendations set out in the Best Practices Guide issued by the SGX-ST.

## **Use of Placement and Rights Issue Proceeds**

For the financial year ended 30 June 2008, the Company has completed a placement as well as a rights issue.

### Placement proceeds

On 28 February 2008, the Company completed its private placement exercise of 165,000,000 Shares at an issue price of S\$0.115 each ("Placement"), which raised a net sum of approximately S\$18.88 million after deducting fees and expenses incurred in connection with the placement.

The Company had on 21 July 2008 announced that the total net proceeds of the Placement of approximately S\$18.88 million have been fully used for the Company's working capital purposes, more specifically described as follows:

1. Approximately S\$2.55 million has been used as cash margin for opening letters of credit to be utilized for trade purposes; and
2. The remaining proceeds of approximately S\$16.33 million have been used for trust receipts settlement.

### Rights Issue

On 19 October 2008, the Company completed the renounceable non-underwritten rights issue of up to 692,333,686 new shares at an issue price of S\$0.11 for each rights share, on the basis of one rights share for every four shares held by entitled shareholders, disregarding fractional entitlements ("Rights Issue"). Total proceeds from this Rights Issue amounted to S\$76,156,705.

On 23 January 2008, the Company announced that it had utilized S\$31,000,000 from the Rights Issue proceeds as partial payment for the acquisition of a 22.8% interest in Zuoquan Xinrui Metallurgy Mine Co. Ltd, which has a business related to the current business of the Company.

# Corporate Governance

On 18 April 2008, the Company held an Extraordinary General Meeting to seek the approval of the Company's shareholders in relation to a proposed change in use of the remaining proceeds of the Rights Issue to the following:

1. To use the proceeds for the acquisition of a 22.8% interest in Zuoquan Xinrui Metallurgy Mine Co. Ltd, the acquisition of a 49% equity stake in Shanxi Taixing Jiaozhong Coal Industry Company Limited, a coking mining company, as well as other entities and businesses related to the Company's current business of trading minerals and commodity products.
2. For the investment commitments and funding requirements of the proposed establishment of the joint company with Tianjin General Nice Coke and Chemical Co., Ltd, as required and in such proportion as the Company's Directors may deem fit.

Subsequently on 18 April 2008, the Company announced that the ordinary resolution was duly passed in pursuant to the proposed change in use of proceeds of the Rights Issue.

# Report of the Directors

For the financial year ended 30 June 2008

The directors present their report to the shareholders together with the audited financial statements of Abterra Ltd. (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 30 June 2008 and the balance sheet of the Company as at 30 June 2008 and the statement of changes in equity of the Company for the financial year then ended.

## 1. DIRECTORS

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

Cai Sui Xin  
Lin Xizhong  
Lau Yu  
Maheskumar s/o Shantilal Purshotam Mehta  
Lim Hui Min John  
Chew Ban Chuan Victor Mark  
Gersom G. Vetuz

## 2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of the financial year 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 in or debentures of the Company or any other body corporate.

## 3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interest in the share capital or debentures of the Company or related corporations (excluding wholly owned subsidiaries) as recorded in the register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

The Company	Direct interest		Deemed interest	
	1 July 2007	30 June 2008	1 July 2007	30 June 2008
<b>Abterra Ltd.</b>				
Ordinary shares				
Cai Sui Xin	-	-	1,389,908,919	2,057,878,156
Lin Xizhong	5,000,000	6,250,000	-	-
Maheskumar s/o Shantilal Purshotam Mehta	-	-	100,000	1,100,000
Lim Hui Min John	100,000	180,000	-	-

# Report of the Directors

For the financial year ended 30 June 2008

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

	Direct interest		Deemed interest	
	1 July 2007	30 June 2008	1 July 2007	30 June 2008
<b>The Immediate Holding Company</b>				
<b>General Nice Resources</b>				
<b>(Hong Kong) Ltd.</b>				
Ordinary shares of HK\$1 each				
Cai Sui Xin	-	-	24,000,000	79,999,200
Lau Yu	5,999,000	19,999,800	-	-
<b>The Ultimate Holding Company</b>				
<b>General Nice Development Ltd.</b>				
Ordinary shares of HK\$1 each				
Cai Sui Xin	5,000,000	5,000,000	50,000,000	50,000,000

The directors' interests in the ordinary shares of the Company as at 21 July 2008 were the same as those as at 30 June 2008.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or related corporations, either at the beginning of the financial year, or at the end of the financial year or on 21 July 2008.

## 4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

## 5. OPTIONS GRANTED

During the financial year, there were no options granted to any person to take up unissued shares in the Company or any subsidiary company.

## 6. OPTIONS EXERCISED

During the financial year, there were no shares of the Company issued by virtue of any exercise of option to take up unissued shares.

## 7. OPTIONS OUTSTANDING

At the end of the financial year, there were no unissued shares of the Company under option.

# Report of the Directors

For the financial year ended 30 June 2008

## 8. AUDIT COMMITTEE

The Board supports the developments to improve corporate governance and confirms compliance with the Singapore Exchange Securities Trading Limited Best Practices Guide relating to Audit Committee.

The Audit Committee comprises three independent non-executive directors, one of whom is also the Chairman of the Audit Committee. The members of the Audit Committee are:

Gersom G. Vetuz (Chairman)  
Lim Hui Min John  
Chew Ban Chuan Victor Mark

The Audit Committee performs its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50 and the requirements of the Singapore Exchange Securities Trading Limited. In performing those functions, the Audit Committee reviewed the overall scope of external audits and the assistance given by the Company's officers to the auditors. The Audit Committee met with the external auditors to discuss the results of their audits and their evaluation of the systems of internal financial controls. The Audit Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the year ended 30 June 2008, as well as the external auditors' report thereon.

In additions, the Audit Committee reviewed the Interested Person Transactions for the financial year ended 30 June 2008 to satisfy itself that the transactions were on normal commercial terms.

## 9. AUDITORS

The auditors, LTC LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

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**Cai Sui Xin**  
Chairman

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**Lau Yu**  
Chief Executive Officer

Singapore, 9 October 2008

# Statement by Directors

For the financial year ended 30 June 2008

In the opinion of the directors,

- (i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 38 to 107 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008 and of the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; and
- (ii) at the date of the statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

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**Cai Sui Xin**  
Chairman

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**Lau Yu**  
Chief Executive Officer

Singapore, 9 October 2008

# Independent Auditors' Report

to the shareholders of Abterra Ltd.  
For the financial year ended 30 June 2008

We have audited the accompanying financial statements of Abterra Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 38 to 107 which comprise the balance sheets of the Company and of the Group as at 30 June 2008, and the consolidated income statement of the Group, statements of changes in equity of the Company and of the Group and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

## *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

## *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

# Independent Auditors' Report

to the shareholders of Abterra Ltd.  
For the financial year ended 30 June 2008 (cont'd)

In our opinion,

- a) the balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008, and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and
- b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

**LTC LLP**  
***Public Accountants and***  
***Certified Public Accountants***

Singapore, 9 October 2008

# Consolidated Income Statement

For the financial year ended 30 June 2008

	Note	Group	
		2008	2007
		\$'000	\$'000
<b>Continuing operations</b>			
<b>Turnover</b>	4	<b>392,292</b>	<b>117,172</b>
Cost of sales		(373,719)	(114,018)
<b>Gross profit</b>		18,573	3,154
Other operating income	5	6,576	591
Administrative expenses		(2,922)	(2,097)
Other operating expenses		(3)	(346)
Financial expenses	7	(6,321)	(875)
Share of profit of an associated company		181	-
Other items (net)	8	(28)	708
<b>Profit before income tax</b>	9	<b>16,056</b>	<b>1,135</b>
Income tax expense	10	(1,848)	-
<b>Profit from continuing operations</b>		<b>14,208</b>	<b>1,135</b>
<b>Discontinued operations</b>			
Loss from discontinued operations	11	(412)	(217)
<b>Net profit for the year</b>		<b>13,796</b>	<b>918</b>
<b>Net profit attributable to:</b>			
Shareholders of the Company		13,960	1,022
Minority interests		(164)	(104)
		<b>13,796</b>	<b>918</b>
Earnings per ordinary share (cents)	12		
Basic		0.39	0.04
Diluted*		NA	NA

\* Diluted earnings per share has not been disclosed as it is anti-dilutive.

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

# Balance Sheets

As at 30 June 2008

	Note	Group		Company	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	13	54,775	16,817	49,548	16,620
Trade receivables	14	114,073	41,954	94,033	36,638
Other receivables, deposits and prepayments	15	70,570	395	113,755	705
Inventories	16	65,036	40,124	-	22,445
		304,454	99,290	257,336	76,408
Assets directly associated with disposal group classified as held for sale	11	1,216	-	-	-
<b>Total current assets</b>		305,670	99,290	257,336	76,408
<b>Non-current assets</b>					
Property, plant and equipment	17	163	1,348	163	194
Investment in subsidiaries	18	-	-	1,021	-
Investment in an associated company	19	20,604	-	20,423	-
Financial assets, available-for-sale	20	12,345	-	12,345	-
<b>Total non-current assets</b>		33,112	1,348	33,952	194
<b>Total assets</b>		338,782	100,638	291,288	76,602

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

# Balance Sheets

As at 30 June 2008

	Note	Group		Company	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade payables	21	3,573	31,697	2,416	16,787
Other payables and accruals	22	3,347	1,941	2,777	1,683
Bills payable	23	73,744	2,331	37,700	-
Bank overdrafts (secured)	24	-	258	-	-
Obligation under finance lease	25	26	24	26	24
Bank loans (secured)	26	28,503	62	25,364	-
Provision for income tax		2,440	3	2,230	-
		<u>111,633</u>	<u>36,316</u>	<u>70,513</u>	<u>18,494</u>
Liabilities directly associated with disposal group classified as held for sale	11	681	-	-	-
<b>Total current liabilities</b>		<u>112,314</u>	<u>36,316</u>	<u>70,513</u>	<u>18,494</u>
<b>Non-current liabilities</b>					
Obligation under finance lease	25	22	48	22	48
Bank loans (secured)	26	-	298	-	-
Convertible notes	27	12,336	37,873	12,336	37,873
Deferred taxation	28	424	1,349	424	1,299
<b>Total non-current liabilities</b>		<u>12,782</u>	<u>39,568</u>	<u>12,782</u>	<u>39,220</u>
<b>Total liabilities</b>		<u>125,096</u>	<u>75,884</u>	<u>83,295</u>	<u>57,714</u>
<b>NET ASSETS</b>		<u><b>213,686</b></u>	<u><b>24,754</b></u>	<u><b>207,993</b></u>	<u><b>18,888</b></u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	29	190,629	53,207	190,629	53,207
Reserves	30	22,925	(28,749)	17,364	(34,319)
		<u>213,554</u>	<u>24,458</u>	<u>207,993</u>	<u>18,888</u>
<b>Minority interests</b>		<u>132</u>	<u>296</u>	<u>-</u>	<u>-</u>
<b>TOTAL EQUITY</b>		<u><b>213,686</b></u>	<u><b>24,754</b></u>	<u><b>207,993</b></u>	<u><b>18,888</b></u>

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

# Statements of Changes in Equity

For the financial year ended 30 June 2008

Group	Attributable to equity holders of the Company						Total equity
	Share capital	Other reserves	Revaluation reserve	Foreign currency translation reserve	(Accumulated losses) / Retained earnings	Minority interests	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2007</b>	<b>53,207</b>	<b>5,918</b>	<b>209</b>	<b>19</b>	<b>(34,895)</b>	<b>296</b>	<b>24,754</b>
Currency translation differences	-	-	-	59	-	-	59
Share issue expenses	(364)	-	-	-	-	-	(364)
Net income / (expenses) recognised directly to equity	(364)	-	-	59	-	-	(305)
Net profit	-	-	-	-	13,960	(164)	13,796
<b>Total recognised income / (expenses)</b>	<b>(364)</b>	<b>-</b>	<b>-</b>	<b>59</b>	<b>13,960</b>	<b>(164)</b>	<b>13,491</b>
Capital reduction exercise to set-off accumulated losses against share capital (note 29)	(40,244)	-	-	-	40,244	-	-
Issue of new shares	116,230	-	-	-	-	-	116,230
Issue of new shares pursuant to the conversion of the conversion notes	61,800	(8,291)	-	-	-	-	53,509
Convertible notes – equity component	-	4,827	-	-	-	-	4,827
Deferred tax on liabilities component (note 28)	-	(895)	-	-	-	-	(895)
Reversal of deferred taxation upon conversion (note 28)	-	1,770	-	-	-	-	1,770
Transfer of realised deferred tax from other reserves to retained earnings	-	592	-	-	(592)	-	-
<b>Balance as at 30 June 2008</b>	<b>190,629</b>	<b>3,921</b>	<b>209</b>	<b>78</b>	<b>18,717</b>	<b>132</b>	<b>213,686</b>

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

# Statements of Changes in Equity

For the financial year ended 30 June 2008

Group	Attributable to equity holders of the Company							
	Share capital	Other reserves	Revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total	Minority interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2006</b>	<b>36,414</b>	-	<b>201</b>	<b>(42)</b>	<b>(35,917)</b>	<b>656</b>	<b>323</b>	<b>979</b>
Currency translation differences	-	-	-	61	-	61	-	61
Share issue expenses	(181)	-	-	-	-	(181)	-	(181)
Net income / (expenses) recognised directly to equity	(181)	-	-	61	-	(120)	-	(120)
Net profit	-	-	-	-	1,022	1,022	(104)	918
<b>Total recognised income / (expenses)</b>	<b>(181)</b>	-	-	<b>61</b>	<b>1,022</b>	<b>902</b>	<b>(104)</b>	<b>798</b>
Issue of new share	16,974	-	-	-	-	16,974	-	16,974
Convertible notes – equity component	-	7,217	-	-	-	7,217	-	7,217
Deconsolidation and liquidation of subsidiaries, net	-	-	-	-	-	-	77	77
Deferred tax on liabilities component (note 28)	-	(1,299)	8	-	-	(1,291)	-	(1,291)
<b>Balance as at 30 June 2007</b>	<b>53,207</b>	<b>5,918</b>	<b>209</b>	<b>19</b>	<b>(34,895)</b>	<b>24,458</b>	<b>296</b>	<b>24,754</b>

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

# Statements of Changes in Equity

For the financial year ended 30 June 2008

<u>Company</u>	Share capital	Other reserves	Foreign currency translation reserve	Retained earnings / (Accumulated losses)	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2007</b>	<b>53,207</b>	<b>5,918</b>	<b>7</b>	<b>(40,244)</b>	<b>18,888</b>
Currency translation differences	-	-	(10)	-	(10)
Share issue expenses	(364)	-	-	-	(364)
Net expenses recognised directly to equity	(364)	-	(10)	-	(374)
Net profit	-	-	-	14,038	14,038
<b>Total recognised income / (expenses)</b>	<b>(364)</b>	<b>-</b>	<b>(10)</b>	<b>14,038</b>	<b>13,664</b>
Capital reduction exercise to set-off accumulated losses against share capital	(40,244)	-	-	40,244	-
Issue of new shares	116,230	-	-	-	116,230
Issue of new shares pursuant to the conversion of the conversion notes	61,800	(8,291)	-	-	53,509
Convertible notes – equity component	-	4,827	-	-	4,827
Deferred tax on liabilities component (note 28)	-	(895)	-	-	(895)
Reversal of deferred taxation upon conversion (note 28)	-	1,770	-	-	1,770
Transfer of realised deferred tax from other reserves to retained earnings	-	592	-	(592)	-
<b>Balance as at 30 June 2008</b>	<b>190,629</b>	<b>3,921</b>	<b>(3)</b>	<b>13,446</b>	<b>207,993</b>
<b>Balance as at 1 July 2006</b>	<b>36,414</b>	<b>-</b>	<b>2</b>	<b>(35,415)</b>	<b>1,001</b>
Currency translation differences	-	-	5	-	5
Share issue expenses	(181)	-	-	-	(181)
Net income / (expenses) recognised directly to equity	(181)	-	5	-	(176)
Loss for the year	-	-	-	(4,829)	(4,829)
<b>Total recognised income / (expenses)</b>	<b>(181)</b>	<b>-</b>	<b>5</b>	<b>(4,829)</b>	<b>(5,005)</b>
Issue of new shares	16,974	-	-	-	16,974
Convertible notes – equity component	-	7,217	-	-	7,217
Deferred tax on liabilities component (note 28)	-	(1,299)	-	-	(1,299)
<b>Balance as at 30 June 2007</b>	<b>53,207</b>	<b>5,918</b>	<b>7</b>	<b>(40,244)</b>	<b>18,888</b>

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

# Consolidated Cash Flow Statement

For the financial year ended 30 June 2008

	Group	
	2008	2007
	\$'000	\$'000
Cash flows from operating activities		
Profit from ordinary activities before taxation	15,644	920
Adjustments for:		
Allowance for doubtful debts	51	150
Doubtful debts recovered	(3)	-
Allowance for inventories obsolescence	-	15
Inventories written off	201	19
Property, plant and equipment written off	7	-
Bad trade debts written off	-	1
Depreciation of property, plant and equipment	71	95
Loss on disposal of property, plant and equipment	-	28
Gain on liquidation of a subsidiary company	(110)	-
Loss on liquidation of subsidiary companies	138	222
Impact on deconsolidation of a subsidiary company	-	(17)
Waiver of debt by former holding company	-	(912)
Interest income	(5,066)	(591)
Interest expense	5,928	926
Allowance for impairment of property, plant and equipment	-	10
Unrealised exchange loss	2,468	125
Share of profit from an associated company	(181)	-
Provision for unutilised leave	54	31
Operating profit before working capital changes	19,202	1,022
Increase in:		
Inventories	(27,068)	(39,109)
Trade receivables	(76,175)	(41,855)
Other receivables, deposits and prepayments	(69,958)	(236)
Increase / (decrease) in:		
Trade payables	(26,116)	30,338
Bills payable	72,883	2,331
Other payables and accruals	898	544
Due to immediate holding company	746	460
Translation of foreign subsidiaries	(789)	(6)
Cash utilised in operations	(106,377)	(46,511)
Interest income received	5,066	591
Interest expense paid	(2,570)	(737)
Net cash used in operating activities	(103,881)	(46,657)

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

# Consolidated Cash Flow Statement

For the financial year ended 30 June 2008

	Group	
	2008	2007
	\$'000	\$'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(22)	(93)
Proceeds from the sale of property, plant and equipment	-	256
Proceed from liquidation of a subsidiary company	110	-
Payment for liquidation of subsidiary companies	(138)	8
Investment in an associated company	(69)	-
Investment in unquoted equity shares	(12,345)	-
Net cash (used in) / provided by investing activities	(12,464)	171
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	29,586	-
Net repayment of bank loans	(60)	(57)
Net repayment of finance lease commitments	(24)	(327)
Net proceeds from issuance of new shares	18,824	16,793
Net proceeds from rights issue	75,944	-
Proceeds from issuance of convertible notes	31,000	45,000
Expenses in relation to issuance of convertible notes	(900)	(102)
Fixed deposits pledged to bank	(48,312)	-
Net cash provided by financing activities	106,058	61,307
<b>Net (decrease) / increase in cash and cash equivalents</b>	(10,287)	14,821
Cash and cash equivalents at beginning of year	16,559	1,738
Effect of currency translation on cash and cash equivalents	23	-
<b>Cash and cash equivalents at end of year</b>	<b>6,295</b>	<b>16,559</b>
Cash and cash equivalents comprise:		
Cash and bank balances (Note 13)	6,523	16,817
Bank overdrafts - secured (Note 13)	(228)	(258)
	<b>6,295</b>	<b>16,559</b>

During the year, deposits totalling \$49.7 million in relation to the acquisitions of the investments are offset with the amount due from a trade receivable.

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

# Notes to the Financial Statements

30 June 2008

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. GENERAL

Abterra Ltd. (the "Company") is a limited liability company, which is incorporated in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The registered office and principal place of business of Abterra Ltd. is located at 7 Temasek Boulevard, #11-05, Singapore 038987.

The Company's immediate holding company is General Nice Resources (Hong Kong) Limited, a company incorporated in Hong Kong. The Company's ultimate holding company is General Nice Development Ltd, a company incorporated in Hong Kong.

The principal activities of the Company are trading, investment holding and the provision of management services to its subsidiary companies.

The principal activities of the subsidiary companies and associated company are as shown in Note 37 to the financial statements.

The consolidated financial statements of the Group for the financial year ended 30 June 2008 and balance sheet and the statement of changes in equity of the Company as at 30 June 2008 were authorised for issue in accordance with a resolution of the directors on the date of the statement by Directors.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements are expressed in Singapore Dollar ("SGD" or "\$"), which is also the Company's functional and presentation currency, and prepared under the historical cost convention, except as disclosed in the accounting policies below.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.1 Basis of preparation (cont'd)

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. These areas involving judgement where assumptions and estimates have been applied and are significant to the financial statements are disclosed in Note 3.

### 2.2 Adoption of new and revised Singapore Financial Reporting Standards

In the current year, the Group adopted all the new and revised FRS including related Interpretations to FRS ("INT FRS") that are mandatory for application from accounting periods beginning on or after 1 January 2007. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in respective FRS and INT FRS.

The following are the new or amended FRS that are relevant to the Group:

FRS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
FRS 107	Financial Instruments: Disclosures
INT FRS 110	Interim Financial Reporting and Impairment

The adoption of the above FRS or INT FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on these financial statements. FRS 107 and the complementary amended FRS 1 introduce new disclosure relating to financial instruments and capital respectively.

Certain new accounting standards have been published that are effective for accounting periods beginning on or after 1 January 2008. The directors anticipate that the adoption of these Standards in future periods will have no material impact on the financial statements of the Group and the Company.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Revenue recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of taxes, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of the revenue and related cost can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria for each of the Group's activities are met as follow:

- (1) Revenue from the sale of goods is recognised when the Group has delivered the products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- (2) Revenue from the spa business is recognised net of discounts upon the transfer of risks and rewards.
- (3) Service income is recognised when services are rendered to customers.
- (4) Interest income is recognised on a time-proportion basis using the effective interest method.
- (5) Management income is recognised when services are rendered to the subsidiaries.

### 2.4 Group accounting

#### (a) Subsidiaries

Subsidiaries are entities which the Group has the power, to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

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

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Group accounting (cont'd)

#### (a) Subsidiaries (cont'd)

On disposal of investment in subsidiaries, the differences between net disposal proceeds and the carrying amounts of the investments are taken to the income statement.

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

All intra-group balances, transactions and unrealised gains on transactions between Group companies are eliminated in full in consolidation. Unrealised losses are also eliminated but considered an impairment indicator of the assets transferred.

Acquisitions of the subsidiaries are accounted for using the acquisition method. The costs of an acquisition is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Subsidiaries are consolidated from the date of acquisition, being the date of which the Group obtains control, and continue to be consolidated until the date that such control ceases.

#### (b) Minority interests

Minority interests represent the portion of the profit and loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the equity of the shareholders of the Company, and separately disclosed in the consolidated income statement.

Where the losses applicable to the minority in a subsidiary exceed the minority interests in the equity of that subsidiary, the excess and further losses applicable to the minority interests are attributed to the equity holders of the Company, unless the minority has a binding obligation to, and is able to make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minority interests' share of losses previously absorbed by the equity holders of the Company has been recovered.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Group accounting (cont'd)

#### (c) Associated company

An associated company is an entity over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% to 50% of the voting rights. Investment in associated company is accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated balance sheet includes goodwill (net of any accumulated impairment losses) identified on acquisition. The goodwill is assessed for impairment as part of the investment in associated company.

Investment in an associated company is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated company's post-acquisition profits or losses is recognised in the income statements and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated company is eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associated company have been changed where necessary to ensure consistency with the accounting policies adopted by Group.

Investment in associated company is carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investment in associated company, the difference between disposal proceed and the carrying amounts of the investments are recognised in the income statement.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 Property, plant and equipment and depreciation

#### (1) Measurement

##### (i) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

##### (ii) Component of costs

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

#### (2) Depreciation

Depreciation on property, plant and equipment is calculated using the straight line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Estimated useful lives</u>
Freehold buildings	30-50 years
Plant, machinery, furniture and equipment	3-15 years
Motor vehicles	5-10 years
Leasehold improvements	Leasehold period

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 Property, plant and equipment and depreciation (cont'd)

#### (2) Depreciation (cont'd)

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

No depreciation is provided on freehold land and leasehold building in progress.

Fully depreciated assets still in use are retained in the financial statements.

#### (3) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

#### (4) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement. Any amount in revaluation reserve relating to that asset is transferred to retained earnings directly.

### 2.6 Assets under hire purchase contracts

Where assets are under hire purchase contracts, the assets are capitalised in the financial statements and the corresponding obligation treated as a liability. The assets capitalised are depreciated in accordance with the Group's accounting policy on depreciation of fixed assets. The total interest, being the difference between the total instalments payable and the capitalised amount is charged to the income statement to give a constant rate of charge on the remaining balance of the obligation.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.7 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs.

A financial asset is derecognised when the contractual right to receive cash flows from the assets has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received and any cumulative gain or loss that have been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised and derecognised on the trade date, i.e. the date that the Group commit to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

#### (i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised costs using the effective interest method. Gains or losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.7 Financial assets (cont'd)

#### (ii) Financial assets, available-for-sale

Financial assets, available-for-sale are financial assets that are not classified in financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. After initial recognition, financial assets, available-for-sales are measured at fair value. Any gains and losses from changes in the fair value of the financial assets are recognised directly in the fair value adjustment reserve in equity, except that the impairment losses, foreign exchange gains or losses on monetary items and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

Investment in equity instruments whose fair value can not be reliably measured are measured at cost less impairment loss.

### 2.8 Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in values.

Cash and cash equivalents comprise of cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

### 2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes materials, all direct expenditure and an attributable proportion of overheads, determined on a first-in, first-out basis.

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

Impairment losses are made for deteriorated, damaged, expired and slow-moving inventories.

### 2.11 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method.

### 2.12 Operating leases

Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

### 2.13 Finance leases

Finance leases, which transfer to the Group substantially all the risk and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease item 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 directly to the income statement. 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 lives of the assets and the lease term, if there's no reasonable certainty that the Group would obtain ownership by the end of the lease term.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.14 Loans and borrowings

All the loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the balance sheet.

### 2.15 Convertible notes

When the convertible notes are issued, the total proceeds are allocated to the liability component and the equity component, which are separately presented on the balance sheet.

The liability component is recognised as its fair value determined using a market interest rate for equivalent non-convertible notes. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the notes.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount will be transferred to share capital accounts. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.16 Impairment of non-financial assets

*Property, plant and equipment*  
*Investment in subsidiaries and associated company*

Property, plant and equipment, and investment in subsidiaries and associated company are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for cash generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of an asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.17 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

#### (i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on a financial asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the assets becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to allowances account are written off against the carrying value of the financial assets.

To determine whether there is an objective evidence that an impairment loss on financial assets has been incurred, the Group consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay of the payments.

If in the subsequent period, the amount of impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the financial asset does not exceed the amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

#### (ii) Financial assets, available-for-sale

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is any objective evidence that investment securities classified as financial assets, available-for-sale are impaired.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.17 Impairment of financial assets (cont'd)

#### (ii) Available-for-sale financial assets (cont'd)

If a financial asset, available-for-sale is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to income statement. Reversals of impairment losses in respect of equity instruments are not recognised in the income statement. Reversals of impairment losses on debt instruments are recognised in income statement if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

### 2.18 Income Taxes

#### (1) Current income tax

Current income tax liabilities and assets for current and prior periods are recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

#### (2) Deferred income tax

Deferred income tax assets/liabilities are recognised for all deductible taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax assets/liabilities arise 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 accounting nor taxable profit or loss.

Deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be recognised.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.18 Income Taxes (cont'd)

#### (2) Deferred income tax (cont'd)

Deferred income tax assets and liabilities are measured at:

- (i) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date; and
- (ii) the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred income tax on temporary differences arising from the revaluation gains and losses on land and buildings, fair value gains and losses on financial assets, available-for-sale and cash flow hedges, and the liability component of convertible debts are charged or credited directly to equity in the same period the temporary differences arise. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

### 2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects some or all of the provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.20 Employee benefits

#### (i) Pensions and other post-employment benefits

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 and Malaysia companies in the Group make contributions to the Central Provident Fund scheme and the Employee Provident Fund, which are defined contribution pension schemes in Singapore and Malaysia respectively. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

#### (ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

### 2.21 Currency translation

#### (1) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Singapore Dollar, which is the Company's functional and presentation currency.

#### (2) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.21 Currency translation (cont'd)

#### (2) Transactions and balances (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the income statement.

#### (3) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing rate at the date of the balance sheet;
- (ii) Income and expenses are translated at the average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

On disposal of a foreign subsidiary, the cumulative amount of exchange differences deferred in equity relating to that foreign subsidiary is recognised in income statement as a component of the gain or loss on disposal.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.22 Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

### 2.23 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs.

Financial guarantee contracts are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

### 2.24 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets (including those that are part of disposal group) are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised in the income statement. Any subsequent increase in fair value less costs to sell up (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in the income statement.

# Notes to the Financial Statements

30 June 2008

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.24 Non-current assets (or disposal groups) held for sale and discontinued operations (cont'd)

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and

- (i) represents a separate major line of business or geographical area of operation; or
- (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (iii) is a subsidiary acquired exclusively with a view to resale.

### 2.25 Fair Value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial liabilities are the current asking prices.

The fair values of the financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and make assumptions that are based on the market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

### 2.26 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

### 2.27 Dividends to Company's shareholders

Dividends to Company's shareholders are recognised when the dividends are approved for payments.

# Notes to the Financial Statements

30 June 2008

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### 3.1 Critical judgements in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

#### Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 18 Revenue, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods.

### 3.2 Critical accounting estimates and assumptions

The key assumptions concerning the future, and other key sources of estimates and assumptions at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

#### Estimated impairment of investment in associates and financial assets, available-for-sale

The Group assesses impairment of the above-mentioned assets wherever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the assets is estimated to determine the impairment loss. In making this judgement, the Group evaluates the value in use which is supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.

#### Impairment and collectability of trade and other receivables

The Group follows the guidance of FRS 39 (revised 2004) to determine when trade and other receivables are impaired. This determination requires certain level of judgement. The Group first assesses whether objective evidence of impairment exists for individually significant debtors and collectively for debtors which are not individually significant. The Group evaluates, among other factors, financial status of the debtors, any changes in the collection status and changes in industry conditions that affect the debtors. Trade and other receivables that are collectively evaluated for impairment are based on historical loss experience for receivables with similar credit risk characteristics.

The methodology and assumptions used for estimating potential impairment loss are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

# Notes to the Financial Statements

30 June 2008

## 4. TURNOVER

	Group	
	2008	2007
	\$'000	\$'000
Trading:		
– Iron Ore	144,510	51,814
– Coke and coal	211,322	54,020
– Others	36,460	11,338
	<u>392,292</u>	<u>117,172</u>

## 5. OTHER OPERATING INCOME

	Group	
	2008	2007
	\$'000	\$'000
Interest income	5,066	591
Foreign exchange gain (net)	1,510	-
	<u>6,576</u>	<u>591</u>

# Notes to the Financial Statements

30 June 2008

## 6. STAFF COSTS

	Group	
	2008	2007
	\$'000	\$'000
Total wages, salaries and bonuses, including directors	1,449	1,265
Central Provident Fund contributions	91	66
Other personnel expenses	128	80
	<u>1,668</u>	<u>1,411</u>

Key management's compensation included fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and where the Group did not incur any costs, the value of the benefit is included. The key management's remuneration are as follows:

	Group	
	2008	2007
	\$'000	\$'000
Directors' remuneration:		
- of the Company	464	228
- of the Subsidiaries	-	21
Other key management personnels	216	183
	<u>680</u>	<u>432</u>

# Notes to the Financial Statements

30 June 2008

## 7. FINANCIAL EXPENSES

	Group	
	2008	2007
	\$'000	\$'000
Interest expense:		
bills discounting	56	-
finance lease	3	1
bank loans	2,104	342
letter of credit	431	181
convertible notes (Note 27)	3,291	189
Bank charges	436	162
	<u>6,321</u>	<u>875</u>

## 8. OTHER ITEMS (NET)

	Group	
	2008	2007
	\$'000	\$'000
Waiver of debt by former holding company	-	912
Impact on deconsolidation of a subsidiary	-	17
Loss on liquidation of subsidiary companies	(138)	(221)
Gain on liquidation of a subsidiary company	110	-
	<u>(28)</u>	<u>708</u>

# Notes to the Financial Statements

30 June 2008

## 9. PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATION

Profit before income tax from continuing operation is arrived after charging / (crediting) the followings:

	Group	
	2008	2007
	\$'000	\$'000
Allowance for doubtful debts	4	114
Non-audit service fees paid to auditors' of the Company	7	7
Bad trade debts written-off	-	1
Depreciation of property, plant and equipment	54	56
Foreign exchange (gain) / loss, net	(1,510)	119
Gain on liquidation of a subsidiary company	(110)	-
Loss on liquidation of subsidiary companies	138	221
Loss on disposal of property, plant and equipment	-	25
Directors' fee	105	105
Directors' remuneration	464	228
Operating lease expenses		
- office premises	158	182
- office equipment	5	5

# Notes to the Financial Statements

30 June 2008

## 10. INCOME TAX EXPENSE

	Group	
	2008	2007
	\$'000	\$'000
From continuing operations		
- current year	2,440	-
- deferred tax	(592)	-
	<u>1,848</u>	<u>-</u>
From discontinued operations		
- current year	-	3
- over provision in respect of prior years	-	(1)
	<u>-</u>	<u>2</u>
Tax expense is attributable to:		
Continuing operations	<u>1,848</u>	<u>-</u>
Discontinued operations	<u>-</u>	<u>2</u>

The Group's current year tax charge arises mainly from profitable companies within the Group. The losses of the other companies within the Group are not available for offset against the profits of these companies on a consolidated basis.

As at 30 June 2008, the Group had unabsorbed tax losses and unutilised wear and tear allowances of approximately \$NIL (2007: \$1,627,000) and \$NIL (2007: \$97,000) respectively, which are available for offset against future taxable income, subject to compliance with certain provisions of the tax legislation of the respective countries in which the subsidiary companies operate and agreement of the relevant tax authorities.

# Notes to the Financial Statements

30 June 2008

## 10. INCOME TAX EXPENSE (CONT'D)

The reconciliation of the tax expense and the product of accounting profit multiplied by the applicable tax rate is as follows:

	Group	
	2008	2007
	\$'000	\$'000
Profit before income tax from:		
- Continuing operations	16,056	1,135
- Discontinued operations	(412)	(215)
	<u>15,644</u>	<u>920</u>
Tax at the applicable rate of 18%	2,816	166
Income not subject to tax	(1,183)	(109)
Expenses not deductible for tax purposes	395	97
Effect of tax exemption	(55)	-
Effect of differences in tax rates in other countries	-	27
Over provision in respect of prior year	-	(1)
Deferred tax asset not recognised	51	34
Utilisation of unabsorbed tax losses brought forward	(153)	(238)
Others	(23)	26
	<u>1,848</u>	<u>2</u>
Tax charge		

# Notes to the Financial Statements

30 June 2008

## 11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 1 July 2008, the Board of Directors of Abterra Ltd. announced the decision to cease its spa pool and bath room products business operated by its 60% owned subsidiaries World Spa Industries (M) Sdn Bhd and Monarch Spa Malaysia Sdn Bhd (collectively know as "WSM Group") with effect from 30 June 2008.

The decision to cease the spa pool and bath room products business is in line with the Group strategy to focus its effort and resources in the commodities and minerals business.

The cessation of WSM Group business is not expected to have a material impact on the financial performance of the Company and its subsidiaries. The assets and liabilities related to WSM Group are classified as "disposal group held for sale" on balance sheet, and the results from WSM Group are presented separately on the income statement as "Discontinued operations".

Subsequent to the year end, WSM Group had undergone members' voluntary winding-up.

The results of the discontinued operations of the group are as follows:

	Group	
	2008	2007
	\$'000	\$'000
<b>Turnover</b>	<b>320</b>	<b>544</b>
Cost of sales	(252)	(434)
<b>Gross profit</b>	<b>68</b>	<b>110</b>
Other operating income	16	39
Administrative expenses	(144)	(181)
Other operating expenses	(307)	(131)
Financial expenses	(45)	(51)
Other items (net)	-	(1)
<b>Loss before income tax from discontinued operations</b>	<b>(412)</b>	<b>(215)</b>
Income tax expense	-	(2)
<b>Loss from discontinued operations</b>	<b>(412)</b>	<b>(217)</b>

# Notes to the Financial Statements

30 June 2008

## 11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2008	2007
	\$'000	\$'000
Operating cash inflows	65	41
Investing cash outflows	-	(22)
Financing cash outflows	(60)	(62)
Net increase / (decrease) in cash and cash equivalents	5	(43)
Cash and cash equivalents at beginning of year	(173)	(130)
Cash and cash equivalents at end of year	<b>(168)</b>	<b>(173)</b>

	2008
	\$'000

Details of the assets directly associated with disposal group classified as held for sale are as follows:

Property, plant and equipment	1,060
Trade receivables	44
Other receivables, deposits and prepayments	52
Cash and bank balance	60
	<b>1,216</b>

Details of the liabilities directly associated with disposal group classified as held for sale are as follows:

Other payables and accruals	128
Bank overdraft (Note 24)	228
Bank loan	278
Provision for deferred tax	47
	<b>681</b>

## 12. EARNINGS PER SHARE

Earnings per share is calculated by dividing the Group's net profit attributable to shareholders of the Company by the weighted average number of 3,605,614,382 (2007: 2,406,037,487) ordinary shares in issue during the financial year.

# Notes to the Financial Statements

30 June 2008

## 12. EARNINGS PER SHARE (CONT'D)

Diluted earnings per share for the financial year ended 30 June 2008 is calculated based on the weighted average number of ordinary shares in issue during the year adjusted to assume conversion of all potential dilutive ordinary shares of 218,461,540 (2007: 900,000,000) arising from the convertible notes and the net profit is adjusted to eliminate the interest expense less the tax effect.

## 13. CASH AND BANK BALANCES

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash and bank balances	4,179	1,802	1,236	1,605
Fixed deposits	50,596	15,015	48,312	15,015
	<u>54,775</u>	<u>16,817</u>	<u>49,548</u>	<u>16,620</u>

Fixed deposits of the Group amounting to \$50,596,000 (2007: \$15,015,000) are at effective annual interest rates ranging from 0.26% to 2.7% (2007: 3.47% to 4.735%).

Fixed deposits of the Group and Company amounting to \$48,312,000 (2007: \$NIL) have been pledged to banks for bills payable and bank loans granted to the Company and certain subsidiary companies.

The maturity period for the fixed deposits ranging from 7 days to 14 days from the financial year end 30 June 2008. In year 2007, the fixed deposits are placed on call.

Cash and cash equivalents comprise:

	Group	
	2008 \$'000	2007 \$'000
<u>Continuing operations:</u>		
Cash and bank balances	4,179	1,802
Fixed deposits unpledged	2,284	15,015
Bank overdrafts	-	(258)
	<u>6,463</u>	<u>16,559</u>
<u>Discontinued operations (Note 11):</u>		
Cash and bank balances	60	-
Bank overdrafts	(228)	-
	<u>(168)</u>	<u>-</u>
	<u>6,295</u>	<u>16,559</u>

# Notes to the Financial Statements

30 June 2008

## 14. TRADE RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Subsidiary companies	-	-	-	1,765
Outside parties	118,643	47,127	94,037	36,638
Less: allowance for impairment of trade receivables	(4,570)	(5,173)	(4)	(1,765)
	<u>114,073</u>	<u>41,954</u>	<u>94,033</u>	<u>36,638</u>

Movements in allowance for impairment of trade receivables during the financial year are as follows:

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	5,173	5,379	1,765	1,765
Charge during the year	4	132	4	-
Write back of allowance	-	(4)	(1,765)	-
Doubtful debts recovered	-	(38)	-	-
Deconsolidation of subsidiary	-	(116)	-	-
Reclassified to disposal group	(32)	-	-	-
Translation difference	(575)	(180)	-	-
Balance at end of year	<u>4,570</u>	<u>5,173</u>	<u>4</u>	<u>1,765</u>

As at 9 October 2008, the subsequent receipt of trade receivables amounting to approximately \$90.6 million, representing approximately 79% of total trade receivables of the Group of approximately \$114.1 million as at 30 June 2008.

# Notes to the Financial Statements

30 June 2008

## 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Subsidiary companies	-	-	43,605	7,048
Prepayments	15,852	263	15,852	167
Deposits	54,209	75	53,851	41
Sundry debtors	599	179	580	179
Tax recoverable	-	14	-	-
Less : allowance for doubtful non-trade receivables	(90)	(136)	(133)	(6,730)
	<u>70,570</u>	<u>395</u>	<u>113,755</u>	<u>705</u>

### Subsidiary companies

Amount due from subsidiary companies are non-trade related, unsecured, interest-free, have no fixed term of repayment and are repayable on demand.

### Prepayments

The prepayment of red clause letter of credit (advance payment to supplier) amounting to \$14.3 million, representing approximately 90% of total prepayments of the Group and of the Company as at 30 June 2008.

### Deposits

The deposits are mainly paid for the acquisition of the 49% equity interests of Shanxi Taixing Jiaozhong Coal Industry Co. Ltd. ("Taixing Jiaozhong") and 22.8% of equity interest Zuoquan Xinrui Metallurgy Mine Co. Ltd. ("Zuoquan Xinrui"), amounting to \$18.4 million and \$31.3 million respectively.

As at 30 June 2008, the Company paid a deposit amounting to \$4.1 million for the purchase of the commercial property at 7 Temasek Boulevard, #11-05, Suntec Tower One, Singapore 038987 as a new office.

# Notes to the Financial Statements

30 June 2008

## 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

Movements in allowance for doubtful non-trade receivables during the financial year are as follows:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at beginning of year	136	-	6,730	1,109
Current year charge	-	60	5	5,611
Reversal of allowances no longer requires	(46)	-	(6,602)	-
Allowances adjusted back	-	-	-	39
Reclassification	-	76	-	76
Translation difference	-	-	-	(105)
Balance at end of year	90	136	133	6,730

## 16. INVENTORIES

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At cost:				
Trading goods	53,476	9,030	-	6,047
Finished goods	-	69	-	-
Work-in-progress	-	1	-	-
Raw materials	-	86	-	-
Goods-in-transit	11,560	30,888	-	16,398
	65,036	40,074	-	22,445
At net realisable value:				
Trading goods	-	44	-	-
Raw materials	-	6	-	-
	65,036	40,124	-	22,445

# Notes to the Financial Statements

30 June 2008

## 16. INVENTORIES (CONT'D)

Movements in allowance for inventory obsolescence during the financial year are as follows:

	Group	
	2008	2007
	\$'000	\$'000
Balance at beginning of year	228	213
Allowance for the year	-	15
Reclassified to disposal group	(228)	-
Balance at end of year	-	228

## 17. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and building	Plant, machinery, furniture and equipment	Motor vehicles	Leasehold improvements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or valuation:					
As at 1 July 2007	1,152	853	139	109	2,253
Additions	-	22	-	-	22
Written off	-	(534)	(28)	(65)	(627)
Reclassified to disposal group	(1,081)	-	-	-	(1,081)
Translation difference	(71)	(12)	(1)	(1)	(85)
As at 30 June 2008	-	329	110	43	482

# Notes to the Financial Statements

30 June 2008

## 17. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land and building \$'000	Plant, machinery, furniture and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Total \$'000
Accumulated depreciation:					
As at 1 July 2007	11	768	28	98	905
Charge for the year					
- Continuing operations	-	32	11	11	54
- Discontinued operations	11	5	1	-	17
Written off	-	(528)	(28)	(64)	(620)
Reclassified to disposal group	(21)	-	-	-	(21)
Translation difference	(1)	(12)	1	(4)	(16)
As at 30 June 2008	-	265	13	41	319
Carrying amount as at 30 June 2008, at cost	-	64	97	2	163

# Notes to the Financial Statements

30 June 2008

## 17. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land and building \$'000	Plant, machinery, furniture and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Total \$'000
Cost or valuation:					
As at 1 July 2006	1,123	988	624	108	2,843
Additions	-	54	110	-	164
Disposals	-	-	(555)	-	(555)
Written off	-	(170)	(14)	-	(184)
Impairment	-	(10)	-	-	(10)
Disposal of subsidiary	-	(23)	(28)	-	(51)
Translation difference	29	14	2	1	46
As at 30 June 2007	1,152	853	139	109	2,253
Accumulated depreciation:					
As at 1 July 2006	-	858	370	68	1,296
Charge for the year	11	42	14	28	95
Disposals	-	-	(322)	-	(322)
Written off	-	(123)	(10)	-	(133)
Disposal of subsidiary	-	(23)	(25)	-	(48)
Translation difference	-	14	1	2	17
As at 30 June 2007	11	768	28	98	905
Carrying amount as at 30 June 2007:					
At cost	-	85	111	11	207
At valuation	1,141	-	-	-	1,141
	1,141	85	111	11	1,348

# Notes to the Financial Statements

30 June 2008

## 17. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

<u>Company</u>	<b>Machinery, furniture and equipment</b>	<b>Motor vehicles</b>	<b>Leasehold improvements</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cost:				
As at 1 July 2007	306	110	43	459
Additions	22	-	-	22
Translation difference	1	-	-	1
As at 30 June 2008	329	110	43	482
Accumulated depreciation:				
As at 1 July 2007	233	2	30	265
Charge for the year	32	11	11	54
As at 30 June 2008	265	13	41	319
Carrying amount as at 30 June 2008	64	97	2	163

# Notes to the Financial Statements

30 June 2008

## 17. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Machinery, furniture and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Total \$'000
Cost:				
As at 1 July 2006	385	555	43	983
Additions	51	110	-	161
Disposals	-	(555)	-	(555)
Written off	(130)	-	-	(130)
As at 30 June 2007	306	110	43	459
Accumulated depreciation:				
As at 1 July 2006	289	322	4	615
Charge for the year	28	2	26	56
Disposals	-	(322)	-	(322)
Written off	(84)	-	-	(84)
As at 30 June 2007	233	2	30	265
Carrying amount as at 30 June 2007	73	108	13	194

- a. As at 30 June 2008, the Group and the Company had motor vehicles under finance leases with a carrying amount of approximately \$97,000 (2007: \$108,500).
- b. Freehold land and building of the Group which has been reclassified to disposal group (Note 11) with a carrying amount of approximately \$1,060,000 (2007: \$1,141,000) have been charged to a bank for banking facilities granted to a subsidiary company.
- c. In a subsidiary company, a valuation has been performed by Regroup Associates (Johor) Sdn. Bhd., an independent professional valuer, a member of the Institution of Surveyors, Malaysia. Valuations were made on the basis of comparable methods. The valuation was \$1,123,000. Freehold land and building recorded a revaluation surplus of \$256,000 accordingly at 30 June 2006.
- d. As at 30 June 2008, had the revalued freehold land and building of the Group been carried at historical cost less accumulated depreciation, the carrying amount would have been \$823,000 (2007: \$831,000).

# Notes to the Financial Statements

30 June 2008

## 18. INVESTMENT IN SUBSIDIARIES

	Company	
	2008	2007
	\$'000	\$'000
Unquoted equity shares, at cost	2,836	2,836
Less: impairment loss	(1,815)	(2,836)
	<u>1,021</u>	<u>-</u>

On 5 July 2007, the Company incorporated a wholly owned subsidiary, Tian Yi Power Co. Pte. Ltd. with a paid up capital of \$1 and it is still a dormant company.

On 23 July 2007, the Company incorporated a wholly owned subsidiary, Tian Yi Investment Pte. Ltd. with a paid up capital of \$1 and it is still a dormant company.

Movement in impairment loss of investment in subsidiaries is as follows:

	Company	
	2008	2007
	\$'000	\$'000
Balance at beginning of year	2,836	2,633
Current year charge	-	203
Reversal of allowance no longer required	(1,021)	-
Balance at end of year	<u>1,815</u>	<u>2,836</u>

Information relating to subsidiaries are disclosed in Note 37.

# Notes to the Financial Statements

30 June 2008

## 19. INVESTMENT IN AN ASSOCIATED COMPANY

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Equity investments at cost			20,423	-
Acquisition during the year	20,769	-		
Pre-acquisition dividend income	(346)	-		
Share of profits	181	-		
At end of year	20,604	-		

The summarised financial information of the associated company are as follows:

	\$'000
- Assets	5,332
- Liabilities	1,656
- Revenue	1,024
- Net profit	402

Details of the associated company are provided in Note 37.

## 20. FINANCIAL ASSETS, AVAILABLE FOR SALE

	Group and Company	
	2008	2007
	\$'000	\$'000
Additions and at the end of the year, at cost	12,345	-

The financial assets, available for sale represent cost of investment in 15% equity stake in an unlisted company, Zuoquan Yongxing Coal Co., Ltd, a company in the coal mining and coking coal processing business.

# Notes to the Financial Statements

30 June 2008

## 21. TRADE PAYABLES

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Outside parties	3,573	31,697	2,416	16,787

## 22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Accrued operating expenses	1,019	943	708	825
Sundry creditors	1,208	19	1,105	-
Amount due to immediate holding company*	1,120	460	964	460
Corporate guarantee crystallised	-	398	-	398
Deferred income	-	121	-	-
	3,347	1,941	2,777	1,683

\* Amount due to immediate holding company is non-trade related, unsecured, interest-free, has no fixed terms of repayment and is repayable on demand.

## 23. BILLS PAYABLE

Bills payable bear effective interest rate ranging from 3.85% to 5.2% (2007: 2.5%) per annum.

The bills payable of \$56,202,000 (2007 : \$2,331,000) of the Group and the Company are mainly secured by the following:

- Certain bank deposits (Note 13).
- Corporate guarantee from immediate and ultimate holding company.
- Guarantee by certain directors of the Company.

The remaining \$17,542,000 (2007 : \$NIL) of bills payable of the Group and the Company are unsecured.

# Notes to the Financial Statements

30 June 2008

## 24. BANK OVERDRAFTS (SECURED)

Bank overdrafts of the Group which has been reclassified to disposal group in current year [Note 11] are secured by a legal mortgage over a freehold land and building of the Group with a carrying amount of approximately \$1,060,000 (2007: \$1,141,000) [Note 17] and secured by the corporate guarantee of the Company.

Bank overdrafts bear interest ranging from 1.15% to 1.25% (2007: 1.15% to 1.25%) per annum above the bank's prime rates. As at 30 June 2008, the effective interest rate is 8 % (2007: 8%) per annum.

## 25. OBLIGATION UNDER FINANCE LEASES

	Group and Company			
	2008		2007	
	Minimum payment \$'000	Present value of payment \$'000	Minimum payment \$'000	Present value of payment \$'000
Within one year	28	26	27	24
After one year but not more than five years	23	22	51	48
Total future minimum lease payments	51	48	78	72
Less: amounts representing finance charges	(3)	-	(6)	-
Present value of net minimum lease payments	48	48	72	72

Finance lease agreement term ranges from 1 to 5 years with options to purchase at the end of the finance lease agreement term. Finance lease agreement terms do not contain restrictions concerning dividends, additional debt or further financing. As at 30 June 2008, the effective interest rates are 5.312% (2007: 5.312%) per annum for the Group and the Company.

# Notes to the Financial Statements

30 June 2008

## 26. BANK LOANS (SECURED)

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Within one year	28,503	62	25,364	-
After one year but not more than five years	-	298	-	-
	<u>28,503</u>	<u>360</u>	<u>25,364</u>	<u>-</u>

The effective interest rate of the bank loans is ranging from 4.43% to 7.4% (2007 : 7.77%) per annum.

The secured bank loans of the Group and the Company consist of:

- The bank loans of the Group and the Company of \$25,364,000 (2007: \$NIL) are secured over certain bank deposits (Note 13).
- The remaining \$3,139,000 of the Group bank loans are mainly secured by corporate guarantee from the Company and immediate holding company.

The bank loans of the Group of \$360,000 were secured by an open assignment over freehold land and building of the Group which has been classified to disposal group [Note 11] amounting to approximately \$1,060,000 (2007: \$1,141,000) [Note 17].

## 27. CONVERTIBLE NOTES

On 27 July 2007, the Company had issued the Tranche 2 Notes with principal amount of \$31 million. The conversion price is \$0.065 per share and the Tranche 2 Notes are convertible from 4 March 2008 to 19 May 2010. At the balance sheet date, the total number of shares to be allotted and issued by the Company if all remaining holders exercise their outstanding rights to convert will be 476,923,076.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible notes at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves, net of deferred income tax.

# Notes to the Financial Statements

30 June 2008

## 27. CONVERTIBLE NOTES (CONT'D)

The carrying amount of the liability component of the convertible notes at the balance sheet date is analysed as follows:

	Group and Company	
	2008	2007
	\$'000	\$'000
Balance at beginning of year	37,873	-
Face value of convertible notes issued	31,000	45,000
Equity conversion component	(4,972)	(7,217)
Liability component on initial recognition	26,028	37,783
Interest expense (Note 7)	3,291	189
Transaction costs	(739)	(99)
Conversion to ordinary shares	(54,117)	-
Liability component at end of year	<u>12,336</u>	<u>37,873</u>

The carrying amount of the liability component of the convertible notes as at 30 June 2008 represented the Tranche 2 Notes. The Tranche 1 Notes which was issued in last financial year on 1 June 2007 has fully been converted into ordinary shares of the Company during the year.

Interest expense on the convertible notes were calculated on the effective interest basis by applying the interest rate of 6% per annum for an equivalent non-convertible notes at the date of issue of the convertible notes to the liability component of the convertible notes.

# Notes to the Financial Statements

30 June 2008

## 28. DEFERRED TAXATION

Deferred tax liabilities arise as a result of:

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Excess of net book value over tax written down value of property, plant and equipment	-	1	-	-
Revaluation of freehold land and building	-	49	-	-
Equity component of convertible notes	424	1,299	424	1,299
	<u>424</u>	<u>1,349</u>	<u>424</u>	<u>1,299</u>

Movement in provision for deferred tax:

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	1,349	56	1,299	-
Exchange rate adjustment	(3)	2	-	-
Recognised in equity	895	1,291	895	1,299
Conversion to ordinary shares	(1,770)	-	(1,770)	-
Reclassified to disposal group	(47)	-	-	-
	<u>424</u>	<u>1,349</u>	<u>424</u>	<u>1,299</u>

# Notes to the Financial Statements

30 June 2008

## 29. SHARE CAPITAL

	Group and Company			
	2008		2007	
	No. of shares	\$'000	No. of shares	\$'000
<b>Issued and fully paid:</b>				
At beginning of year	2,769,334,747	53,207	2,057,834,747	36,414
Shares issued from rights issue	692,333,686	76,157	711,500,000	16,974
Shares issued pursuant to HKI Scheme	3,043,800	398	-	-
Share placement	165,000,000	18,975	-	-
Shares issued for acquisition of Tianjin Lant Development Co., Ltd.	180,000,000	20,700	-	-
Issue of new shares pursuant to the conversion of the convertible notes	1,158,461,532	61,800	-	-
Share issue expenses	-	(364)	-	(181)
Capital reduction exercise to set-off accumulated losses against share capital	-	(40,244)	-	-
At end of year	<u>4,968,173,765</u>	<u>190,629</u>	<u>2,769,334,747</u>	<u>53,207</u>

- On 18 October 2007, the Company had rights issue of 692,333,686 new ordinary shares in the capital of the Company at an issue price of \$0.11 for each rights share.
- On 28 December 2007, the Company allotted and issued 3,043,800 shares at \$0.130692 per share to United Overseas Bank Limited pursuant to the Scheme of Arrangement related to a former subsidiary of the Company, Cascade Building Products Pte. Ltd., which was under receivership.
- On 27 February 2008, the Company completed the placement of 165,000,000 new ordinary shares at the placing price of \$0.115 per share.
- On 2 February 2007, the Company entered into a conditional sale and purchase agreement for the purchase of 45% equity interest in Tianjin Lant Development Co. Ltd. The transaction was completed on 12 February 2008 and the Company issued 180,000,000 new ordinary shares as the purchase consideration.

# Notes to the Financial Statements

30 June 2008

## 29. SHARE CAPITAL (CONT'D)

- Conversion of all the Tranche 1 Notes during the financial year ended 30 June 2008 has resulted in 900,000,000 new ordinary shares of the Company at the conversion price of \$0.05 per share.
- Partial conversion of the Tranche 2 Notes during the financial year ended 30 June 2008 has resulted in 258,416,532 new ordinary shares of the Company at the conversion price of \$0.065 per share.
- On 18 April 2008, the Company had written off \$40,244,613 accumulated losses of the Company as at 30 June 2007 against its issued and fully paid share capital. This capital reduction exercise was approved by the shareholders of the Company in an extraordinary general meeting. The capital reduction exercise has rationalised the balance sheet of the Company to reflect more reasonably the value of its underlying assets as well as the financial position of the Company.

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 restriction.

## 30. RESERVES

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Other reserves:				
- equity component of convertible notes	3,921	5,918	3,921	5,918
Revaluation reserve	209	209	-	-
Foreign currency translation reserve	78	19	(3)	7
Retained earnings / (accumulated losses)	18,717	(34,895)	13,446	(40,244)
	<u>22,925</u>	<u>(28,749)</u>	<u>17,364</u>	<u>(34,319)</u>

# Notes to the Financial Statements

30 June 2008

## 31. COMMITMENTS AND CONTINGENCIES

### (a) Capital commitments

#### (i) Purchase of office property

On 6 June 2008, the Company had committed to acquire a commercial property at Suntec Tower One from an independent third party at a consideration of \$31,636,000. The acquisition was funded through a combination of both external bank financing and internal financial resources. As of 30 June 2008, down payment of \$3,163,600 was paid. The transaction was subsequently completed on 26 August 2008. As a result, the Company will be able to stabilise its operating expenses in the long run and buffer against possible rental hikes incurred from an extension of the use of the current office.

#### (ii) Acquisition of 49% equity interest in Taixing Jiaozhong

	\$'000
Consideration	36,800
Less: deposit paid	<u>(18,400)</u>
Outstanding commitment as at 30 June 2008	<u>18,400</u>

The outstanding commitment of RMB94 million (equivalent to approximately \$18.4 million) is to be settled fully in cash.

#### (iii) Acquisition of 22.8% equity interest in Zuoquan Xinrui

	\$'000
Consideration	77,800
Less: deposit paid	<u>(31,300)</u>
Outstanding commitment as at 30 June 2008	<u>46,500</u>

The outstanding commitment of RMB230.5 million (equivalent to approximately \$46.5 million) is to be settled partly in cash (RMB160 million, or equivalent to approximately \$31.3 million) and partly by issuance of options by the Company.

#### (iv) Acquisition of 49.9% equity interest in Shanxi Loudong General Nice Coking and Gas Co. Ltd.

The purchase consideration of up to approximately \$181 million is to be fully satisfied by the issuance of up to 1,945,398,531 new shares of the Company at a price of \$0.093 each. No deposit has been paid yet.

# Notes to the Financial Statements

30 June 2008

## 31. COMMITMENTS AND CONTINGENCIES (CONT'D)

### (b) Non-cancellable operating lease commitments

The Group and the Company have operating lease agreements for office equipment. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Future minimum lease payments:				
not later than 1 year	27	157	27	146
2 to 5 years	30	31	30	31
	<u>57</u>	<u>188</u>	<u>57</u>	<u>177</u>

### (c) Financial guarantee

The Company has given corporate guarantees of up to \$61.7 million (2007: \$0.7 million) to certain banks and financial institutions for credit facilities granted to the subsidiaries. The Company has evaluated the fair value of the corporate guarantees. Consequently, the Company is of the view that the consequential benefit derived from its guarantees to the banks and financial institutions with regard to the subsidiaries is minimal. The subsidiaries for which the guarantees were provided are in favourable equity positions and are profitable.

As at the year end, the Company was not required to fulfil any guarantee on the basis of default by the borrowers.

### (d) Contingent liabilities

As at 30 June 2008, there were contingent claims against the Company amounted to approximately \$2,682,000 arising from the corporate guarantees provided by the Company to banks which granted banking facilities to World Spa Industries Pte. Ltd., a former subsidiary of the Company, which has undergone liquidation. In accordance with the advice of our independent legal counsel, it is still uncertain as to whether the claims should be payable and if payable, how much should be paid. The directors of the Company are of the opinion that these claims are still not confirmed and crystallised yet as of the date of these financial statements. Therefore, these claims are not recognised as payables on the balance sheet of the Company but disclosed as contingent liabilities.

# Notes to the Financial Statements

30 June 2008

## 32. RELATED PARTY TRANSACTIONS

An entity or an individual is considered a related party of the Group for the purpose of the financial statements:

- (i) It possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decision of the Group; or
- (ii) It is subject to common control or common significant influence.

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and the related parties at terms agreed between the parties:

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Management fee income from subsidiary companies	-	-	673	1,506
Settlement of liabilities by subsidiaries	-	-	2,447	-
Settlement of liabilities on behalf of subsidiaries	-	-	31,219	-
Receipts by subsidiaries on behalf of holding company	-	-	10,028	-
Receipts by holding company on behalf of subsidiaries	-	-	33,195	-
Finance to subsidiary	-	-	9,994	-
Loan to subsidiaries	-	-	28,468	-
Loan from subsidiaries	-	-	3,763	-
Loan from immediate holding company	1,120	460	964	460
Rental expense of a residential premises paid to a related company	23	-	23	-
Acquisition of 45% equity interest of Tianjin Lant Development Co., Ltd, from ultimate holding company	20,700	-	20,700	-

# Notes to the Financial Statements

30 June 2008

## 33. SIGNIFICANT AND SUBSEQUENT EVENTS

- (i) Purchase of a commercial property at 7 Temasek Boulevard, #11-05 Suntec Tower One, Singapore 038987 (The "Property")

On 26 August 2008, the Company completed the purchase of the Property from Park Central Investments Pte. Ltd. (the "Vendor"). The purchase consideration for the Property is \$31,636,000 and was funded through a combination of both external bank financing and internal resources.

- (ii) Conversion of \$31 million Convertible Notes Due 2010 ("Tranche 2 Notes")

Subsequent to the year end, an additional \$3.0 million of Tranche 2 Notes have been converted, bringing the total converted Tranche 2 Notes to \$19.8 million, and the amount outstanding after the conversion is \$11.2 million.

## 34. FINANCIAL RISK MANAGEMENT - CONTINUING OPERATIONS

### Financial risk factors

The Group's activities expose itself to a variety of financial risks. The Group's overall business strategies, tolerance of risk and general risk management philosophy are determined by directors in accordance with prevailing economic and operating conditions.

### **(a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group manages such risks by dealing with a diversity of credit-worthy counterparties to mitigate any significant concentration of credit risk. Credit policy includes assessing and evaluation of existing and new customers' credit reliability and monitoring of receivable collections. The Group places its cash and cash equivalents with creditworthy institutions.

Trade receivables are generally on 90 days to 120 days term. As the Group and the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except for the corporate guarantees provided to banks on subsidiaries' loans as disclosed in Note 31 (c).

# Notes to the Financial Statements

30 June 2008

## 34. FINANCIAL RISK MANAGEMENT - CONTINUING OPERATIONS (CONT'D)

### Financial risk factors (cont'd)

#### (a) Credit risk (cont'd)

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2008	2007
	\$'000	\$'000
<u>By geographical areas</u>		
Hong Kong	113,813	30,669
The People's Republic of China	260	11,168
Malaysia	-	103
Other countries	-	14
	<u>114,073</u>	<u>41,954</u>

#### (i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

#### (ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	2008	2007
	\$'000	\$'000
Past due 0 to 3 months	50,398	102
Past due 3 to 6 months	32,179	-
Past due over 6 months	-	5
	<u>82,577</u>	<u>107</u>

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are disclosed in Note 14.

# Notes to the Financial Statements

30 June 2008

## 34. FINANCIAL RISK MANAGEMENT - CONTINUING OPERATIONS (CONT'D)

Financial risk factors (cont'd)

### (a) Credit risk (cont'd)

The allowance for impairment of trade receivables arise mainly from the prepayment of advances to a Brazilian supplier for iron ore shipments and a quality claim from the same supplier. The supplier defaulted the shipments and there have been changes in the ownership and management team of that company. Abterra is not able to obtain a positive confirmation from this supplier in respect of the amount outstanding. Therefore, a full provision was made in the financial year 2006. The Company has already taken legal action against the Brazilian supplier to claim the prepaid amount in dispute.

### (b) Foreign exchange risk

Foreign exchange risk arises from a change in foreign currency exchange rate, which is expected to have adverse effect on the Group in the current reporting period and in future years.

The Group's main foreign exchange risk arises from foreign currency denominated sales and purchases, and operating expenses. This risk is mitigated to certain extent by the natural hedge between sales receipts and purchases, and operating expenses disbursement.

Companies within the Group, including the Group's associates maintain their books in their respective functional currencies. Profits and net assets of overseas companies are translated into Singapore dollar, the Group's reporting currency for consolidation purposes. Fluctuations in the exchange rate between the functional currencies and Singapore dollars will have an impact on the Group.

The Group also maintains foreign currency bank accounts for operating purposes.

The Group's currency exposure based on the information provided to key management is as follows:

	USD	RMB	Other	Total
	\$'000	\$'000	\$'000	\$'000
<b>The Group</b>				
<b>At 30 June 2008</b>				
<b>Assets</b>				
Cash and bank balances	5,927	-	13	5,940
Trade receivables	107,114	-	-	107,114
Other receivables	16,833	49,702	-	66,535
	<u>129,874</u>	<u>49,702</u>	<u>13</u>	<u>179,589</u>

# Notes to the Financial Statements

30 June 2008

## 34. FINANCIAL RISK MANAGEMENT - CONTINUING OPERATIONS (CONT'D)

Financial risk factors (cont'd)

### (b) Foreign exchange risk (cont'd)

	USD \$'000	RMB \$'000	Other \$'000	Total \$'000
<b>The Group</b>				
<b>At 30 June 2008</b>				
<b>Liabilities</b>				
Trade payables	3,573	-	-	3,573
Other payables and accruals	2,493	2	-	2,495
Bills payable	73,744	-	-	73,744
Bank loans (secured)	28,503	-	-	28,503
	108,313	2	-	108,315
<b>Net financial assets</b>	<b>21,561</b>	<b>49,700</b>	<b>13</b>	<b>71,274</b>
Less: Financial liabilities / denominated in the respective entities' functional currencies	25,680	-	-	
<b>Currency exposure</b>	<b>47,241</b>	<b>49,700</b>	<b>13</b>	
<b>At 30 June 2007</b>				
<b>Assets</b>				
Cash and bank balances	205	-	104	309
Trade receivables	41,852	-	102	41,954
Other receivables	45	9	159	213
	42,102	9	365	42,476
<b>Liabilities</b>				
Trade payables	31,524	-	1	31,525
Other payables and accruals	1,048	2	14	1,064
Bills payable	2,331	-	-	2,331
Bank loans (secured)	-	-	360	360
	34,903	2	375	35,280
<b>Net financial assets / (liabilities)</b>	<b>7,199</b>	<b>7</b>	<b>(10)</b>	<b>7,196</b>
Less: Financial liabilities denominated in the respective entities' functional currencies	12,095	-	346	
<b>Currency exposure</b>	<b>19,294</b>	<b>7</b>	<b>336</b>	

# Notes to the Financial Statements

30 June 2008

## 34. FINANCIAL RISK MANAGEMENT - CONTINUING OPERATIONS (CONT'D)

Financial risk factors (cont'd)

### (b) Foreign exchange risk (cont'd)

If the USD and RMB change against the SGD by 2% (2007: 2%) with all other variables including tax rate being held constant, the effects arising from the net financial assets/liabilities position will be as follows:

	Group	
	Increase/(Decrease) in Net profit	
	2008	2007
	\$'000	\$'000
USD against SGD		
- strengthened	(945)	(386)
- weakened	945	386
RMB against SGD		
- strengthened	(994)	-
- weakened	994	-

### (c) Interest rate risk

Interest rate risk is the risk that changes in interest rates will have an adverse financial effect on the Group's financial conditions and/or results. The primary source of the Group's interest rate risk is its borrowings from financial institutions in Singapore. The Group's policy is to manage its interest cost using a combination of fixed and variable interest rate borrowings, where applicable.

The Group has adequate credit facilities to ensure necessary liquidity as provided from the consolidated balance sheet.

The Group has cash balances placed with reputable banks. The Group manages its interest rate risks on its interest income by placing the cash balances in varying maturities and interest rate terms.

The financial assets and liabilities of the Group are non-interest bearing except for bank and cash balances and borrowings as set out in the table below, categorised by the earlier of contractual repricing or maturity dates.

# Notes to the Financial Statements

30 June 2008

## 34. FINANCIAL RISK MANAGEMENT - CONTINUING OPERATIONS (CONT'D)

Financial risk factors (cont'd)

### (c) Interest rate risk (cont'd)

	Group Variable rates	
	2008 \$'000	2007 \$'000
<b>Assets</b>		
Cash and bank balances	54,775	16,817
<b>Liabilities</b>		
Bills payable	73,744	2,331
Bank overdrafts (secured)	-	258
Bank loans (secured)	28,503	360

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated in USD. If the USD interest rates increase or decrease by 0.50% (2007: 0.50%) with all other variables including tax rate being held constant, the profit before income tax will be lower or higher by \$511,000 (2007: \$15,000) as a result of higher or lower interest expense on these borrowings.

### (d) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company maintains sufficient cash balances to provide flexibility in meeting its daily funding requirements.

# Notes to the Financial Statements

30 June 2008

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (cont'd)

### (d) Liquidity risk (cont'd)

The tables below illustrates the liquidity position of the Group and Company for the next 12 months as at the balance sheet date:

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Trade payables	3,573	31,697	2,416	16,787
Other payables and accruals	3,347	1,941	2,777	1,683
Bills payable	73,744	2,331	37,700	-
Obligation under finance lease	26	24	26	24
Bank loans (secured)	28,503	62	25,364	-
	<u>109,193</u>	<u>36,055</u>	<u>68,283</u>	<u>18,494</u>

### (e) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debts.

# Notes to the Financial Statements

30 June 2008

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (cont'd)

### (e) Capital risk (cont'd)

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Net debt	66,776	57,715	31,093	39,795
Total equity	213,686	24,754	207,993	18,888
Total capital	280,462	82,469	239,086	58,683
Gearing ratio	24%	70%	13%	68%

## 35. SEGMENT INFORMATION

The Group was organised into two main operating divisions, namely:

- (i) iron ore trading
- (ii) coke and coal trading

Segment accounting policies are the same as the policies of the Group as described in Note 2.

# Notes to the Financial Statements

30 June 2008

## 35. SEGMENT INFORMATION (CONT'D)

2008	Continuing operations			Discontinued operations - Spa pools and bathroom	Total
	Trading - Iron Ore \$'000	Trading - Coal \$'000	Trading -Others \$'000		
<b>Turnover</b>	144,510	211,322	36,460	320	392,612
<b>Segment results</b>	6,410	9,742	1,005	(366)	16,791
Financial expenses (net)				(45)	(1,300)
Share of profit from an associated company				-	181
Other items				-	(28)
Income tax expenses				-	(1,848)
Minority interests				-	164
<b>Profit attributable to shareholders</b>				<b>(411)</b>	<b>13,960</b>
<b>Other segment item – depreciation</b>	20	29	5	17	71

	Trading - Iron Ore \$'000	Trading - Coal \$'000	Trading -Others \$'000	Total Consolidated \$'000
<b>Segment assets</b>	153,786	137,678	25,498	316,962
Associated company				20,604
Discontinued operation -spa pools and bathroom segment				1,216
<b>Consolidated total assets</b>				<b>338,782</b>
<b>Segment liabilities</b>	52,805	54,646	16,964	124,415
Discontinued operation -spa pools and bathroom segment				681
<b>Consolidated total liabilities</b>				<b>125,096</b>



# Notes to the Financial Statements

30 June 2008

## 35. SEGMENT INFORMATION (CONT'D)

### Geographical segments

The Group's business segments are managed on a worldwide basis through the main geographical areas mention below. Turnover, assets and capital expenditure are based on the location of the business operations.

	Turnover for continuing operations		Turnover for discontinued operations		Total consolidated turnover	
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	339,730	36,549	-	-	339,730	36,549
Malaysia	-	-	320	544	320	544
Macau	52,562	80,623	-	-	52,562	80,623
Total	392,292	117,172	320	544	392,612	117,716

	Assets for continuing operations		Assets for discontinued operations		Total consolidated assets	
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	232,477	76,123	-	-	232,477	76,123
Malaysia	-	-	1,216	1,672	1,216	1,672
Macau	72,140	22,834	-	-	72,140	22,834
China	32,949	9	-	-	32,949	9
Total	337,566	98,966	1,216	1,672	338,782	100,638

# Notes to the Financial Statements

30 June 2008

## 35. SEGMENT INFORMATION (CONT'D)

	Capital expenditure for continuing operations		Capital expenditure for discontinued operations		Total consolidated capital expenditure	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Singapore	22	161	-	-	22	161
Malaysia	-	-	-	3	-	3
Total	22	161	-	3	22	164

## 36. DIRECTORS' REMUNERATION

The number of directors of the Company in remuneration bands is as follows:

	2008			2007		
	Executive directors	Non-executive directors	Total	Executive directors	Non-executive directors	Total
Below \$250,000	3	3	6	2	3	5

## 37. SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANY

List of the companies in the Group

Name of company	Principal activities	Country of incorporation and place of business	Percentage of effective interest held by the Group		Cost of investment	
			2008	2007	2008	2007
			%	%	\$'000	\$'000

### Subsidiary company

Held by the Company

Abterra Resources Pte. Ltd. <sup>(1)</sup>	General trading	Singapore	100	100	1,000	1,000
Abterra Macao Commercial Offshore Ltd. (formerly known as PSA Macao Commercial Offshore Ltd.) <sup>(2)</sup>	General trading	Macao	100	100	20	20

# Notes to the Financial Statements

30 June 2008

## 37. SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANY (CONT'D)

Name of company	Principal activities	Country of incorporation and place of business	Percentage of effective interest held by the Group		Cost of investment	
			2008	2007	2008	2007
			%	%	\$'000	\$'000
World Spa Industries (M) Sdn. Bhd. <sup>(3)</sup>	Manufacturing and trading in spa baths and accessories, in the process of liquidation	Malaysia	60	60	1,806	1,806
Held by subsidiary company						
Monarch Spa Malaysia Sdn. Bhd. (3)	Trading in spa baths, spa pools, shower enclosures and accessories, in the process of liquidation	Malaysia	60	60	-	-
					2,826	2,826
<b>Associated Company</b>						
Held by the Company						
Tianjin Lant Development Co., Ltd. <sup>(4)</sup>	Logistics business	China	45	-	20,423	-

<sup>(1)</sup> Audited by LTC LLP, Singapore

<sup>(2)</sup> Audited by Ms. Leong Wun Chao, a CPA in Macau for local statutory reporting and audited by LTC LLP, Singapore for group consolidation purposes

<sup>(3)</sup> Audited by Ernst & Young, Malaysia

<sup>(4)</sup> Audited by Tianjin Xingang CPA Ltd., The People's Republic of China

# SGX Listing Manual Requirements

30 June 2008

## 1. MATERIAL CONTRACTS

There are no material contracts entered into by Abterra Ltd. or any of its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder (as defined in the SGX Listing Manual), either still subsisting at the end of the financial year, or if not then subsisting, entered into since the end of the previous financial year.

## 2. INTERESTED PERSON TRANSACTION

During the financial year ended 30 June 2008, the following interested person transaction were entered into by the Group:

<b>Name of interested person</b>	<b>Aggregate value of all interested person transactions during the year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than \$100,000)</b>
General Nice Development Ltd	Nil	\$20,700,000

The above transaction is in relation to the acquisition of 45% equity interest of Tianjin Lant Development Co., Ltd. as disclosed in Note 19.

# Statistics of Shareholdings

As at 30 September 2008

## ISSUED AND FULLY PAID- UP CAPITAL

NUMBER OF SHARES ISSUED	:	4,998,942,995 ORDINARY SHARES
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHT	:	1 VOTE PER SHARE

## DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 - 999	56	1.77	15,267	0.00
1,000 - 10,000	1,223	38.54	5,670,092	0.11
10,001 - 1,000,000	1,839	57.96	178,451,644	3.57
1,000,001 and above	55	1.73	4,814,805,992	96.32
Total	3,173	100.00	4,998,942,995	100.00

# Statistics of Shareholdings

As at 30 September 2008

## TWENTY LARGEST SHAREHOLDERS

No.	Name of shareholder	No. of shares	%
1	DBS Vickers Securities (S) Pte Ltd	2,378,086,154	47.57
2	Overseas Chinese Bank Nominees Pte Ltd	1,500,000,000	30.01
3	Phillip Securities Pte Ltd	401,445,404	8.03
4	Wang Ying	78,384,500	1.57
5	Merrill Lynch (Singapore) Pte Ltd	69,221,738	1.39
6	Hua Kok Realty (Private) Limited (R & M Appointed)	68,146,116	1.36
7	DMG & Partners Securities Pte Ltd	57,491,750	1.15
8	OCBC Capital Investment Private Limited	30,000,000	0.60
9	HSBC (Singapore) Nominees Pte Ltd	22,743,750	0.46
10	Citibank Nominees Singapore Pte Ltd	22,460,923	0.45
11	American Home Assurance Company	20,967,913	0.42
12	Raffles Nominees Pte Ltd	19,398,000	0.39
13	ABN Amro Nominees Singapore Pte Ltd	14,452,285	0.29
14	United Overseas Bank Nominees Pte Ltd	14,012,300	0.28
15	Kim Eng Securities Pte. Ltd.	11,670,500	0.23
16	Leng Fei	10,000,000	0.20
17	OCBC Securities Private Ltd	9,462,250	0.19
18	DBS Nominees Pte Ltd	6,512,506	0.13
19	Amfraser Securities Pte. Ltd.	5,240,000	0.10
20	Morgan Stanley Asia (Singapore) Securities Pte Ltd	5,143,846	0.10
		<u>4,744,839,935</u>	<u>94.92</u>

Based on the information available to the Company, approximately 58.7% of the Company's equity securities are held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST which requires at least 10% of a listed issuer's equity securities are to be held by the public.

# Statistics of Shareholdings

As at 30 June 2008

Name of Substantial Shareholder	Notes	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
General Nice Resources (Hong Kong) Limited		2,057,878,156	41.17	-	-
General Nice Development Limited	*(1)	-	-	-	41.17
Vantage Region International Limited	*(2)	-	-	-	41.17
Cai Sui Xin	*(3)	-	-	-	41.17
Tsoi Ming Chi	*(4)	-	-	-	41.17

- (1) General Nice Development Limited ("GNDL") has a deemed interest in the General Nice Resources (Hong Kong) Limited's ("GNHK") shares by virtue of Section 7 of the Companies "Act", as GNDL is the beneficial owner of 80% of GNHK.
- (2) Vantage Region International Limited ("Vantage") has a deemed interest in the General Nice Resources (Hong Kong) Limited's shares by virtue of Section 7 of the Act, as (i) Vantage is the legal and beneficial owner of 50% of GNDL; and (ii) GNDL holds 80% in General Nice Resources (Hong Kong) Limited.
- (3) Cai Sui Xin has a deemed interest in the shares held by General Nice Resources (Hong Kong) Limited ("GNHK") by virtue of Section 7 of the Act, as (i) Cai Sui Xin is the legal and beneficial owner of 100% of Vantage; (ii) Vantage is the legal and beneficial owner of 50% of GNDL; and (iii) GNDL holds 80% in GNHK.
- (4) Tsoi Ming Chi has a deemed interest in the GNHK's shares by virtue of Section 7 of the Act, as (i) Tsoi Ming Chi is the legal and beneficial owner of 35% of GNDL; and (ii) GNDL holds 80% of GNHK.

# Notice of the Tenth Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Tenth Annual General Meeting of ABTERRA LTD. will be held at 7 Temasek Boulevard #11-05 Suntec Tower 1 Singapore 038987 on Thursday, 30 October 2008 at 10:00 a.m. to transact the following business : -

## As Ordinary Business

1. To receive, consider and adopt the Audited Accounts for the financial year ended 30 June 2008 and the Reports of the Directors and Auditors and the Statement by Directors thereon. **[Resolution 1]**
2. To re-elect the following Directors retiring **by rotation** pursuant to Article 91 of the Company's Articles of Association:
  - i) Mr Cai Sui Xin; and **[Resolution 2]**
  - ii) Mr Gersom G. Vetuz\* **[Resolution 3]**

*\* Mr Gersom G. Vetuz will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of Nominating and Remuneration Committees and he will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*
3. To approve the payment of Directors' Fees of \$113,150 for the financial year ended 30 June 2008. (2007: \$105,000) **[Resolution 4]**
4. To re-appoint Messrs LTC LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 5]**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

# Notice of the Tenth Annual General Meeting

## As Special Business

6. To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution: -

Authority to allot and issue shares up to fifty per centum (50%) of the issued share capital.

“That pursuant to Section 161 of the Companies Act, Cap. 50 and Clause 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be and are hereby empowered to allot and issue shares and/or convertible securities where the maximum number of shares to be issued upon conversion is determinable at the time of the issue of such securities in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and on such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares and/or convertible securities to be issued shall not exceed fifty per centum (50%) of the issued share capital of the Company, of which the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per centum (20%) of the issued share capital of the Company (percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of shares) and unless revoked or varied by the Company in general meeting and that such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.” [See Explanatory Note (i)]

**[Resolution 6]**

## By Order Of The Board

### **HELEN CAMPOS**

Company Secretary

Singapore

16 October 2008

# Notice of the Tenth Annual General Meeting

## Notes:

1. A stockholder of the Company entitled to attend and vote at the **Tenth Annual General Meeting (the “Meeting”)** of the Company is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a stockholder appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a stockholder of the Company.
4. If the appointer is a corporation, the instrument appointing the proxy must be executed under seal or the hand of its duly authorized officer or attorney.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 7 Temasek Boulevard #11-05 Suntec Tower 1 Singapore 038987 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

## Statement Pursuant to Article 54 of the Company’s Articles of Association

- i) The effect of the Resolution 6 under the heading “Special Business” in this Notice of Annual General Meeting is to empower the Directors of the Company, from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the share capital of the Company. The number of new shares which the Directors may allot and issue under this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be allotted and issued shall not exceed twenty per centum (20%) of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

# ABTERRA LTD.

Company Registration No: 199903007C  
(Incorporated in the Republic of Singapore)

## Proxy Form

(Please see notes overleaf before completing this Form)

### IMPORTANT:

1. For investors who have used their CPF monies to buy shares in Abterra Ltd., this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

\*I/We \_\_\_\_\_  
of \_\_\_\_\_  
being \*shareholder/shareholders of ABTERRA LTD. (the "Company"), hereby appoint \_\_\_\_\_

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

And/or (delete as appropriate)

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as my/our proxy to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Tenth Annual General Meeting of the Company to be held at 7 Temasek Boulevard #11-05 Suntec Tower 1 Singapore 038987 on Thursday, 30 October 2008 at 10:00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Tenth Annual General Meeting. In the absence of specific directions, your proxy/proxies will vote or abstain from voting as he/they may think fit, as he/they will on any other matter arising at the Tenth Annual General Meeting.)

No.	Resolutions relating to:	For	Against
<b>Ordinary Business</b>			
1	Adoption of Audited Accounts for the financial year ended 30 June 2008 and the Reports of the Directors and Auditors and the Statement by Directors thereon.		
2	Re-election of Mr Cai Sui Xin retiring pursuant to Article 91 of the Articles of Association of the Company.		
3	Re-election of Mr Gersom G. Vetuz retiring pursuant to Article 91 of the Articles of Association of the Company.		
4	Approval of Directors' Fees of \$113,150 for the financial year ended 30 June 2008.		
5	Re-appointment of Messrs LTC LLP as Auditors of the Company and authorisation of Directors to fix their remuneration.		
<b>Special Business</b>			
6	Authority to Directors to allot and issue new shares.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2008

<b>Total number of Shares Held</b>	
------------------------------------	--

\_\_\_\_\_  
Signature(s) of Shareholder(s) or Common Seal of Corporation

\* Delete accordingly



**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Shareholders, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Shareholders, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Shareholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A shareholder of the Company entitled to attend and vote at the Tenth Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.

First Fold

3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. However, if no such proportion is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.
4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 7 Temasek Boulevard #11-05 Suntec Tower 1 Singapore 038987 not less than forty-eight (48) hours before the time fixed for holding the Tenth Annual General Meeting.
5. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorized.
6. A corporation which is a shareholder may also authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Tenth Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. The Company shall be entitled to reject this 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.
8. In the case of shareholder whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at forty-eight (48) hours before the time fixed for holding the Tenth Annual General Meeting as certified by the CDP to the Company.

Second Fold



Please Affix  
26 Cents  
Postage  
Stamp Here

The Company Secretary  
**ABTERRA LTD.**  
Company Registration No: 199903007C  
**7 Temasek Boulevard**  
**#11-05 Suntec Tower 1**  
**Singapore 038987**

Third Fold



**Abterra Ltd.**

7 Temasek Boulevard, #11-05, Suntec Tower 1, Singapore 038987

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