

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



**ANNUAL  
REPORT 2010**

# CORPORATE PROFILE

ABTERRA is an emerging supply chain manager in the natural resources business. With vertical integration as its core strategy, Abterra pursues 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

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 organisation 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.



# CONTENTS

Corporate Philosophy	2
Corporate Initiatives	3
Chairman's Statement	4
Board of Directors	10
Investor FAQ	13
Operating Companies	18
2.5-Year Financial Statements	19
Operating & Financial Performance Review	20
Corporate Governance and Financial Report	25



# 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 customers, 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 customers' 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 customers.



A large industrial crane is the central focus, silhouetted against a bright, hazy sky. The crane's lattice structure is intricate, with a long horizontal jib extending to the right. In the background, other cranes and industrial structures are visible, creating a sense of a busy construction or industrial site. The overall color palette is dominated by warm, golden-yellow tones from the sky, contrasting with the dark silhouettes of the machinery.

# 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.**

# CHAIRMAN'S STATEMENT

**"In FY2010, the Group continued to push ahead with our strategy to be a vertically integrated supply chain manager of resources in the Asia Pacific region. We are confident that our continued drive to strengthen our hard commodities trading business through the development of our logistics and supply capabilities, will better position us to seize the market opportunities in the coming years."**



## Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Abterra Ltd. ("Abterra", or the "Company" and together with its subsidiaries, the "Group") for the financial year ended 31 December 2010 ("FY2010"). We regret the delay in your receiving of our Annual Report (to which we would address recent concerns) and thank all shareholders for your support.

## Overview of 2010

The global steel industry saw a record year with crude steel production amounting to 1,414 million metric tonnes<sup>1</sup> ("mmt"). China was the top steel-producing country, with approximately 626.7 mmt<sup>2</sup> produced in 2010. This drove demand for the steel commodities, namely iron ore, coking coal and coke.

While the steel commodities witnessed a recovery, our trading business was hampered by the inadequacy of suitable credit facilities held by the Group. Revenue declined 14% from S\$151.9 million for the financial year ended 31 December 2009 ("FY2009") to S\$130.2 million in FY2010. Revenue from the trading of metallurgical coke and coal decreased slightly from S\$120.5 million in FY2009 to S\$106.5

<sup>1</sup> *Commodities Now*, "World crude steel output increases by 15%: 2010", January 2011

<sup>2</sup> *China Mining Association*, "China's crude steel output in 2010 totals 626.65 million mt", 21 January 2011

million in FY2010, while revenue from the trading of iron ore jumped 226% to S\$23.8 million. To focus on our core products – iron ore and coke, the Group made a strategic decision to discontinue trading activities in other non-core products.

On 20 August 2010, the Company obtained shareholders' approval to undertake a share consolidation exercise ("Share Consolidation") to consolidate every twenty five (25) Existing Shares into one (1) consolidated share ("Consolidated Share"). The Company's Consolidated Shares were quoted and listed on 13 September 2010. We believe this will reduce the fluctuation in magnitude of the Company's share price and the percentage transaction cost for trading in each board lot of Shares. Furthermore, the Share Consolidation may make the Shares more attractive to serious investors, including institutional investors, providing a more diverse shareholder base.

In FY2010, the Group continued to push ahead with our strategy to be a vertically integrated supply chain manager of resources in the Asia Pacific region. We are confident that our continued drive to strengthen our hard commodities trading business through the development of our logistics and supply capabilities, will better position us to seize the market opportunities in the coming years.

During the year under review, we expanded our resource base into iron ore with the acquisition of an effective 22.8% stake in of Zuoquan Xinrui Metallurgy Mine Co., Ltd ("Xinrui"), which owns two iron ore mines with total reserves of 34.7 mmt and an annual production capacity of 400,000 tonnes per annum. In April 2011, we entered into a restated conditional sale and purchase agreement for the proposed acquisition of an additional 54.42% of the equity interest of Xinrui for an initial consideration of RMB870.72 million, subject to

adjustments and contingent upon the valuation report to be conducted by an independent valuer. Upon completion of the proposed acquisition and subject to shareholders' approval, we will own 77.22% of the equity interest of Xinrui.

We are of the view that Xinrui will enable the Group to strengthen and secure our control over its iron ore supplies. With our plan to own a majority stake in this business, Xinrui is set to be an important link in our natural resources business chain. The payment of the consideration for the proposed acquisition will be funded by internal resources. The Company is actively exploring various options and will update shareholders when appropriate.

In February 2011, the Company also acquired a mining lease and property in relation to an iron ore mine of strategic importance in New South Wales, Australia, having made our beachhead



## CHAIRMAN'S STATEMENT (CONT'D)

into a crucial supply chain in the region. Alongside our investments in other assets, the Company is optimistic that the acquisition will contribute to our growth in the coming years.

### Addressing Auditors' Disclaimer of Opinion for FY2010

The Group's Auditor had issued a disclaimer of opinion on Abterra's FY2010 Financials. The Board noted that certain commercial actions taken by the Company resulted in the disclaimers of opinion and emphasis of matter by the Auditors.

Meanwhile, on 4 May 2011, the Company had appointed PricewaterhouseCoopers CM Services Pte Ltd ("PwC") as independent reporting accountant to carry out an independent review in respect of certain matters in relation to the Company's FY2010 Financial Statement. The Company has proposed to add to PwC's scope of review to cover all the other items listed in its Auditor's disclaimer of opinion on the Company's Financial Statements.

While Abterra is continuously pursuing acquisition opportunities, we are mindful of the constant need to strengthen internal controls and are currently reviewing our work processes to improve corporate governance.

### Looking Ahead

Our acquisitions over the past year will form a steady stream of income going forward, as we continue to expand

our core business in the trading of iron ore, coking coal and coke. These acquisitions reinforce the Group's commitment towards becoming a fully integrated supply chain manager.

Going forward, we hope to increase our stake in existing investments while actively seeking value investments.

Complementing our core trading capabilities, we had proposed on 25 March 2011 the adoption of the business of property investment, property holding and property development (the "Property Business"); and the business of owning and development of mines, including the mining, exploration, exploitation, production, sale and trading of minerals, resources and commodities (the "Minerals Business"), and all other businesses and activities related to the Property and Minerals Business, to the core business of the Company, subject to shareholders' approval.

We believe that the proposed addition of the Property Business will enable the Company to achieve long-term sustainable growth and to sustain and enhance shareholders' value. Our proposed diversification into the Minerals Business will allow the Company to achieve our long-term strategy of vertical integration and enable us to have control over the inputs in our core business. The addition of the Minerals Business would also help cushion against the volatility of our current resource trading business.

Our parent company General Nice Resources (Hong Kong) Limited has been in the minerals trading business

in the People's Republic of China (the "PRC") for more than 18 years and owns property-related assets in the PRC. With its strong network in the PRC and expertise, we are confident that we will be able to leverage on their support to strengthen our foothold in China and in the region.

As a testament to our progress since General Nice Resources took over in October 2006, our net tangible asset ("NTA") has increased from S\$1.3 million to S\$250.0 million as at 31 December 2010.

### Appreciation

On behalf of the Board of Directors, I would like to welcome on board Mr Chan Chun Tat Ray as an Independent Director on 26 July 2010. Given Ray's extensive experience in the financial industry, we will be able to tap on his vast experience in risk management and exposure.

We take this opportunity to thank our staff for their commitment and dedication, and our business partners and shareholders for their continued support and confidence in the Company's future. We look forward to your continuous support as we strive to build a strong foundation for the Company's future.

Yours sincerely,

**Cai Sui Xin**  
Executive Chairman

Singapore, 11 August 2011

# 主席致辞

2010 财年，公司对成为亚太区内的垂直整合型资源供应链管理企业的目标始终如一。“有志者事竟成”，我们致力于发展自身的物流及供应能力，进而加强矿石产品的贸易业务，借此，我们将能够处于利好优势，把握接下来的市场商机。



## 各位尊敬的股东，

我谨代表全体董事，为您呈献天益公司截至2010年12月31日财年（“2010财年”）的年度报告。今年的年度报告延迟推出，我们为此向所有的股东致以诚挚的歉意，并感谢大家对公司一如既往的支持。我们也将年度报告里阐述近日围绕公司的些许课题。

## 回顾2010年

全球钢铁行业在过去一年创下佳绩，钢坯总产量达14亿1400万公吨。中国更是以6亿2670万公吨的产量，成为2010年行业的领头羊。钢坯的高产量同时推动了制钢原材料——铁矿、炼焦煤以及焦炭的需求。

虽然钢商品回弹的形势可喜，但是公司的贸易业务却因为缺乏适当的信贷设施而受到阻挠。营业额因此从截至2009年12月31日财年（“2009财年”）的1亿5190万新元滑落14%至2010财年的1亿3020万新元。尽管如此，焦炭及煤炭的贸易活动所取得的营业额却从2009财年的1亿

## 主席致辞

650万新元微升至2010财年的1亿2050万新元，来自铁矿贸易的营业额更是劲升226%至2380万新元。公司出于专注于主要产品——铁矿及焦炭的策略性考虑，于本年度停止了其它非主要产品的贸易活动。

2010年8月20日，公司获得股东批准，进行了股票合并，每25股原股票合并为现在的1股，合并股于2010年9月13日开始交易。我们相信这有助于减低公司股价的波动幅度，并且减少每手股票买卖所牵涉的交易成本百分比。此外，股票合并还吸引了更多金融机构等潜在投资者，进而促成了更为广泛的股东群。

2010财年，公司对成为亚太区内的垂直整合型资源供应链管理企业的目标始终如一。“有志者事竟成”，我们致力于发展自身的物流及供应能力，进而加强矿石产品的贸易业务，借此，我们将能够处于利好优势，把握接下来的市场商机。

在过去的一年，我们通过收购左权鑫瑞冶金矿山有限公司（“鑫

瑞”）22.8%股权，将铁矿纳入了公司的资源供应范围。鑫瑞拥有两家铁矿矿山，铁矿储备总计3470万公吨，年生产量达40万公吨。此外，我们于2011年4月，以初步审议数额人民币8亿7072万元（可予调整、附随由独立估价师准备的估价报告）拟购鑫瑞另外54.42%股权，签订了附条件的买卖协议。在得到股东允许并成功完成该股权收购后，公司将拥有鑫瑞约77.22%的股权。

我们相信，收购鑫瑞使公司如虎添翼，我们将能够更有效地监控铁矿供应。随著公司拥有该企业的多数股权，鑫瑞将成为我们在资源业务链中的重要棋子。公司准备利用内部资金购买鑫瑞，在探讨其它筹资方案后，并将即时向股东汇报任何新进展。

2011年2月，公司在澳大利亚新南威尔斯的铁矿山添置了采矿租契及产业。此举对公司而言具策略性意义，并给予公司在区域里资源供应链上的优势。公司此项收购以及对其它资产的投资，使公司未来的发展前景乐观。

## 审计师针对公司2010年财务报表出具无法表示意见审计报告 (Auditor's Disclaimer of Opinion for FY2010)

公司审计师针对公司2010年财务报表出具无法表示意见审计报告。公司董事指出，审计师出具无法表示意见要归咎公司所采取的某些商业行为。

另外，公司在审计师的要求下，于2011年5月4日，委任独立申报审计师普华永道国际会计公司 (PricewaterhouseCoopers CM Services Pte Ltd)（“普华永道”）为公司2010年财务报告的某些事项进行独立审查的工作。公司提议，扩大普华永道的审查工作范围，包括审计师在公司财务报表上出具无法表示意见报告中所列出的其它议项进行审查。

在公司积极寻找适当收购专案的同时，我们也时刻谨记不断加强和完善内部管理的重要性。公司正在检探如何加强公司内部的工作

作流程，从而加强公司治理的结构。

## 展望未来

随著我们不断扩大铁矿、炼煤炭以及焦炭的主要贸易业务，公司过往一年所并购的业务将形成未来的一股稳定收入来源。这些收购将巩固集团在资源供应链的核心角色。

“工欲善其事，必先利其器”，接下来，公司希望增加对现有投资的股权，并且积极寻求其它具价值的投资。

公司于2011年3月25日公告拟议增补现有贸易业务，包括加入房地产投资、持有及开发；收购及开发矿山，包括开采、勘探、生产、销售及贸易；以及其它和房地产及矿产贸易相关的商业活动。这些拟扩展业务有待股东批准。

我们相信拟议增补的房地产业务将帮助公司实现可持续增长并提高股东收益；拟议的矿产业务多样化将帮助公司完成垂直整合资源供应链的长期目标并更好的控制核心业务输入；其它矿产生意将缓冲现有资源业务的突发变化。

母公司俊安资源（香港）有限公司（“俊安资源”）在中国的矿产市场拥有18年的丰富经验，并持有国内房地产相关的资产。得益于母公司在中国的庞大网路，我们有信心能够在中国及区域内扎稳脚步，扩大市场份额。

自俊安资源于2006年10月接手以来，公司的净资产价值已从130万新元显著提升至截至2010年12月31日止的2亿5000万新元，这无疑是对公司大步前进的最佳证明。

## 由衷感谢

我谨代表董事会，欢迎陈俊达先生加入公司董事会，陈先生于2010年7月26日正式受任为独立董事。我们相信，公司将会从陈先生在金融业与风险管理的丰富经验获益良多。

借此，我们也要感谢全体员工的辛勤工作，以及生意伙伴、股东们对公司不离不弃的精神与信任。在为公司打造稳固基石的道路上，我们期待您一如既往的支持。

**蔡穗新** 谨献

执行主席

2011年8月11日，新加坡

# BOARD OF DIRECTORS



## 01. Cai Sui Xin

*Executive Chairman  
& Executive Director*

Mr Cai Sui Xin joined the Board in October 2006 as the Managing Director and was appointed as the Executive Chairman in November 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".

Mr Cai is also the Chairman and Executive Director of Loudong General Nice Resources (China) Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited.



## 02. Lin Xizhong

*Executive Vice-Chairman  
& Executive Director*

Mr Lin Xizhong joined the Board in February 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.



**03. Cai Suirong**

*Executive Vice-Chairman  
& Executive Director*

Miss Cai Suirong joined the Board in February 2010 as Executive Director and Vice Chairman. She assumed the role of Strategic Business Director from March 2010, overseeing the Group's strategic business development in China and India.

Being a veteran of the coke and coal industry for more than 20 years, Miss Cai has established concrete business networks in China and Thailand. Back in the early 1980s, Miss Cai handled the distribution of foundry pig iron and coke for a company in Thailand. In the mid 1990s, Miss Cai joined Tianjin General Nice Coke & Chemicals Co., Ltd. ("GNCC") in Tianjin, China, where she expanded the company's metallurgy coke business. Under her leadership, GNCC became one of the first private companies to be awarded export quotas for coke in China.



**04. Lau Yu**

*Chief Executive Officer  
& Executive Director*

Mr Lau Yu joined the Board in October 2006 as Executive Director and was appointed as Chief Executive Officer in November 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.

Mr Lau is also an Executive Director of Loudong General Nice Resources (China) Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited.



**05. Maheskumar  
s/o Shantilal  
Purshotam Mehta**

*Executive Director*

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

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

**BOARD OF  
DIRECTORS (CONT'D)**



**06. Wong Shiu Wah  
Williamson**  
*Independent Director &  
Chairman of Audit Committee*

Mr Wong Shiu Wah Williamson joined the Board in February 2010. He is presently the Chairman of the Audit Committee and a member of the Remuneration, Employee Share Option Scheme and Nominating Committees.

Mr Wong works for a business consultancy firm in Hong Kong as an Associate Director. Prior to that, he has worked with various public and private companies in Hong Kong and in USA as Financial Controller/Officer. He has extensive experience in auditing, accounting, corporate finance and operations management and control in various industries.

Mr Wong holds a Master degree in Business Administration from the Chinese University of Hong Kong and also a Master of Science degree in Information Systems from the Hong Kong Polytechnic University. He has been a fellow member of the Association of Chartered Certified Accountants since 1998.



**07. Chan Chun Tat Ray**  
*Independent Director &  
Chairman of Nominating  
Committee*

Mr Chan Chun Tat Ray joined the Board in July 2010. He is presently the Chairman of the Nominating Committee and a member of the Audit, Employee Share Option Scheme and Remuneration Committees.

Having been with American International Assurance Co. Ltd. for more than 30 years, he has successfully managed financial portfolios of various corporate institutions from a wide range of business sectors. Mr Chan has acquired vast experience in risk management and has developed a strong sense of business acumen.

Mr Chan holds a Bachelor of Science in Business Administration and is also a Certified Financial Consultant and a Fellow Chartered Financial Practitioner.



**08. Chew Ban Chuan  
Victor Mark**  
*Independent Director &  
Chairman of Remuneration  
and Employee Share Option  
Scheme Committees*

Mr Chew Ban Chuan Victor Mark joined the Board in May 2004. He is presently the Chairman of the Remuneration and Employee Share Option Scheme Committees and a member of the Audit and Nominating Committees.

Mr Chew currently holds a directorship in J Worthing Pte Ltd., a company that specialises in precious metals and commodities trading. Prior to that, Mr Chew was the Group General Manager of a listed company on the mainboard of the SGX-ST and 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.

# INVESTOR FAQ

## **1. Why was there a delay in the AGM and issue of the Company's annual report this year?**

The audit for the Company's consolidated financial statements in respect of the financial year ended 31 December 2010 (FY2010 Financial Statements) could not be completed within the stipulated timeframe due to certain issues raised by the Auditors. This resulted in the Company requesting for an extension of time to present its FY2010 Financial Statements and hold its AGM, as per the SGXNet announcement dated 13 April 2011.

Following that, the Company continued to work closely with the Auditors to resolve the issues related to the FY2010 Financial Statements. On 11 August 2011, the Auditors completed its audit and issued its disclaimer of opinion on the FY2010 Financial Statements.

Accordingly, the Company posted a point-by-point response to the matters raised, on SGXNet the same day.

## **2. Why did the Auditors issue a disclaimer of opinion and emphasis of opinion on the Company's financial statements? Does this have any impact on the FY2010 financials presented in the annual report?**

The Company cooperated fully with the Auditors and had provided its response as set out in the Notes to the Financial Statements pages 60 to 128 of the Annual Report.

The Board noted that certain commercial actions taken by the Company resulted in the disclaimers of opinion and emphasis of matter by the Auditors. The Board will be undertaking an immediate review of the internal controls and processes of the Company and will implement changes to improve them.

As stated in the Company's SGXNet announcement dated 29 April 2011, the Auditors required additional information and documents in respect of certain identified developments. As advised by the Auditors, on 4 May 2011, the Company appointed PricewaterhouseCoopers CM Services Pte Ltd ("PwC") as independent reporting accountant to carry out an independent review in respect of certain matters in relation to the Company's financial statements for FY2010. The Company proposed to add to PwC's scope of review to cover all the other items listed in its Auditors' disclaimer of opinion on the Company's FY2010 Financial Statements.

PwC's independent review was still in progress as at 11 August 2011. The Company has been in regular discussions with PwC in connection with the independent review being carried out by it. If at any point during PwC's review any material issues of concern are raised, the Board will as appropriate seek suspension of trading of its securities pending the establishment of the state of affairs. The Company will update shareholders and the investing community of any material developments as and when they arise.

## INVESTOR FAQ (CONT'D)

### **3. Please explain the appointment of PwC as independent reporting accountant. When will the Independent Review Report be made public?**

At the request of the Auditors, the Company appointed PwC on 4 May 2011 as an independent reporting accountant to carry out an independent review in respect of items (3) to (7) listed in the Auditors' Report which were part of the Auditors' basis for its disclaimer of opinion on the FY2010 Financial Statements.

Further to the announcement released on 11 August 2011, the Company has been in discussion with PwC and proposes to add to the scope of PwC's review in the Independent Review Report to cover the other items listed in the Auditors' Report which were part of the Auditors' basis for its disclaimer of opinion on the FY2010 Financial Statements.

At any point during PwC's review, the Board will appropriately seek a trading halt should any material issues of concern be raised. The trading halt will be lifted upon careful establishment of the facts and circumstances arising from these issues. The Company will update the market of any material developments as and when they arise.

### **4. What are the steps that the Company has taken to avoid a recurrence of similar incidences?**

We wish to reassure shareholders that our business fundamentals and investments remain sound. We remain focused on our long-term growth strategy to expand our minerals and resources businesses along the value chain. We believe that our acquisitions in iron ore and coal mines will give the Company better control over the inputs in our trading business. It would also help cushion the volatility in our current resource trading business.

At the same time, we are mindful of the need to strengthen internal controls and processes, and will be undertaking an immediate review with a view to implement changes in areas identified for improvement.

### **5. The Company reported a loss of S\$15.3 million in FY2010 compared to a profit of S\$10.2 million in the previous year. What are the Company's prospects and growth strategies going forward?**

The Company recorded a loss in FY2010, primarily due to higher operating expenses largely caused by impairment loss of leasehold building, impairment loss on associated company as well as foreign exchange losses. There was also a one-off recognition of S\$13.5 million negative goodwill in FY2009 in relation to the acquisition of the Sunny Energy Group.

We believe our acquisitions over the past years will deliver a steady stream of income going forward, as we continue to expand our core business in the trading of iron ore, coking coal and coke. These acquisitions reinforce the Group's commitment towards becoming a fully integrated supply chain manager. We hope to increase our stake in existing investments while actively seeking value investments.

**6. The Auditors have raised a disclaimer of opinion on a subsidiary group of companies i.e. the Max Harvest Enterprise Limited (“Max Harvest”) Group (comprising Max Harvest, Tianjin Kaitemei Trading Co. Limited and, an associate, Zuoquan Xinrui Metallurgy Mine Co. Limited.) Please explain.**

The Company holds a 22.8% interest in Xinrui through Max Harvest. Xinrui owns two iron ore mines: Iron Ore Mine 1 and Iron Ore Mine 2.

Iron Ore Mine 1’s mining licence expired in 2009 and has not been renewed because certain requisites for the merger of Iron Ore Mine 1 with two other smaller iron ore mines as required by the local government of Shanxi, the PRC, have not yet been completed. The Company understands that Xinrui has since completed all the processes required for the issuance of a new mining licence. Iron Ore Mine 2 has the required mining licence and has been in production since June 2010.

The carrying amount of this investment in the Financial Statements is based on a fair value valuation of Xinrui issued by a certified valuer in February 2010. Under the request of the Auditors, the Company has engaged an international technical consultancy and a qualified valuer to issue a JORC-compliant technical report and valuation report respectively on Xinrui. The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC”) sets out minimum standards, recommendations and guidelines for Public Reporting in Australia and New Zealand of Exploration Results, Mineral Resources and Ore Reserves. While it is not mandatory for companies outside Australasia to conform to JORC, it is a major global standard in accessing the classification of tonnage/grade estimates according to geological confidence and technical/economic considerations. The technical consultancy company is finalising its technical report, and the Company expects the reports to be available within two months.

The carrying amount of this investment is determinable, on the following basis:–

- (i) the said carrying amounts are based on a valid valuation report of a qualified valuer; and
- (ii) the price of iron ore has risen by approximately 22.5% as compared to 2010.

Details of the Company’s response to the basis for disclaimer of opinion on the financial statements relating to the abovementioned companies are set out in the Notes to the Financial Statements pages 60 to 128 of the Annual Report.

## INVESTOR FAQ (CONT'D)

- 7. The Company had entered into a conditional sale and purchase agreement for the proposed acquisition of an additional 54.42% of the equity interest of Xinrui for an initial consideration of approximately RMB870.72 million, earlier this year. Upon completion of the proposed acquisition and subject to shareholders' approval, the Company will own approximately 77.22% of the equity interest of Xinrui. Why did the Company decide to increase its stake in Xinrui? How will the Company fund the acquisition?**

The Company is of the view that Xinrui is a significant and viable company, which has been profitable over the past two years. The Company intends to take the opportunity to increase its minority stake to a majority stake in this synergistic business. The Company's increased investment in Xinrui will allow it to strengthen its control over its iron ore supplies to support its trading business. The proposed acquisition of Xinrui is also part of the Group's vertical integration strategy to expand along the minerals business value chain.

The Company intends to fund the proposed acquisition via internally generated funds. The initial payment of the proposed acquisition has been made. For payment of the remaining consideration, the Company may at its option, deliver a convertible promissory note in favour of the vendor of a principal amount equivalent to the completion payment.

- 8. Please explain the reasons for the Company's plans to add Property Business and Minerals Business to the core business of Abterra.**

Complementing our core trading capabilities, we had proposed on 25 March 2011 the adoption of the business of property investment, property holding and property development (the "Property Business"); and the business of owning and development of mines, including the mining, exploration, exploitation, production, sale and trading of minerals, resources and commodities (the "Minerals Business"), and all other businesses and activities related to the Property and Minerals Business, to the core business of the Company, subject to shareholders' approval.

We believe that the proposed addition of the Property Business will enable the Company to achieve long-term sustainable growth and to sustain and enhance shareholders' value. Our proposed diversification into the Minerals Business will allow the Company to achieve our long term strategy of vertical integration and enable us to have control over the inputs in our core business. The addition of the Minerals Business would also help cushion against the volatility of our current resource trading business.

Our parent company General Nice Resources (Hong Kong) Limited has been in the minerals trading business in the PRC for more than 18 years and owns property-related assets in the PRC. With its strong network in the PRC and expertise, we are confident that we will be able to leverage on their support to strengthen our foothold in China and in the region.

Acquiring  
**new  
businesses**



# OPERATING COMPANIES

## Singapore

**Abterra Ltd.**  
**Abterra Resources Pte. Ltd.**  
7 Temasek Boulevard  
#11-05 Suntec Tower 1  
Singapore 038987  
Tel: (65) 6885 9800  
Fax: (65) 6885 9829  
Email: info@abterra.com.sg  
Website: www.abterra.com.sg

## Macao

**Abterra Macao Commercial Offshore Ltd.**  
Avenida Infante D. Henrique  
No. 43-53A, Edif  
The Macau Square  
8 Andar, K, Macao  
Tel: (853) 2871 8685  
Fax: (853) 2871 8693  
Email: macao@abterra.com.sg

## Indonesia

**PT. Abterra Resources Indonesia**  
Plaza Bapindo  
Citibank Tower Level 21  
JL Jendral Sudirman  
KAV. 54-55  
Jakarta 12190

## India

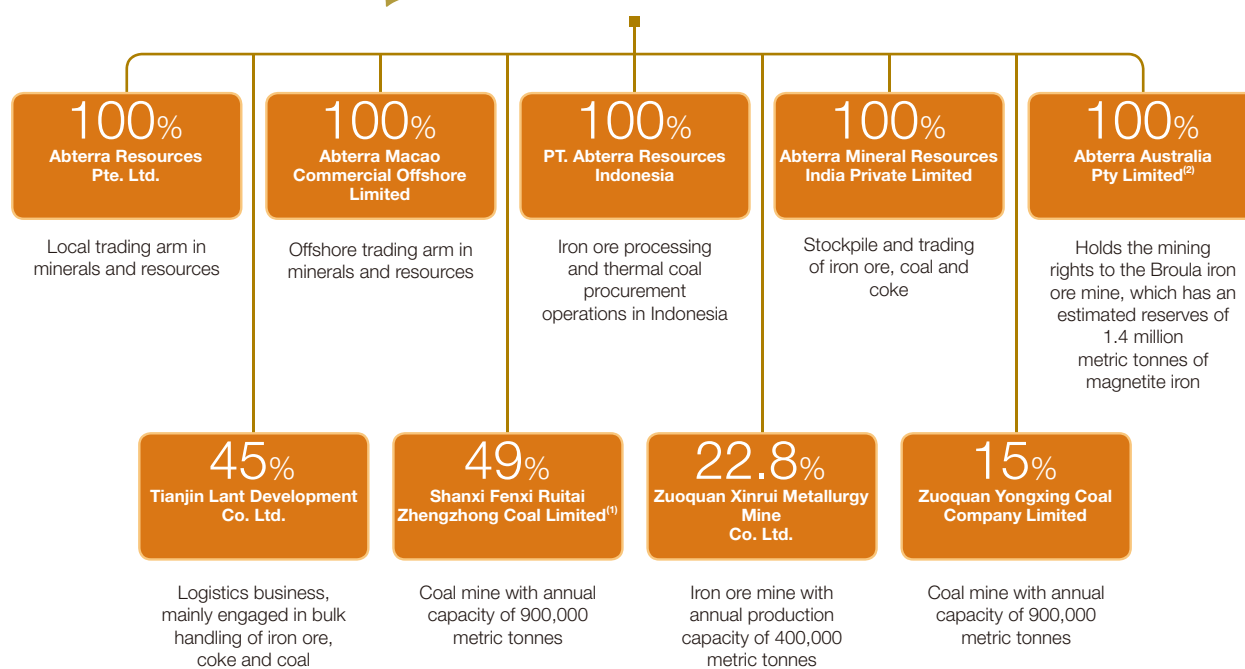
**Abterra Mineral Resources India Private Limited**  
#102/1, 17th C Main  
5th Block  
Koramangala  
Bangalore 560034  
Karnataka, India

## Australia

**Abterra Australia Pty Limited**  
201, 10 Century Circuit  
Baulkham Hills, NSW 2153  
Sydney, Australia

# CORPORATE STRUCTURE

## ABTERRA



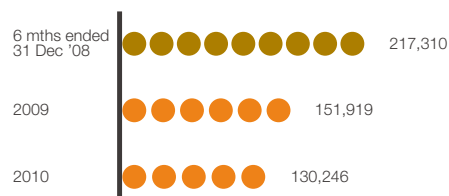
(1) Formerly known as Shanxi Taixing Jiaozhong Coal Industry Company Limited

(2) Incorporated on 23 March 2011

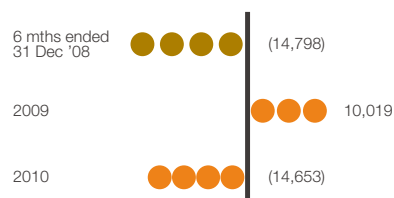
# 2.5-YEAR FINANCIAL STATEMENTS

Group	2010	2009	6 months period ended 31 December 2008
	\$'000	\$'000	\$'000
Turnover	130,246	151,919	217,310
Operating (loss)/profit	(8,688)	16,364	(10,278)
Financial cost	(2,512)	(6,196)	(4,466)
Other items	-	-	(286)
Share of results of associates	(3,453)	(149)	232
(Loss)/Profit before tax	(14,653)	10,019	(14,798)
Income tax	(603)	180	1,138
(Loss)/Profit from continuing operations	(15,256)	10,199	(13,660)
Loss from discontinued operations	-	-	-
Net (loss)/profit for the year	(15,256)	10,199	(13,660)
Non-controlling interests	1,756	124	-
(Loss)/Profit attributable to shareholders	(13,500)	10,323	(13,660)
(Loss)/Earnings per ordinary share (cents)	(6.39)	5.05	(6.75)
<b>Total equity:</b>			
Share capital	229,692	203,719	200,073
Reserves	(3,099)	12,502	3,973
Equity attributable to owners of the Company	226,593	216,221	204,046
Non-controlling interests	23,398	26,551	-
Capital employed	249,991	242,772	204,046
<b>Represented by:</b>			
Non-current assets	198,685	161,408	133,743
Current assets	121,042	171,853	287,758
Current liabilities	(69,437)	(69,613)	(186,420)
Net current assets	51,605	102,240	101,338
Total assets less current liabilities	250,290	263,648	235,081
Non-current liabilities	(299)	(20,876)	(31,035)
Net assets	249,991	242,772	204,046
Net asset value per ordinary share (cents)	110.25	118.11	100.25

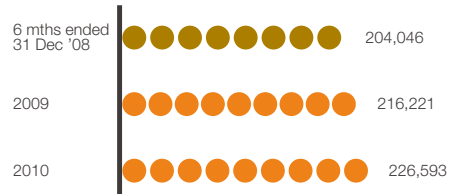
## TURNOVER (\$'000)



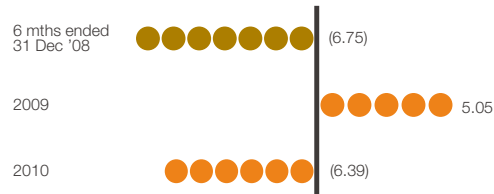
## (LOSS)/PROFIT BEFORE TAX (\$'000)



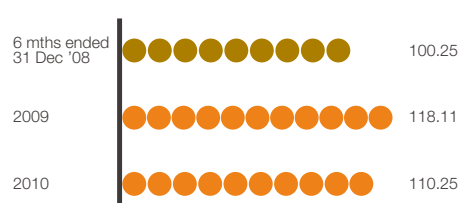
## EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (\$'000)



## (LOSS)/EARNINGS PER ORDINARY SHARE (CENTS)



## NET ASSET VALUE PER ORDINARY SHARE (CENTS)



# OPERATING & FINANCIAL PERFORMANCE REVIEW



**The Group's comparative advantage remains the support of its strong trading partners and its close working relationships with them. In this respect, the Group expects to leverage on its comparative advantages to widen its client base and grow its presence in Asia.**

## Financial Highlights

For the financial year ended 31 December 2010 ("FY2010"), the Group achieved a revenue of S\$130.2 million, a 14% decrease from the revenue of S\$151.9 million for the financial year ended 31 December 2009 ("FY2009"). The fall in revenue in FY2010 was mainly attributable to the inadequacy of suitable credit facilities held by the Group.

Turnover from the trading of iron ore jumped 226% to S\$23.8 million in FY2010, compared to S\$7.3 million the year before. Trade in metallurgical coke and coking coal decreased 13% from S\$120.5 million in FY2009 to S\$106.5 million in FY2010. There was no trade in other minerals and metals in FY2010. The Group registered a S\$24.1 million revenue in this segment in FY2009.

Cost of goods sold decreased 17% from S\$145.0 million in FY2009 to S\$120.1 million in FY2010. Gross profit rose 47% to S\$10.1 million, due to the larger decrease in cost of goods compared to the decline in revenue.



Our gross profit margin increased 3.3 percentage points from 4.5% in FY2009 to 7.8% in FY2010, due to higher iron ore sales for the year.

Other operating income decreased from S\$22.5 million in FY2009 to S\$9.4 million in FY2010. This was mainly due to a one-off recognition of S\$13.5 million negative goodwill in FY2009. The valuation of the acquisition of the Max Harvest Group is not expected to account for any negative goodwill in FY2010.

Administrative expenses almost doubled from S\$4.0 million in FY2009 to S\$7.6 million in FY2010, due to an increase in headcount and business operation costs. Financial expenses decreased 59% to S\$2.5 million in FY2010, mainly due to lower interest expense from the repayment of outstanding bank loans.

During the year, other operating expenses increased 126% to S\$20.1 million, which mainly included a S\$5.0 million foreign exchange loss, S\$8.1 million impairment charge on an associated company, S\$1.1 million impairment charge for leasehold building and a S\$2.3 million commission charge on the issuance of shares pursuant to the Equity Line Facility.

The Group is exposed to currency risk mainly from volatility in the United States dollar exchange rate, in particular to the weakening of the currency. As the Group's books of accounts and records are recorded in Singapore dollars, the Group recorded an exchange loss of S\$5.0 million which arose from the weakening of the US dollar. Other operating expenses in FY2010 was also attributable to a S\$2.6 million loss on disposal of financial assets at fair value through profit or loss, and S\$0.3 million incurred for employee share-based payments.

Consequently, the Group reported a net loss after tax of S\$15.3 million for

FY2010. Basic loss per ordinary share was 6.39 cents in FY2010, compared to basic earnings per ordinary share of 5.05 cents in FY2009.

As at 31 December 2010, the Group had a net asset value of S\$250.0 million and cash and cash equivalents of approximately S\$8.9 million.

The gearing ratio, measured as 'net debt' divided by 'total capital', decreased from 26% in FY2009 to 19% in FY2010.

## Business Development

The Group's turnover declined 14% to S\$130.2 million due to the lack of credit facilities even as global demand for steel and its raw materials grew in FY2010. The Group remains optimistic in the outlook for the iron ore market as iron ore prices continue to take an upward trend alongside demand from Chinese steelmakers.

The Company remains committed to its goal to position itself as a vertically integrated operator through the expansion of its mining portfolio.

In May 2009, the Company announced the acquisition of 61.25% of the issued and paid up capital of Sunny Energy Limited ("Sunny"), which in turn gives the Group a 49% stake in Sunny's associate, Shanxi Taixing Jiaozhong Coal Industry Company Limited ("Jiaozhong"). In line with the provincial

## OPERATING & FINANCIAL PERFORMANCE REVIEW (CONT'D)

government's policies to consolidate the coal industry in Shanxi, and in a restructuring agreement dated 20 October 2009, Jiaozhong is in the process of a merger with the state-owned coal mining group, Fenxi Ruitai Coal Co Ltd. The merger will see the formation of a new enlarged coal mine in the name of Shanxi Fenxi Ruitai Zhengzhong Co Ltd ("Fenxi Ruitai"). Correspondingly, the Company's percentage interest in the new mining group will be reduced from 49% to 24%.

Upon completion of the merger and expansion, Fenxi Ruitai's production capacity is estimated to be six times larger than that of Jiaozhong's 150,000 metric tonnes, with an annual production capacity of 900,000 metric tonnes.

In August 2010, the Company successfully completed the acquisition of Max Harvest Enterprise Limited ("Max Harvest") and beneficial equity interest in Tianjin Kaitemei Trading Co., Ltd, which in turn owns 22.8% of the registered capital of Zuoquan Xinrui Metallurgy Mine Co. Limited ("Xinrui"). Xinrui owns two iron ore mines in Shanxi Province, China, with a combined reserve of 34.7 million metric tonnes of iron ore and an annual production capacity of 400,000 metric tonnes. Xinrui completed the construction of an iron ore concentrating facility in FY2010, boosting the mines' ability to accommodate future increases in production of up to 900,000 metric tonnes per annum.

Keen to strengthen its hard commodities trading business, the Company signed a restated conditional sale and purchase agreement on 7 April 2011 to acquire an additional 54.42% of the equity interest of Xinrui ("Proposed Acquisition"). Upon completion of the Proposed Acquisition, the Company will own approximately 77.22% of the equity interest of Xinrui, giving it a majority stake in Xinrui. The Company has plans to make Xinrui one of the major links in its natural resources business chain, thereby strengthening the Company's ability to secure iron ore supplies for its core trading business.

On 23 February 2011, the Company announced the proposed acquisition of a mining lease and property in relation to an iron ore mine in New South Wales, Australia, for a total consideration of AUD5.0 million. In line with the Company's plans to secure upstream mining assets, the proposed acquisition marks the Company's foray into Australia, a top-two exporter of iron ore as well as the gaining of a foothold in an important supply chain geographically.

Other than the above, the Company announced on 25 March 2011 the proposed adoption of:

- Property investment, property holding and property development (the "Property Business"); and

- Owning and development of mines, including the mining, exploration, production, sale and trading of minerals, resources and commodities (the "Minerals Business")

in addition to the core business of the Company (the "Proposals").

The proposed adoption of the Property Business arose in consideration of the Company's plans to build a diversified business model long term, which cushioned the Group against the volatility of the commodities trading market – and provided a secondary pillar of support to its current resource trading business. Leveraging off the Group's experience in conducting business dealings in the People's Republic of China (the "PRC"), and riding on the increase in the PRC's demand for building and infrastructure, the Company is of the opinion the Property Business will help create a revenue stream that is both stable and sustainable.

Concurrently, the proposed addition of the Minerals Business provides support to its core business, in part enabling the Company to achieve its long term strategy of vertical integration, as well as to buffer against the volatility of its core trading business.

An Extraordinary General Meeting will be convened to seek approval from shareholders.

Alongside its investments in other assets, the Company is optimistic that its acquisitions and the Proposals will contribute to its income in the coming years.

## Liquidity and Financial Resources

The Group's cash and bank balances as at 31 December 2010 was S\$8.9 million, as compared to S\$3.8 million as at 31 December 2009. This was mainly due to the selling of all inventories, proceeds from share issuances, borrowings and offset by the increase in stock prepayments.

Trade receivables of the Group decreased 64% from S\$38.5 million at 31 December 2009 to S\$23.0 million at 31 December 2010, due to the offsetting of an outstanding amount from a major trade debtor of the Group against the remaining balance of the purchase consideration in relation to the proposed acquisition of Max Harvest Group. This was offset by the outstanding receivables due to sales arising during the financial year.

Other receivables, deposits and prepayments decreased from S\$64.7 million in FY2009 to S\$53.9 million in FY2010 mainly due to the conversion of approximately S\$31.3 million of prepayment deposits previously paid for the acquisition of Max Harvest Group. This was offset by the increase

in stock prepayments amounting to S\$18.4 million to a supplier for inventory goods to be delivered in the financial year 2011.

As such, the Group's "debtors' turnover days", calculated by trade receivables / sales x 365, decreased from 92 days in FY2009 to 64 days in FY2010.

The Group's non-current assets increased from S\$161.4 million in FY2009 to S\$198.7 million in FY2010, mainly due to the successful acquisition of Xinrui as an associate of the Group. The cost of investment in associates increased from S\$87.3 million in FY2009 to S\$149.4 million in FY2010.

Current liabilities decreased from S\$69.6 million at 31 December 2009 to S\$69.4 million at 31 December 2010, largely attributable to repayments of term loans made during the financial year. Term loans decreased from S\$66.6 million as at 31 December 2009 to S\$51.3 million as at 31 December 2010.

The Group ended the year with total current assets and total current liabilities of S\$121.0 million and S\$69.4 million respectively. The Group's current ratio as at 31 December 2010 was approximately 1.74. Comparatively, its current ratio was 2.47 as at 31 December 2009.

## Capital Structure

### Share Consolidation

In June 2010, the Company proposed to undertake a share consolidation ("Share Consolidation") of every twenty five ordinary shares in the capital of the Company into one consolidated share ("Consolidated Share"), fractional entitlements to be disregarded. On 13 September 2010, following Shareholders' approval at an Extraordinary General Meeting and approval from the Singapore Exchange Securities Trading Limited ("SGX-ST"), 211,085,919 Consolidated Shares were listed and quoted on the Official List of the SGX-ST.

### 0% unsecured convertible notes due 2010 in aggregate principal amount of up to S\$31 million ("Tranche 2 Notes")

As at 26 July 2010, the Company had redeemed the outstanding Tranche 2 Notes which were not previously converted and with principal amount amounting to S\$5.7 million at 100% of their maturity.

During the financial year, the Company issued 307,692 shares (after Share Consolidation) at an average exercise price of S\$1.625 amounting to S\$0.5 million pursuant to the conversion of the convertible notes.

## OPERATING & FINANCIAL PERFORMANCE REVIEW (CONT'D)

### Equity Line Facility

The Company also issued 20,903,615 shares (after Share Consolidation) at an average exercise price of S\$1.220 amounting to S\$25.5 million pursuant the Equity Line Facility during the year.

As at 31 December 2010, the number of issued and paid-up shares of the Company was 226,755,386 with an issued share capital of S\$229.7 million.

On 1 August 2011, the Company entered into a non-binding Term Sheet with YA Global Masters SPV Ltd ("YA Global") for the subscription of up to S\$50.0 million worth of Abterra shares for a period of two years. The Company will only exercise this option to refresh the equity line facility in the event that it requires such funding.

### Outlook

Continued demand from steelmakers is expected to fuel demand for iron ore, coking coal and coke exports in 2011<sup>1</sup>. The Group expects to benefit from an increase in trade activities and higher iron ore prices.

Further to the Company's successful acquisition of Xinrui, the Company announced on 23 February 2011, the proposed acquisition of a mining lease and property in relation to an iron ore mine in Australia. The Company is optimistic its mining assets will help meet expected demand from the industry.

### Corporate Plans

For the year ahead, the Company will focus on strengthening its mining portfolio and seek suitable opportunities to expand its business. The Company's comparative advantage remains the support of its strong trading partners and its close working relationships with them. In this respect, the Company expects to leverage on its comparative advantages to widen its client base and grow its presence in Asia.

Singapore  
11 August 2011

<sup>1</sup> Sources:

*The Wall Street Journal*, "Iron-Ore Production, Prices Increase", 18 January 2011

*Mining Exploration News*, "Asian Coking Coal Markets: Steelmakers Demand Coking Coal", 20 January 2011

*Commodities Now*, "China Demand, Japan Reconstruction Key for Iron Ore", 22 March 2011





# Corporate Governance And Financial Report

## CONTENTS

Corporate Governance	26
Directors' Report	36
Statement by Directors	42
Independent Auditors' Report	43
Statement of Financial Position	52
Consolidated Statement of Comprehensive Income	54
Statements of Changes in Equity	56
Consolidated Statement of Cash Flows	58
Notes to the Financial Statements	60
SGX-ST Listing Manual Requirements	129
Statistics of Shareholdings	130
Notice of Annual General Meeting	132

# Corporate Governance

## INTRODUCTION

The Board of Directors (“Board”) and the management of Abterra Ltd. (the “Company”), and together with its subsidiaries (the “Group”) 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.

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 2005.

## 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. The Board is responsible for the overall corporate governance of the Group. Besides carrying out its statutory responsibilities, the Board’s roles include setting its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board also:

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

The Company has put in place financial authorisation and approval limits for operating and capital expenditures, 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 (“SGX-ST”).

# Corporate Governance

## Board Processes

To facilitate effective management, the Board has delegated some of its authorities to four Board Committees namely, the Audit Committee, the Remuneration Committee, the Nominating Committee and the Employee Share Option Scheme Committee. Each of the Board Committees function within clearly defined terms of reference and operating procedures. The effectiveness of the Board Committees are also constantly monitored.

The Board and the various Board Committees meet regularly, and as warranted by business imperatives or deemed appropriate by the members of the Board. The Articles of Association of the Company (the "Articles") allow Board meetings to be held via tele-conference and video-conference. The number of Board meetings and Board Committees meetings held during the financial year and the attendance of the Directors at these meetings are as stated below, except for Employee Share Option Scheme Committee which did not hold any meeting during the financial year:

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	5	2	N/A	N/A	N/A	N/A	N/A	N/A
Lin Xizhong	5	5	N/A	N/A	N/A	N/A	N/A	N/A
Cai Suirong <sup>1</sup>	5	1	N/A	N/A	N/A	N/A	N/A	N/A
Lau Yu	5	4	N/A	N/A	N/A	N/A	N/A	N/A
Maheskumar s/o Shantilal Purshotam Mehta	5	5	N/A	N/A	N/A	N/A	N/A	N/A
Chew Ban Chuan Victor Mark	5	5	4	4	3	3	2	2
Wong Shiu Wah Williamson <sup>1</sup>	5	5	4	4	1	1	1	1
Chan Chun Tat Ray <sup>2</sup>	2	2	2	2	0	0	0	0
Lim Hui Min John <sup>3</sup>	1	0	1	1	3	3	1	1

\* Refers to meetings held/attended while each Director was in office.

### Notes:

1. Appointed on 11 February 2010
2. Appointed on 26 July 2010
3. Retired on 30 April 2010

The Board is regularly briefed on the Group's activities to keep them updated on the latest developments. The Board is 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. Newly appointed Directors will also be issued with a formal letter by the Company Secretary explaining their duties and obligations as a Director upon their appointment.

# Corporate Governance

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

## ***Executive Directors***

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

## ***Independent Non-Executive Directors***

1. Mr Wong Shiu Wah Williamson
2. Mr Chew Ban Chuan Victor Mark
3. Mr Chan Chun Tat Ray

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

The Board comprises eight Directors, of whom three are non-executive and are considered independent of management 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 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 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, play an instrumental role in developing the business and making key decisions on the management and operations of the Group.

# Corporate Governance

## Principle 4 – Board Membership

### *Nominating Committee (“NC”)*

The NC comprises entirely of independent non-executive Directors. As at the date of this report, the NC comprises the following members:

Mr Chan Chun Tat Ray – Chairman  
Mr Chew Ban Chuan Victor Mark  
Mr Wong Shiu Wah Williamson

The NC is responsible for:

- reviewing and recommending candidates for appointment to the Board having regard to their qualification, experience, expertise and potential contribution to the Group;
- reviewing and recommending candidates for appointment as senior management;
- 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;
- re-nominating Directors for re-election at each Annual General Meeting (“AGM”); and
- evaluating and determining the independence of each Director.

The size and composition of the Board are reviewed on an annual basis by the NC, which seeks to ensure that the Board has an appropriate mix of expertise and experience.

The Articles provides that one-third of the Directors shall retire from office by rotation at every AGM of the Company. For the forthcoming Annual General Meeting, Mr Cai Sui Xin, Mr Lau Yu and Mr Chew Ban Chuan Victor Mark are due for retirement and are eligible for re-election pursuant to Article 91 of the Company’s Articles of Association.

## Principle 5 – Board Performance

The effectiveness of the Board is monitored by the NC. The NC assesses the Board performance in terms of overall performance, achieving an adequate return for shareholders, oversight of management and the Group’s performance during the period. 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 Board has implemented a formal process for assessing the effectiveness of the Board as a whole and contribution by each Director to the effectiveness of the Board.

# Corporate Governance

The appraisal process requires the Directors to evaluate the performance of the Board as a whole and of his own annually and to identify areas of improvement. The appraisal forms will be collated by an independent coordinator who will report to the NC. The NC will report to the Board thereafter. The results of the evaluation process would be used by the Board to effect continuing improvements on Board processes where considered necessary.

The NC is satisfied that Mr Chew Ban Chuan Victor Mark, Mr Wong Shiu Wah Williamson and Mr Chan Chun Tat Ray 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 the corporate secretarial aspects of applicable rules and regulations are complied with.

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 ("RC")*

The RC comprises entirely of independent non-executive Directors. As at the date of this report, the RC comprises the following members:

Mr Chew Ban Chuan Victor Mark – Chairman  
Mr Wong Shiu Wah Williamson  
Mr Chan Chun Tat Ray

The RC 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;
- reviewing the executive Directors' and senior management's compensation and determine appropriate adjustments; and
- reviewing and advise the Board on the implementation of any appropriate long-term incentive schemes for the Directors and employees of the Company.

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

# Corporate Governance

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

Based on the recommendation of the RC, the Company signed service agreements with the executive Directors and key management staff.

## *Employee Share Option Scheme Committee ("ESOS Committee")*

The ESOS Committee comprises the members of RC to, amongst others, administer the Abterra Employee Share Option Scheme (the "Scheme"). The functions of the ESOS Committee are as follows:

- administer the Scheme pursuant to the rules of the Scheme;
- formulate guidelines/procedures ("Formulated Rules") for determining the eligibility of persons to participate in the ESOS ("Participants") and determine the number of options available for allocation to the Participants pursuant to the ESOS;
- determine the number of options exercisable by the Participants for each year during the duration of the Scheme and the exercise price for each grant in accordance to the Listing Rules of the SGX-ST;
- grant options to Participants as recommended by the management in accordance with the Formulated Rules and the rules of the Scheme;
- make or vary such regulations (not being inconsistent with the rules of the Scheme) for the implementation and administration of the Scheme as it thinks fit; and
- determine any matter pertaining or pursuant to the Scheme and any disputes and uncertainties as to the interpretation of the Scheme, any rules, regulations or procedures or any rights under the Scheme.

## **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. Another element of the variable component is the grant of share options under the Scheme. This seeks to align the interests of employees with that of the shareholders.

The Company has also maintained a fixed appointment period for all service contracts signed with the executive Directors. The remuneration to be paid to each executive Director for his services as a member of the Board is an annual fixed cash component that is further reviewed by the RC. Each executive Director is also eligible for share options under the Scheme.

The independent Directors have no services agreements with the Company. They are each paid a Director's fee which is determined by the Board based on effort and time spent as well as responsibilities as member of the Board Committees. The Directors' fees are subject to the approval of shareholders at AGM.

# Corporate Governance

## Principle 9 – Disclosure of Remuneration

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

Director	Directors' Fees (%)	Salary* (%)	Bonus (%)	Benefits in kind (%)	Total (%)
<b>Below \$250,000</b>					
Chew Ban Chuan Victor Mark	100	–	–	–	100
Wong Shiu Wah Williamson <sup>1</sup>	100	–	–	–	100
Chan Chun Tat Ray <sup>2</sup>	100	–	–	–	100
Lim Hui Min John <sup>3</sup>	100	–	–	–	100
Chen Yee <sup>4</sup>	100	–	–	–	100
Cai Sui Xin	–	100	–	–	100
Lin Xizhong	–	100	–	–	100
Cai Suirong <sup>1</sup>	–	100	–	–	100
Maheskumar s/o Shantilal Purshotam Mehta	–	86.04	6.89	7.07	100
Lau Yu	–	92.31	7.69	–	100

\* Salary is inclusive of CPF

### Notes

1. Appointed on 11 February 2010
2. Appointed on 26 July 2010
3. Retired on 30 April 2010
4. Resigned on 31 January 2010

The Company has two 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 CEO whose remuneration exceeded \$150,000 during the period under review.

The Abterra Employee Share Option Scheme (the “Scheme”) was adopted on 20 August 2010. The objectives of the Scheme include, motivating the executives of the Group to optimise their performance standards and efficiency as well as to retain key executives whose contributions are essential to the long-term growth and profitability of the Group. Details of the Scheme and the number of unissued shares under option and options exercised are set out in the Directors’ Report.

# Corporate Governance

## ACCOUNTABILITY AND AUDIT

### Principle 10 – Accountability

The Board takes the responsibility of providing a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price sensitive public reports and reports to regulators (if required).

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 quarterly announcements of results. Results for the first three quarters are released to shareholders within 45 days from the end of each quarter. The full year results are released within 60 days from the financial year end. Financial and other price sensitive information are disseminated to shareholders through announcements and press releases via SGXNet.

The management provides the Group's financial results to all members of the Board for their review and approval on a quarterly basis. Presentations on the Group's business and activities are also provided to the Board throughout the financial year by the management. In addition, the Directors are provided with the names and contact details of the Company's senior management to facilitate direct communication.

### Principle 11 – Audit Committee

The Audit Committee ("AC") is guided by written terms of reference, which clearly set out its authority and duties. The AC comprises entirely of independent non-executive Directors. As at the date of this report, the AC comprises the following members:

Mr Wong Shiu Wah Williamson – Chairman  
Mr Chew Ban Chuan Victor Mark  
Mr Chan Chun Tat Ray

The Board has reviewed and is satisfied that the members of the AC are appropriately qualified to discharge their responsibilities. The AC meets on a quarterly basis to review the quarterly and annual financial statements, including key significant financial reporting issues and assessments, to safeguard the integrity of the financial statements. The AC has also met with the external auditors and internal auditors without the presence of management. The AC performs, amongst others, the following principal functions:

- review the internal audit plans, the scope and results of internal audit procedures;
- assess the independence and objectivity of the external auditors;
- 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 scope and results of the audit undertaken by the external auditors, its cost effectiveness;
- review the Group's financial results and statements prior to submission to the Board for approval;

# Corporate Governance

- review the assistance given by the Company's management to the external auditors;
- review the nature and extent of non-audit services performed by the external auditors (if any);
- recommend to the Board on the appointment or re-appointment of external auditors;
- review interested person transactions; and
- conduct investigation into any matter within the AC's scope of responsibility and review any significant findings of investigations.

In line with the objective of the Company to instill strong corporate governance practices, the Company has a Whistle Blowing Policy whereby employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting, malpractices or other matters in the Company.

## Principle 12 – Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognises 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 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.

The internal audit system and internal control provides the Company with a reasonable assurance against material financial loss and keeps the Company in compliance with the applicable policies, law and regulations.

## 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.

The Group has outsourced the internal audit function to a certified public accounting firm to perform the review and test control of the Group's processes. The internal auditors will examine and evaluate the internal control systems of all major operating entities in accordance with the audit plan as approved by the AC. The internal auditors will report to the AC on any material non-compliance and internal control weaknesses, and will recommend improvements, where necessary. The AC oversees and monitors the implementation of any improvements thereto. The AC will annually review and ensure the adequacy of internal audit function.

# Corporate Governance

## 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. Price sensitive information, results of the Company and other necessary disclosures are disseminated via announcements to SGX-ST and through press releases which are also released via SGXNet. The Company sends its annual report and notice of AGM to all shareholders.

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

### Principle 15 – Shareholders Participation at Annual General Meetings

The AGM of the Company provides a principal forum for dialogue and interaction with shareholders. Members of the Board, including chairmen of the AC, NC and RC, and the Company's external auditors are present to address questions raised by shareholders at AGMs.

Shareholders can vote in person or by appointing up to two proxies to attend and vote on their behalf at the AGMs of the Company. The Company is not implementing absentia-voting methods such as by electronic mail until security, integrity and other pertinent issues are satisfactorily resolved.

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

## DEALING IN SECURITIES

*(Listing Manual Rule 1207(18))*

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. The Directors and employees are not allowed to deal with the Company's shares during the period commencing two weeks before the date of announcement of results for each of the first three quarters of the Company's financial results and one month before the date of announcement of the annual results, and ending on the date of announcements of the relevant results, and at any time while in possession of price sensitive information.

The Company has complied with the SGX-ST's Listing Rules on best practices on dealings in the Company's securities.

The Company has complied with the rules on best practices on dealings in the Company's securities via the SGX-ST.

Singapore, 11 August 2011

# Directors' Report

For the financial year ended 31 December 2010

The directors present their report to the members together with the audited consolidated financial statements of Abterra Ltd. (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2010 and the statement of financial position and statement of changes in equity of the Company for financial year ended 31 December 2010.

## DIRECTORS

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

Cai Sui Xin	
Lin Xizhong	
Cai Suirong	(appointed on 11 February 2010)
Lau Yu	
Maheskumar s/o Shantilal Purshotam Mehta	
Chew Ban Chuan Victor Mark	
Wong Shiu Wah Williamson	(appointed on 11 February 2010)
Chan Chun Tat Ray	(appointed on 26 July 2010)

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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 other than as disclosed in this report.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company for the purposes of section 164 of the Singapore Companies Act, Cap 50 (the "Act"), none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Shareholdings registered in name of director		Shareholdings in which a director is deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year *	At beginning of year or date of appointment, if later	At end of year *
<b>The Company</b>				
<b>Abterra Ltd.</b>				
(Ordinary shares)				
Cai Sui Xin	–	–	2,078,357,156	86,216,976
Lin Xizhong	6,250,000	250,000	–	–
Cai Suirong	–	–	–	–
Maheskumar s/o Shantilal Purshotam Mehta	–	–	1,100,000	–

\* The number of ordinary shares is after the consolidation of every 25 ordinary shares in the capital of the Company into 1 ordinary share in the capital of the Company.

# Directors' Report

For the financial year ended 31 December 2010

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year *	At beginning of year or date of appointment, if later	At end of year *
<b>The Company</b>				
<b>Abterra Ltd.</b>				
(Share options)				
Cai Sui Xin	–	800,000	–	–
Cai Suirong	–	400,000	–	–
<b>The Immediate Holding Company</b>				
<b>General Nice Resources (Hong Kong) Limited</b>				
(Ordinary shares of HK\$1 each)				
Cai Sui Xin	–	–	79,999,200	159,999,200
Lau Yu	19,999,800	39,999,800	–	–
<b>The Intermediate Holding Company</b>				
<b>General Nice Development Limited</b>				
(Ordinary shares of HK\$1 each)				
Cai Sui Xin	5,000,000	5,000,000	50,000,000	50,000,000
Cai Suirong	10,000,000	10,000,000	–	–
<b>The Intermediate Holding Company</b>				
<b>General Nice Investment (China) Limited</b>				
(Ordinary shares of HK\$1 each)				
Cai Sui Xin	2,500	2,500	25,000	25,000
Cai Suirong	5,000	5,000	–	–
<b>The Ultimate Holding Company</b>				
<b>General Nice Group Holdings Limited</b>				
(Previously known as Vantage Region International Limited)				
(Ordinary shares of US\$1 each)				
Cai Sui Xin	50,000	50,000	–	–

\* The number of ordinary shares is after the consolidation of every 25 ordinary shares in the capital of the Company into 1 ordinary share in the capital of the Company.

The directors' interests in the ordinary shares of the Company as at 21 January 2011 were the same as those as at 31 December 2010.

By virtue of section 7 of the Act, Mr Cai Sui Xin is deemed to have an interest in the shares of all the subsidiaries of the Company.

# Directors' Report

For the financial year ended 31 December 2010

## DIRECTORS' CONTRACTUAL BENEFITS

Since the beginning of the 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 Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements.

## SHARE OPTIONS

The Abterra Employee Share Option Scheme (the "Scheme") was adopted on 20 August 2010.

The Scheme is administered by the Employee Share Option Scheme Committee ("ESOS Committee") whose members are:

Chew Ban Chuan Victor Mark (Chairman)  
Wong Shiu Wah Williamson  
Chan Chun Tat Ray

Under the Scheme, the grant of share options to the executive directors of the Company, employees of the Group and the controlling shareholders of their associates is subject to certain conditions. The exercise price of the share options may either be:

- (i) the average of closing prices of the shares ("Market Price") on the Singapore Exchange Securities Trading Limited for the five consecutive market days immediately preceding the date of grant; or
- (ii) at a discount to the Market Price, so long as the maximum discount shall not exceed 20 percent of the Market Price and the shareholders have authorised the making of offers and grant of share options under the Scheme at a discount not exceeding the maximum discount as aforesaid.

The aggregate number of shares over which the ESOS Committee may grant options under the Scheme shall not exceed 15% of the issued share capital of the Company on the date preceding the grant of options.

The share options may be exercised in whole or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price, at any time during the exercisable period. The share options granted with the exercise price set at Market Price may be exercised on and from the first anniversary of the date of grant and before the second anniversary of the date of grant. The share options granted with the exercise price set at a discount to the Market Price may be exercised after the second anniversary of the date of grant and before the third anniversary of the date of grant.

On 15 September 2010, the Company granted options to subscribe for 1,200,000 ordinary shares of the Company at an exercise price of \$1.27 per share to a controlling shareholder and his associate, all of which were accepted by the option holders.

All options granted in the financial year under review were granted at Market Price, and as such may be exercised one year from the date of the grant. No options have been granted at a discount.

# Directors' Report

For the financial year ended 31 December 2010

## SHARE OPTIONS (CONTINUED)

The number of share options to take up unissued shares in the Company are as follows:

Date of grant of option	Number of unissued ordinary shares of the Company					Exercise price per share	Exercisable period
	Balance at 1.1.2010	Granted during the year	Exercised	Cancelled/ Lapsed	Balance at 31.12.2010		
15.9.2010	–	1,200,000	–	–	1,200,000	\$1.27	15.9.2011 to 14.9.2012
Total	–	1,200,000	–	–	1,200,000		

The persons to whom the share options have been granted have no right to participate by virtue of the options in any share issues of any other company. No employee or employee of related corporations has received 5% or more of the total options available under this Scheme.

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary.

Particulars of share options granted to directors during the financial year are as follows:

Name of Directors	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Cai Sui Xin	800,000	800,000	–	–	800,000
Cai Suirong	400,000	400,000	–	–	400,000

Mr Cai Sui Xin is a controlling shareholder of the Company and Miss Cai Suirong is an associate of a controlling shareholder.

# Directors' Report

For the financial year ended 31 December 2010

## AUDIT COMMITTEE

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

Wong Shiu Wah Williamson (Chairman)  
Chew Ban Chuan Victor Mark  
Chan Chun Tat Ray

The Audit Committee performs the functions specified by Section 201B of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance 2005.

In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditors and its report on the weaknesses of internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2010 prior to their submission to the Board of Directors, as well as the independent auditors' report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

The Audit Committee convened 4 meetings during the financial year with full attendance from all members and has also met with internal and independent auditors, without the presence of the Company's management, at least once a year.

Further details regarding the Audit Committee are disclosed in the report on Corporate Governance.

# Directors' Report

For the financial year ended 31 December 2010

## INDEPENDENT AUDITORS

The directors have not invited independent auditors, Crowe Horwath First Trust LLP (formerly known as Horwath First Trust LLP) the auditors of the Company, who are retiring at the conclusion of the forthcoming Annual General Meeting of the Company, for reappointment as auditors. Crowe Horwath First Trust LLP have indicated that they will not be seeking re-appointment at the forthcoming Annual General Meeting. The directors will convene an extraordinary general meeting to appoint auditors in place of Messrs Crowe Horwath First Trust LLP as soon as is practicable.

**On behalf of the Board of Directors**

**LAU YU**

Director

**MAHESKUMAR S/O SHANTILAL PURSHOTAM MEHTA**

Director

11 August 2011

# Statement by Directors

In the opinion of the directors of the Abterra Ltd.,

- (a) the statement of financial position and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 52 to 128 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 31 December 2010 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**On behalf of the Board of Directors**

**LAU YU**  
Director

**MAHESKUMAR S/O SHANTILAL PURSHOTAM MEHTA**  
Director

11 August 2011

# Independent Auditors' Report

To the Members of Abterra Ltd.

## Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Abterra Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 52 to 128, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### *Basis for Disclaimer of Opinion on the Financial Statements*

**1. Disclaimer of opinion on a subsidiary group of companies, Max Harvest Enterprise Limited ("Max Harvest") Group (comprising Max Harvest, Tianjin Kaitemei Trading Co. Limited and, an associate, Zuoquan Xinrui Metallurgy Mine Co. Limited)**

The auditors of Max Harvest have disclaimed their opinion on the consolidated financial statements of the Max Harvest Group on, among others, the following grounds:

**(a) Material uncertainties on the renewal of a mining right certificate and going concern of the associate, Zuoquan Xinrui Metallurgy Mine Co. Limited ("Xinrui")**

In December 2008, the local PRC government authorities made it compulsory for Xinrui to take over a smaller mine and merge it with one of its iron ore mines ("Iron Ore Mine 1"). The mining right certificate for the Iron Ore Mine 1 has expired in March 2009. As at the date of Max Harvest's auditors' report dated 10 August 2011, the mining right has not been renewed as Xinrui has yet to obtain the relevant governmental approvals for environmental assessment report, environmental protection and rehabilitation plan and development plan which are part of the prerequisites for the renewal of the mining right certificate.

# Independent Auditors' Report

To the Members of Abterra Ltd.

*Basis for Disclaimer of Opinion on the Financial Statements (Continued)*

**1. Disclaimer of opinion on a subsidiary group of companies, Max Harvest Enterprise Limited ("Max Harvest") Group (comprising Max Harvest, Tianjin Kaitemei Trading Co. Limited and, an associate, Zuoquan Xinrui Metallurgy Mine Co. Limited) (Continued)**

**(a) Material uncertainties on the renewal of a mining right certificate and going concern of the associate, Zuoquan Xinrui Metallurgy Mine Co. Limited ("Xinrui") (Continued)**

On 5 January 2011, Xinrui received a notice issued by Shanxi Bureau of Land and Resources for the payment of additional resource costs of approximately RMB91.8 million for the estimated increase in the iron ore reserves/resources on the Iron Ore Mine 1 in accordance with the relevant rules and regulations in the PRC.

The Group has obtained PRC legal advice that Xinrui will have no practical difficulty in renewing the mining right certificate for Iron Ore Mine 1. The sole director of Max Harvest, who is also a director of the Company, is of the opinion that Xinrui will have sufficient working capital to meet its financial obligations and commitments as and when they fall due in the foreseeable future.

Nevertheless, the auditors of Max Harvest were not able to carry out the necessary audit procedures to ascertain whether Xinrui can eventually renew the mining right certificate for Iron Ore Mine 1 from the relevant authorities in the PRC and whether Xinrui has sufficient working capital to operate as a going concern and to meet all its financial obligations and commitments as and when they fall due in the foreseeable future. These material uncertainties might cast significant doubt on the going concern of Xinrui.

**(b) Material uncertainties on the carrying amount of the associate, Xinrui**

During the current financial year, an independent international technical expert has been engaged to conduct assessment of the iron ore reserves of Xinrui in accordance with Joint Ore Reserves Committee ("JORC") standards and a qualified professional valuer has also been engaged to perform the valuation on the fair value of the relevant iron ore mines based on the technical report on iron ore reserves. As at 31 December 2010 and up to the date of Max Harvest's auditors' report dated 10 August 2011, both reports from the technical expert and professional valuer have not been completed and not made available to the auditors of the subsidiary. Accordingly, the auditors of Max Harvest were not able to determine the fair value of the interest in an associate at date of acquisition and the appropriateness of the carrying amount of the associate, Xinrui in the financial statements of Max Harvest as at 31 December 2010.

In view of the matters leading to the disclaimer by the auditors of the Max Harvest Group, we were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and completeness of the fair value of the identifiable assets acquired and liabilities assumed (in particular, the fair value of the interest in Xinrui) in the acquisition of Max Harvest Group and that the acquisition was appropriately accounted for and in compliance with Singapore Financial Reporting Standard 103 - Business Combinations as disclosed in Note 7 to the financial statements. Accordingly, we were also not able to determine the appropriateness of the carrying amount of the Company's investment in this subsidiary, Max Harvest, of S\$78.6 million and of the carrying amount of the Group's interest in the associate, Xinrui, of S\$78.2 million and of the Group's share of results in Xinrui of S\$0.4 million for the year ended 31 December 2010.

# Independent Auditors' Report

To the Members of Abterra Ltd.

*Basis for Disclaimer of Opinion on the Financial Statements (Continued)*

2. **Disclaimer of opinion on another subsidiary group of companies, Sunny Energy Limited ("Sunny Energy") Group (comprising Sunny Energy, Shenzhen Manxin Trading Co. Ltd., Shenzhen Chuangrongxin Trading Co. Ltd., and, an associate, Shanxi Taixing Jiaozhong Coal Industry Company Limited)**
  - (a) **Material uncertainties on the recoverability of the investment in an associate, Shanxi Taixing Jiaozhong Coal Industry Company Limited ("Jiaozhong")**

The auditors of Sunny Energy have not been able to carry out the necessary audit procedures to determine whether the carrying amount of the investment in Jiaozhong of RMB352 million (equivalent to S\$68.7 million) is free from misstatement due to the following:

- (i) **Material uncertainties relating to going concern basis of the associate**

Sunny Energy's auditors' report dated 10 August 2011 stated that the reorganisation of Jiaozhong is still in progress. Based on the restructuring agreement dated 20 October 2009 ("Restructuring Agreement") made between Shanxi Fenxi Ruitai Coal Investment Co. Ltd ("Fenxi") and the shareholders of Jiaozhong, Fenxi shall inject new coal mines ("Fenxi Coal Mines") as capital contribution to Jiaozhong for 51% of enlarged paid-up capital of Jiaozhong. Jiaozhong's original business licence and the relevant coal mining permits and certificates have expired. On 31 December 2009, Shanxi State Land and Resources Bureau issued a new mining right certificate, covering the existing coal mine and Fenxi Coal Mines, in the name of Shanxi Fenxi Ruitai Zhengzhong Coal Co. Ltd ("Fenxi Ruitai") which is the reserved new name in place of Jiaozhong registered at Shanxi Bureau of Industry and Commerce. However, the required procedures for capital contribution and verification for the injection of Fenxi Coal Mines to Jiaozhong (or Fenxi Ruitai as its new name) have not yet been formally completed in accordance with the relevant rules and regulations in the PRC and Restructuring Agreement. During the year ended 31 December 2010 and up to the date of Sunny Energy's auditors report dated 10 August 2011, the new mining permit, coal production permit, mine supervisor permit and mine supervisor safety qualification certificate, all in the new name of Fenxi Ruitai, have been issued by the relevant authorities in Shanxi, PRC. However, the new business licence and coal production safety permit in the name of Fenxi Ruitai have not yet been granted by the relevant authorities in Shanxi, the PRC.

At 31 December 2010, Jiaozhong (or Fenxi Ruitai as its new name) has not yet obtained credit facilities and it currently relies on the financial support from its shareholders. The auditors of Sunny Energy have not been able to determine if Jiaozhong (or Fenxi Ruitai as its new name) is able to obtain sufficient funds for financing the necessary capital expenditure for the construction of the enlarged new coal mines so as to fulfill the annual coal production capacity of 900,000 metric tonnes in accordance with the relevant regulations in Shanxi, the PRC and its daily working capital requirements in the foreseeable future.

In view of the above material uncertainties, the auditors of Sunny Energy have not been able to determine whether the associate, Jiaozhong (or Fenxi Ruitai as its new name) can operate as a going concern in the foreseeable future.

# Independent Auditors' Report

To the Members of Abterra Ltd.

*Basis for Disclaimer of Opinion on the Financial Statements (Continued)*

**2. Disclaimer of opinion on another subsidiary group of companies, Sunny Energy Limited ("Sunny Energy") Group (comprising Sunny Energy, Shenzhen Manxin Trading Co. Ltd., Shenzhen Chuangrongxin Trading Co. Ltd., and, an associate, Shanxi Taixing Jiaozhong Coal Industry Company Limited) (Continued)**

**(a) Material uncertainties on the recoverability of the investment in an associate, Shanxi Taixing Jiaozhong Coal Industry Company Limited ("Jiaozhong") (Continued)**

**(ii) Material uncertainties on the carrying amount of the associate, Jiaozhong**

During the current financial year, an independent international technical expert has been engaged to conduct the assessment of the coal mines reserves of Jiaozhong and Fenxi Coal Mines in accordance with JORC and a qualified professional valuer has also been engaged to perform the valuation on the fair value of the relevant coal mines based on the technical report on coal mines reserves. As at 31 December 2010 and up to the date of Sunny energy's auditors' report dated 10 August 2011, both reports from the technical expert and professional valuer have not been completed and not made available to the auditors of the subsidiary. Accordingly, the auditors of Sunny Energy have not been able to determine the appropriateness of the carrying amount of the associate, Jiaozhong.

**(b) Material uncertainties on the going concern of Sunny Energy**

At 31 December 2010, the Sunny Energy Group was in a net current liability position of RMB41.9 million (equivalent to S\$8.2 million). Pursuant to the Restructuring Agreement referred to in 2(a) above, Shenzhen Chuangrongxin Trading Co. Ltd, shall contribute the funding to Jiaozhong, in proportion to its 39.2% shareholdings under the enlarged entity after the restructuring, for financing the construction of the new enlarged coal mines of Jiaozhong. Sunny Energy Group has not secured any credit facilities but the sole director of Sunny Energy ,who is also a director of the Company, believes that sufficient funds will be available to Sunny Energy Group.

Apart from the representation from the director of Sunny Energy, the auditors have not been able to assess whether Sunny Energy Group will be able to obtain the adequate funds to meet its obligations as and when they fall due and to operate as a going concern in the foreseeable future.

In view of the matters leading to the disclaimer by the auditors of the Sunny Energy Group, we were not able to determine the appropriateness of the carrying amount of the Company's investment in subsidiary, Sunny Energy of S\$29.9 million and the carrying amount of the Group's investment in the associate, Jiaozhong of S\$68.7 million as at 31 December 2010 and the Group's share of loss in associate, Jiaozhong of S\$4.2 million for the financial year ended 31 December 2010.

**3. Disclaimer of opinion on another subsidiary, PT. Abterra Resources Indonesia ("PT. Abterra")**

The auditors of PT. Abterra have disclaimed their opinion on the financial statements of the subsidiary based on the following grounds:

# Independent Auditors' Report

To the Members of Abterra Ltd.

*Basis for Disclaimer of Opinion on the Financial Statements (Continued)*

### **3. Disclaimer of opinion on another subsidiary, PT. Abterra Resources Indonesia ("PT. Abterra") (Continued)**

#### **Carrying amount on plant and equipment (the "Assets") and appropriateness of certain operating expenses**

PT. Abterra, acquired an iron ore processing plant ("Iron Ore Plant") in the South Kalimantan, Indonesia in 2009. Subsequent to 31 December 2010, these plant and equipment were relocated to another location, Padang and that PT. Abterra has recently intended to lease these plant and equipment to a fellow subsidiary. The carrying amount of the plant and equipment before the impairment charge of Rp 5.6 billion was approximately Rp 11.2 billion (equivalent to S\$1.6 million). An impairment allowance of Rp 5.6 billion (equivalent to S\$800,000) was recognized in profit or loss for the current financial year on the basis of estimated future cash flows attributable to rental income arising from the intended leasing arrangement.

The auditors of PT. Abterra were not able to obtain satisfactory audit evidence that such plant and equipment in the manner represented by management and/or generating those future cash flows estimated by management. Accordingly the auditors were also not able to determine the appropriateness and adequacy of the impairment allowance of Rp 5.6 billion.

In addition, the auditors were not able to obtain sufficient evidence on the appropriateness of the operating expenses (mainly professional fees, rental, salaries, travelling and transportation) amounting to approximately Rp 6.3 billion (equivalent to S\$882,000) incurred by PT. Abterra during the current financial year in relation to the operations of PT Abterra and notwithstanding that no revenue was generated during the current financial year.

The impairment allowance of Rp 5.6 billion (equivalent to S\$800,000) was reversed at group level on the basis that the group will able to generate sufficient future income and cash flows to recover the carrying amount of the plant and equipment. However, in view of the above, we were not able to obtain sufficient appropriate audit evidence that such plant and equipment are not impaired and we were not able to corroborate those explanations and representations by management detailed in Note 6 to the financial statements relating to the plant and equipment. Furthermore, we were also unable to obtain sufficient appropriate audit evidence to corroborate those explanations and representations by management detailed in Note 7 to the financial statements in relation to certain expenses incurred.

In view of the above, we were not able to determine whether the Company's cost of investment in PT. Abterra amounting to S\$ 340,000 and the amount due from the subsidiary amounting to S\$10.7 million for which full impairments were made as well as the results that have been consolidated at the group level for the year are appropriate.

### **4. Significant variations of salient terms and conditions on the acquisition of an associate**

On 18 December 2007, the Company entered into a sale and purchase agreement ("SPA") with Shenzhen Manfu Industrial Company Limited ("Vendor") for the acquisition of 22.8% equity interest in Zuoquan Xinrui Metallurgy Mine Co. Limited ("Xinrui") via Max Harvest Enterprise Limited, a wholly-owned subsidiary, for a purchase consideration comprising a cash consideration of RMB320 million (equivalent to S\$64 million) and a call option granted to the Vendor to subscribe 263,580,377 new shares in the share capital of the Company at S\$0.1485 per share.

In addition, under the SPA, the Vendor is required to deposit a sum of RMB36 million (approximately S\$7.1 million) as a security deposit in a bank designated by the Company, in connection with a RMB150 million (equivalent to \$29.5 million) profit guarantee regarding the profitability of Xinrui.

# Independent Auditors' Report

To the Members of Abterra Ltd.

*Basis for Disclaimer of Opinion on the Financial Statements (Continued)*

#### **4. Significant variations of salient terms and conditions on the acquisition of an associate (Continued)**

On 9 April 2010, the Company and the Vendor entered into a supplemental agreement ("SA") to vary, inter alia, certain significant terms of the SPA as follows:

- (a) Increase in cash consideration by RMB70.5 million (approximately S\$14.2 million) from RMB320 million (equivalent to S\$64 million) to RMB390.5 million (equivalent to S\$78.6 million); and
- (b) Cancellation of the call option to subscribe 263,580,377 new shares in the share capital of the Company at S\$0.1485 per share.

The total revised cash consideration of RMB390.5 million was fully satisfied as follows:

- (i) In 2007, a sum of RMB160 million was paid as deposit; and
- (ii) In 2010, a sum of RMB230.5 million was settled by offsetting trade debts of the Group novated to the Vendor by the former major customer, which became a subsidiary of the Vendor in April 2010.

On 2 June 2011, the security deposit of RMB36 million has been waived by the Company.

We were not able to obtain satisfactory explanations on the commercial reasons for increasing the cash consideration, the cancellation of the call option as well as the non-receipt and subsequent waiver of the security deposit. We were also unable to obtain sufficient appropriate audit evidence to corroborate those explanations and representations by management detailed in Note 7 to the financial statements.

#### **5. Certain sales transactions with related parties**

On 29 September 2010, a subsidiary of the Company, Abterra Resources Pte Ltd recorded sales of approximately US\$8.6 million (equivalent to S\$11.7 million) to a customer ("First Customer"), which is a related party to the Group. On 31 December 2010, a credit note was issued by the subsidiary to cancel the sales transaction and the corresponding receivable due from the First Customer. On 15 December 2010, the subsidiary raised a sales invoice for the same amount pertaining to the same descriptions and quantity of goods to another customer ("Second Customer"), which is also a related party of the Group.

We were not able to obtain satisfactory explanations on the commercial reasons on the sales to the First Customer and its subsequent cancellation after more than three months as well as the subsequent sales to the Second Customer. In addition, we were also not able to obtain sufficient appropriate audit evidence as to the occurrence of the recorded sales and the validity of the corresponding trade receivable, to corroborate those explanations and representations by management detailed in Note 13 to the financial statements.

# Independent Auditors' Report

To the Members of Abterra Ltd.

*Basis for Disclaimer of Opinion on the Financial Statements (Continued)*

## **6. Impairment of deposit to and other amount due from Shenzhen Manfu Industrial Company Limited ("Vendor")**

In 2009, the Company entered into a sale and purchase agreement ("SPA") with the Vendor for the acquisition of 30.6% equity interest in Shanxi Lingshi Fuyuan Coal Co., Ltd ("Fuyuan") for a purchase consideration of RMB234.8 million (equivalent to S\$45.8 million). As at 31 December 2009, a deposit for the acquisition amounting to RMB117.4 million (equivalent to S\$22.9 million) was paid to the Vendor.

On 31 December 2010, the Company terminated the SPA with the Vendor as the Vendor has failed to fulfill certain conditions precedent set out in the SPA. Accordingly, the sum of RMB117.4 million (including interest earned thereon) is due for refund by the Vendor to the Company.

Part of the deposit amounting to US\$7 million (equivalent to S\$9 million) was refunded by a related party of the Vendor on behalf of the Vendor subsequent to 31 December 2010. The refund was made to a subsidiary of the Company. As disclosed in Note 15 to the financial statements, the remaining balance of the deposit of S\$13.9 million is to be used as partial payment for the additional acquisition of the investment in Xinrui as mentioned in Note 36 to the financial statements.

In addition, included in other receivables is an amount of S\$9.5 million due from the Vendor as at 31 December 2010 which is also to be used as partial payment for the additional acquisition of the investment in Xinrui as mentioned in Note 15 to the financial statements.

As at the date of this report, we were not able to obtain sufficient appropriate audit evidence regarding the impairment of the remaining deposit and other balances due from the Vendor aggregating approximately S\$23.4 million and/or whether there is any impairment on the sum of S\$23.4 million in view of the material uncertainty relating to the investment in Xinrui as detailed in paragraph 1 above.

## **7. Prepayment for purchase of inventory**

On 1 October 2010, a subsidiary of the Company entered into a contract with a new supplier (the "Supplier") to purchase Chinese Metallurgical Coke for US\$36 million (equivalent to S\$46.3 million) with expected delivery date from June 2011 onwards. Prepayment as at 31 December 2010 amounting to approximately US\$14.3 million (equivalent to S\$18.4 million) was made to the Supplier, representing 40% of the contract sum of US\$36 million.

Subsequent to the year end, on 5 January 2011, the purchase contract was amended to increase the purchase quantity resulting in the corresponding revision of the contract sum to US\$61.9 million (equivalent to S\$79.6 million). Additional prepayment of approximately US\$10.5 million (equivalent to S\$13.5 million) was also paid to the Supplier. On 5 March 2011, the contract was cancelled with the Supplier without apparent cause and the sum of US\$24.8 million (equivalent to S\$31.9 million) was subsequently refunded by the Supplier.

We were not able to obtain satisfactory explanations regarding the prepayments to the Supplier and the subsequent cancellation of the purchase transaction.

# Independent Auditors' Report

To the Members of Abterra Ltd.

*Basis for Disclaimer of Opinion on the Financial Statements (Continued)*

## **7. Prepayment for purchase of inventory (Continued)**

In view of the findings and observations mentioned in paragraphs 3 to 7 above, we were not able to appreciate and satisfy ourselves as to the commercial reasons of the various transactions/contracts entered into by the Group and their subsequent alterations, variations and/or cancellations thereto. We were also unable to obtain sufficient audit evidence to corroborate those management representations described in Notes 6, 7, 13 and 15 to the financial statements.

## **8. Impairment of investment in an associate, Tianjin Lant Development Co. Ltd. ("TLD")**

As at 31 December 2010, the carrying amount of the Group's and Company's investment in an associate, TLD, amounted to approximately S\$2.5 million and S\$2.2 million respectively. During the current financial year, the Group and Company recorded an impairment amounting to approximately S\$8 million each based on management's estimation of the recoverable amount of this investment as disclosed in Note 8 to the financial statements.

However, we have not been able to obtain sufficient appropriate audit evidence of the assumptions and method used by the management and/or the valuer in the estimation of the recoverable amount for the purpose of the impairment assessment. Accordingly, we were not able to ascertain the appropriateness of the carrying amounts of the investment in TLD of S\$2.5 million and S\$2.2 million at the Group and Company respectively as at 31 December 2010.

## **9. Impairment of available-for-sale financial assets**

As at 31 December 2010, the carrying amounts of the Group's and the Company's available-for-sale financial assets relating to the equity investment in Zuoquan Yongxing Coal Co. Ltd ("Yongxing") amounted to approximately S\$12.3 million, which represents the cost of investment.

We were not able to obtain sufficient appropriate audit evidence of the assumptions and method used by the management and/or the valuer to estimate the recoverable amount of the investment in Yongxing. Accordingly, we were not able to ascertain the appropriateness of the carrying amount of the available-for-sale investment of S\$12.3 million as at 31 December 2010.

## **10. Fair values of financial guarantees**

During the year ended 31 December 2010, the Company has provided corporate guarantee to a bank for granting banking facilities amounting to US\$20 million to one of its wholly owned subsidiaries, PT. Abterra Resources Indonesia. The fair value of the financial guarantee has not been accounted for by the Company.

In addition, the Company together with its Chairman and a related party have jointly provided guarantee to a bank for granting banking facilities amounting to S\$30 million to another wholly owned subsidiary, Abterra Resources Pte Ltd. The Company has accounted its proportionate share of the fair value of the financial guarantee to S\$10,000.

We were not able to obtain sufficient appropriate audit evidence regarding the fair value of these financial guarantees accounted and/or not accounted for by the Company.

# Independent Auditors' Report

To the Members of Abterra Ltd.

## *Disclaimer of Opinion*

Because of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraph, we are not in a position to, and do not, express an opinion on whether the statement of financial position and the statement of changes in equity of the Company and the consolidated financial statements of the Group have been properly drawn up in accordance with the provision 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 31 December 2010 and of the results, changes in equity and cash flows of the Group, and of the changes in the equity of the Company for the financial year ended.

## *Emphasis of matter*

### **Hua Kok International Ltd ("HKI") scheme of arrangement**

As disclosed in Note 19 to the financial statements, the Company has provided S\$3 million in the financial year 2009 in respect of a potential claim by a creditor under the HKI scheme of arrangement (the "Scheme"). As at the date of this report, the scheme administrator is still in the process of adjudicating the claim. However, in the opinion of the directors, after taking appropriate assessment of the best estimates of the claim, the outcome of which is not expected to give rise to any significant loss beyond the amount provided as at 31 December 2010.

## *Other matter*

### **Special review by a firm of independent Accountants**

The Company has appointed a firm of independent accountants to carry out an independent review on those matters highlighted in paragraphs 3 to 7 above. As at the date of this report, the review has yet to be finalised.

### **Report on Other Legal and Regulatory Requirements**

In our opinion, except for those matters referred to in the Basis for Disclaimer of Opinion paragraph, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

### **Crowe Horwath First Trust LLP**

Public Accountants and  
Certified Public Accountants

Singapore  
11 August 2011

# Statements of Financial Position

As at 31 December 2010  
(Amounts in Singapore dollars)

	Note	Group		Company	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>EQUITY</b>					
<b>Capital, reserves and non-controlling interest</b>					
Share capital	3	229,692	203,719	229,692	203,719
Share options reserve	4	257	–	257	–
Other reserve	5	–	942	–	942
Foreign currency translation reserve	5	(3,504)	(989)	–	–
Retained earnings/(Accumulated losses)		148	12,549	(27,388)	(3,478)
Equity attributable to owners of the Company		226,593	216,221	202,561	201,183
Non-controlling interests		23,398	26,551	–	–
<b>TOTAL EQUITY</b>		<b>249,991</b>	<b>242,772</b>	<b>202,561</b>	<b>201,183</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	11,478	13,153	9,913	11,293
Subsidiaries	7	–	–	109,575	31,282
Associates	8	149,354	87,343	2,149	10,700
Available-for-sale financial assets	9	12,345	12,345	12,345	12,345
Derivative financial asset	10	1,704	–	1,704	–
Intangible asset	11	1,954	1,951	–	–
Investment properties	12	21,850	20,411	21,850	20,411
Trade receivables	13	–	26,205	–	6,735
Total non-current assets		198,685	161,408	157,536	92,766
<b>Current assets</b>					
Inventories	14	–	28,746	–	–
Trade receivables	13	23,005	38,469	–	8,649
Other receivables, deposits and prepayments	15	53,886	64,700	64,034	134,778
Financial assets at fair value through profit or loss	16	35,272	36,181	35,272	36,181
Cash and bank balances	17	8,879	3,757	3,060	2,269
Total current assets		121,042	171,853	102,366	181,877
<b>TOTAL ASSETS</b>		<b>319,727</b>	<b>333,261</b>	<b>259,902</b>	<b>274,643</b>

The accompanying notes are an integral part of the financial statements.

## Statements of Financial Position (CONT'D)

As at 31 December 2010  
(Amounts in Singapore dollars)

	Note	Group		Company	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade payables		966	636	–	326
Other payables and accruals	18	14,007	13,901	2,609	1,319
Provision	19	3,000	3,000	3,000	3,000
Income tax payable		143	308	117	297
Term loans	20	51,321	45,792	51,321	41,672
Lease obligations	21	–	9	–	9
Convertible notes	22	–	5,967	–	5,967
Total current liabilities		69,437	69,613	57,047	52,590
<b>Non-current liabilities</b>					
Term loans	20	–	20,823	–	20,823
Deferred tax liabilities	23	299	53	294	47
Total non-current liabilities		299	20,876	294	20,870
<b>TOTAL LIABILITIES</b>		69,736	90,489	57,341	73,460
<b>NET ASSETS</b>		249,991	242,772	202,561	201,183

The accompanying notes are an integral part of the financial statements.

# Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

	<i>Note</i>	2010 \$'000	2009 \$'000
<b>Revenue</b>	24	130,246	151,919
Cost of sales		(120,109)	(145,018)
<b>Gross profit</b>		10,137	6,901
Other operating income	25	9,374	22,529
Selling and distribution expenses		(484)	(132)
Administrative expenses	26	(7,629)	(4,032)
Other operating expenses	27	(20,086)	(8,902)
Finance costs	29	(2,512)	(6,196)
Share of results of associates	8	(3,453)	(149)
<b>(Loss)/Profit before income tax</b>		(14,653)	10,019
Income tax	30	(603)	180
<b>(Loss)/Profit for the year</b>		(15,256)	10,199
Other comprehensive expense:			
Currency translation differences arising from consolidation		(3,912)	(2,212)
<b>Total comprehensive (expense)/income for the year</b>		(19,168)	7,987

The accompanying notes are an integral part of the financial statements.

## Consolidated Statement of Comprehensive Income (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

	<i>Note</i>	2010 \$'000	2009 \$'000
<b>(Loss)/Profit attributable to:</b>			
Equity holders of the Company		(13,500)	10,323
Non-controlling interests		(1,756)	(124)
<b>Total</b>		<b>(15,256)</b>	<b>10,199</b>
<b>Total comprehensive (expense)/income attributable to:</b>			
Equity holders of the Company		(16,015)	8,884
Non-controlling interests		(3,153)	(897)
<b>Total</b>		<b>(19,168)</b>	<b>7,987</b>
<b>(Loss)/Earnings per share for (loss)/profit attributable to equity holders of the Company (cents)</b>			
– Basic	31	(6.39)	5.05
– Diluted*	31	(6.38)	N.A.

\* Diluted earnings per share has not been presented for 2009 as it is anti-dilutive.

The accompanying notes are an integral part of the financial statements.

# Statements of Changes in Equity

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

Group	Attributable to the equity holders of the Company							Total equity \$'000
	Share capital \$'000	Share options reserve \$'000	Other reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings/(Accumulated losses) \$'000	Total \$'000	Non-controlling interests \$'000	
<b>At 1 January 2009</b>	200,073	-	1,212	450	2,311	204,046	-	204,046
Issue of ordinary shares upon conversion of convertible notes	3,702	-	(448)	-	-	3,254	-	3,254
Share issue expenses	(56)	-	-	-	-	(56)	-	(56)
Reversal of deferred taxation upon conversion of convertible notes (Note 23)	-	-	93	-	-	93	-	93
Transfer of realised deferred taxation from other reserve to retained earnings	-	-	85	-	(85)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	27,448	27,448
<b>Total comprehensive income for the year</b>	-	-	-	(1,439)	10,323	8,884	(897)	7,987
<b>At 31 December 2009</b>	203,719	-	942	(989)	12,549	216,221	26,551	242,772
Issue of ordinary shares upon conversion of convertible notes	538	-	(48)	-	-	490	-	490
Issue of share capital	25,500	-	-	-	-	25,500	-	25,500
Share issue expenses	(65)	-	-	-	-	(65)	-	(65)
Recognition of share based payments	-	257	-	-	-	257	-	257
Reversal of deferred taxation upon conversion of convertible notes (Note 23)	-	-	205	-	-	205	-	205
Transfer from other reserve to retained earnings on redemption of convertible notes	-	-	(1,099)	-	1,099	-	-	-
<b>Total comprehensive expense for the year</b>	-	-	-	(2,515)	(13,500)	(16,015)	(3,153)	(19,168)
<b>At 31 December 2010</b>	229,692	257	-	(3,504)	148	226,593	23,398	249,991

The accompanying notes are an integral part of the financial statements.

# Statements of Changes in Equity (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

<u>Company</u>	Share capital \$'000	Share options reserve \$'000	Other reserve \$'000	Retained earnings/ (Accumulated losses) \$'000	Total equity \$'000
<b>At 1 January 2009</b>	200,073	-	1,212	1,077	202,362
Issue of ordinary shares upon conversion of convertible notes	3,702	-	(448)	-	3,254
Share issue expenses	(56)	-	-	-	(56)
Reversal of deferred taxation upon conversion of convertible notes (Note 23)	-	-	93	-	93
Transfer of realised deferred taxation from other reserve to retained earnings	-	-	85	(85)	-
<b>Total comprehensive expense for the year</b>	-	-	-	(4,470)	(4,470)
<b>At 31 December 2009</b>	203,719	-	942	(3,478)	201,183
Issue of ordinary shares upon conversion of convertible notes	538	-	(48)	-	490
Issue of share capital	25,500	-	-	-	25,500
Share issue expenses	(65)	-	-	-	(65)
Recognition of share based payments	-	257	-	-	257
Reversal of deferred taxation upon conversion of convertible notes (Note 23)	-	-	205	-	205
Transfer from other reserve to retained earnings on redemption of convertible notes	-	-	(1,099)	1,099	-
<b>Total comprehensive expense for the year</b>	-	-	-	(25,009)	(25,009)
<b>At 31 December 2010</b>	229,692	257	-	(27,388)	202,561

The accompanying notes are an integral part of the financial statements.

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

<i>Note</i>	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before tax	(14,653)	10,019
Adjustments for:		
Allowance for doubtful debts	28	43
Amortisation of intangible asset	–	107
Depreciation of property, plant and equipment	511	345
Fair value gain on financial assets at fair value through profit or loss	(1,669)	(1,013)
Fair value gain on forward foreign exchange contract	(1,704)	–
Fair value gain on investment properties	(1,439)	(289)
Impaired trade receivables written back	(3,279)	(6,857)
Impairment loss on assets acquired	–	1,772
Impairment loss on associated company	8,138	–
Impairment loss on property, plant and equipment	1,062	–
Interest expense	2,188	5,766
Interest income	(1)	(64)
Loss on disposal of financial assets at fair value through profit or loss	2,578	–
Negative goodwill arising from consolidation	–	(13,464)
Provision for claim arising from HKI scheme of arrangement	–	3,000
Provision for/(Reversal of) unutilised leave	44	(25)
Share options expenses	257	–
Share of results of associates	3,453	149
Unrealised exchange loss/(gain)	20	(37)
Operating loss before working capital changes	(4,466)	(548)
(Increase)/Decrease in:		
Inventories	28,746	49,430
Trade receivables	(1,900)	43,643
Other receivables, deposits and prepayments	(17,834)	4,934
Increase/(Decrease) in:		
Trade payables	330	17
Bills payable	–	(120,746)
Other payables and accruals	(11,161)	(10,171)
Cash used in operations	(6,335)	(33,441)
Interest income received	1	64
Interest expense paid	(1,964)	(5,266)
Income tax (paid)/refund	(308)	591
<b>Net cash used in operating activities</b>	<b>(8,606)</b>	<b>(38,052)</b>

The accompanying notes are an integral part of the financial statements.

## Consolidated Statement of Cash Flows (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

	Note	2010 \$'000	2009 \$'000
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	A	(5)	(40)
Dividend received from an associated company		213	325
Acquisition of subsidiaries, net of cash (Note 7)		9	(19)
<b>Net cash from investing activities</b>		<b>217</b>	<b>266</b>
<b>Cash flows from financing activities</b>			
Cash and bank balances discharged from/(pledged to) banks		759	(759)
Advance from immediate holding company		9,012	–
Fixed deposits discharged from a bank		–	39,615
Proceeds from borrowings		7,500	21,589
Proceeds from share issuance		25,500	–
Repayment of borrowings		(22,794)	(26,710)
Repayment of convertible notes		(5,700)	–
Repayment of lease obligations		(9)	(26)
Share issue expenses		(65)	(56)
<b>Net cash from financing activities</b>		<b>14,203</b>	<b>33,653</b>
Net increase/(decrease) in cash and cash equivalents		<b>5,814</b>	<b>(4,133)</b>
Cash and cash equivalents at beginning of year		2,998	7,159
Effect of currency translation on cash and cash equivalents		67	(28)
<b>Cash and cash equivalents at end of year</b>		<b>8,879</b>	<b>2,998</b>

### Note A

The following table set out net cash flows in connection with the Group's acquisition of property, plant and equipment for the respective year ended:

	2010 \$'000	2009 \$'000
Purchase considerations for property, plant and equipment acquired during the year	5	1,915
Less:		
Set-off with the major customer	–	(1,875)
<b>Net cash outflow on acquisition of property, plant and equipment</b>	<b>5</b>	<b>40</b>

The accompanying notes are an integral part of the financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

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

## 1. GENERAL INFORMATION

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, Special Administrative Region (the “Hong Kong”). The Company’s intermediate holding company are General Nice Development Limited and General Nice Investment (China) Limited, companies which are incorporated in Hong Kong. The Company’s ultimate holding company is General Nice Group Holdings Limited (formerly known as Vantage Region International Limited), a company incorporated in British Virgin Islands.

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 companies are as shown in Note 39 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2010 were authorised for issue by Board of Directors on 11 August 2011.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and the Singapore Financial Reporting Standards (“FRS”).

The financial statements are presented in Singapore dollars and all values are rounded to the nearest thousand (\$’000) unless otherwise indicated.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment 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 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. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a high degree of judgment or complexity are disclosed in this Note.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Adoption of new and revised standards

On 1 January 2009, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

#### (a) *FRS 103 (2009) Business Combinations*

FRS 103 (2009) has been adopted in the current year and is applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The main impact of the adoptions of FRS 103 (2009) Business Combinations on the Group has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interest') either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;
- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;
- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and
- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in consolidated profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010

(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Adoption of new and revised standards (Continued)

#### (b) *FRS 27 (2009) Consolidated and Separate Financial Statements*

FRS 27 (2009) has been adopted for periods beginning on or after 1 January 2010 and has been applied retrospectively (subject to specified exceptions) in accordance with the relevant transitional provisions. The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control.

In prior years, in the absence of specific requirements in FRSs, increase in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under FRS 27 (2009), all such increases or decreases are dealt within equity reserve, with no such impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstances, the revised Standard requires that the Group derecognise all assets, liabilities and non-controlling interest at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

### New accounting standards and FRS interpretations

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- Improvements to Financial Reporting Standards (issued in October 2010)
- FRS 24 (Revised) Related Party Disclosures

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future period will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of fair values at the acquisition date, of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

The results of subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date on which control ceases. All intercompany balances, transactions and unrealised profits on intercompany transactions are eliminated in full on consolidation. Unrealised losses are eliminated but are considered an impairment indicator of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those adopted by the Group.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interest having a deficit balance.

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in the profit or loss.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010

(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Subsidiaries

A subsidiary is an entity, over which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

### Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the profit or loss.

The most recent available financial statements of the associated companies are used by the Group in applying the equity method of accounting. Where the dates of the audited financial statements used are not co-terminus with those of the Group, the share of results is arrived at from the last audited financial statements available and un-audited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Where a Group entity transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of the asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Property, plant and equipment are depreciated using the straight-line method to write-off the cost of the assets less estimated residual value over their estimated useful lives. The estimated useful lives and residual values have been taken as follows:

	<u>Estimated useful lives</u>
Leasehold building	50 years
Furniture and equipment	2-5 years
Motor vehicles	10 years
Leasehold improvements	5 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual value, estimated useful life and depreciation method are reviewed periodically to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss.

### Impairment of non-financial tangible and intangible assets, excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of non-financial tangible and intangible assets, excluding goodwill (Continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case, the reversal of the impairment loss is treated as a revaluation increase.

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets is accounted for by changing the amortisation period or method, as appropriate and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss.

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

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Intangible assets (Continued)

#### Supplier contract

Supplier contract acquired is amortised on a straight-line basis over its finite useful life of 2 years.

#### Change in accounting method

During the financial year, the Group changed its accounting method for determining the amortization charge for the supplier contract acquired. Previously the amortisation charge was over a period of 2 years on a straight line basis, whereas currently the amortization is determined by measuring the quantities consumed during the period over the total quantities available under the supplier contract. The change of method was made as the management is of the view that this is more reflective of the timely matching of actual cost and benefit derived from the supplier contract.

The change of accounting policy resulted in no amortization charge in the current period as the Group did not make any supplies out of the supplier contract during the year. The financial impact in the future periods will depend on the timing of the quantities consumed in future period. With this change in accounting policy, in the management opinion, the amortizing charge of \$107,000 in prior period is not significant to apply a retrospective adjustment to the prior period presented.

### Investment properties

Investment properties are initially recorded at cost. Subsequent to recognition, investment properties are measured at fair value, determined annually by independent professional valuers on the highest and best-use basis and gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written off to the profit or loss. The cost of maintenance, repairs and minor improvement is charged to the profit or loss when incurred.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010

(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

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

#### A. Classification

The Group classifies its investments in financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

##### (i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the end of the reporting period.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are presented as trade and other receivables and cash and bank balances on the statement of financial position.

##### (iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

The Group classified its other instruments as available-for-sale financial assets.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (Continued)

#### B. Subsequent measurement

At subsequent reporting dates, loans and receivables are measured at amortised cost using the effective interest rate method.

Financial assets at fair value through profit or loss and available-for-sale are measured at subsequent reporting dates at fair value. Where financial assets are held for trading purposes, gains and losses arising from changes in fair value are included in the profit or loss for the period. For available-for-sale financial assets, gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the profit or loss for the period.

Investments in equity instruments whose fair value cannot be reliably measured are stated at cost less impairment loss.

### Impairment of financial assets

The Group assess at the end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired and recognised the impairment loss when such evidence exists.

#### (i) Loans and receivables

An impairment loss is recognised in the profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of an allowance account.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

#### (ii) Available-for-sale financial assets

When the asset is impaired, the cumulative loss in the fair value reserve is transferred to the profit or loss. The cumulative loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the profit or loss.

The impairment losses recognised in profit or loss for equity instruments are not reversed through the profit or loss. Any subsequent increase in fair value after impairment loss is recognised in other comprehensive income.

The impairment losses recognised in the profit or loss for debt instruments are subsequently reversed if an increase in the fair value of the instruments can be objectively related to event occurring after the recognition of the impairment loss.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010

(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Inventories

Inventories are valued at the lower of cost and net realisable value. Raw materials comprise purchase cost and accounted for on first-in, first-out basis. Net realisable value is the estimated selling price, less estimated costs to completion and costs to be incurred for selling and distribution.

### Cash and cash equivalents in the consolidated statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalent comprises cash on hand, demand deposits with financial institutions, and short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

### Trade and other payables

Trade and other payables, which generally are on normal credit terms and payables to related parties are carried at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

### Borrowings

(i) Borrowings

Borrowings are initially recorded at fair value, net of transaction costs incurred and subsequently accounted for at amortised costs using the effective interest method. Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the statement of financial position 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 end of the reporting period and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

(ii) Convertible notes

When convertible notes are issued, total proceeds are allocated to the liability component and the equity component and are separately presented on the statement of financial position. The liability component is recognised at its fair value determined using a market interest rate for equivalent non-convertible notes. It is subsequently carried at amortised cost until the liability is extinguished on conversion or redemption of the notes.

The remainder of the proceeds of the note issued is allocated to the conversion option (equity component), which is presented in shareholders' equity, net of the deferred tax effect. The carrying amount of the conversion option is not changed in subsequent periods. When a conversion option is exercised, the carrying amount of the conversion option will be taken to share capital. When the conversion option is allowed to lapse, the carrying amount of the conversion option will be taken to retained earnings.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) As lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

(ii) As lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### Provisions

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation.

### Share capital

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

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010

(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Share based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 4 to the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of the reporting period, the Group reviews its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

### 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.

### Revenue

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 follows:

#### Sale of goods

Revenue from the sale of goods is recognised when the Group has delivered the goods to the customer; the customer has accepted the goods and collectability of the related receivables is reasonably assured.

#### Rental income

Rental income arising from investment properties is accounted for on a straight-line basis over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

#### Service income

Service income is recognised when services are rendered to customers.

#### Interest income

Interest income is recognised on a time-proportion basis, by reference to the principal outstanding and, using the effective interest method.

#### Dividend income

Dividend income from investments is recognised when shareholders' rights to receive payment have been established.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Borrowing costs

Borrowing costs are expensed off in the financial year in which they are incurred.

### Employees' 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 companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension schemes. Contributions to defined contribution 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 end of the reporting period.

### Jobs credit scheme

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as an offset against staff costs.

### Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

### Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

### Financial guarantees

The Company has issued corporate guarantees to banks for bank 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.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010

(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial guarantees (Continued)

Financial guarantee contracts are initially recognised at their fair values plus transaction costs in the Company's statement of financial position.

Financial guarantee contracts are subsequently amortised to the profit or loss 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.

### Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to either equity or other comprehensive income, in which case the deferred tax is also dealt with in either equity or other comprehensive income.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over costs.

### Functional and foreign currencies

#### Functional currency and presentation currency

The individual financial statements of each entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

#### Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Functional and foreign currencies (Continued)

#### *Translation of the Group's financial statements*

For the purpose of presenting the consolidated financial statements of the Group, the results and financial position of the Group's foreign operations are translated into Singapore dollars, being the presentation currency, using the following procedures:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate ruling at the end of the reporting period; and
- Income and expenses are translated at average rates for the year, which approximates the exchange rates at the dates of transactions.

All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### Contingencies

A contingent liability or asset is a possible obligation or asset that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group. Contingent liabilities and assets are not recognised on the statement of financial position of the Group.

### Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Critical accounting estimates and judgments (Continued)

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

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 judgment, 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.

At 31 December 2010, the Group's and Company's carrying amount of the investment in associates and available-for-sale financial assets amounted to approximately \$161,699,000 and \$14,494,000 (2009: \$99,688,000 and \$23,045,000) respectively.

#### Estimated fair value of investment properties

Investment properties are initially recorded at cost. Subsequent to recognition, investment properties are measured at fair value, determined annually by independent professional valuers on the highest and best-use basis. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the year in which they arise.

Fair value gain of the investment properties amounting to approximately \$1,439,000 (2009: \$289,000) are made during the year as disclosed in Note 12 to the financial statements. At 31 December 2010, the Group's and Company's carrying amount of investment properties amounted to approximately \$21,850,000 (2009: \$20,411,000).

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

The Group follows the guidance of FRS 39 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.

Impairment loss of the Group's and Company's trade and other receivables amounted to approximately \$28,000 and \$10,665,000 (2009: \$43,000 and \$43,000) respectively are made during the year as disclosed in Note 13 and 15 to the financial statements respectively. The carrying amount of trade and other receivables of the Group and Company as at 31 December 2010 are approximately \$76,891,000 and \$64,034,000 (2009: \$129,374,000 and \$150,162,000) respectively.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Critical accounting estimates and judgments (Continued)

#### Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the group-wide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The income tax liabilities of the Group and Company as at 31 December 2010 are approximately \$143,000 and \$117,000 (2009: \$308,000 and \$297,000) respectively.

#### Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these assets to be within 2 to 50 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 6 to the financial statements.

#### Impairment of property, plant and equipment and intangible assets

As discussed in Note 6 and 11 to the financial statements, the Group has commenced its iron ore trading operation since May 2011, in which the Group has been utilizing a portion of the plant and equipment and the intangible assets to generate revenue. Based on the cash flow forecast prepared by the management for the next five years for the Indonesia operation, the net present value expected to generate from this operation exceed the carrying amount of the plant and equipment and the intangible assets. As a result, no impairment was made as at 31 December 2010.

## 3. SHARE CAPITAL

	Group and Company			
	2010		2009	
	Number of ordinary shares	\$'000	Number of ordinary shares	\$'000
<b>Issued and paid up:</b>				
At the beginning of the year	5,138,601,977	203,719	5,084,755,824	200,073
Issue of ordinary shares upon conversion of convertible notes	7,692,307	538	53,846,153	3,702
Issue for cash before share consolidation	130,853,709	6,500	–	–
Share consolidation (25 to 1)	(5,066,062,074)	–	–	–
Issue for cash after share consolidation	15,669,467	19,000	–	–
Share issue expenses	–	(65)	–	(56)
At the end of the year	226,755,386	229,692	5,138,601,977	203,719

The Company issued 7,692,307 (2009: 53,846,153) new ordinary shares at the issue price of \$0.065 (2009: \$0.065) pursuant to the conversion of the convertible notes. All new shares issued rank pari-passu with the existing shares.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 3. SHARE CAPITAL (CONTINUED)

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. The ordinary shares have no par value.

As at 31 December 2010, employees held options over 1,200,000 ordinary shares (2009: Nil) (of which 1,200,000 are unvested) in aggregate. The 1,200,000 options granted during the year are expiring on 14 September 2012. Share options granted under the Abterra Employee Share Option Scheme (the "Scheme") carry no rights to dividends and no voting rights. Further details of the Scheme are contained in Note 4 to the financial statements.

## 4. SHARE OPTIONS RESERVE

### Equity Settled Share option scheme

The Company has adopted the Scheme for the executive directors of the Company, employees of the Company and the controlling shareholders or their associates. The scheme is administered by the Employee Share Option Scheme Committee. Options are exercisable at a price either at the average of closing prices for the shares ("Market Price") of the Company on the Singapore Exchange Securities Trading Limited for the five consecutive market days immediately preceding the date of grant or at a discount to the Market Price, so long as the maximum discount shall not exceed 20 percent of the Market Price and the shareholders have authorised the making of offers and grant of share options under the Scheme at a discount not exceeding the maximum discount as aforesaid. The vesting period is 1 year. If the options remain unexercised after a period of 2 years from the date of grant, the options will expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	Group and Company	
	Number of share options	Weighted average exercise price
Outstanding at 1 January 2009 and 2010	–	–
Granted during the year	1,200,000	1.27
Outstanding at 31 December 2010	1,200,000	1.27
Exercisable at the end of the year	–	–

The options outstanding at the end of the year have a weighted average remaining contractual life of 1.7 years (2009: Nil years). In 2010, options were granted on 15 September. The estimated fair values of the options granted on 15 September 2010 were approximately \$0.96 each.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 4. SHARE OPTIONS RESERVE (CONTINUED)

These fair values for share options granted during the year were calculated using The Binomial pricing model. The inputs into the model were as follows:

	2010
Expected dividend yield	Nil
Expected life	2 years
Expected volatility	103.3%
Expected forfeiture yield	Nil
Interest rate	0.5%
Suboptimal exercise factor	2.25
Weighted average exercise price	\$1.27
Weighted average share price	\$1.27

Expected volatility was determined by calculating the historical volatility of the Company's share price over the period after the share consolidation on 7 September 2010. The expected life used in the model has not been adjusted, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group and the Company recognised total expenses of \$257,000 (2009: Nil) related to equity-settled share-based payment transactions during the financial year.

## 5. RESERVES

### (i) Other reserve

Other reserve represents the residual amount of convertible notes after deducting the fair value of the liability component. This amount is presented net of transaction cost and deferred tax liability arising from convertible notes.

### (ii) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from those of the Group's presentation currency.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 6. PROPERTY, PLANT AND EQUIPMENT

<b>Group</b>	<b>Leasehold building \$'000</b>	<b>Furniture and equipment \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Leasehold improvements \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>					
At 1 January 2009	11,236	577	110	64	11,987
Additions	–	1,872	40	3	1,915
Written off	–	(210)	–	(33)	(243)
At 31 December 2009	11,236	2,239	150	34	13,659
Additions	–	5	–	–	5
Written off	–	(34)	–	–	(34)
Translation differences	–	(108)	(11)	–	(119)
At 31 December 2010	11,236	2,102	139	34	13,511
<b>Accumulated depreciation</b>					
At 1 January 2009	75	275	18	35	403
Charge during the year	225	102	11	7	345
Written off	–	(210)	–	(33)	(243)
Translation differences	–	1	–	–	1
At 31 December 2009	300	168	29	9	506
Charge during the year	224	266	14	7	511
Written off	–	(34)	–	–	(34)
Translation differences	–	(12)	–	–	(12)
At 31 December 2010	524	388	43	16	971
<b>Impairment</b>					
At 1 January 2009 and 31 December 2009	–	–	–	–	–
Charge during the year	1,062	–	–	–	1,062
At 31 December 2010	1,062	–	–	–	1,062
<b>Net carrying amount</b>					
At 31 December 2010	9,650	1,714	96	18	11,478
At 31 December 2009	10,936	2,071	121	25	13,153

The Company's subsidiary, PT. Abterra Resources Indonesia ("PT Abterra"), has acquired certain plant and equipment on 15 December 2009. Since May 2011, the Group has commenced its iron ore trading business in Indonesia and the Group has been utilising a portion of these plant and equipment to generate revenue. The directors are of the opinion that the Group would utilise all of the plant and equipment within the third quarter of 2011.

The management has prepared a cash flow forecast for the next five years for the Indonesia operation and the net present value expected to generate from this operation exceed the carrying amount of the acquired plant and equipment of \$1,565,000 and the intangible assets of \$1,954,000 (Note 11). As a result, no impairment was made as at 31 December 2010.

## Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

### 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Company</u>	<u>Leasehold building</u> \$'000	<u>Furniture and equipment</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Leasehold improvements</u> \$'000	<u>Total</u> \$'000
<b>Cost</b>					
At 1 January 2009	11,236	577	110	64	11,987
Additions	–	37	–	3	40
Written off	–	(210)	–	(33)	(243)
At 31 December 2009	11,236	404	110	34	11,784
Additions	–	5	–	–	5
Written off	–	(34)	–	–	(34)
At 31 December 2010	11,236	375	110	34	11,755
<b>Accumulated depreciation</b>					
At 1 January 2009	75	275	18	35	403
Charge during the year	225	88	11	7	331
Written off	–	(210)	–	(33)	(243)
At 31 December 2009	300	153	29	9	491
Charge during the year	224	81	11	7	323
Written off	–	(34)	–	–	(34)
At 31 December 2010	524	200	40	16	780
<b>Impairment</b>					
At 1 January 2009 and 31 December 2009	–	–	–	–	–
Charge during the year	1,062	–	–	–	1,062
At 31 December 2010	1,062	–	–	–	1,062
<b>Net carrying amount</b>					
At 31 December 2010	9,650	175	70	18	9,913
At 31 December 2009	10,936	251	81	25	11,293

Leasehold building of the Group and the Company with a carrying amount of approximately \$9,650,000 (2009: \$10,936,000) have been charged to a bank for banking facilities (Note 20).

The Company has appointed an independent professional valuation company to estimate the fair value of the Company's leasehold building. The valuation report prepared by the professional valuation company dated 21 January 2011 suggested that the fair value of the leasehold building as at 31 December 2010 is S\$9,650,000. Based on this estimated fair value, the Company has made impairment of \$1,062,000 on the leasehold building.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 7. SUBSIDIARIES

	Company	
	2010 \$'000	2009 \$'000
Unquoted equity shares, at cost:		
At beginning of year	31,292	1,371
Additions	78,633	29,921
Total	109,925	31,292
Less: impairment loss	(350)	(10)
At end of year	109,575	31,282
Movement in impairment loss of investment in subsidiaries is as follows:		
At beginning of year	10	10
Charge during the year	340	–
At end of year	350	10

Information relating to subsidiaries is disclosed in Note 39 to the financial statements.

### Acquisitions

On 6 August 2010, the Company acquired 100% of the issued share capital of Max Harvest Enterprise Limited (“Max Harvest”) and beneficial equity interest in Max Harvest’s subsidiaries, namely Tianjin Kaitemei Trading Co., Ltd. (100%) (天津凯特美贸易有限公司) and an associated company, Zuoquan Xinrui Metallurgy Mine Co. Limited (22.8%) (左权鑫瑞冶金矿山有限公司) (collectively referred to as “Max Harvest Group”) for a purchase consideration RMB390,500,000 (equivalent to S\$78,633,000). The purchase consideration was arrived at after taking into account of a valuation report issued by a Hong Kong qualified professional valuation company dated 26 February 2010 ascribing the fair value of Xinrui at RMB1.6 billion as at 31 December 2009. The valuation report was commissioned based on the findings of the geology survey report on Xinrui by Shanxi Geological Mineral Survey Department Bureau.

The purchase consideration of RMB390.5 million was revised on 9 April 2010 under a supplemental agreement as follows:

- (a) Increase in cash consideration by RMB70.5 million from RMB320 million;
- (b) Cancellation of call option to subscribe 263,580,377 new shares of the Company at S\$0.1485 per share.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010

(Amounts in Singapore dollars)

## 7. SUBSIDIARIES (CONTINUED)

### Acquisitions (continued)

The decision to pay additional cash in place of the cancelled share options was made after considering the following commercial reasons:

- To maintain a long term business relationship with the vendor, Shenzhen Manfu Industrial Co., Ltd. ("Manfu"), which is a close business associate who has many dealings with the Company, and the long-term success of Xinrui depends on Manfu who remains as the major shareholder of Xinrui;
- As compensation to the vendor for the prolonged delay in completion of the acquisition; and
- The directors are of the view that the investment in Xinrui had appreciated as the price for iron ore had risen significantly from the date of sales and purchase agreement on 18 December 2007.

At the request of the Auditors, the Company has engaged an US technical consultancy company and a qualified professional valuation company to perform a JORC-compliant technical study and a valuation respectively on Xinrui. As the US technical consultancy company is finalizing its technical report, the Company expects the reports to be available within the third quarter of 2011.

The mining right certificate of one of the mines ("Iron Ore Mine 1") of Xinrui has expired in March 2009 and has not yet been renewed, because certain requisites for the merger of Iron Ore Mine 1 with two other smaller iron ore mines as required by the local government of Shanxi, the PRC, has not yet been completed. According to legal opinion issued by a PRC lawyer on 21 March 2011, most of the requisites for the merger was completed and the probability of obtaining the new mining license was high. In addition, Xinrui received a notice issued by Shanxi Bureau of Land and Resources dated 14 June 2011 for the payment of resource fee of approximately RMB127.3 million for the estimated increase in the iron ore reserves/resources. The resource fees are to be paid in 3 tranches in 2011, 2012 and 2013 respectively. The payment of the tranche 1 resource fee is required prior to the issuance of the mining right certificate and the tranche 1 resource fee would be paid shortly. The mining right certificate is expected to be issued within the third quarter of 2011.

The profit after tax of Max Harvest Group was approximately \$446,000 for the financial year ended 31 December 2010, of which approximately \$330,000 arose in the period from 6 August 2010 to 31 December 2010 ("post acquisition period"). The Max Harvest Group's assets and liabilities at 31 December 2010 were approximately \$21,159,000 and \$21,045,000 respectively.

During the financial year 2009, the Company acquired 61.25% of the issued share capital of Sunny Energy Limited ("Sunny") and beneficial equity interest in Sunny's subsidiaries, namely Shenzhen Manxin Trading Co. Ltd. (深圳市满鑫贸易有限公司) (100%) ("Manxin"), Shenzhen Chuangrongxin Trading Co. Ltd. (深圳市创融新贸易有限公司) (100%) ("Chuangrongxin") and an associated company, Shanxi Fenxi Ruitai Zhengzhong Coal Limited ("Fenxi") (formerly known as Shanxi Taixing Jiaozhong Coal Industry Company Limited) (山西汾西瑞泰正中煤业有限责任公司) (原名: 山西泰星椒仲煤业股份有限公司) (80% equity held but effective equity interest of 49%) (collectively referred to as "Sunny Energy Group") for a purchase consideration (inclusive of claim to be refunded by vendor of approximately \$8,480,000 and attributable transaction costs of approximately \$53,000) of approximately \$29,921,000.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 7. SUBSIDIARIES (CONTINUED)

The loss after tax of Sunny Energy Group was approximately \$337,000 for the financial year ended 31 December 2009, of which approximately \$319,000 arose in the period from 29 May 2009 to 31 December 2009 ("post acquisition period"). The Sunny Energy Group's assets and liabilities at 31 December 2009 were approximately \$76,982,000 and \$8,460,000 respectively.

Fair value of net identifiable assets at the date of acquisition amounted to approximately \$78,633,000 (2009 : \$70,833,000), resulting in no goodwill to be recognised during the financial year 2010. In the financial year 2009, \$13,464,000 being negative goodwill was recognised in other operating income as disclosed in Note 25 to the financial statements. Details of identifiable net assets acquired are disclosed below.

Increases and decreases in assets and liabilities and the net cash flows impact resulting from the acquisition of the subsidiaries were as follows:

	2010		2009	
	At fair value \$'000	Carrying amounts \$'000	At fair value \$'000	Carrying amounts \$'000
Associate (Note 8)	78,431	21,394	79,354	4,851
Other receivables, deposits and prepayments	201	201	23	23
Cash and bank balances	9	9	34	34
Other payables and accruals	(8)	(8)	(8,578)	(8,578)
<b>Net identifiable assets/(liabilities)</b>	<b>78,633</b>	<b>21,596</b>	<b>70,833</b>	<b>(3,670)</b>
Less: Non-controlling interests	–		(27,448)	
Less: Negative goodwill arising from consolidation (Note 25)	–		(13,464)	
Purchase consideration	78,633		29,921	
Less:				
Capitalisation of deposit	(31,300)		(18,385)	
Set-off with the major customer (Note 13(i))	(47,333)		(19,963)	
Claim to be refunded by vendor (Note 15)	–		8,480	
Cash and bank balances of subsidiaries acquired	(9)		(34)	
<b>Net cash (inflow)/outflow on acquisition</b>	<b>(9)</b>		<b>19</b>	

### Claim to be refunded by vendor

In 2009, the vendor and the Company have signed a supplemental agreement on 26 February 2010, by which the vendor agreed to reimburse \$7,888,000 (2009 : \$8,480,000) to the Company, representing the amount of sundry payables outstanding to the vendor from Sunny Energy Group as at the completion of the acquisition. The vendor and the Company agreed that the Company was not intended to assume the sundry payable pursuant to the acquisition. At 31 December 2010, the remaining sundry payables (Note 18) due to the vendor amounted to approximately \$4,109,000 (2009 : \$4,340,000).

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 7. SUBSIDIARIES (CONTINUED)

### PT Abterra

PT Abterra, a subsidiary of the Company, has a capital deficiency of \$7.7 million as at 31 December 2010. Despite this, the directors are of the opinion that PT Abterra would be able to continue as a going concern based on the following reasons:

- PT Abterra would commence its coal trading business within the third quarter of 2011 which is expected to generate positive cash flows to PT Abterra;
- The major liability of PT Abterra represents the amount due to the Company, which amounted to \$10.4 million. Excluding this liability, PT Abterra has net assets of \$3.6 million. In the view of the directors, the Company would not request for repayment from PT Abterra until it has sufficient financial resources; and
- In respect of the operating expenses incurred during the year which lead to the operating loss of PT Abterra in current year, the expenses were mainly represents the professional fees for exploration of mines in Indonesia and the pre-operating expenses in relation to a stockpile operation, whereas part of the expenses was general administrative expenses for running the office. These expenses were not directly related to the generation of revenue in 2010. Nevertheless, the directors are of the opinion that these expenses incurred could result in the inflow of future economic benefits to PT Abterra or the Group.

## 8. ASSOCIATES

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Equity investments, at costs			20,423	20,423
Impairment loss			(18,274)	(9,723)
Net			2,149	10,700
At beginning of year	97,479	20,836		
Acquisition (Note 7)	78,431	79,354		
Share of results	(3,453)	(149)		
Dividend received	(213)	(325)		
Translation differences	(4,616)	(2,237)		
Net	167,628	97,479		
Impairment loss	(18,274)	(10,136)		
At end of year	149,354	87,343		

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 8. ASSOCIATES (CONTINUED)

Movement in impairment loss of investment in associated companies are as follows:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At beginning of year	10,136	10,136	9,723	9,723
Charge during the year (Note 27)	8,138	–	8,551	–
At end of year	18,274	10,136	18,274	9,723

The Company has appointed an independent professional valuation company to estimate the fair value of the Company's investment in an associate, Tianjin Lant Development Co. Ltd. ("TLD"). The valuation report prepared by the professional valuation company dated 23 June 2011 suggested that the fair value of 100% share equity of TLD as at 31 December 2010 is RMB24,500,000 million (S\$4,777,000). Based on this estimated fair value, the Company's 45% equity interest in TLD is S\$2,149,000. The Company has made impairment on its investment in TLD by reference to this fair value.

The summarised financial information of the associated companies not adjusted for the proportion of ownership interest held by the Group is as follows:

	Group	
	2010 \$'000	2009 \$'000
– Assets	198,235	102,698
– Liabilities	106,340	3,237
– Revenue	33,117	2,674
– Net loss	(2,160)	(69)

Details of the associated companies are disclosed in Note 39 to the financial statements.

Pursuant to an reorganisation agreement dated 20 October 2009, which was entered into between Chuangrongxin, minority shareholder of Fenxi and Shanxi stated-owned company, with effect on 19 November 2009, control of Fenxi was taken over by Shanxi stated-owned company which will inject certain coal mines into Fenxi in return for 51% equity interest in Fenxi. Pursuant to this reorganisation, the Group's effective interest in Fenxi will be diluted from 49% to 24.01% upon completion of such reorganisation however the reorganisation was still on-going on date of this report.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2010 \$'000	2009 \$'000
At beginning and end of year	12,345	12,345

The available-for-sale financial assets represent cost of investment in 15% equity stake in an unlisted company, Zuoquan Yongxing Coal Company Limited (左权永兴煤化有限责任公司) ("Yongxing"), a company incorporated in The People's Republic of China ("China") and engaged in the coal mining and coking coal processing business.

There is no quoted market price in an active market for this investment. The management has estimated the fair value of this investment based on a discounted cash flow model and the estimated fair value is \$12.4 million. On the other hand, the management has appointed a professional valuation company to estimate the fair value of this investment. Base on the valuation report dated 8 July 2011, the fair value of 100% share equity of Yongxing as at 31 December 2010 is RMB1,456,000,000. With reference to this fair value, 15% equity interest in Yongxing has estimated fair value of RMB218,400,000 (equivalent to \$42,588,000).

The directors are of the opinion that the variability in the range of reasonable fair value estimates is significant with reference to the above discrepancies in fair value estimates. As a result, the directors considered to measure the investment at cost. No impairment is considered necessary for this investment as the fair value estimates are higher than the carrying amount.

## 10. DERIVATIVE FINANCIAL ASSET

	Group and Company	
	2010 \$'000	2009 \$'000
Forward foreign exchange contract	1,704	-

### Forward foreign exchange contract

The Group and Company utilises currency derivative to hedge significant future transactions and cash flows pertaining to the foreign currency denominated financial assets at fair value through profit or loss.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contract to which the Group and Company is committed is as follows:

	Group and Company	
	2010 \$'000	2009 \$'000
Forward foreign exchange contract	35,000	-

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 10. DERIVATIVE FINANCIAL ASSET (CONTINUED)

The above arrangement is designed to address significant exchange exposures during the entire term of the financial assets at fair value through profit or loss.

At 31 December 2010, the fair value of the Group's and Company's currency derivative is estimated to be approximately \$1,704,000 (2009: Nil). The fair values are measured using quoted forward exchange rates by a financial institution.

Changes in the fair value of non-hedging currency derivative amounting to \$1,704,000 has been credited to profit or loss in the financial year (Note 25).

The following table details the forward foreign currency contract outstanding as at the end of the reporting period.

<u>Group and Company</u>	Average exchange rate		Foreign currency		Contract value		Fair value	
	2010	2009	2010	2009	2010	2009	2010	2009
			US'000	US'000	\$'000	\$'000	\$'000	\$'000
Sell US dollars more than a year	1.31	-	26,080	-	35,000	-	1,704	-

## 11. INTANGIBLE ASSET

	Group \$'000
<b>Cost</b>	
At 1 January 2009	-
Addition	2,066
At 31 December 2009	2,066
Translation differences	3
At 31 December 2010	2,069
<b>Accumulated amortisation</b>	
At 1 January 2009	-
Charge for the year (Note 26)	107
Translation differences	8
At 31 December 2009 and 2010	115
<b>Net carrying amount</b>	
At 31 December 2010	1,954
At 31 December 2009	1,951

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 11. INTANGIBLE ASSET (CONTINUED)

The intangible assets relates to purchase contract of Iron Ore Fines or Lumps at a discounted price from the prevailing selling price at date of seller declare cargo readiness.

As discussed in Note 6, the Group has commenced its iron ore trading operation in Indonesia. The commencement of operation would utilise the supply contract and the net present value of the cash flow expected to be generated from this operation excess the carrying amount of the acquired plant and equipment (Note 6) and the intangible assets. As a result, no impairment was made as at 31 December 2010.

## 12. INVESTMENT PROPERTIES

	Group and Company	
	2010 \$'000	2009 \$'000
<b>Statement of financial position</b>		
Balance at beginning of year	20,411	20,122
Net gains from fair value change (Note 25)	1,439	289
Balance at end of year	21,850	20,411
<b>Statement of comprehensive income</b>		
Rental income from investment properties	654	548
Direct operating (expenses)/credits arising from:		
– Rental generating properties	(138)	2
– Non-rental generating properties	(69)	–

The investment properties are carried at fair values at the end of the reporting period based on an independent appraisal by a firm of professional valuers on 21 January 2011. The valuation has been carried out on the basis of the direct comparison and income method.

Investment properties are leased to non-related parties under operating lease.

The investment properties are mortgaged to a bank as security for a term loan (Note 20).

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 13. TRADE RECEIVABLES

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<u>Current:</u>				
Outside parties	40	28,989	–	6,260
Related party	22,965	15,762	–	2,808
Less: allowance for impairment of trade receivables	–	(6,282)	–	(419)
<b>Net</b>	<b>23,005</b>	<b>38,469</b>	<b>–</b>	<b>8,649</b>
<u>Non-current:</u>				
Outside parties	–	28,036	–	7,224
Less: allowance for impairment of trade receivables	–	(1,831)	–	(489)
<b>Net</b>	<b>–</b>	<b>26,205</b>	<b>–</b>	<b>6,735</b>
<b>At end of year</b>	<b>23,005</b>	<b>64,674</b>	<b>–</b>	<b>15,384</b>

Movements in allowance for impairment of trade receivables are as follows:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of year	8,113	15,035	908	1,894
Charge during the year (Note 27)	–	43	–	43
Write back of allowance (Note 25)	(3,279)	(6,857)	(866)	(1,025)
Written off	(4,359)	(4)	(42)	(4)
Translation differences	(475)	(104)	–	–
<b>Balance at end of year</b>	<b>–</b>	<b>8,113</b>	<b>–</b>	<b>908</b>

- (i) Included in trade receivables, are amounts of approximately \$Nil at 31 December 2010 (2009: \$48,864,000 and \$12,548,000) (net of allowance for impairment) relating to the Group and the Company respectively; these being amounts owed by a major customer which are settled over the remaining 26 months in accordance to the settlement plan entered on 7 April 2009 and through settlement of purchase consideration on acquisition of subsidiary as disclosed in Note 7 of the financial statements.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 13. TRADE RECEIVABLES (CONTINUED)

(i) (Continued)

In 2010, the major customer has been acquired by the indirect subsidiary of the vendor of Xinrui. The major customer, the vendor and the Group has entered into the novation agreement dated 7 April 2010 to novate the remaining outstanding amount due from the major customer to the Group which amounted to approximately \$49,088,000 (the "Debts") at of 31 March 2010 to the vendor. The novated Debts have been set off against the remaining balance of the purchase consideration of the acquisition of Xinrui [Note 33(a)(ii)] due to vendor according to the supplement agreement dated 9 April 2010 between the Company and the vendor for the Company's proposed acquisition of Xinrui.

(ii) On 29 September 2010, a subsidiary of the Company, Abterra Resources Pte Ltd recorded sales of approximately US\$8,566,000 (equivalent to \$11,650,000) to a customer ("First Customer"). Subsequently, the holding company of the First Customer has requested the Company to cancel the sales with the First Customer and arrange sales to its another subsidiary company ("Second Customer") due to the fact that the Second Customer has the relevant export license granted by the PRC government, which allowed the export of goods to overseas, while the First Customer does not has that license. As such, on 15 December 2010, a credit note was issued by the subsidiary to cancel the sales transaction and the corresponding receivable due from the First Customer and raised a sales invoice for the same amount pertaining to the same descriptions and quantity of goods to the Second Customer, which is a related party of the Group. The trade receivables due from the Second Customers were fully settled subsequently.

## 14. INVENTORIES

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At cost:				
Finished goods	–	28,746	–	–

The cost of inventories recognised as expense and included in "cost of sales" for financial year ended 31 December 2010 amounted to approximately \$108,836,000 (2009: \$139,555,000).

## 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Claim to be refunded from vendor (Note 7)	7,888	8,480	7,888	8,480
Deposits	22,971	56,046	22,907	56,031
Prepayments	18,764	79	145	80
Subsidiary companies	–	–	42,103	70,158
Sundry debtors	4,279	145	1,656	122
Less: allowance for doubtful non-trade receivables	(16)	(50)	(10,665)	(93)
Net	53,886	64,700	64,034	134,778

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

### Deposits

The deposits are mainly paid for the proposed acquisition of the 30.6% of equity interest of Shanxi Lingshi Fuyuan Coal Co., Ltd. (山西灵石富源煤业有限公司) ("Fuyuan") (2009: 22.8% of equity interest of Xinrui and the 30.6% of equity interest of Shanxi Lingshi Fuyuan Coal Co., Ltd.) amounting to \$22,892,000 (2009: \$31,300,000 and \$24,700,000 respectively).

The claim to be refunded from vendor, together with the deposit paid for the proposed acquisition of Fuyuan, amounted to \$30,780,000, are due from the same third party vendor. Subsequent to the end of the reporting period, the Company has received US\$7,000,000 (equivalent to \$9,002,000) from the vendor while the remaining amount was utilised as deposits for the Company's further acquisition in Xinrui as discussed in Note 36(iii). The directors are of the view that further acquisition in Xinrui would be more beneficial to the Group than to continue to proceed with the acquisition of Fuyuan due to the uncertainty of Fuyuan in the coal consolidation exercise in the Shanxi Province.

The directors are of the opinion that the acquisition of further interest in Xinrui would be completed in early 2012 and the deposits paid for the further acquisition in Xinrui could be utilised as costs of investment in Xinrui and no impairment is considered necessary.

### Prepayment

The usual practice for the Group in metallurgical coke trading is to make prepayment to the suppliers, with the prepayment percentage ranging from 20% to 100% of the contract sum. As at 31 December 2010, the Group has made prepayment to a third party supplier which amounted to US\$14,310,000 (equivalent to \$18,402,000), representing 40% of the contract sum of US\$36,000,000.

Subsequent to the year end, on 5 January 2011, the purchase contract was amended to increase the purchase quantity resulting in the corresponding revision of the contract sum to US\$62,400,000. Additional prepayment of US\$10,446,000 (equivalent to \$13,434,000) was also paid to the supplier. On 5 March 2011, the contract was cancelled with the supplier without any penalty charges and the whole sum of US\$24,756,000 was subsequently refunded by the supplier.

The cancellation of the contract was made due to the fact that the Group needs to get sufficient funds to pay the 50% purchase consideration for its further acquisition in Xinrui as discussed above, in which the directors are of the opinion that the acquisition would be more beneficial to the Group than to continue to proceed with the purchase contract.

## Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

### 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

#### Subsidiary companies

Amount due from subsidiary companies are non-trade related, unsecured and repayable on demand. The interest ranges from Nil% to 0.5% (2009: Nil%) per annum.

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

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of year	50	50	93	93
Charge during the year (Note 27)	28	–	10,634	–
Doubtful debts recovered (Note 25)	(62)	–	(62)	–
Balance at end of year	16	50	10,665	93

### 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2010 \$'000	2009 \$'000
At fair value:		
Balance at beginning of year	36,181	35,168
Addition	35,000	–
Disposal	(35,000)	–
Loss on disposal (Note 27)	(2,578)	–
Fair value gain (Note 25)	1,669	1,013
Balance at end of year	35,272	36,181

### 17. CASH AND BANK BALANCES

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and bank balances	8,879	3,757	3,060	2,269

At 31 December 2009, the Group's cash and bank balance amounted approximately \$759,000 has been pledged to banks for trade financing facilities granted to a subsidiary for trading purposes.

## Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

### 17. CASH AND BANK BALANCES (CONTINUED)

For the purpose of presenting the consolidated statement of cash flow, the consolidated cash and cash equivalents comprise the following:

	Group	
	2010 \$'000	2009 \$'000
Cash and bank balances	8,879	3,757
Less: Pledged to banks for trade facilities	–	(759)
Cash and cash equivalents	8,879	2,998

### 18. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Accrued operating expenses	2,462	1,606	1,764	1,001
Amount due to immediate holding company	3,270	6,613	494	14
Amount due to intermediate holding company	10	1,061	–	89
Sundry creditors	8,265	4,621	351	215
Total	14,007	13,901	2,609	1,319

Amounts due to immediate and intermediate holding companies are non-trade related, unsecured, interest-free and repayable on demand.

At 31 December 2010, included in sundry creditors is an amount of approximately \$4,109,000 (2009: \$4,340,000) being the remaining assumed liability due to vendor upon acquisition of Sunny Energy Group which is recoverable from the vendor as disclosed in Note 7 and Note 15.

### 19. PROVISION

The provision is in respect of claim under Hua Kok International Ltd (“HKI”) scheme of arrangement by a creditor. On 27 June 2011, the Scheme Administrator has written a letter to notify the Company that the creditor has provided the Scheme Administrator its current claim position against the Company as at 31 May 2011. The claim position amounted to \$2,356,000, which include a principal borrowings portion and an interest portion.

In the opinion of the directors, after taking appropriate assessment of the best estimates of the claim, the outcome of which is not expected to be significantly different from the amount provided as at 31 December 2010.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 20. TERM LOANS

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Secured:				
Loan 1	20,821	22,026	20,821	22,026
Loan 2	28,000	23,000	28,000	23,000
Loan 3	2,500	–	2,500	–
Loan 4	–	6,950	–	6,950
Loan 5	–	4,120	–	–
Loan 6	–	10,519	–	10,519
Total term loans	51,321	66,615	51,321	62,495
Due within one year (current)	(51,321)	(45,792)	(51,321)	(41,672)
1 to 5 years	–	5,178	–	5,178
Over 5 years	–	15,645	–	15,645
Due after one year or more (non-current)	–	20,823	–	20,823

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

Loan 1 is secured by pledge of leasehold building with carrying amount of \$9,650,000 (Note 6) and investment properties with carrying amount of \$21,850,000 (Note 12) of the Group and of the Company and bears a fixed interest rate at 4.98% (2009: 4.28%) per annum. This loan is repayable at monthly installment payment ranging from approximately \$175,000 to \$186,000 over period of 15 years commencing on October 2008.

Loan 2 is secured over a 100% principal-protected structured deposit (Note 16) and bears an interest rate ranging from 0.84% to 1.12% (2009: 1.07% to 1.71%) and was renewable quarterly.

Loan 3 is a short-term unsecured loan note. The loan note bears an effective interest of 107%.

Loan 4 is secured over a 100% principal-protected structured deposit (Note 16) and bears an interest ranging from 4.67% to 5.00% (2009: 4.67%) for a period of one year commencing on 2 November 2009. The term loan has been fully repaid during the financial year.

Loan 5 is secured by third party's leasehold buildings and corporate guaranteed by a third party and bears a fixed interest rate at 5.31% (2009: 5.31%) per annum for a period of one year commencing on 20 November 2009. The term loan has been fully repaid during the financial year.

Loan 6 is short-term revolving loan and is secured over certain inventories (Note 14) of the Group and corporate guaranteed by the immediate holding company. This loan bears an effective interest ranging from 5.06% to 5.18% (2009: 4.68% to 5.93%) per annum. The term loan has been fully repaid during the financial year.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 21. LEASE OBLIGATIONS

	Group and Company			
	2010		2009	
	Minimum payment \$'000	Present value of payment \$'000	Minimum payment \$'000	Present value of payment \$'000
Within one year	–	–	9	9
After one year but no more than five years	–	–	–	–
Total future minimum lease payments	–	–	9	9
Less: amounts representing finance charges	–	–	–	–
Present value of net minimum lease payments	–	–	9	9

In 2010, the lease obligations has been fully settled.

## 22. CONVERTIBLE NOTES

The carrying amount of the liability component of the convertible notes at the end of the reporting period is analysed as follows:

	Group and Company	
	2010 \$'000	2009 \$'000
Balance at beginning of year	5,967	8,722
Accreted interest (Note 29)	223	500
Conversion to ordinary shares	(490)	(3,255)
Repayment of convertible notes	(5,700)	–
Balance at end of year	–	5,967
Due within one year (current)	–	(5,967)
Due after one year or more (non-current)	–	–

Interest expense on the convertible notes were calculated on the effective interest basis by applying the interest rate of 6% per annum (2009: 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.

The convertible notes which are not previously redeemed or purchased, converted or cancelled by the Company were redeemed by the Company at 100% of their principal amount on the maturity date on 19 July 2010. The conversion price is fixed at \$0.065 per share.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 23. DEFERRED TAX LIABILITIES

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Deferred tax liabilities arise as a result of:				
Deferred tax assets:				
– Fair value changes on investment properties	–	(158)	–	(158)
Deferred tax liabilities:				
– Fair value changes on investment properties	294	–	294	–
– Equity component of convertible notes	–	205	–	205
– Property, plant and equipment	5	6	–	–
Total	299	211	294	205
Net deferred tax liabilities	299	53	294	47

Movement in provision for deferred tax:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of year	53	78	47	78
Recognised in equity	(205)	(93)	(205)	(93)
Charge during the year (Note 30)	452	67	452	62
Translation differences	(1)	1	–	–
Balance at end of year	299	53	294	47

Movement in provision for deferred tax in respect of excess of tax base over carrying amount on fair value changes on investment properties:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of year	(158)	(220)	(158)	(220)
Effect of changes in Singapore tax rate	–	13	–	13
Charge during the year (Note 30)	452	49	452	49
Balance at end of year	294	(158)	294	(158)

## Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

### 23. DEFERRED TAX LIABILITIES (CONTINUED)

Movement in provision for deferred tax in respect of excess of carrying amount over tax base on equity component of convertible notes:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of year	205	298	205	298
Effect of changes in Singapore tax rate	–	(17)	–	(17)
Recognised in equity	(205)	(76)	(205)	(76)
Balance at end of year	–	205	–	205

Movement in provision for deferred tax in respect of excess of carrying amount over tax base on property, plant and equipment:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of year	6	–	–	–
Charge during the year (Note 30)	–	5	–	–
Translation differences	(1)	1	–	–
Balance at end of year	5	6	–	–

### 24. REVENUE

	Group	
	2010 \$'000	2009 \$'000
Sale of goods		
– Coke and coal	106,454	120,520
– Iron Ore	23,792	7,312
– Others	–	24,087
Total	130,246	151,919

## Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

### 25. OTHER OPERATING INCOME

	Group	
	2010 \$'000	2009 \$'000
Accruals written back	45	–
Allowance of trade doubtful debts written back (Note 13)	3,279	6,857
Doubtful debts recovered (Note 15)	62	–
Fair value gain on financial assets at fair value through profit or loss (Note 16)	1,669	1,013
Fair value gain on forward foreign exchange contract (Note 10)	1,704	–
Fair value gain on investment properties (Note 12)	1,439	289
Interest income	1	64
Negative goodwill arising from consolidation (Note 7)	–	13,464
Rental income	654	548
Others	521	294
<b>Total</b>	<b>9,374</b>	<b>22,529</b>

### 26. ADMINISTRATIVE EXPENSES

	Group	
	2010 \$'000	2009 \$'000
Amortisation of intangible asset (Note 11)	–	107
Depreciation of property, plant and equipment (Note 6)	511	345
Entertainment expenses	175	41
Operating lease expenses		–
– office premises	150	123
– office equipment	1	1
Personnel expenses (Note 28)	3,013	2,304
Professional fees	3,016	786
Transportation and travelling expenses	267	155
Others	496	170
<b>Total</b>	<b>7,629</b>	<b>4,032</b>

## Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

### 27. OTHER OPERATING EXPENSES

	Group	
	2010 \$'000	2009 \$'000
Allowance for trade doubtful debts (Note 13)	–	43
Allowance for other receivables (Note 15)	28	–
Equity Line Financing commission	2,337	–
Foreign exchange loss, net	4,978	4,094
Impairment loss on assets acquired	–	1,772
Impairment loss on associated company (Note 8)	8,138	–
Impairment loss on property, plant and equipment (Note 6)	1,062	–
Loss on disposal of financial assets at fair value through profit or loss (Note 16)	2,578	–
Provision for claim under the HKI scheme of arrangement	–	3,000
Share options expenses (Note 4 & 28)	257	–
Others	708	(7)
<b>Net</b>	<b>20,086</b>	<b>8,902</b>

Impairment loss on assets acquired being the excess of purchase consideration over the fair value of assets acquired from a major customer of the Company in 2009.

### 28. PERSONNEL EXPENSES

	Group	
	2010 \$'000	2009 \$'000
Central Provident Fund contributions	91	85
Total wages, salaries and bonuses, including directors' remuneration	2,562	2,132
Share options expenses	257	–
Other personnel expenses	103	87
<b>Total</b>	<b>3,013</b>	<b>2,304</b>

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 28. PERSONNEL EXPENSES (CONTINUED)

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 managements' remuneration are as follows:

	Group	
	2010 \$'000	2009 \$'000
Central Provident Fund contributions	22	16
Directors' fee	100	120
Directors' remuneration of the Company	811	729
Total wages, salaries and bonuses	339	355
Share options expenses	257	–
Other personnel expenses	34	51
<b>Total</b>	<b>1,563</b>	<b>1,271</b>

## 29. FINANCE COSTS

	Group	
	2010 \$'000	2009 \$'000
Bank charges	324	430
Interest expense:		
– bills discounting	116	81
– finance lease	–	1
– bank loans	1,787	5,153
– letter of credit	62	31
– convertible notes (Note 22)	223	500
<b>Total</b>	<b>2,512</b>	<b>6,196</b>

## Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

### 30. INCOME TAX

	Group	
	2010 \$'000	2009 \$'000
Income tax expense/(credit) attributable to profit is made up of:		
– Profit from current year:		
Current income tax		
– Singapore	263	297
Deferred tax		
– Singapore	452	49
– Foreign	–	5
– Effect of change in tax rate	–	13
– Overprovision in prior year:		
Income tax	(112)	(544)
Tax expense/(credit)	603	(180)

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

	Group	
	2010 \$'000	2009 \$'000
(Loss)/Profit before tax	(14,653)	10,019
Tax at the applicable rate of 17%	(2,491)	1,703
Effect of change in tax rate	–	13
Effects of different tax rates in other countries	–	(33)
Expenses not deductible for tax purposes	3,386	1,695
Effect of tax exemption	(46)	(26)
Income not subject to tax	(246)	(3,480)
Others	–	(52)
Tax expense/(credit)	603	(180)

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010

(Amounts in Singapore dollars)

## 31. (LOSS)/EARNINGS PER SHARE

The calculations of (loss)/earnings per share are based on the (losses)/profits and numbers of shares shown below.

(Loss)/Earnings per share is calculated by dividing the Group's net loss (2009: profit) attributable to shareholders of the Company for the year ended 31 December 2010 of \$13,500,000 (2009: \$10,323,000) by the weighted average number of 211,203,944 (2009: 204,502,477) ordinary shares after share consolidation issued during the financial year.

Diluted loss per share for the financial year ended 31 December 2010 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 355,068 (2009: 95,384,615) arising from share options (2009: convertible notes) and the net loss (2009: profit) is adjusted to eliminate the interest expense less the tax effect.

## 32. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 2 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Acquisition of subsidiary from related party	78,633	–	78,633	–
Advances from immediate holding company	9,012	–	–	–
Advances from intermediate holding company	–	2,253	–	456
Advances from subsidiaries	–	–	2,391	4,385
Advances to subsidiaries	–	–	7,284	14,781
Payment on behalf by intermediate holding company	2,282	–	–	–
Payment on behalf of immediate holding company	39	156	39	156
Payment on behalf of intermediate holding company	81	–	81	–
Sale of goods to a company of which a director of that company is a close family member of the director of the Company	27,124	117,755	–	10,344
Settlement of liabilities on behalf by subsidiaries	–	–	2,177	3,242
Settlement of liabilities on behalf of subsidiaries	–	–	4,868	15,588
Settlement of trade liabilities by immediate holding company	5,701	15,470	–	4
Settlement of trade receivables by immediate holding company for:				
– Outside party	–	3,885	–	–
– Related party	–	19,948	–	–

## Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

### 32. RELATED PARTY INFORMATION (CONTINUED)

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Settlement of trade receivables by related entity for:				
– Outside party	4,159	17,550	–	–
– Related party	–	43,150	–	–
Trade receipts by subsidiaries on behalf of the Company	–	–	–	4,006
Trade receipts by the Company on behalf of subsidiaries	–	–	2,145	60,261
Trade receipts by immediate holding company on behalf of subsidiaries	–	16,968	–	–
Trade receipts by intermediate holding company on behalf of subsidiaries	–	1,240	–	–
Rental expenses of a residential premise paid to a related company	–	50	–	50

### 33. COMMITMENTS

#### (a) Capital commitments

		Group and Company	
		2010 \$'000	2009 \$'000
(i)	<i>Acquisition of 49% effective equity interest in Fenxi via Sunny Energy Group</i>		
	Consideration	–	19,834
	Less: consideration settled by the major customer (Note 13)	–	(19,963)
	Translation difference	–	129
	Net	–	–
(ii)	<i>Acquisition of 54.42% (2009: 22.8%) equity interest in Xinrui via Max Harvest Group</i>		
	Consideration	–	78,633
	Less: deposit paid	–	(31,300)
	Set off with major customer (Note 13)	–	(47,333)
	Net	–	–

As discussed in Note 36 (iii), on 16 March 2011, through a wholly-owned subsidiary, the Company has entered into a conditional sale and purchase agreement with Manfu for the proposed acquisition of an additional 54.42% of the equity interest of Xinrui.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 33. COMMITMENTS (CONTINUED)

		Group and Company	
		2010	2009
		\$'000	\$'000
(iii)	<i>Acquisition of 30.6% equity interest in Fuyuan</i>		
	Consideration	49,400	49,400
	Less: deposit paid	(24,700)	(24,700)
	Translation difference	(1,808)	(517)
	Net	22,892	24,183

As discussed in Note 36 (i), the proposed acquisition of Fuyuan Coal Company Limited was cancelled on 3 January 2011.

### (b) Non-cancellable operating lease commitments – where the Group is a lessee

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

	Group		Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Future minimum lease payments:				
Not later than 1 year	143	32	–	9
1 to 5 years	67	23	–	–
Total	210	55	–	9

### (c) Non-cancellable operating lease commitments – where the Group is a lessor

The Group and Company lease out office space to non-related parties under non-cancellable operating leases. The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables, are as follows:

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 33. COMMITMENTS (CONTINUED)

### (c) Non-cancellable operating lease commitments – where the Group is a lessor (Continued)

	Group and Company	
	2010 \$'000	2009 \$'000
Future minimum lease payments:		
Not later than 1 year	641	688
1 to 5 years	26	708
<b>Total</b>	<b>667</b>	<b>1,396</b>

## 34. FINANCIAL GUARANTEE

The Company has given corporate guarantees of up to \$61,728,000 (2009: \$506,000) to certain banks and financial institutions for credit facilities granted to the subsidiaries. There is no drawn down of facilities by the subsidiaries at the end of the reporting period. The fair values of the corporate guarantee have been eliminated on consolidation.

There is no drawn down of facilities by the subsidiaries at the end of the reporting period. Consequently, the fair value of the corporate guarantees at the end of the reporting period is minimal.

## 35. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Committee (“Exco”) that are used to make strategic decisions. The Exco comprises the Chief Executive Officer, the Financial Controller, and the department heads of each business within each geographic segment.

The Exco considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the three primary geographic areas: Singapore, China and Macau.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Exco. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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

- (i) Iron ore trading
- (ii) Coke and coal trading

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 35. SEGMENT INFORMATION (CONTINUED)

	Trading – Iron Ore \$'000	Trading – Coal \$'000	Trading – Others \$'000	Total \$'000
<b>For the 12 months ended 31 December 2010</b>				
<b>Revenue</b>	23,792	106,454	–	130,246
<b>Segment results</b>	1,411	11,522	–	12,933
Other operating income				4,391
Unallocated costs				(26,012)
Finance costs				(2,512)
Share of result of associates				(3,453)
Loss before tax				(14,653)
Income tax				(603)
Non-controlling interests				1,756
<b>Loss attributable to equity holders of the Company</b>				<b>(13,500)</b>
<b>Non-cash items</b>				
Allowance for doubtful debts				28
Allowance of trade doubtful debts written back	(23)	(3,256)	–	(3,279)
Depreciation of property, plant and equipment				511
Fair value gain on financial assets at fair value through profit or loss				(1,669)
Fair value gain on forward foreign exchange contract				(1,704)
Fair value gain on investment properties				(1,439)
Impairment loss on associated company				8,138
Impairment loss on plant, property and equipment				1,062
Loss on disposal of financial assets at fair value through profit or loss				2,578
Provision for unutilised leave				44
Share options expenses				257
Share of results of associates				3,453
<b>At 31 December 2010</b>				
<b>Segment assets</b>	–	22,985	–	22,985
Associated companies				149,355
Unallocated assets				147,387
<b>Consolidated total assets</b>				<b>319,727</b>
<b>Segment liabilities</b>	363	558	45	966
Unallocated liabilities				68,770
<b>Consolidated total liabilities</b>				<b>69,736</b>

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 35. SEGMENT INFORMATION (CONTINUED)

	Trading – Iron Ore \$'000	Trading – Coal \$'000	Trading – Others * \$'000	Total \$'000
<b>For the 12 months ended 31 December 2009</b>				
<b>Revenue</b>	7,312	120,520	24,087	151,919
<b>Segment results</b>	8,807	4,910	(91)	13,626
Other operating income				15,672
Unallocated costs				(12,934)
Finance costs				(6,196)
Share of result of associates				(149)
Profit before tax				10,019
Income tax				180
Non-controlling interests				124
<b>Profit attributable to equity holders of the Company</b>				<b>10,323</b>
<b>Non-cash items</b>				
Amortisation of intangible asset				107
Depreciation of property, plant and equipment				345
Impairment of assets acquired				1,772
Allowance for doubtful debts	43	–	–	43
Allowance of trade doubtful debts written back	(6,343)	(460)	(54)	(6,857)
Fair value gain on financial assets at fair value through profit or loss				(1,013)
Fair value gain on investment properties				(289)
Negative goodwill arising from consolidation				(13,464)
Provision for claim under HKI scheme of arrangement				3,000
Share of results of associates				149
Provision for unutilised leave				(25)
<b>At 31 December 2009</b>				
<b>Segment assets</b>	21,271	54,728	17,421	93,420
Associated companies				87,343
Unallocated assets				152,498
<b>Consolidated total assets</b>				<b>333,261</b>
<b>Segment liabilities</b>	345	–	291	636
Unallocated liabilities				89,853
<b>Consolidated total liabilities</b>				<b>90,489</b>

\* Other included natural resources such as Nickel Cathodes.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 35. SEGMENT INFORMATION (CONTINUED)

The Group's two business segments operate in four main geographic areas. Revenue and non-current assets are based on the location of the business operations.

### Singapore

The Company is headquartered and has operations in Singapore. The operations in this area are principally the iron ore and coal trading and the investment holding.

### China

The operations in this area are principally the coal mining and provision of logistics services.

### Macau

The operations in this area are principally the iron ore and coal trading.

### Indonesia

The operations in this area are principally iron ore and coal mining and trading.

	Group's revenue	
	2010 \$'000	2009 \$'000
Singapore	93,265	38,540
Macau	36,981	113,379
<b>Total</b>	<b>130,246</b>	<b>151,919</b>

	Group's non-current assets	
	2010 \$'000	2009 \$'000
Singapore	68,739	40,406
Macau	—	17,503
China	126,427	99,688
Indonesia	3,519	3,811
<b>Total</b>	<b>198,685</b>	<b>161,408</b>

Non-current assets information presented above consists of property, plants and equipment, investment in associated companies, available-for-sale financial assets, derivative financial asset, intangible asset, investment properties and trade receivables.

Revenue of approximately \$83,728,000 (2009: \$151,919,000) are derived from 2 major customers.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 36. SUBSEQUENT EVENTS TO THE END OF THE REPORTING PERIOD

### (i) Cancellation of proposed acquisition of Fuyuan Coal Company Limited

On 3 January 2011, the Company announced the cancellation of the proposed acquisition of Fuyuan Coal Company Limited. As discussed in Note 15, the deposits previously paid for the acquisition of Fuyuan Coal Company Limited was partially refunded by the Vendor and the remaining amount was utilised as deposit for acquisition of Xinrui as discussed in Note 36(iii).

### (ii) Proposed incorporation of an Australian subsidiary and the proposed acquisition of a mining lease and property in relation to an iron ore mine in Australia

On 23 February 2011, the Company entered into a conditional sale and purchase agreement with Sommerset Mining Pty Limited ("Sommerset") for the proposed acquisition of Sommerset's entire right, title and interest in the title to Mining Lease 1616 ("Mine") granted under the Mining Act 1992 of New South Wales, Australia; and a conditional sale and purchase agreement with Mining Tenement Management Pty Limited ("Tenement") for Tenement's entire right title and interest in the property situated at Tallarook Road, Cowra, New South Wales Australia which the land upon which the Mine is situated.

Subsequent to the above, the Company has incorporated a wholly-owned subsidiary in Australia to hold the right, title and interest in the Mine.

The total consideration amounts to AUD5,000,000 was funded by internal cash flow and the acquisition was completed on 9 May 2011.

### (iii) Proposed acquisition of 54.42% of the equity interest in Xinrui

The Company has on 16 March 2011, through a wholly-owned subsidiary, entered into a conditional sale and purchase agreement with Manfu for the proposed acquisition of an additional 54.42% of the equity interest of Xinrui.

The total consideration for the additional 54.42% equity interest will amount to RMB870,720,000 (approximately \$167,814,000). 50% of the consideration was funded by internal cash flow and the other receivables from Manfu, as discussed in Note 15, while the remaining 50% would be either funded by internal cash flow or by issuance of convertible notes to Manfu, at the Company's option.

### (iv) Utilisation of Equity Line Facility

Subsequent to the end of the reporting period and up to 12 May 2011, the Company has issued 18,491,561 placement shares pursuant to the Equity Line Facility agreement, amounting to \$24,500,000.

### (v) Employee share option scheme

On 25 March 2011, the Company has granted 1,831,000 option to employees of the Company to subscribe for the Company's shares under the employee share option scheme.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010

(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT

### Financial risk management objectives and policies

The Group's activities expose itself to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk (which comprises foreign exchange risk and interest rate risk), liquidity risk and credit risk. The Group's overall business strategies, tolerance of risk and general risk management philosophy are determined by Board of Directors in accordance with prevailing economic and operating conditions.

#### (a) *Market risk*

##### (i) *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 associate 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 dollar will have an impact on the Group.

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

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### (a) Market risk (Continued)

##### (i) Foreign exchange risk (Continued)

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

<u>Group</u>	<u>Singapore dollar \$'000</u>	<u>United States dollar \$'000</u>	<u>Chinese Renminbi \$'000</u>	<u>Others* \$'000</u>	<u>Total \$'000</u>
<b>As at 31 December 2010</b>					
<b>Financial assets</b>					
Cash and bank balances	6,933	1,905	–	41	8,879
Trade receivables	20	22,985	–	–	23,005
Other receivables	417	3,457	30,973	275	35,122
Available-for-sale financial assets	12,345	–	–	–	12,345
Financial assets at fair value through profit or loss	–	35,272	–	–	35,272
Derivative financial asset	–	1,704	–	–	1,704
<b>Total</b>	<b>19,715</b>	<b>65,323</b>	<b>30,973</b>	<b>316</b>	<b>116,327</b>
<b>Financial liabilities</b>					
Trade payables	–	966	–	–	966
Other payables and accruals	1,894	1,069	7,490	284	10,737
Provision	3,000	–	–	–	3,000
Term loans	51,321	–	–	–	51,321
<b>Total</b>	<b>56,215</b>	<b>2,035</b>	<b>7,490</b>	<b>284</b>	<b>66,024</b>
<b>Net financial (liabilities)/assets</b>	<b>(36,500)</b>	<b>63,288</b>	<b>23,483</b>	<b>32</b>	<b>50,503</b>
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	36,500	(43,031)	7,294	(83)	
<b>Net foreign currency exposure</b>	<b>–</b>	<b>20,257</b>	<b>30,777</b>	<b>(51)</b>	

\* Others mainly include Macau Pataca, Hong Kong dollar, Indian Rupee and Indonesian Rupiah.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### (a) Market risk (Continued)

##### (i) Foreign exchange risk (Continued)

<u>Group</u>	Singapore dollar \$'000	United States dollar \$'000	Chinese Renminbi \$'000	Others* \$'000	Total \$'000
<b>As at 31 December 2009</b>					
<b>Financial assets</b>					
Cash and bank balances	1,536	2,087	111	23	3,757
Trade receivables	48	64,626	–	–	64,674
Other receivables	94	–	64,527	–	64,621
Available-for-sale financial assets	12,345	–	–	–	12,345
Financial assets at fair value through profit or loss	36,181	–	–	–	36,181
<b>Total</b>	<b>50,204</b>	<b>66,713</b>	<b>64,638</b>	<b>23</b>	<b>181,578</b>
<b>Financial liabilities</b>					
Trade payables	–	636	–	–	636
Other payables and accruals	1,228	8,266	4,340	67	13,901
Provision	3,000	–	–	–	3,000
Term loans	45,027	17,468	4,120	–	66,615
Lease obligations	9	–	–	–	9
Convertible notes	5,967	–	–	–	5,967
<b>Total</b>	<b>55,231</b>	<b>26,370</b>	<b>8,460</b>	<b>67</b>	<b>90,128</b>
<b>Net financial (liabilities)/assets</b>	<b>(5,027)</b>	<b>40,343</b>	<b>56,178</b>	<b>(44)</b>	<b>91,450</b>
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	5,221	(41,721)	8,328	52	
<b>Net foreign currency exposure</b>	<b>194</b>	<b>(1,378)</b>	<b>64,506</b>	<b>8</b>	

\* Others mainly include Macau Pataca, Hong Kong dollar, Indian Rupee and Indonesian Rupiah.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

(a) **Market risk (Continued)**

(i) *Foreign exchange risk (Continued)*

<u>Company</u>	<u>Singapore dollar \$'000</u>	<u>United States dollar \$'000</u>	<u>Chinese Renminbi \$'000</u>	<u>Others* \$'000</u>	<u>Total \$'000</u>
<b>As at 31 December 2010</b>					
<b>Financial assets</b>					
Cash and bank balances	2,706	354	–	–	3,060
Other receivables	26,876	6,230	30,780	–	63,886
Available-for-sale financial assets	12,345	–	–	–	12,345
Financial assets at fair value through profit or loss	–	35,272	–	–	35,272
Derivative financial assets	–	1,704	–	–	1,704
<b>Total</b>	<b>41,927</b>	<b>43,560</b>	<b>30,780</b>	<b>–</b>	<b>116,267</b>
<b>Financial liabilities</b>					
Other payables and accruals	1,795	814	–	–	2,609
Provision	3,000	–	–	–	3,000
Term loans	51,321	–	–	–	51,321
<b>Total</b>	<b>56,116</b>	<b>814</b>	<b>–</b>	<b>–</b>	<b>56,930</b>
<b>Net financial (liabilities)/assets</b>	<b>(14,189)</b>	<b>42,746</b>	<b>30,780</b>	<b>–</b>	<b>59,337</b>
Less: Net financial liabilities denominated in the respective entities' functional currencies	14,189	–	–	–	–
<b>Net foreign currency exposure</b>	<b>–</b>	<b>42,746</b>	<b>30,780</b>	<b>–</b>	<b>–</b>

\* Others mainly include Macau Pataca, Hong Kong dollar, Indian Rupee and Indonesian Rupiah.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### (a) Market risk (Continued)

##### (i) Foreign exchange risk (Continued)

<u>Company</u>	Singapore dollar \$'000	United States dollar \$'000	Chinese Renminbi \$'000	Others*	Total \$'000
<b>As at 31 December 2009</b>					
<b>Financial assets</b>					
Cash and bank balances	1,315	954	–	–	2,269
Trade receivables	28	15,356	–	–	15,384
Other receivables	92	70,101	64,505	–	134,698
Available-for-sale financial assets	12,345	–	–	–	12,345
Financial assets at fair value through profit or loss	36,181	–	–	–	36,181
<b>Total</b>	<b>49,961</b>	<b>86,411</b>	<b>64,505</b>	<b>–</b>	<b>200,877</b>
<b>Financial liabilities</b>					
Trade payables	–	326	–	–	326
Other payables and accruals	1,167	152	–	–	1,319
Provision	3,000	–	–	–	3,000
Term loans	45,027	17,468	–	–	62,495
Lease obligations	9	–	–	–	9
Convertible notes	5,967	–	–	–	5,967
<b>Total</b>	<b>55,170</b>	<b>17,946</b>	<b>–</b>	<b>–</b>	<b>73,116</b>
<b>Net financial (liabilities)/assets</b>	<b>(5,209)</b>	<b>68,465</b>	<b>64,505</b>	<b>–</b>	<b>127,761</b>
Less: Net financial liabilities denominated in the respective entities' functional currencies	5,209	–	–	–	–
<b>Net foreign currency exposure</b>	<b>–</b>	<b>68,465</b>	<b>64,505</b>	<b>–</b>	<b>–</b>

\* Others mainly include Macau Pataca, Hong Kong dollar, Indian Rupee and Indonesian Rupiah.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### (a) Market risk (Continued)

##### (i) Foreign exchange risk (Continued)

##### Foreign exchange risk sensitivity

The following table details the sensitivity to a 2% increase and decrease in the Singapore dollar against the relevant foreign currencies. 2% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the Singapore dollar strengthens/weakens by 2% against the relevant foreign currencies, statement of comprehensive income and other equity will increase/(decrease) by:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
	Increase/(Decrease) in Net loss	Net profit	Increase/(Decrease) in Net loss	Net loss
USD against SGD				
– strengthened	(336)	(23)	(709)	(1,136)
– weakened	336	23	709	1,136
RMB against SGD				
– strengthened	512	1,071	(511)	1,071
– weakened	(512)	(1,071)	511	(1,071)
Others against SGD				
– strengthened	^	^	^	^
– weakened	^	^	^	^

^ amount less than \$1,000.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

(a) **Market risk (Continued)**

(ii) *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 statement of financial position.

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.

Interest rate risk sensitivity

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

	Rate	Group		Company	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Assets</b>					
Cash and bank balances	Floating	8,879	3,757	3,060	2,269
<b>Liabilities</b>					
Term loans	Floating	28,000	40,469	28,000	40,469
Term loans	Fixed	23,321	26,146	23,321	22,026
Lease obligations	Fixed	–	9	–	9

The Group and Company'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% (2009: 0.50%) with all other variables including tax rate being held constant, the Group and Company's profit/(loss) after income tax will be lower or higher by \$79,000 and \$104,000 respectively (2009: \$152,000 and \$159,000 respectively) as a result of higher or lower interest expense on these borrowings.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### (b) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay.

<u>Group</u>	<u>Less than 1 year \$'000</u>	<u>1 to 5 years \$'000</u>	<u>Over 5 years \$'000</u>	<u>Total \$'000</u>
<b>At 31 December 2010</b>				
<b>Financial liabilities</b>				
Trade payables	966	–	–	966
Other payables and accruals	14,007	–	–	14,007
Provision	3,000	–	–	3,000
Term loans	51,321	–	–	51,321
<b>Total</b>	<b>69,294</b>	<b>–</b>	<b>–</b>	<b>69,294</b>
<b>At 31 December 2009</b>				
<b>Financial liabilities</b>				
Trade payables	636	–	–	636
Other payables and accruals	13,901	–	–	13,901
Provision	3,000	–	–	3,000
Term loans	48,168	9,022	19,333	76,523
Lease obligations	9	–	–	9
Convertible notes	6,200	–	–	6,200
<b>Total</b>	<b>71,914</b>	<b>9,022</b>	<b>19,333</b>	<b>100,269</b>

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### (b) Liquidity risk (Continued)

<u>Company</u>	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>At 31 December 2010</b>				
<b>Financial liabilities</b>				
Other payables and accruals	2,609	–	–	2,609
Provision	3,000	–	–	3,000
Term loans	51,321	–	–	51,321
<b>Total</b>	<b>56,930</b>	<b>–</b>	<b>–</b>	<b>56,930</b>
<b>At 31 December 2009</b>				
<b>Financial liabilities</b>				
Trade payables	326	–	–	326
Other payables and accruals	1,319	–	–	1,319
Provision	3,000	–	–	3,000
Term loans	43,829	9,022	19,333	72,184
Lease obligations	9	–	–	9
Convertible notes	6,200	–	–	6,200
<b>Total</b>	<b>54,683</b>	<b>9,022</b>	<b>19,333</b>	<b>83,038</b>

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### (c) Credit risk

Credit risk refers to the risk that a counter party 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 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 statement of financial position.

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

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<u>By geographical areas:</u>				
Hong Kong	–	48,846	–	12,552
China	22,965	15,780	–	2,804
Other countries	40	48	–	28
<b>Total</b>	<b>23,005</b>	<b>64,674</b>	<b>–</b>	<b>15,384</b>

The carrying amounts of cash and bank balances, trade and other receivables, including amount due from related parties, represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Cash and bank balances are placed with reputable local financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the statement of financial position are net of allowances for impairment of trade receivables, estimated by management based on prior experience and the current economic environment.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### (c) Credit risk (Continued)

The age analysis of trade receivables is as follows:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Not past due and not impaired	22,965	9,458	–	–
Past due but not impaired:				
Past due 0 to 3 months	–	6,270	–	–
Past due 3 to 6 months	–	10,184	–	6,695
Past due over 6 months	40	38,762	–	8,689
Total	40	55,216	–	15,384
Impaired trade receivables	–	8,133	–	908
Gross trade receivables	23,005	72,807	–	16,292
Less: allowance for doubtful trade receivables	–	(8,133)	–	(908)
Net	23,005	64,674	–	15,384

At the end of the reporting period, 100% (2009: 99.62%) of the Group's trade receivables were due from a major customer (2009: 2 major customers) who is a related party located in China.

At 31 December 2009, 99.41% of the Company's trade receivables were due from 2 major customers who are related parties located in China.

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are disclosed in Note 13 to the financial statements.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### (d) Fair values of financial instruments

##### (i) Fair value of financial instruments that are carried at fair value

##### Fair value hierarchy

Effective 1 January 2009, the Group adopted the amendment to FRS 107 which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy as at 31 December 2010 and 2009:

	<b>Group and Company</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 31 December 2010</b>				
<b>Financial assets</b>				
Derivative financial assets	–	1,704	–	1,704
Financial assets at fair value through profit or loss				
– money market structured deposit	–	35,272	–	35,272
<b>At 31 December 2009</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
– money market structured deposit	–	36,181	–	36,181

##### Determination of fair value

*Money market structured deposit:* The fair value of the money market structured deposit is determined with reference with the dealer quotes fair value reference.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### (d) Fair values of financial instruments (Continued)

- (ii) Fair value of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances, trade and other receivables and payables and amount due from subsidiaries are reasonable approximation of fair values due to the relatively short-term maturity of these financial instruments.

- (iii) Fair value of financial instruments by classes that are not carried at fair value

	Carrying amount		Fair value	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Group</b>				
<b>Non-current financial assets</b>				
Available-for-sale financial assets (Note 9)	12,345	12,345	*	*
Trade receivables (Note 13)	–	26,205	–	26,205
<b>Non-current financial liabilities</b>				
Term loans (Note 20)	–	20,823	–	22,837
<b>Company</b>				
<b>Non-current financial assets</b>				
Available-for-sale financial assets (Note 9)	12,345	12,345	*	*
Trade receivables (Note 13)	–	6,735	–	6,735
<b>Non-current financial liabilities</b>				
Term loans (Note 20)	–	20,823	–	22,837

\* Available-for-sale financial assets

The fair value information has not been disclosed because fair value cannot be measured reliably. These equity investments represent ordinary shares in a company that is not quoted on any market and do not have any comparable industry peer that is listed.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### (d) Fair values of financial instruments (Continued)

##### (iii) Fair value of financial instruments by classes that are not carried at fair value (Continued)

##### Non-current trade receivables

The fair value is computed based on cash flows discounted at market borrowing rate of Nil% (2009: 6%).

##### Non-current term loans, lease obligations and convertible notes

The fair values are determined from the cash flows analyses, discounted at market borrowing rates of an equivalent instrument at the end of the reporting period.

### Capital risk management policies and objectives

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 bank balances. Total capital is calculated as equity plus net debts.

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net debt	60,415	86,371	53,870	70,847
Total equity	249,991	242,772	202,561	201,183
Total capital	310,406	329,143	256,431	272,030
Gearing ratio	19%	26%	21%	26%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial year ended 31 December 2010 and 2009.

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 38. DIRECTORS' REMUNERATION

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

	2010			2009		
	Executive directors	Non-executive directors	Total	Executive directors	Non-executive directors	Total
Below \$250,000	5	3	8	3	3	6

## 39. SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES

### List of the entities in the Group

Name of entity	Principal activities	Country of incorporation and place of business	Percentage of effective interest held by the Group	
			2010	2009
			%	%
<b>Subsidiaries</b>				
<u>Held by the Company</u>				
Abterra Resources Pte. Ltd. <sup>(1)</sup>	General trading	Singapore	100	100
Abterra Macao Commercial Offshore Ltd <sup>(6)</sup>	General trading	Macau	100	100
Abterra Mineral Resources India Private Limited <sup>(7)</sup>	Stockpile and trading of iron ore, coal and coke	India	100	–
PT. Abterra Resources Indonesia <sup>(2)</sup>	General trading and mining contractor	Indonesia	95	95
Max Harvest Enterprise Limited <sup>(3)</sup>	Investment holding	Hong Kong	100	–
Sunny Energy Limited <sup>(3)</sup>	Investment holding	Hong Kong	61	61
Tian Yi Investment Pte. Ltd. <sup>(8)</sup>	General trading	Singapore	100	100
Tian Yi Power Co. Pte. Ltd. <sup>(8)</sup>	General trading	Singapore	100	100
World Spa Industries (M) Sdn. Bhd. <sup>(4)</sup>	Investment holding	Malaysia	60	60

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 39. SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

### List of the entities in the Group (Continued)

Name of entity	Principal activities	Country of incorporation and place of business	Percentage of effective interest held by the Group	
			2010 %	2009 %
<b>Subsidiaries (continued)</b>				
<u>Held through Abterra Resources Pte. Ltd.</u>				
PT. Abterra Resources Indonesia <sup>(2)</sup>	General trading and mining contractor	Indonesia	5	5
<u>Held through Max Harvest Enterprise Limited</u>				
Tianjin Kaitemei Trading Co., Ltd. <sup>(3)</sup> (天津凯特美贸易有限公司)	Investment holding	China	100	–
<u>Held through Sunny Energy Limited</u>				
Shenzhen Manxin Trading Co., Ltd. <sup>(3)</sup> (深圳市满鑫贸易有限公司)	Investment holding	China	61	61
Shenzhen Chuangrongxin Trading Co., Ltd. <sup>(3)</sup> (深圳市创融新贸易有限公司)	Investment holding	China	61	61

# Notes to the Financial Statements (CONT'D)

For the financial year ended 31 December 2010  
(Amounts in Singapore dollars)

## 39. SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

### List of the entities in the Group (Continued)

Name of entity	Principal activities	Country of incorporation and place of business	Percentage of effective interest held by the Group	
			2010 %	2009 %
<b>Associates</b>				
<u>Held by the Company</u>				
Tianjin Lant Development Co., Ltd. <sup>(5)</sup> (天津蓝塔发展有限公司)	Logistics business	China	45	45
<u>Held through Tianjin Kaitemei Trading Co., Ltd.</u>				
Zuoquan Xinrui Metallurgy Mine Co., Limited <sup>(3)</sup> (左权鑫瑞冶金矿山有限公司)	Iron ore mining	China	23	–
<u>Held through Shenzhen Chuangrongxin Trading Co., Ltd.</u>				
Shanxi Fenxi Ruitai Zhengzhong Coal Limited <sup>(3)</sup> (山西汾西瑞泰正中煤业有限责任公司)	Coal mining	China	49	49

(1) Audited by Crowe Horwath First Trust LLP, Singapore.

(2) Audited by Kosasih Nurdiyaman, Tjahjo & Rekan.

(3) Audited by Crowe Horwath (HK) CPA Limited.

(4) No audit is required for the current year as the company is in the process of liquidation.

(5) Audited by Tianjin Zhonglian CPA. Ltd., The People's Republic of China and reviewed by Crowe Horwath First Trust LLP, Singapore for group consolidation purposes.

(6) Audited by CCIF & Associados, an affiliate of Crowe Horwath (HK) CPA Limited.

(7) Incorporated during the financial year, the unaudited management accounts have been reviewed by Crowe Horwath First Trust LLP, Singapore for consolidation purposes, as they are immaterial to the Group's financial statements.

(8) Not required to be audited by law in its country of incorporation. The unaudited management accounts have been used for consolidation purposes as they are not material to the Group's financial statements.

# SGX-ST Listing Manual Requirements

31 December 2010

## 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 period, or if not then subsisting, entered into since the end of the previous financial year.

## 2. INTERESTED PERSON TRANSACTIONS

During the financial period ended 31 December 2010, no interested person transaction was entered into by the Group.

<u>Name of interested person</u>	<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>
Nil	Nil	Nil

# Statistics of Shareholdings

As at 29 July 2011

ISSUED AND FULLY PAID-UP CAPITAL	:	S\$250,354,536
NUMBER OF SHARES ISSUED	:	245,246,947
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	1,593	42.29	496,736	0.20
1,000 – 10,000	1,869	49.61	6,646,002	2.71
10,001 – 1,000,000	296	7.86	11,902,426	4.85
1,000,000 & Above	9	0.24	226,201,783	92.24
Total	3,767	100.00	245,246,947	100.00

## TWENTY LARGEST SHAREHOLDERS

No.	Name of shareholders	No. of shares	%
1	Phillip Securities Pte Ltd	69,395,560	28.30
2	DMG & Partners Securities Pte Ltd	52,792,000	21.53
3	DBS Vickers Securities (S) Pte Ltd	50,312,170	20.52
4	Bank of Singapore Nominees Pte Ltd	34,920,330	14.24
5	Kim Eng Securities Pte. Ltd.	10,702,560	4.36
6	Hua Kok Realty (Private) Limited (R & M Appointed)	2,725,844	1.11
7	Merrill Lynch (Singapore) Pte Ltd	2,605,869	1.06
8	Citibank Nominees Singapore Pte Ltd	1,413,430	0.58
9	UOB Kay Hian Pte Ltd	1,334,020	0.54
10	Raffles Nominees (Pte) Ltd	868,800	0.36
11	American Home Assurance Company	838,716	0.34
12	DBS Nominees Pte Ltd	596,020	0.24
13	HSBC (Singapore) Nominees Pte Ltd	501,550	0.21
14	United Overseas Bank Nominees Pte Ltd	422,021	0.17
15	OCBC Securities Private Ltd	352,802	0.14
16	ABN Amro Nominees Singapore Pte Ltd	317,840	0.13
17	Toh Giap Eng	180,000	0.07
18	OCBC Nominees Singapore Pte Ltd	152,640	0.06
19	Seck Kew Mary	146,000	0.06
20	Tang Zhi Tian Kelvin	144,000	0.06
	Total:	230,722,172	94.08

Based on the information available to the Company, approximately 67.15% 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 to be held by the public.

# Statistics of Shareholdings (CONT'D)

As at 29 July 2011

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Note	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
General Nice Resources (Hong Kong) Limited		80,566,976	32.85		
General Nice Development Limited	[1]			80,566,976	32.85
General Nice Investment (China) Limited	[2]			80,566,976	32.85
General Nice Group Holdings Limited	[3]			80,566,976	32.85
Cai Sui Xin	[4]			80,566,976	32.85
Tsoi Ming Chi	[5]			80,566,976	32.85

[1] General Nice Development Limited (“GNDL”) has a deemed interest in shares in the Company held by General Nice Resources (Hong Kong) Limited (“GNR”) by virtue of Section 7 of the Companies Act, Cap. 50 (the “Act”) as GNDL is the beneficial owner of more than 20% interest in GNR.

[2] General Nice Investment (China) Limited (“GNI”) has a deemed interest in shares in the Company held by GNR by virtue of Section 7 of the Companies Act, as GNI is the beneficial owner of more than 20% interest in GNR.

[3] General Nice Group Holdings Limited (“GNG”, formerly known as Vantage Region International Limited) has a deemed interest in shares in the Company held by GNR by virtue of Section 7 of the Companies Act, as (i) GNG is the legal and beneficial owner of more than 20% interest in GNDL, and GNI respectively, and (ii) each of GNDL and GNI is the beneficial owner of more than 20% interest in GNR.

[4] Cai Sui Xin (“Cai”) has a deemed interest in shares in the Company held by GNR by virtue of Section 7 of the Companies Act, as (i) Cai is the legal and beneficial owner of the entire issued share capital of GNG; (ii) GNG is the legal and beneficial owner of more than 20% interest in GNDL and GNI respectively, and (iii) each of GNDL and GNI is the beneficial owner of more than 20% interest in GNR.

[5] Tsoi Ming Chi (“Tsoi”) has a deemed interest in shares in the Company held by GNR by virtue of Section 7 of the Companies Act, as (i) Tsoi is the legal and beneficial owner of more than 20% interest in GNDL and GNI respectively, and (ii) each of GNDL and GNI is the beneficial owner of more than 20% interest in the GNR.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the Company will be held at 7 Temasek Boulevard, #11-05 Suntec Tower 1, Singapore 038987, on Tuesday, 6 September 2011 at 10.00 a.m., for the purpose of transacting the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2010 and the Directors' Reports and the Auditors' Report thereon. **Resolution 1**
2. To approve Directors' fees of S\$99,650 for financial year ended 31 December 2010. (2009: S\$127,781) **Resolution 2**
3. 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;
  - (ii) Mr Lau Yu; and
  - (iii) Mr Chew Ban Chuan Victor Mark. *(See Explanatory Note)***Resolution 3(i)**  
**Resolution 3(ii)**  
**Resolution 3(iii)**
4. To re-elect Mr Chan Chun Tat Ray, a Director retiring pursuant to Article 97 of the Company's Articles of Association. *(See Explanatory Note)* **Resolution 4**
5. To re-appoint auditors of the Company. *(See Special Note)*

## SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:

6. THAT pursuant to Section 161 of the Act and Rule 806 of the Listing Manual Singapore Exchange Securities Trading Limited (the "SGX-ST"), authority be and is hereby given to the Directors to:
  - (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion, deem fit; and
  - (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

# Notice of Annual General Meeting (CONT'D)

## PROVIDED THAT:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to existing shareholders of the Company (including shares to be issued in pursuant of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue or consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

*(See Explanatory Note)*

# Notice of Annual General Meeting (CONT'D)

7. That authority be and is hereby given to the Directors to:

**Resolution 6**

- (a) offer and grant options in accordance with the provisions of the Abterra Employee Share Option Scheme (the "ESOS Scheme"); and
- (b) allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the ESOS Scheme,

PROVIDED THAT the aggregate number of ordinary shares to be issued pursuant to the ESOS Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company on the day preceding the relevant dates of grant of the option.  
*(See Explanatory Note)*

8. To transact any other business that may be properly transacted at the Annual General Meeting of the Company.

**BY ORDER OF THE BOARD**

**CHEW BEE LENG**  
Company Secretary

Singapore  
22 August 2011

**Notes:**

- (1) A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
- (2) The instrument appointing the 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 48 hours before the time appointed for the holding of the meeting.

# Notice of Annual General Meeting (CONT'D)

## EXPLANATORY NOTES:

### Resolution 3(iii)

Mr Chew Ban Chuan Victor Mark will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and ESOS Committee, and a member of the Audit Committee and Nominating Committee, and he will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

### Resolution 4

Mr Chan Chun Tat Ray will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee, Remuneration Committee and ESOS Committee, and he will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

### Resolution 5

Resolution no. 5, if passed, will empower the Directors of the Company to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of twenty per cent (20%) for issues other than on a *pro rata* basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time the resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

### Resolution 6

Resolution no. 6, if passed, will empower the Directors of the Company to offer and grant options and/or to issue shares in the capital of the Company pursuant to the Abterra Employee Share Option Scheme (the "ESOS Scheme") provided that the aggregate number of shares issued pursuant to the ESOS Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

## SPECIAL NOTE:

The Board has not invited Crowe Horwath First Trust LLP, the auditors of the Company, who are retiring at the conclusion of the forthcoming Annual General Meeting of the Company, for reappointment as auditors. Crowe Horwath First Trust LLP have indicated that they will not be seeking re-appointment at the forthcoming Annual General Meeting of the Company. Accordingly the business to re-appoint auditors of the Company will be adjourned. The Directors are in the process of selecting an appropriate firm of public accountants and will convene an Extraordinary General Meeting to appoint auditors of the Company in place of Messrs Crowe Horwath First Trust LLP as soon as is practicable.

This page has been intentionally left blank

**ABTERRA LTD.**

(Incorporated in the Republic of Singapore)  
 (Company Registration Number: 199903007C)

**PROXY FORM – ANNUAL GENERAL MEETING****IMPORTANT:**

1. For investors who have used their CPF moneys to buy ordinary shares in the capital of Abterra Ltd., this 2010 Annual 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.

I/We, \_\_\_\_\_ NRIC/Passport/Co. Reg. No. \_\_\_\_\_  
 of \_\_\_\_\_ (Address)  
 being a member/members of ABTERRA LTD. (the "Company") hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

and/or failing him/her (delete as appropriate)

--	--	--	--

or failing him/her, the Chairman of the Thirteenth Annual General Meeting ("AGM") of the Company as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the AGM of the Company to be held at 7 Temasek Boulevard, #11-05 Suntec Tower 1, Singapore 038987, on Tuesday, 6 September 2011 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 the AGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM).

Ordinary Resolutions		For	Against
<b>Ordinary Business</b>			
1.	To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2010 and the Directors' Reports and the Auditors' Report thereon		
2.	To approve Directors' fees of S\$99,650 for financial year ended 31 December 2010 (2009: S\$127,781)		
3(i).	To re-elect Mr Cai Sui Xin retiring by rotation pursuant to Article 91 of the Company's Articles of Association		
3(ii).	To re-elect Mr Lau Yu retiring by rotation pursuant to Article 91 of the Company's Articles of Association		
3(iii).	To re-elect Mr Chew Ban Chuan Victor Mark retiring by rotation pursuant to Article 91 of the Company's Articles of Association		
4.	To re-elect Mr Chan Chun Tat Ray retiring pursuant to Article 97 of the Company's Articles of Association		
<b>Special Business</b>			
5.	To authorise the Directors to allot/issue new shares		
6.	To authorise the Director to offer/grant options pursuant to and to allot and issue shares pursuant to the exercise of options granted under the Abterra Employee Share Option Scheme		

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011

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

\_\_\_\_\_  
 Signature(s) or Common Seal of Member





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

FOLD HERE

**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 Members of the Company, 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 Members, you should insert the aggregate number of shares entered against your name in the Depository Register and shares registered in your name in the Register of members.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 7 Temasek Boulevard, #11-05 Suntec Tower 1, Singapore 038987, not less than 48 hours before the time appointed for the holding of the meeting.
4. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.

FOLD HERE

5. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be either under its seal or under the hand of its attorney duly authorised. Where the instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

This page has been intentionally left blank

This page has been intentionally left blank

# CORPORATE INFORMATION

## Board of Directors

### Executive Chairman

Mr Cai Sui Xin

### Executive Vice-Chairman

Mr Lin Xizhong

Ms Cai Suirong

### Chief Executive Officer

Mr Lau Yu

### Executive Director

Mr Maheskumar s/o Shantilal Purshotam Mehta

### Independent Directors

Mr Wong Shiu Wah Williamson

Mr Chew Ban Chuan Victor Mark

Mr Chan Chun Tat Ray

### Company Secretary

Ms Chew Bee Leng

### Audit Committee

Mr Wong Shiu Wah Williamson

Mr Chew Ban Chuan Victor Mark

Mr Chan Chun Tat Ray

### Nominating Committee

Mr Chan Chun Tat Ray

Mr Wong Shiu Wah Williamson

Mr Chew Ban Chuan Victor Mark

### Employee Share Option Scheme Committee

Mr Chew Ban Chuan Victor Mark

Mr Wong Shiu Wah Williamson

Mr Chan Chun Tat Ray

### Remuneration Committee

Mr Chew Ban Chuan Victor Mark

Mr Wong Shiu Wah Williamson

Mr Chan Chun Tat Ray

### Auditors

Crowe Horwath First Trust LLP

Public Accountants and

Certified Public Accountants

7 Temasek Boulevard

#11-01 Suntec Tower 1

Singapore 038987

### Audit Partner

Cheng Sam Tai Catherine

Appointed since financial year ended 31 December 2009

### Principal Bankers

Standard Chartered Bank

### Registrar

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](http://www.abterra.com.sg)

### 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)



**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)

[www.abterra.com.sg](http://www.abterra.com.sg)