

Extending Our Reach



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CORPORATE PROFILE

ABTERRA is an emerging supply chain manager in the natural resources business, trading in iron ore, coking coal and coke. Abterra aims to differentiate itself through its core strategy of vertical integration and by pursuing sustainable long-term growth in the Chinese and international markets.

In October 2006, General Nice Resources (Hong Kong) Limited acquired a majority stake in Abterra and became its controlling shareholder. Tapping on the competitive advantage of General Nice Resources (Hong Kong) Limited, Abterra is able to leverage on its parent company's concrete branding and expertise in establishing a strong network in China, welcoming extensive investment opportunities.

In September 2011, Abterra successfully gained shareholders' approval for the addition of the property and minerals businesses to its core trading business. The addition of the property business allows the Company to diversify into property investment, property holding and property development. The inclusion of the minerals business further enables the Company to branch into the business of owning and development of mines, including the mining, exploration, exploitation, production, sale and trading of minerals, resources and commodities. Addition of these new businesses strengthens Abterra's ability to achieve long-term growth under different economic conditions and reinforces its strategy of vertical integration.

Abterra – the Latin translation of "Fruits of the Earth" – has been listed on the SGX Mainboard since 2 June 1999.

CORPORATE PHILOSOPHY

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

AGILITY

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

RELIABILITY

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

INTEGRITY

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

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

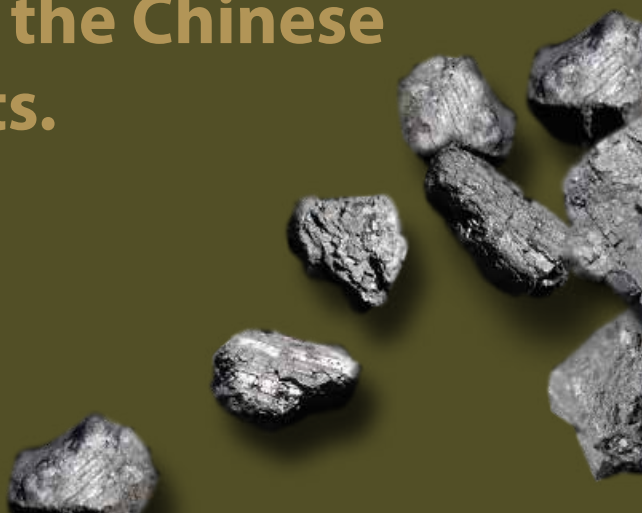
PROFESSIONALISM

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

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

CORPORATE INITIATIVES

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



CHAIRMAN'S STATEMENT



“The Group continued to push ahead with our strategy to be a vertically integrated supply chain manager of resources in the Asia Pacific region”

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, I am delighted to present to you the performance report and audited financial statements of Abterra Ltd. (“Abterra”, or the “Company” and together with its subsidiaries, the “Group”), for the financial year ended 31 December 2011 (“FY2011”). We deeply regret the delay in your receiving of our Annual Report and thank all our loyal shareholders for your continued support these past challenging months.

Following a “disclaimer of opinion and emphasis of matter” by our former auditors on the Group’s financial statements for the financial year ended 31 December 2010 (“FY2010”), the audit committee of the Company appointed PricewaterhouseCoopers CM Services Pte Ltd (“PwC”) as independent reporting accountant on 4 May 2011 to carry out an independent review in respect of certain matters in relation to the Financial Statements. On 13 September 2011, the Audit Committee further commissioned PwC to extend the scope of the review to include all remaining items raised in the audit report by the former auditors.

During this time, the Board was in regular discussions with PwC on their review and continued to provide updates to shareholders via company announcements [on the Singapore Exchange’s website (“SGXnet”)]. We are pleased to report with the issuance of the Independent Review Report by PwC on 20 March 2013, the Group’s FY2010 Financial Statements are now finalised.

We are glad to put this episode behind us and based on recommendations provided by PwC in the report, the Group is undergoing a thorough review of its internal controls and processes, and is committed to implement changes to improve them.

Chairman's Statement



We remain deeply aware that this incident has had a substantial impact on the Group's corporate developments and communication with shareholders. We have had to delay our Annual General Meeting and the laying of our consolidated financial statements for the financial year ended 31 December 2011 ("FY2011 Consolidated Financial Statements") as a result of the delay in finalising the PwC report, as well as the finalisation of the valuation of the iron ore mine owned by the Company's associate, Zuoquan Xinrui Metallurgy Company Limited ("Xinrui"), by our new auditors, Mazars LLP. The appointment of Mazars, a global audit firm with specialised resources to undertake the audits of mining businesses in the People's Republic of China ("PRC"), was approved by shareholders unanimously at the Extraordinary General Meeting held on 17 February 2012.

To this end, we had appointed international technical expert, John T. Boyd Company ("JT Boyd"), to perform a technical study on the Xinrui reserve. In addition, we engaged Jones Lang LaSalle Sallmanns Limited ("JLLS") to perform an independent valuation of the mining rights of Xinrui. Any significant difference between the carrying amount of the Company's investment in Xinrui and on the fair value of the mining rights has been reflected in the relevant adjustments in the Financial Statements and the necessary disclosures made.

2011: A YEAR IN REVIEW

On the business front, Group revenue declined 76% from S\$130.2 million in FY2010 to S\$31.3 million in FY2011, mainly due to a disruption of trading supplies in the first half of 2011 and the inadequacy of suitable credit facilities in the second half of the year.

During the year under review, the Group did not record any revenue for the trading of coke and coal given that its supply of coking coal was severely disrupted by floods in Australia. (The trading of coke and coal contributed S\$106.5 million in revenue the previous year, FY2010). Consequently, the

Group's sole source of revenue in FY2011 was contributed from the trading of iron ore which grew 31.6% from S\$23.8 million in FY2010 to S\$31.3 million.

As at 31 December 2011, our net assets have increased to S\$208 million, from S\$179 million at 31 December 2010.

CORPORATE DEVELOPMENTS

The Group continued to push ahead with our strategy to be a vertically integrated supply chain manager of resources in the Asia Pacific region.

Following the Group's acquisition of an effective 22.8% stake in Xinrui completed on 6 August 2010, the sale and purchase agreement for the acquisition provides that the vendor, Shenzhen Manfu, provides a guarantee that the profit of Xinrui shall be at least RMB150 million for the financial year ending 31 December 2011, being the first full financial year after the completion of the acquisition ("Profit Guarantee"). In the event that the Profit Guarantee is not met, Shenzhen Manfu is required to pay the Company the shortfall in profit multiplied by 22.8%. The Company has received the payment of approximately US\$4.4 million (RMB27.8 million) on 31 October 2012 in satisfaction of Shenzhen Manfu's obligations under the Profit Guarantee.

We entered into a restated conditional sale and purchase agreement in April 2011 for the proposed acquisition of an additional 54.42% of the equity interest of Xinrui for an initial consideration of approximately RMB870.72 million, subject to adjustments and contingent upon the valuation report conducted by JLLS. At present, the issue of the valuation report remains incomplete and accordingly, the Company has on 5 October 2012, entered into a second supplemental letter to amend the restated agreement, in order to further extend the long-stop date to 6 July 2013.

Upon completion of the proposed acquisition and subject to shareholders' approval, we will own approximately 77.22% of the equity interest of Xinrui, which owns two iron ore mines with total reserves of 34.7 million tonnes and an annual production capacity of 400,000 metric tonnes per annum.

Xinrui will enable the Group to supplement and better control our iron ore supplies given the supply disruptions we had experienced. Xinrui is set to be an important link in our natural resources business chain.

On 9 May 2011, the Company successfully completed the acquisition of a mining lease and property in relation to an iron ore mine for a total consideration of AUD5 million. Following the successful recommencing of operations in April 2012, it is estimated that two million tonnes of iron ore will be mined and exported to customers in the next five

Chairman's Statement

years. We are pleased to have secured this piece of property in New South Wales given Australia's strategic importance in the region's supply chain and commodities industry.

Both these acquisitions underscore the Group's commitment to expand and vertically integrate our trading business with our mining interests. With ownership of upstream mines, we would reduce the uncertainty of supply. By linking up the supply chain, we would also synchronize the supply and demand along the chain of products. These would give the Group stronger bargaining power in terms of pricing and lower transaction costs, resulting in improved margins.

Along with our efforts to secure more supply sources for our trading business, the Group had also obtained shareholders' approval on 4 September 2011 for the addition of the minerals business that will allow the Company to achieve its long term strategy of vertical integration and enable us to gain greater control over the inputs to our core trading business.

Concurrently, to help reduce reliance on the trading and minerals business, in the longer term, we are actively looking to build a diversified business with interests in the PRC's property sector. We continue to explore and evaluate suitable investment opportunities and will update shareholders of material developments accordingly.

FORGING AHEAD

According to the Commonwealth Bank of Australia, iron ore prices may advance by as much as 7.4 percent by the end of 2012 on speculation that further easing of lending curbs in the PRC will boost demand. Prices are expected to average \$155 per tonne in the fourth quarter, up from about \$140 per tonne first quarter of the year. The turning liquidity cycle in the PRC will increasingly support iron ore activity and demand through 2012 and into 2013.¹

Iron ore was in some ways the surprise performer of 2012, as Chinese imports of the steel-making ingredient were resilient despite the slowdown in economic activities in the middle of the year. Recent economic data suggest that China is regaining growth momentum and this is being led by infrastructure spending and consumer demand. Given that global iron ore capacity may expand only moderately in 2013 as the big projects are likely to come on line in subsequent years, and Indian exports are likely to fall further, it is likely that iron ore will remain well supported.²

Accordingly, we will build on the Group's established capabilities in the Chinese market to expand our network of trading partners for organic growth. We will continue to broaden our base of suppliers and customers as well as to seek more credit facilities to support our core trading activities.



In addition, we continue to seek value investments and work on bolstering our mining portfolio through resource ownership to mitigate the disruption of supply and to reduce profit volatility. Over the next five years, we target to produce 5 million metric tonnes of coal and 5 million metric tonnes of iron ore through our stakes in the various mines.

APPRECIATION

On behalf of the Board of Directors, I would like to express our heartfelt gratitude to our loyal shareholders who have continued to put their confidence in Abterra and supported all our corporate initiatives. I would also like to acknowledge the unwavering support and commitment from our staff and business associates to grow with the Group.

We look forward to achieving new milestones in 2013 with you.

Yours sincerely,

Cai Sui Xin
Executive Chairman
Singapore, 22 March 2013

¹Iron Ore Seen Rallying as China Lending Policy May Boost Demand, Bloomberg, 14 March 2012

²COLUMN-Crude, iron ore relative China winners in 2013: Clyde Russell, Reuters, 17 December 2012

CHAIRMAN'S STATEMENT



本集团将继续推进我们的战略，即垂直整合的供应链，致力于成为亚太地区的资源管理供应链管理

尊敬的各位股东，

作为董事会的代表，我很高兴向大家通告天益有限公司（“天益”或“本公司”，连同其附属公司统称“本集团”）截至2011年12月31日（“2011财政年度”）执行情况报告和经审计财务报告。我们对各位推迟收到我们的年表深感遗憾，并感谢我们所有忠实股东一直以来的支持。

关于我们之前的审计师就截至2010年12月31日的集团财务报告提出的“免责条款的意见和需重视的问题”，董事会已于2011年5月4日任命普华永道会计师事务所（PwC）作为独立会计师独立审查财务报表相关的若干事项。2011年9月13日，审计委员会还委托PwC扩大审查的范围到包括所有剩余的前任审计师审计报告中提出的项目。

在此期间，董事会定期与PwC讨论审查进度，并通过新交所网站即时向股东更新情况。我们很高兴地向各位宣布PwC已于2013年3月20完成本集团2010财政年度独立审计报告并已公告。

我们很欣慰这个插曲终于告一段落，根据PwC在报告中提出的建议，本集团将对内部控制和流程进行彻底审查，并致力于推行改革，改善现状。

我们已深刻地认识到，这起事件对本集团的企业发展与股东的沟通产生了严重影响。由于PwC报告定稿的推迟以

及我们的新审计师Mazars LLP对集团子公司，左权鑫瑞冶金有限公司（“鑫瑞”）所持有的特矿估值的推迟，我们不得不延迟截至2011年12月31日财政年度的股东周年大会及发布财务报告。委任Mazars LLP在中国进行矿山业务审计的决定由2012年2月17日举行的股东特别大会上由股东一致批准。Mazars LLP是一间全球性的审计师事务所。

为此，我们曾聘请国际技术专家，约翰T.博德公司（“JT Boyd”），对鑫瑞的矿产储备进行技术研究。此外，我们还聘请仲量联行西门有限公司（“JLLS”）对鑫瑞的采矿权进行独立估值。公司收购鑫瑞的投资账面价值和目前鑫瑞采矿权的公允价值的任何显著区别都将反映在财务报表的相应调整，及必要的披露中。

2011年回顾

在业务方面，集团的收入下降76%，从2010财政年度的1亿3020万新元下降到2011财政年度的3130万新元，究其原因主要是2011上半年的交易中断以及下半年的适当信贷设施不足。

2011财政年度，澳大利亚洪水严重破坏供应链导致本集团并无录得任何焦煤贸易业务收入（焦煤业务在2010财政年度为公司贡献了1亿650万新元的收入）。因此，本集团在2011财年的唯一收入来源自铁矿石交易，铁矿石贸易收入同比增长31.6%，由2010财政年度的2380万新元增长至2011财政年度的3130万新元。

截至2011年12月31日，公司的净资产从截至2010年12月31日的1.79亿新元增加至2.08亿新元。

企业发展

本集团将继续推进我们的战略，即垂直整合的供应链，致力于成为亚太地区的资源管理供应链管理。

本集团于2010年8月完成收购鑫瑞22.8%股权，销售和购买协议中规定，卖方深圳满孚将提供鑫瑞利润保证，即在收购完成后的首个完整财政年度暨截至2011年12月31日财政年度鑫瑞取得的利润至少为1.5亿人民币（“利润保证”）。如利润保证未能达到的情况下，深圳满孚需要向本公司支付溢利差额乘以22.8%的补偿。公司已于2012年10月31日收到此项付款约440万美元（人民币2780万元）。

我们于2011年4月签订重列有条件的出售及购买协议，以进一步收购鑫瑞54.42%的股权，初步定价约人民币8亿7072万元，在仲量联行西门的之估值报告出炉后可予调整。目前估值报告还未完成，因此，本公司于2012年10月5日，订立第二补充函件修订重列协议，以进一步延长最后截止日期起至2013年7月6日。

在完成建议收购事项及待股东批准后，我们将拥有鑫瑞约77.22%的股权，该公司拥有两座铁矿，总储量3470万吨，年生产能力40万吨。

鑫瑞将有助本集团更好地控制我们的铁矿石供应，以避免我们曾经历过的铁矿石供应中断。鑫瑞将在我们的天然资源业务链中的扮演重要角色。

2011年5月9日，本公司成功完成采矿租赁和铁矿物业有关的收购，总额500万澳大利亚元。继成功在2012年4月经营伊始，未来五年内估计将有200万吨的铁矿石被开采和出口。我们很高兴取得了这块在新南威尔士州的资源，澳大利亚在亚太地区的供应链和资源行业中有着重要的战略性地位。

这些收购都将加强本集团致力于拓展和垂直整合矿产资源贸易的能力。随着拥有上游矿山的所有权，我们将减少供应的不确定性带来的威胁。通过整合成功的供应链，我们也将有能力沿该链同步产品的供应和需求。这将使本集团的议价能力加强，并降低交易成本，从而提高利润率。

随着我们努力为争贸易业务取更多的供应源，本集团已于2011年9月4日获得股东批准，增加了矿产业务，这将帮助本公司的垂直整合，以实现其长期战略，使我们对核心贸易业务获得更大的控制权。

同时，为帮助减少对贸易和矿产业务的依赖，从长远来看，我们在寻找机会在中国的房地产领域建立多元化的业务，我们的母公司，俊安资源（香港）有限公司在这方面有这非常专业的经验。我们将继续开拓及评估合适的投资机会，并相应地向各位股东更新信息。

锐意进取

据澳大利亚联邦银行估计，铁矿石价格在2012年年底可能会提高7.4%，中国进一步放宽贷款限制措施将刺激需求。价格预计将在第四季度达到平均每吨155美元，而在今年第一季度每吨价格约140美元。中国流动性周期的转折，将在2012年到2013年继续支持铁矿石的活动和需求。¹

铁矿石在2012年的表现出人意料，尽管今年年中的经济活动放缓，中国进口的炼钢原材料需求依然强劲。近期的经济数据表明，中国正在恢复增长的势头，这是带领基础设施支出和消费需求的增加。鉴于全球铁矿石产能在2013年只能适度扩大，大项目有可能在随后的几年涌现，印度的出口可能会进一步下跌等因素，铁矿石价格将保持良好的增长势头。²

因此，我们将利用集团在中国市场的建设能力，扩大我们的网络贸易伙伴，寻找增长良机。我们将继续扩大供应商和客户群，寻求更多的信贷额度，以支持我们的核心贸易活动。

此外，我们将继续寻求有价值的投资，并加强我们的采矿组合，通过控制资源的所有权，以减少供应中断，并降低利润波动。我们的目标是在未来五年内，生产煤炭500万吨和铁矿石500万吨。

衷心的感谢

我谨代表我们的董事会向各位忠诚的股东对天益一直以来的信心和支持致以最衷心的感谢。并借此机会感谢我们的员工和业务伙伴的长期以来的大力支持和承诺，与本集团共同成长。

我们期待在2013年与您一起取得崭新的里程碑。

此致

敬礼

蔡穗新

执行主席

新加坡，2013年3月22日

¹ 中国贷款政策可能会提高铁矿石的需求，彭博社，2012年3月14日

² 铁矿石在2013年前景乐观：克莱德·拉塞尔，2012年12月17日（路透社）

BOARD OF DIRECTORS



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 became 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.

Cai Suirong

Executive Vice-Chairman & Executive Director

Miss Cai Suirong joined the Board of Directors 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.



Board of Directors



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.

Lau Yu

Chief Executive Officer & Executive Director

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

Earlier 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 positions 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.



Board of Directors

Wong Shiu Wah Williamson

Independent Director & Chairman of Audit Committee

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



Chew Ban Chuan Victor Mark

Independent Director & Chairman of Remuneration & Employee Share Option Scheme Committees

Mr. Chew Ban Chuan Victor Mark joined the Board on 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 a director of several of its subsidiaries. Mr. Chew is a legally qualified personnel who holds a Bachelor of Law (Hons) degree from the National University of Singapore. He is also actively involved in community services and sits in several committees.

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, Remuneration and Employee Share Scheme Option 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 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.



OPERATING COMPANIES

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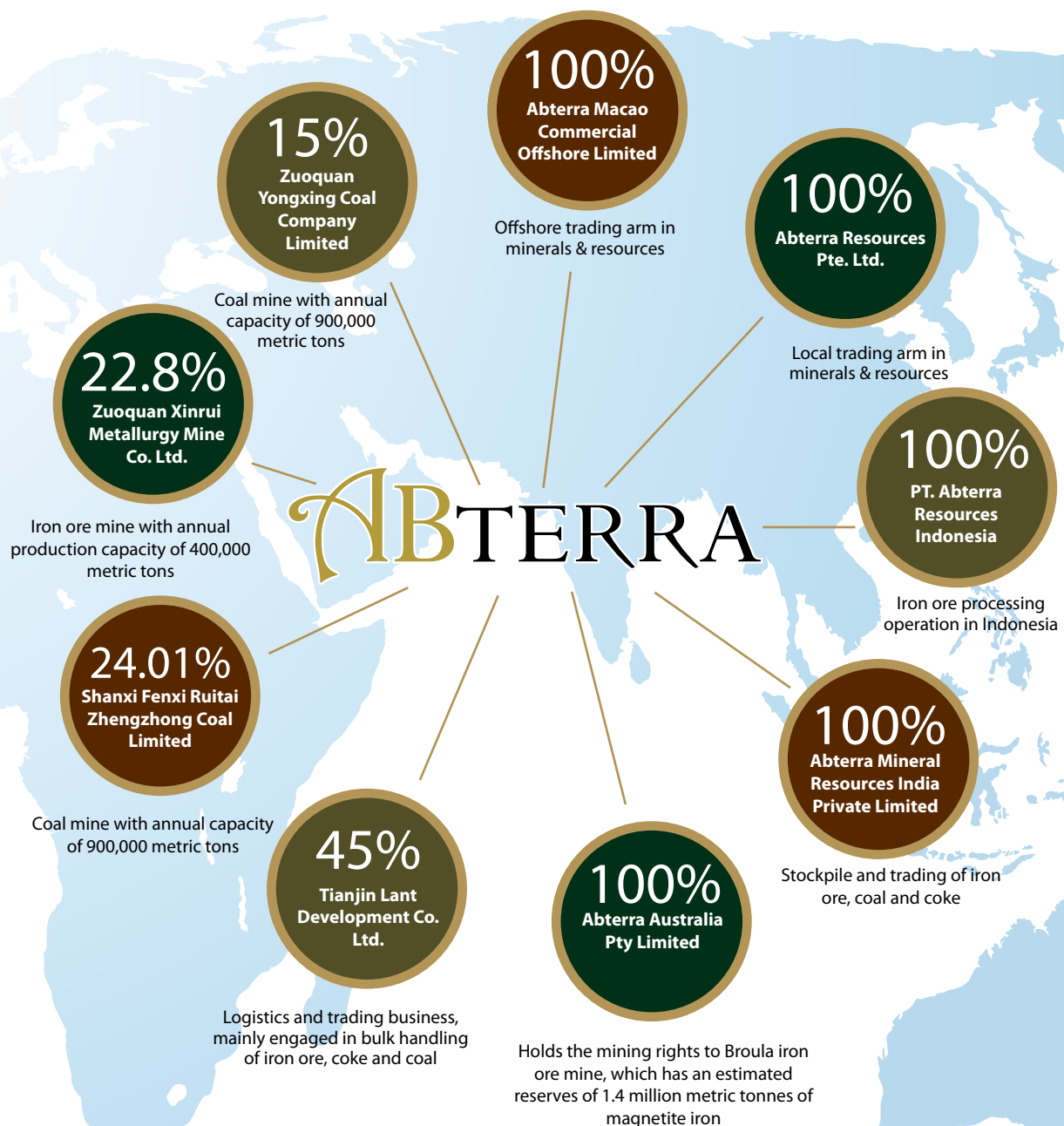
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#102/1, 17th C Main,
5th Block,
Koramangala,
Bangalore 560034,
Karnataka, India

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

CORPORATE STRUCTURE



3-YEARS FINANCIAL STATEMENTS

For the year ended 31 Dec 2011

Group	2011 \$'000	2010 \$'000	2009 \$'000
Turnover	31,323	130,246	151,919
Operating profit/(loss)	6,269	(78,998)	19,127
Financial cost	(1,893)	(2,510)	(6,196)
Share of result of associates	(962)	(10,050)	(149)
Profit/(loss) before tax	3,414	(91,558)	12,782
Income tax	(1,107)	(603)	180
Profit/(loss) for the year	2,307	(92,161)	12,962
Non-controlling interests	601	997	(829)
Profit/(loss) attributable to shareholders	2,908	(91,164)	12,135
Earnings/(loss) per ordinary shares (cents)	1.20	(43.16)	5.9
Total equity:			
Share capital	252,187	229,692	203,719
Reserves	(71,418)	(76,651)	16,230
Equity attributable to owners of the Company	180,769	153,041	219,949
Non-controlling interests	27,258	26,402	28,911
Capital employed	208,027	179,443	248,860
Represented by:			
Non-current assets	141,306	128,612	167,944
Current assets	147,404	121,486	171,853
Current liabilities	(80,131)	(70,356)	(70,061)
Net current assets	67,273	51,130	101,792
Total assets less current liabilities	208,579	179,742	269,736
Non-current liabilities	(552)	(299)	(20,876)
Net assets	208,027	179,443	248,860
Net asset value per ordinary share (dollars)	0.848	0.850	1.217

Turnover

'09	151,919
'10	130,246
'11	31,323

Profit/ (Loss) Before Tax (\$'000)

'09	12,782
'10	(91,558)
'11	3,414

Equity Attributable To Owners Of The Company (\$'000)

'09	219,949
'10	153,041
'11	180,769

Earnings/ (Loss) Per Ordinary Share (Cents)

'09	5.90
'10	(43.16)
'11	1.20

Net Assets Value Per Ordinary Share (Dollars)

'09	1.217
'10	0.850
'11	0.848

OPERATING AND FINANCIAL PERFORMANCE REVIEW



FINANCIAL HIGHLIGHTS

The Group reported revenue of S\$31.3 million in FY2011, compared to revenue of S\$130.2 million in FY2010.

Turnover from the trading of iron ore grew 32% to S\$31.3 million in FY2011, up from S\$23.8 million in FY2010. There was no trade in metallurgical coke and coking coal in FY2011 as trading was hampered by the lack of credit facilities.

Cost of goods sold decreased 76% from S\$120.1 million in FY2010 to S\$29.2 million in FY2011. Consequently, gross profit was down 79% to S\$2.1 million. Accordingly, gross profit margin decreased 0.9 percentage points from 7.8% in FY2010 to 6.9% in FY2011.

Other operating income increased from S\$9.1 million in FY2010 to S\$16.9 million in FY2011, mainly due to the net effect of an exchange gain of S\$5.0 million recorded, income earned from profit guarantee provided by a vendor of S\$5.7 million, and the absence of S\$3.3 million impaired trade receivable written back in FY2011.

Administrative expenses decreased slightly from S\$7.1 million in FY2010 to S\$7.0 million in FY2011, largely due to the decrease in professional fees, which was partly offset with the increase in personnel expenses.

As a result of lesser trading activities, financial expenses decreased 25% to S\$1.9 million in FY2011.

Other operating expenses decreased 94% to S\$5.8 million during the current year. In FY2010, the Group recorded an impairment loss of associate of S\$78.4 million, a S\$5.3 million foreign exchange loss and loss on disposal of financial assets at fair value through profit or loss of S\$2.6 million.

In FY2011, the Group's share of results of associates

Operating and Financial Performance Review



improved from a loss of S\$10.1 million in FY2010 to a loss of S\$1.0 million mainly due to the improved result in Tianjin Lant Development Company Limited.

Consequently, the Group improved from a net loss position to a net profit position, with net loss after tax from S\$91.6 million in FY2010 improved to S\$3.4 million in FY2011. Likewise, basic loss per ordinary share was improved from 43.16 cents in FY2010 to basic earnings per ordinary share of 1.20 cents in FY2011.

As at 31 December 2011, the Group had a net asset value of S\$208.0 million (2010: S\$179.4 million).

Its gearing ratio was approximately 25% for the year (2010: 25%).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances as at 31 December 2011 was S\$7.3 million, as compared to S\$8.9 million as at 31 December 2010. This was mainly due to the net effect of settlement of trade receivables from a trade debtor and a refund of prepayment from a metallurgical coke supplier, as well as deposits paid for the acquisition of Xinrui and and the consideration paid for the acquisition of mining rights in Australia during the year.

Trade receivables of the Group decreased from S\$23.0 million at 31 December 2010 to S\$2.0 million at 31 December 2011, attributable to the repayment of trade receivables from a major trade debtor during the year.

Other receivables, deposits and prepayments increased from S\$54.3 million in FY2010 to S\$101.8 million in FY2011, mainly due to the deposit of S\$91.2 million paid for the acquisition of 54.42% of equity interest in Xinrui. The total amount was reduced by the refund of prepayment of S\$18.0 million from a metallurgical coke supplier due to a transaction cancellation.

As such, the Group's debtors' turnover days, calculated by trade receivables/ sales multiplied by 365 decreased from 64 days in FY2010 to 24 days in FY2011.

The Group's non-current assets increased from S\$128.6 million in FY2010 to S\$141.3 million, mainly due to the successful acquisition of the iron ore mining lease and property in Australia and the reversal of impairment loss on the Group's Suntec office property in Singapore. The cost of investments in associates increased from S\$79.2 million in FY2010 to S\$82.9 million in FY2011.

Current liabilities increased from S\$70.4 million at 31 December 2010 to S\$80.1 million at 31 December 2011, attributable to a S\$13.8 million increase in other payables mainly resulted from the advance from the holding company for the Group's operations during the year.

The Group ended the year with total current assets and total current liabilities of S\$147.4 million and S\$80.1 million respectively.

The Group's current ratio as at 31 December 2011 was approximately 1.8, compared to its current ratio of 1.7 the year before.

Operating and Financial Performance Review



OUTLOOK

In February 2012, the central bank in the PRC reduced the amount of deposits that lenders must set aside as reserves to ease funding constraints and bolster credit growth, spurring iron ore purchases and prices.¹

Chinese iron ore imports are forecasted to grow at a rate of 7.5 percent in 2013 up from 6.4 percent in 2012, driven by higher steel demand for housing, infrastructure and machinery as well as the increasing cost of the lower quality domestic ore.²

Chinese coking coal imports are expected to increase but this will depend on crude steel production, domestic coking coal production and production costs.³ Use of metallurgical coal or coking coal, used in blast furnaces, is also expected to more than double in China, to about 1.7 billion metric tons by 2016, as the country's steel mills churn out more steel for automobiles, skyscrapers and export goods, according to a Peabody Energy study.⁴

Subject to the availability of suitable credit facilities, the Group intends to capitalise on this growth by strengthening its core trading arm through the identification of suitable talent and expertise, to bolster the current trading team's strength.

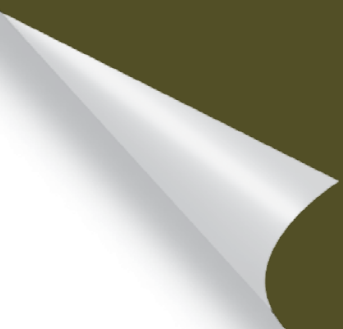
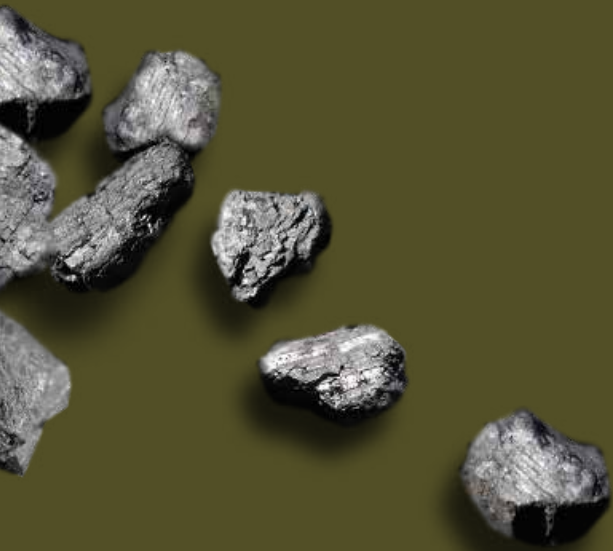
Singapore
22 March 2013

¹ Iron Ore Seen Rallying as China Lending Policy May Boost Demand, Bloomberg, 14 March 2012

² Chinese demand for iron ore up in 2013, China Daily, 6 December 2012

³ Coking coal demand seen at 115 Mt/y by 2015 as Asian consumption rises, Mining Weekly, 23 March 2012

⁴ With China and India Ravenous for Energy, Coal's Future Seems Assured, The New York Times, 12 November 2012



CORPORATE GOVERNANCE AND FINANCIAL REPORT

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CORPORATE GOVERNANCE

Introduction

The Board of Directors (“Board”) and the management of Abterra Ltd. (the “Company”), 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”).

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.

CORPORATE GOVERNANCE

The Board and the various Board Committees meet regularly, and as warrant 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 set out below.

Director	Board		Audit Committee		Remuneration Committee		Nominating Committee		Employee Share Option Scheme 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	No of meetings held	No of meetings attended
Cai Sui Xin	7	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lin Xizhong	7	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cai Suirong	7	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lau Yu	7	7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mahes Kumar s/o Shantilal Purshotam Mehta ¹	7	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chew Ban Chuan Victor Mark	7	7	11	11	3	3	2	2	1	1
Wong Shiu Wah Williamson	7	7	11	11	3	3	2	2	1	1
Chan Chun Tat Ray	7	7	11	11	3	3	2	2	1	1

Note:

1. Resigned on 30 April 2012.

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.

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

Independent Non-Executive Directors

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

CORPORATE GOVERNANCE

Principle 2 - Board Composition and Guidance

The Board comprises seven 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 has recommended to reduce the size of the Board to six Directors to facilitate decision making. The Nominating Committee is also satisfied that the Board comprised of Directors with a variety of core competencies necessary, expertise and networkings to discharge their duties and responsibilities, and to provide strategic networking to enhance the business of the Group.

The names and the key information of the Directors of the Company in office are set out in the 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 Group to exercise control over the quantity, quality and timeliness of the flow of information between the management of the Company and the Board and to preserve harmonious relations with shareholders.

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

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;

CORPORATE GOVERNANCE

- 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 AGM, Mr Lin Xizhong, Ms Cai Suirong and Mr Wong Shiu Wah Williamson are due for retirement and are eligible for re-election pursuant to Article 91 of the Company’s Articles of Association.

Ms Cai Suirong had informed the Company that she would not be seeking re-election as a Director of the Company at the AGM.

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, amongst others, 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.

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.

CORPORATE GOVERNANCE

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.

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.

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 ESOS. 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 ESOS.

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 (%)
Below \$250,000					
Cai Sui Xin	-	100	-	-	100
Lin Xizhong	-	100	-	-	100
Cai Suirong	-	100	-	-	100
Maheskumar s/o Shantilal	-	100	-	-	100
Purshotam Mehta1	-	82.96	6.71	10.33	100
Lau Yu	-	92.31	7.69	-	100
Chew Ban Chuan Victor Mark	100	-	-	-	100
Wong Shiu Wah Williamson	100	-	-	-	100
Chan Chun Tat Ray	100	-	-	-	100

* Salary is inclusive of CPF where applicable.

Note:

1. Resigned on 30 April 2012.

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.

Employee Share Option Scheme Committee ("ESOS Committee")

The ESOS Committee comprises of the members of RC to, amongst others, administer 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 Scheme ("Participants") and determine the number of options available for allocation to the Participants pursuant to the Scheme;
- 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;

CORPORATE GOVERNANCE

- 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.

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 Groups' 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;
- 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);

CORPORATE GOVERNANCE

- 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.

During the year, the AC conducted an annual review of the nature and extent of all non-audit services performed by the external auditors, and has confirmed that such services would not affect the independence and objectivity of the external auditors.

The AC also reviews and approves the remuneration and terms of engagement of the external auditors. In this regard, the AC reviewed and is satisfied with the aggregate amount of audit fees paid to its auditors. Fees paid to the external auditors for audit services amount to S\$290,000 while the fees paid for non-audit services amount to S\$12,000.

The Company has also complied with Rules 712, 715 and 716 of the Listing Manual in relation to the appointment of Mazars LLP as the external auditors of the Company and its subsidiaries.

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.

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.

During the year, the Board reviews with the assistance of the Management and external auditors on the effectiveness of the Company's internal controls and risk management systems. The Board and Management have reviewed and implemented stringent internal controls to safeguard shareholders' interest and the Company's assets. The Board, with the concurrence of the AC, is of the opinion that the internal controls, addressing the financial, operational and compliance risks of the Company, were adequate to meet the needs of the Group in its current business environment.

On 4 May 2011, the Company appointed an independent reporting accountant from a reputable international accounting firm to carry out an independent review in respect of the matters listed as the former Auditors' basis for disclaimer of opinion on the financial statements for the financial year ended 31 December 2010 (the "FY 2010 Financial Statements"). In addition, the AC commissioned the independent reporting accountant to review certain transactions including the allocation of trades between Abterra and its immediate holding company.

The Board noted that certain commercial actions taken by the Company resulted in the disclaimers of opinion by the former Auditors in the FY2010 Financial Statements. The Board had since conducted an immediate review of the internal controls and processes of the Group and implemented various changes to improve them. With a view to further strengthen the Group's internal controls and system, the Company will also be appointing an internal audit consultant to carry out a review exercise on the effectiveness and adequacy of the Group's internal controls systems.

CORPORATE GOVERNANCE

Principle 13 - Internal Audit

The Board recognises the importance of sound internal controls and risk management practices for a good corporate governance framework. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis.

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.

Along with the independent review that was conducted by the independent reporting accountant, the internal auditor review by the internal auditors was put on hold for this financial year. This is an one off instance and the internal auditors will commence their review again for the next financial year.

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 at www.abterra.com.sg also provides up-to-date information on the Group and its businesses.

Principle 15 - Shareholders Participation at Annual General Meetings ("AGMs")

The AGMs 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.

CORPORATE GOVERNANCE

Material Contracts

Material contracts was entered into by Abterra Ltd. or any of its subsidiaries involving the interests of the controlling shareholder, 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. The details are as below:-

Description	Details	
Names of the lender and the borrower	Borrower:	Abterra Macao Commercial Offshore Ltd
	Lender:	General Nice Resources (H.K.) Ltd
Relationship between the lender and the borrower and whether the director or controlling shareholder is the lender or borrower	Controlling shareholder of holding company	
Amount of the loan	S\$7,500,000	
Interest rate	9%	
Terms as to payment of interest and repayment of principal	2 years	
Security Provided	Not applicable	

Interested Person Transactions

During the financial period ended 31 December 2011, interested person transactions carried out during the financial year which fall under Chapter 9 of Listing Manual of the Singapore Exchange Security Trading Limited are as follows:

Name of interested person	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)	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)
Interest payable: – General Nice Resources (Hong Kong) Limited	S\$581,257	Nil

Dealing in Securities

(Listing Manual Rule 1207(19))

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 in 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 full year 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.

Singapore, 22 March 2013

DIRECTORS' REPORT

The directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2011 and the statement of financial position of the Company as at 31 December 2011.

1. Directors

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

Cai Sui Xin
 Lin Xizhong
 Cai Suirong
 Lau Yu
 Chew Ban Chuan Victor Mark
 Wong Shiu Wah Williamson
 Chan Chun Tat Ray

2. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects 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.

3. Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), the directors of the Company holding office at the end of the financial year had no interest in the shares or debentures of the Company and its related Corporations except as stated below:

	Shareholdings registered in name of director		Shareholdings in which a director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
The Company				
Abterra Ltd.				
(Ordinary shares)				
Cai Sui Xin	-	-	86,216,976	80,566,976
Lin Xizhong	250,000	250,000	-	-

DIRECTORS' REPORT

3. 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	At end of year	At beginning of year	At end of year
The Company				
Abterra Ltd.				
(Share options)				
Cai Sui Xin	800,000	800,000	-	-
Cai Suirong	400,000	400,000	-	-
Lin Xizhong	-	200,000	-	-
Lau Yu	-	400,000	-	-
Maheskumar slo Shantilal Purshotam Meththa (resigned on 30 April 2012)	-	204,000	-	-
The Immediate Holding Company				
General Nice Resources (Hong Kong) Limited				
(Ordinary shares of HK\$1 each)				
Cai Sui Xin	-	-	159,999,200	159,999,200
Lau Yu	39,999,800	39,999,800	-	-
The Intermediate Holding Company				
General Nice Development Limited				
(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	-	-
The Intermediate Holding Company				
General Nice Investment (China) Limited				
(Ordinary shares of HK\$1 each)				
Cai Sui Xin	2,500	2,500	25,000	25,000
Cai Suirong	5,000	5,000	-	-
The Ultimate Holding Company				
General Nice Group Holdings Limited (previously known as Vantage Region International Limited)				
(Ordinary shares of US\$1 each)				
Cai Sui Xin	50,000	50,000	-	-

By virtue of Section 7 of the Act, Cai Sui Xin is deemed to have an interest in all related corporations of the Company.

The directors' interests as at 21 January 2012 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2011.

DIRECTORS' REPORT

4. Directors' contractual benefits

Since the end of the previous financial year, no director of the Company 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 he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5. 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 25 March 2011, the Company granted options to subscribe for 1,831,000 ordinary shares of the Company at an exercise price of \$1.24 per share to the executive directors of the Company, employees of the Group and the controlling shareholders of their associates, 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

5. 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 1.1.2011	Granted during the year	Exercised	Cancelled/ Lapsed	Balance at 31.12.2011		
15.09.2010	1,200,000	-	-	-	1,200,000	\$1.27	15.09.2011 to 14.09.2012
25.03.2011	-	1,831,000	-	-	1,831,000	\$1.24	25.03.2012 to 22.05.2013
Total	1,200,000	1,831,000	-	-	3,031,000		

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	Aggregate options granted since commencement of the Scheme to the beginning of financial year	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
Cai Sui Rong	400,000	-	-	-	-	400,000
Lin Xizhong	-	200,000	200,000	-	-	200,000
Lau Yu	-	400,000	400,000	-	-	400,000
Maheskumar slo Shantilal Purshotam Methta (resigned on 30 April 2012)	-	204,000	204,000	-	-	204,000

DIRECTORS' REPORT

6. Audit committee

The audit committee of the Company comprises three non-executive directors and at the date of this report are:

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

The audit committee has convened eleven meetings during the financial year with key management and the external auditors of the Company.

The audit committee carried out its duties which included the following:

- (i) Review of the audit plan and results of the external audit, including the independence and objectivity of the external auditors, the extent of non-audit services provided by the external auditors to the Group;
- (ii) Review of the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;
- (iii) Review of the Group's quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and of the Company before their submission to the board of directors;
- (iv) Review of the quarterly, half-yearly and annual announcements of the Group and of the Company;
- (v) Review of the adequacy of the Group's risk management processes;
- (vi) Review of the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;
- (vii) Review of interested person transactions in accordance with SGX listing rules;
- (viii) Nomination of external auditors; and
- (ix) Submission of report of actions to the board of directors with any recommendations as the audit committee deems appropriate.

The audit committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the audit committee.

The audit committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

DIRECTORS' REPORT

7. Auditors

Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the directors

Cai Sui Xin
Director

Lau Yu
Director

Singapore
Date: 22 March 2013

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (a) the financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, and of the results, changes in equity and cash flows of the Group 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 directors

Cai Sui Xin
Director

Lau Yu
Director

Singapore
Date: 22 March 2013

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD. AND ITS SUBSIDIARIES

Report on the Financial Statements

We have audited the accompanying financial statements of Abterra Ltd (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows of the Group and 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, as set out on pages 46 to 137.

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, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide 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. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements of the Group and the statements of financial position and changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD. AND ITS SUBSIDIARIES (Continued)

Other matters

The financial statements of the Group for the financial year ended 31 December 2010 were audited by another firm of Certified Public Accountants whose report dated 11 August 2011 expressed a disclaimer of opinion on the following basis:

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 predecessor 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.

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 predecessor 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD. AND ITS SUBSIDIARIES (Continued)

Other matters (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)

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

During the financial year ended 31 December 2010, 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 predecessor auditors of the subsidiary. Accordingly, the predecessor 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 predecessor auditors of the Max Harvest Group, the predecessor auditors 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 for the financial year ended 31 December 2010. Accordingly, the predecessor auditors 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. AND ITS SUBSIDIARIES (Continued)

Other matters (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 predecessor 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 material 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 predecessor 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD. AND ITS SUBSIDIARIES (Continued)

Other matters (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)

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

In view of the above material uncertainties, the predecessor 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.

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

During the financial year ended 31 December 2010, 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 predecessor auditors of the subsidiary. Accordingly, the predecessor 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 predecessor 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD. AND ITS SUBSIDIARIES (Continued)

Other matters (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)

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

In view of the matters leading to the disclaimer by the predecessor auditors of the Sunny Energy Group, the predecessor auditors 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 predecessor auditors of PT. Abterra have disclaimed their opinion on the financial statements of the subsidiary based on the following grounds:

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 in the financial year ended 31 December 2010 on the basis of estimated future cash flows attributable to rental income arising from the intended leasing arrangement.

The predecessor 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 predecessor auditors were also not able to determine the appropriateness and adequacy of the impairment allowance of Rp 5.6 billion.

In addition, the predecessor 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 in the financial year ended 31 December 2010 in relation to the operations of PT Abterra and notwithstanding that no revenue was generated in the financial year ended 31 December 2010.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD. AND ITS SUBSIDIARIES (Continued)

Other matters (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 (Continued)

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 be 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, the predecessor auditors were not able to obtain sufficient appropriate audit evidence that such plant and equipment are not impaired and the predecessor auditors were not able to corroborate those explanations and representations by management detailed in Note 6 to the financial statements for the financial year ended 31 December 2010 relating to the plant and equipment. Furthermore, the predecessor auditors 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 for the financial year ended 31 December 2010 in relation to certain expenses incurred.

In view of the above, the predecessor auditors 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 not 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.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD. AND ITS SUBSIDIARIES (Continued)

Other matters (Continued)

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

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.

The predecessor auditors 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. The predecessor auditors 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 for the financial year ended 31 December 2010.

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.

The predecessor auditors 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, the predecessor auditors 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 for the financial year ended 31 December 2010.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD. AND ITS SUBSIDIARIES (Continued)

Other matters (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 for the financial year ended 31 December 2010, 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 for the financial year ended 31 December 2010.

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 for the financial year ended 31 December 2010.

As at the date of this report, the predecessor auditors 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD. AND ITS SUBSIDIARIES (Continued)

Other matters (Continued)

7. Prepayment for purchase of inventory (Continued)

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

In view of the findings and observations mentioned in paragraphs 3 to 7 above, the predecessor auditors 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. The predecessor auditors 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 for the financial year ended 31 December 2010.

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 financial year ended 31 December 2010, 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 for the financial year ended 31 December 2010.

However, the predecessor auditors 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, the predecessor auditors were not able to ascertain the appropriateness of the carrying amounts of the investment in TLD of S\$2.5 million and \$2.2 million at the Group and Company respectively as at 31 December 2010.

9. Impairment of available-for-sale financial assets

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.

The predecessor auditors 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 the predecessor auditors 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD. AND ITS SUBSIDIARIES (Continued)

Other matters (Continued)

10. Fair values of financial guarantees

During the financial 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.

The predecessor auditors 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.

Emphasis of matter in the independent auditors' report for the financial year ended 31 December 2010

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

As disclosed in Note 19 to the financial statements for the financial year ended 31 December 2010, 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

MAZARS LLP

Public Accountants and
Certified Public Accountants

Singapore

Date: 22 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 \$'000	2010 \$'000 (Restated)
Revenue	3	31,323	130,246
Cost of sales		(29,175)	(120,109)
Gross profit		2,148	10,137
Other operating income	4	16,871	9,101
Selling and distribution expenses		-	(484)
Administrative expenses	5	(7,031)	(7,131)
Other operating expenses	6	(5,719)	(90,621)
Finance costs	8	(1,893)	(2,510)
Share of results of associates	9	(962)	(10,050)
Profit/(Loss) before income tax		3,414	(91,558)
Income tax expense	10	(1,107)	(603)
Profit/(Loss) for the year		2,307	(92,161)
Other comprehensive expense:			
Currency translation differences arising from consolidation		2,584	(3,643)
Total comprehensive income/(expense) for the year		4,891	(95,804)
Profit/(Loss) attributable to :			
Equity holders of the Company		2,908	(91,164)
Non-controlling interests		(601)	(997)
Total		2,307	(92,161)
Total comprehensive income/(expense) attributable to:			
Equity holders of the Company		4,035	(93,295)
Non-controlling interests		856	(2,509)
Total		4,891	(95,804)
Profit/(Loss) per share for profit/(loss) attributable to equity holders of the Company (cents)			
Basic	11	1.20	(43.16)
Diluted	11	1.19	(43.16)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	2011 \$'000	Group 2010 \$'000 (Restated)	2009 \$'000 (Restated)	2011 \$'000	Company 2010 \$'000 (Restated)	2009 \$'000
ASSETS							
Non-current assets							
Property, plant and equipment	12	13,839	11,478	13,153	12,428	9,913	11,293
Subsidiaries	13	-	-	-	31,146	31,145	31,282
Associates	9	82,909	79,232	93,879	2,149	2,149	10,700
Available-for-sale financial assets	14	12,345	12,345	12,345	12,345	12,345	12,345
Derivative financial asset	15	1,428	1,704	-	1,428	1,704	-
Intangible asset	16	6,236	1,954	1,951	-	-	-
Investment properties	17	24,500	21,850	20,411	24,500	21,850	20,411
Security deposit	18	49	49	-	-	-	-
Trade receivables	19	-	-	26,205	-	-	6,735
Total non-current assets		141,306	128,612	167,944	83,996	79,106	92,766
Current assets							
Inventories		-	-	28,746	-	-	-
Subsidiaries		-	-	-	-	-	70,115
Trade receivables	19	2,042	23,005	38,469	28	-	8,648
Other receivables, deposits and prepayments	20	101,790	54,330	64,700	121,075	65,619	64,663
Other financial asset at fair value through profit or loss	21	36,246	35,272	36,181	36,246	35,272	36,181
Cash and cash equivalents	22	7,326	8,879	3,757	506	3,060	2,269
Total current assets		147,404	121,486	171,853	157,855	103,951	181,876
TOTAL ASSETS		288,710	250,098	339,797	241,851	183,057	274,642
EQUITY							
Capital and reserves and non-controlling interest							
Share capital	23	252,187	229,692	203,719	252,187	229,692	203,719
Other reserve	25	-	-	942	-	-	942
Share options reserve	24	1,455	257	-	1,455	257	-
Foreign currency translation reserve	25	(77)	(1,204)	927	-	-	-
Retained earnings/ (Accumulated losses)		(72,796)	(75,704)	14,361	(96,547)	(104,232)	(3,477)
Equity attributable to owners of the Company		180,769	153,041	219,949	157,095	125,717	201,184
Non-controlling interests		27,258	26,402	28,911	-	-	-
Total equity		208,027	179,443	248,860	157,095	125,717	201,184

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011 (Continued)

	Note	2011 \$'000	Group 2010 \$'000 (Restated)	2009 \$'000 (Restated)	2011 \$'000	Company 2010 \$'000 (Restated)	2009 \$'000
LIABILITIES							
Current liabilities							
Trade payables	26	322	966	636	201	-	325
Other payables and accruals	27	28,686	14,922	14,349	32,913	2,608	1,319
Provision	28	3,000	3,000	3,000	3,000	3,000	3,000
Lease obligation		-	-	9	-	-	9
Income tax payable		524	147	308	507	117	297
Term loans	29	47,599	51,321	45,792	47,599	51,321	41,671
Convertible notes		-	-	5,967	-	-	5,967
Total current liabilities		80,131	70,356	70,061	84,220	57,046	52,588
Non-current liabilities							
Term loans	29	-	-	20,823	-	-	20,823
Employee benefits obligation		16	-	-	-	-	-
Deferred tax liabilities	30	536	299	53	536	294	47
Total non-current liabilities		552	299	20,876	536	294	20,870
Total liabilities		80,683	70,655	90,937	84,756	57,340	73,458
TOTAL EQUITY AND LIABILITIES		288,710	250,098	339,797	241,851	183,057	274,642

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	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	Non-controlling interests \$'000	
Group							
At 1 January 2009	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 30)	-	-	93	-	-	93	93
Transfer of realised deferred taxation from other reserve to retained earnings	-	-	85	-	(85)	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	27,448
Total comprehensive income for the year	-	-	-	-	-	-	27,448
- As previously reported	-	-	-	(1,439)	10,323	8,884	(897)
- Prior year restatement (Note 36b)	-	-	-	-	24,019	24,019	(9,307)
- Prior year restatement (Note 36d)	-	-	-	1,916	(22,207)	(20,291)	11,667
Total comprehensive income for the year as restated	-	-	-	477	12,135	12,612	1,463
At 31 December 2009 as restated	203,719	-	942	927	14,361	219,949	248,860

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

	Attributable to the equity holders of the Company							
	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	Total equity \$'000
At 1 January 2010 as restated	203,719	-	942	927	14,361	219,949	28,911	248,860
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 30)	-	-	205	-	-	205	-	205
Transfer from other reserve to retained earnings on redemption	-	-	(1,099)	-	1,099	-	-	-
Total comprehensive expense for the year	-	-	-	(2,515)	(13,500)	(16,015)	(3,153)	(19,168)
- As previously reported	-	-	-	(2,515)	(13,500)	(16,015)	(3,153)	(19,168)
- Prior year restatement (Note 36 a)	-	-	-	-	8,332	8,332	-	8,332
- Prior year restatement (Note 36 c)	-	-	-	-	(87,198)	(87,198)	-	(87,198)
- Prior year restatement (Note 36 d)	-	-	-	384	1,202	1,586	644	2,230
Total comprehensive expense for the year as restated	-	-	-	(2,131)	(91,164)	(93,295)	(2,509)	(95,804)
At 31 December 2010 as restated	229,692	257	-	(1,204)	(75,704)	153,041	26,402	179,443

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

	Attributable to the equity holders of the Company							
	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	Total equity \$'000
At 1 January 2011 as restated	229,692	257	-	(1,204)	(75,704)	153,041	26,402	179,443
Issue of ordinary shares pursuant to Equity Line Facility	22,500	-	-	-	-	22,500	-	22,500
Share issue expenses	(5)	-	-	-	-	(5)	-	(5)
Recognition of share based payments	-	1,198	-	-	-	1,198	-	1,198
Total comprehensive income for the year	-	-	-	1,127	2,908	4,035	856	4,891
At 31 December 2011	252,187	1,455	-	(77)	(72,796)	180,769	27,258	208,027

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

Company	Share capital \$'000	Share options reserve \$'000	Other reserve \$'000	(Accumulated losses) \$'000	Total equity \$'000
At 1 January 2010	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 30)	-	-	205	-	205
Transfer from other reserve to retained earnings on redemption	-	-	(1,099)	1,099	-
Total comprehensive expense for the year					
- As previously reported	-	-	-	(25,009)	(25,009)
- Prior year restatement (Note 36e)	-	-	-	(78,430)	(78,430)
- Prior year restatement (Note 36f)	-	-	-	1,586	1,586
Total comprehensive expense for the year as restated	-	-	-	(101,853)	(101,853)
At 31 December 2010 as restated	229,692	257	-	(104,232)	125,717
Issue of ordinary shares upon conversion of convertible notes	22,500	-	-	-	22,500
Share issue expenses	(5)	-	-	-	(5)
Recognition of share based payments	-	1,198	-	-	1,198
Total comprehensive income for the year	-	-	-	7,685	7,685
At 31 December 2011	252,187	1,455	-	(96,547)	157,095

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 \$'000	2010 \$'000 (Restated)
Cash flows from operating activities			
Profit/(Loss) before income tax		3,414	(91,558)
Adjustments for:			
Allowance for doubtful debts		-	28
Amortisation of intangible asset	16	777	-
Depreciation of property, plant and equipment	12	677	511
Fair value gain on financial assets at fair value through profit or loss	21	(974)	(1,669)
Fair value loss/(gain) on forward foreign exchange contract	15	276	(1,704)
Fair value gain on investment properties	17	(2,650)	(1,439)
Reversal of bad debt	4	(32)	-
Impaired trade receivables written back		-	(3,279)
Impairment loss on property, plant and equipment	12	-	1,062
Impairment loss on goodwill		-	78,430
Interest expense		1,860	2,188
Interest income		(3)	(2)
Loss on disposal of financial assets at fair value through profit or loss	21	-	2,578
Provision for unutilised leave		-	44
Reversal of overaccruals	4	(367)	(45)
Reversal of impairment loss on property, plant and equipment	12	(1,062)	-
Share options expenses		1,198	257
Share of results of associates	9	962	10,050
Unrealised exchange (gain)/loss		(2,362)	824
Operating profit/(loss) before working capital changes		1,714	(3,724)
(Increase)/Decrease in:			
Inventories		-	28,746
Trade receivables		20,995	(2,403)
Other receivables, deposits and prepayments		15,772	(20,738)
(Increase)/Decrease in:			
Trade payables		(644)	331
Other payables and accruals		1,234	(8,445)
Cash generated from/(used in) operations		39,071	(6,233)
Interest income received		3	2
Interest expense paid		(1,860)	(1,965)
Income tax paid		(491)	(361)
Net cash generated from/(used in) operating activities		36,723	(8,557)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(1,972)	(5)
Purchase of intangible assets	16	(4,944)	-
Deposit paid for the acquisition of additional interest in an associate		(61,672)	-
Security deposit		-	(49)
Dividend received from an associates		-	213
Acquisition of subsidiaries, net of cash	13	-	9
Net cash (used in)/generated from investing activities		(68,588)	168

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

	Note	2011 \$'000	2010 \$'000 (Restated)
Cash flows from financing activities			
Cash and cash equivalents discharged from banks		-	759
Advance from immediate holding company		11,601	9,012
Proceeds from borrowings		-	7,500
Proceeds from share issuance	23	22,500	25,500
Repayment of borrowings		(3,722)	(22,794)
Repayment of convertible notes		-	(5,700)
Repayment of lease obligations		-	(9)
Share issue expenses	23	(5)	(65)
Net cash from financing activities		30,374	14,203
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of financial year		8,879	2,998
Effect of currency translation on cash and cash equivalents		(62)	67
Cash and cash equivalents at the end of the financial year	22	7,326	8,879

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

1. DOMICILE AND ACTIVITIES

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 37 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 2011 were authorised for issue by Board of Directors on 22 March 2013.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and the Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on historical cost basis, except as disclosed in the financial statement.

The individual financial statements of each Group 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 dollar ("S") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("S'000"), unless otherwise indicated.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.2 Adoption of new and revised standards

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

FRS 24 (2010) Related Party Disclosures

FRS 24(2010) changes certain requirements for related party disclosures for entities under control, joint control or significant influence of a government ("government-related entities"). FRS 24(2010) also made related party relations symmetrical between each of the related parties and new relationships were included and clarified in the definition of a related party. As this is a disclosure standard, it has no impact on the financial position or financial performance of the Company or the Group. The Group has applied the amendments to FRS 24 for annual periods beginning on or after 1 January 2011 and on a retrospective basis as in accordance with the transitional provisions.

2.3 New accounting standards and FRS interpretations

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

		Effective date (annual periods beginning on or after)
FRS 1	Amendments to FRS 1 – Presentation of item of other comprehensive income	1 July 2012
FRS 12	Amendments to FRS 12 Deferred tax: Recovery of underlying assets	1 January 2012
FRS 19	Employee benefits	1 January 2013
FRS 27	Separate financial statements	1 January 2014
FRS 28	Investment in associate and joint ventures	1 January 2014
FRS 32	Amendments to FRS 32 – Offsetting of financial assets and financial liabilities	1 January 2014
FRS 107	Amendments to FRS 107 Disclosures – Transfer of financial assets	1 July 2011
FRS 107	Amendments to FRS 107 – Offsetting financial assets and financial liabilities	1 January 2014

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.3 New accounting standards and FRS interpretations (Continued)

		Effective date (annual periods beginning on or after)
FRS 110	Consolidated financial statements	1 January 2014
FRS 110	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to FRS 110, FRS 111 and FRS 112)	1 January 2014
FRS 111	Joint arrangements	1 January 2014
FRS 112	Disclosure of interests in other entities	1 January 2014
FRS 113	Fair value measurements	1 January 2013
INT FRS 120	Stripping costs in the production phase of a surface mine	1 January 2013

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRS and INT FRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption except as disclosed below:

FRS 12 Amendments to FRS 12 Deferred tax: Recovery of Underlying assets

The amendment introduced a rebuttable presumption that an investment property measured at fair value is recovered entirely through sale and the presumption can only be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

The Group has rebutted the presumption as the investment property is held to earn the rental income and will consume substantially all of the economic benefits embodied in the investment property over time. Hence, the adoption of the Amendments to FRS 12 has no impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Group has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances, transactions, income and expenses are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control over 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 investments 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.

Investments in subsidiaries and associates are carried at cost less any impairment loss that has been recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.5 Business Combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 Income Taxes and FRS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.5 Business Combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as step acquisitions. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.6 Associates

An associate is an entity over which the Group has significant influence, but not control, and generally accompanying a shareholding of between 20% and 50% of the voting rights.

The results and assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for under FRS 105 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss of individual investments. Losses in 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.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

2.7 Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost, less any subsequent accumulated depreciation, and where applicable, accumulated impairment losses.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Depreciation is charged so as to write off the cost of assets, using the straight-line method, on the following bases:

- Leasehold Buildings 50 years
- Furniture and fittings 5 years
- Motor vehicles 10 years
- Leasehold improvements 5 years

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

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

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

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

The Group reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of 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 unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.9 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.

Supplier contract

Supplier contract acquired arising from consolidation based on valuation report is amortised based on the quantities consumed during the period over the total quantities of 400,000 metric ton available under the supplier contract.

2.10 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value and changes in the fair value are included in profit or loss for the year in which they arise.

Costs of major renovations and improvements to the investment property to the investment property are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

Upon its disposal or retirement, the difference between the net disposal proceeds and the carrying amount of the investment property is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.11 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are recognised on a trade date - the date on which the Group commits to purchase or sell the asset. They 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 classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Financial asset at fair value through profit or loss (FVTPL)

A financial asset is classified as FVTPL if the financial asset is either held for trading or is designated as such upon initial recognition.

A financial asset is classified as held-for-trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group; or if it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee contract.

A financial asset which is not classified as held-for-trading may be designated as FVTPL upon initial recognition if the financial asset is managed as part of a group of financial instruments, with its performance being evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.11 Financial instruments (Continued)

Financial asset at fair value through profit or loss (FVTPL) (Continued)

Gains or losses arising from changes in the fair value are recognised in profit or loss. The net gain or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, deposits and bank balances.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets (AFS)

Certain equity instruments and debt securities held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, with the exception of unquoted equity instruments that are not carried at fair value as the fair value cannot be reliably measured, AFS are measured at fair value and changes therein are recognised directly in the available-for-sale reserve with the exception of impairment losses, interests calculated using the effective interest method and foreign exchange gains and losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the year.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Impairment of financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.11 Financial instruments (Continued)

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.11 Financial instruments (Continued)

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Groups accounting policy for borrowing costs (see above).

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk such as foreign exchange forward contracts.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the First-in, First-Out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

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

2.15 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.16 Leases

Finance leases

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

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 recognised 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 the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (please see above).

Operating Leases

Rentals 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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lessor

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 user 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 on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

2.18 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 24 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.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.19 Revenue recognition (Continued)

Rendering of services

Income from providing financial guarantee is recognised in the profit or loss over the guarantee period on a straight line basis.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

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

Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the relevant lease.

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.22 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2.23 Jobs credit scheme

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

2.24 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.25 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

2.26 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 profit or loss 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 subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the 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, and are 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.26 Income tax (Continued)

Deferred tax liabilities are recognised on 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 each financial year 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 the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities except for the investment properties where investment properties measured at fair value are presented to be recovered entirely through sale. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 directly to equity, in which case the tax is also recognised directly in equity, 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 cost.

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

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.27 Foreign Currency transactions and translations

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Exchange differences relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.28 Significant related party transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Associates are related parties and include those that are associates of the holding and/or related companies.

2.29 Contingencies

A contingent liability is:

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

- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.29 Contingencies (Continued)

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

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

2.30 Critical accounting estimates, judgments and key sources of estimation

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there is objective evidence that the Company's investments in subsidiaries are impaired. The management's assessment is based on the estimation of the value-in-use of the cash-generating unit ("CGU") by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries as at 31 December 2011 was \$31,146,000 (2010: \$31,145,000) (Note 13).

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

The Group assesses impairment of the above-mentioned assets wherever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value-in-use) of the assets is estimated to determine the impairment loss. In making this judgment, the Group evaluates the value-in-use based on the third party valuation report which was performed by the professional valuer.

At 31 December 2011, the Group's and Company's carrying amount of the investment in associates and available-for-sale financial assets amounted to approximately \$82,909,000 and \$12,345,000 (2010: \$79,232,000 and \$12,345,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.30 Critical accounting estimates, judgments and key sources of estimation (Continued)

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 \$2,650,000 (2010: \$1,439,000) are made during the year as disclosed in Note 17 to the financial statements. At 31 December 2011, the Group's and Company's carrying amount of investment properties amounted to approximately \$24,500,000 (2010: \$21,850,000).

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 Nil and \$10,282,000 (2010: \$Nil and \$10,665,000) respectively are made during the year as disclosed in Note 18 and 19 to the financial statements respectively. The carrying amount of trade and other receivables of the Group and Company as at 31 December 2011 are approximately \$103,832,000 and \$121,103,000 (2010: \$77,335,000 and \$65,619,000) respectively.

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 2011 are approximately \$524,000 and \$507,000 (2010: \$147,000 and \$117,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

2. Summary of significant accounting policies (Continued)

2.30 Critical accounting estimates, judgments and key sources of estimation (Continued)

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 12 to the financial statements.

Impairment of property, plant and equipment and intangible assets

The Group has commenced its iron ore trading operation since May 2011, in which the Group has been utilising 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 exceeds the carrying amount of the plant and equipment and the intangible assets. As a result, no impairment was made as at 31 December 2011.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the principal economic environment in which the entities operate and the respective entities' process of determining sales prices.

3. Revenue

	Group	
	2011	2010
	\$'000	\$'000
Sale of goods		
- Coke and coal	-	106,454
- Iron Ore	31,323	23,792
Total	31,323	130,246

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

4. Other operating income

	Group	
	2011 \$'000	2010 \$'000 (Restated)
Reversal of over accruals	367	45
Waiver of payable	133	-
Allowance of trade doubtful debts written back (Note 19)	-	3,279
Doubtful debts recovered (Note 20)	-	61
Foreign currency exchange gain	4,999	-
Fair value gain on other financial asset at fair value through profit or loss (Note 21)	974	1,669
Fair value gain on forward foreign exchange contract (Note 15)	-	1,704
Fair value gain on investment properties (Note 17)	2,650	1,439
Interest income	3	1
Rental income (Note 17)	659	654
Income earned on profit guarantee	5,715	-
Reversal of impairment loss on property, plant and equipment (Note 12)	1,062	-
Reversal of bad debt	32	-
Others	277	249
Total	16,871	9,101

5. Administrative expenses

	Group	
	2011 \$'000	2010 \$'000 (Restated)
Entertainment expenses	148	175
Operating lease expenses		
- office premises	136	150
- office equipment	-	1
Personnel expenses (Note 7)	3,268	2,756
Professional fees	2,215	3,016
Transportation and travelling expenses	362	267
Others	902	766
Total	7,031	7,131

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

6. Other operating expenses

	Group	
	2011 \$'000	2010 \$'000 (Restated)
Amortisation of intangible asset (Note 16)	777	-
Depreciation of property, plant and equipment (Note 12)	677	511
Allowance for other receivables (Note 20)	-	11
Equity Line Financing commission (Note 23)	2,786	2,337
Foreign exchange loss, net	-	5,330
Fair value loss on forward foreign exchange contract at fair value through profit or loss (Note 15)	276	-
Impairment loss on associate (Note 9)	-	78,430
Impairment loss on property, plant and equipment (Note 12)	-	1,062
Loss on disposal of financial assets at fair value through profit or loss (Note 21)	-	2,578
Share options expenses (Note 24)	1,198	257
Others	5	105
Net	5,719	90,621

7. Personnel expenses

	Group	
	2011 \$'000	2010 \$'000 (Restated)
Central Provident Fund contributions	85	91
Total wages, salaries and bonuses, including directors' remuneration	3,060	2,562
Other personnel expenses	123	103
Total	3,268	2,756

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

7. 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 management's remuneration is as follows:

	Group	
	2011 \$'000	2010 \$'000
Central Provident Fund contributions	26	22
Directors' fee	172	100
Directors' remuneration of the Company	827	811
Total wages, salaries and bonuses	432	339
Share options expenses	1,198	257
Other personnel expenses	18	34
Total	2,673	1,563

8. Finance costs

	Group	
	2011 \$'000	2010 \$'000
Bank charges	33	322
Interest expense:		
- bills discounting	6	116
- bank loans	1,258	1,787
- loan from immediate holding company	581	-
- letter of credit	15	62
- convertible notes	-	223
Total	1,893	2,510

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

9. Associates

	Group			Company		
	2011 \$'000	2010 \$'000 (Restated)	2009 \$'000 (Restated)	2011 \$'000	2010 \$'000	2009 \$'000
Unquoted equity investments, at costs				20,423	20,423	20,423
Impairment loss				(18,274)	(18,274)	(9,723)
Net				2,149	2,149	10,700
Unquoted equity investments, at costs	182,648	182,648	104,218			
Impairment loss	(78,430)	(78,430)	-			
Dividend received	(249)	(213)	(325)			
Translation difference	(33)	(4,708)	1			
Share of post-acquisition results	(21,027)	(20,065)	(10,015)			
	82,909	79,232	93,879			

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

	Group			Company		
	2011 \$'000	2010 \$'000 (Restated)	2009 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
At beginning of year	78,430	-	-	18,274	9,723	9,723
Charge during the financial year (Note 6)	-	78,430	-	-	8,551	-
At end of financial year	78,430	78,430	-	18,274	18,274	9,723

As part of the Company's impairment assessment, the recoverable amount of the investment has been determined on the basis of its fair value less costs to sell which was determined with reference to the net asset value of the associate. Accordingly, management concluded that the investment in associate is impaired and an impairment loss of \$Nil (2010: \$78,430,000) has been recorded.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

9. Associates (Continued)

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

	2011 \$'000	Group 2010 \$'000 (Restated)	2009 \$'000 (Restated)
Assets	351,780	326,230	102,698
Liabilities	(180,950)	(148,894)	(3,237)
Revenue	124,833	32,547	2,674
Net loss	(16,466)	(15,283)	(69)

Details of the associated companies are disclosed in Note 37 to the financial statements.

10. Income tax expense

	2011 \$'000	Group 2010 \$'000
Income tax expense attributable to loss is made up of:		
Current income tax		
- Singapore	137	263
- Under/(Over) provision in prior years	733	(112)
Deferred tax		
- Singapore	242	452
- Foreign	(5)	-
Tax expenses	1,107	603

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

10. Income tax expense (Continued)

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

	Group	
	2011	2010
	\$'000	\$'000
		(Restated)
Profit/(Loss) before income tax	3,414	(91,558)
Tax at the applicable rate of 17%	580	(15,565)
Effects of different tax rates in other countries	573	-
Expenses not deductible for tax purposes	1,007	16,460
Effect of tax exemption	-	(46)
Income not subject to tax	(1,767)	(134)
Under/(Over) provision in prior years	733	(112)
Others	(19)	-
Tax expenses	1,107	603

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

11. Profit/(Loss) per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2011	2010
	\$'000	\$'000
Earnings		
Earnings/(Loss) for the purposes of basic and diluted earnings per share (Profit/(Loss) attributable to shareholders of the Company)	2,908	(91,164)
<hr/>		
	2011	2010
Number of shares		
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	242,165,485	211,203,944
Weighted average number of ordinary shares for the purposes of diluted earnings per share	244,775,104	211,559,012
<hr/>		
	2011	2010
Earnings per share (cents)		
Basic	1.20	(43.16)
Diluted	1.19	(43.16)

Diluted earnings per share for the financial year ended 31 December 2011 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 arising from share options.

The conversion of potential dilutive ordinary shares were not included in the computation of dilutive earnings per share for the year ended 31 December 2010 as they are antidilutive.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

12. Property, plant and equipment

Group	Leasehold building \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Total \$'000
Cost					
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
Additions	1,940	32	-	-	1,972
Translation differences	-	1	-	-	1
At 31 December 2011	13,176	2,135	139	34	15,484
Accumulated depreciation					
At 1 January 2009	75	275	18	35	403
Additions	225	102	11	7	345
Written off	-	(210)	-	(33)	(243)
Translation reserve	-	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
Charge during the year	403	252	15	7	677
Translation differences	-	(3)	-	-	(3)
At 31 December 2011	927	637	58	23	1,645
Impairment					
At 1 January 2009 and 31 December 2009	-	-	-	-	-
Charge during the year	1,062	-	-	-	1,062
At 31 December 2010	1,062	-	-	-	1,062
Reversal during the year	(1,062)	-	-	-	(1,062)
At 31 December 2011	-	-	-	-	-
Net carrying amount					
At 31 December 2011	12,249	1,498	81	11	13,839
At 31 December 2010	9,650	1,714	96	18	11,478
At 31 December 2009	10,936	2,071	121	25	13,153

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

12. Property, plant and equipment (Continued)

Company	Leasehold building \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Total \$'000
Cost					
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
Additions	1,940	9	-	-	1,949
At 31 December 2011	13,176	384	110	34	13,704
Accumulated depreciation					
At 1 January 2009	75	275	18	35	403
Additions	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
Charge during the year	403	75	11	7	496
At 31 December 2011	927	275	51	23	1,276
Impairment					
At 1 January 2009 and 31 December 2009	-	-	-	-	-
Charge during the year	1,062	-	-	-	1,062
At 31 December 2010	1,062	-	-	-	1,062
Reversal during the year	(1,062)	-	-	-	(1,062)
At 31 December 2011	-	-	-	-	-
Net carrying amount					
At 31 December 2011	12,249	109	59	11	12,428
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 of the Company with a carrying amount of approximately \$12,249,000 (2010: \$9,650,000) have been pledged to a bank for banking facilities (Note 29).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

12. Property, plant and equipment (Continued)

In 2010, the Group and 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 is based on the direct comparison method and income method and suggested that the fair value of the leasehold building as at 31 December 2010 is \$9,650,000. Based on this estimated fair value, the Group and Company has made an impairment of \$1,062,000 on the leasehold building.

In 2011, the Company has appointed the same independent professional valuation company to estimate the fair value of the Company's leasehold building as at 31 December 2011. The valuation report prepared by the professional valuation company dated 17 January 2012 is based on the direct comparison method and income method and suggested that the fair value of the leasehold building is \$11,000,000. Thus, the impairment amount of the leasehold building was reversed.

13. Subsidiaries

	2011 \$'000	Company 2010 \$'000 (Restated)	2009 \$'000
Unquoted equity shares, at cost:			
At beginning of financial year	109,925	31,292	1,371
Additions	1	78,633	29,921
Total	109,926	109,925	31,292
Less: impairment loss	(78,780)	(78,780)	(10)
At end of financial year	31,146	31,145	31,282

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

At beginning of financial year	78,780	10	10
Charge during the financial year	-	78,770	-
At end of financial year	78,780	78,780	10

Information relating to subsidiaries is disclosed in Note 37 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

13. Subsidiaries (Continued)

Acquisition

On 21 November 2011, the Company registered a subsidiary as a foreign entity in Australia with a share capital of \$1,000.

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%) (天津凱特美貿易有限公司) and an associate, Zuoquan Xinrui Metallurgy Mine Co. Limited (22.8%) (左權鑫瑞冶金礦山有限公司) (collectively referred to as "Max Harvest Group") for a purchase consideration of RMB390,500,000 (equivalent to \$78,633,000). 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 \$0.1485 per share.

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 with 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 increase significantly since the date of the sales and purchase agreement on 18 December 2007 to the closing date.

The Company has engaged an technical consultancy company and a qualified professional valuation company to perform a JORC-compliant technical study and a valuation respectively on Xinrui.

In July 2012, the technical report and the valuation report were issued. The fair value on the reserves of the iron mines of Xinrui as at 12 May 2010 (acquisition date), 31 December 2010 and 31 December 2011 were estimated using the income approach as approximately RMB289,644,000, RMB321,934,000 and RMB212,047,000 respectively. Accordingly, FY2010 financial statement was restated to reflect the fair value on the acquisition of Tianjin Kaitemei.

The Safety Production Permit of Iron Ore Mine 1 of Xinrui expired in April 2008 and has not yet been renewed. In July 2010, a fine of RMB1,960,000 was charged on Xinrui by Shanxi Administration of Work Safety for operating four mining lines in the absence of a valid Safety Production Permit. Two more mining lines were put in operation in 2011. Pursuant to the relevant laws and regulations in the PRC, the revenue derived from the mining without proper licenses and permits are subject to confiscation by the government. However, the share of the provision for the potential expropriation and fines had not been accounted for by the Group in its consolidated financial statements for the period ended 31 December 2010. As at 12 May 2010, 31 December 2010 and 31 December 2011, the related liabilities were estimated to be approximately RMB179,360,000, RMB236,330,000 and RMB284,690,000 respectively. Hence, the financial statements for the year ended 31 December 2010 were restated to reflect the above estimated liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

13. Subsidiaries (Continued)

As a result of the above restatement, the loss after tax and net assets of Max Harvest Group for the financial year ended 31 December 2010 are RMB106,837,972 and RMB106,829,250, respectively. Thus, the investment in Max Harvest Group was fully impaired in the financial year ended 31 December 2010.

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

	2011		2010		2009	
	At fair value \$'000	Carrying amounts \$'000	At fair value \$'000	Carrying amounts \$'000	At fair value \$'000	Carrying amounts \$'000
Associate (Note 9)	-	-	78,430	21,394	79,354	4,851
Other receivables, deposits and prepayments	-	-	202	202	23	23
Cash and bank balances	-	-	9	9	34	34
Other payables and accruals	-	-	(8)	(8)	(8,578)	(8,578)
Net identifiable assets/(liabilities)	-	-	78,633	21,597	(70,833)	(3,670)
Less: Non-controlling interests	-	-	-	-	(27,448)	
Less: Negative goodwill arising from consolidation	-	-	-	-	(13,464)	
Purchase consideration	-	-	78,633	-	29,921	
Less:						
Capitalisation of deposit	-	-	(31,300)	-	(18,385)	
Set-off with the major customer	-	-	(47,333)	-	(19,963)	
Claim to be refunded by Vendor	-	-	-	-	8,480	
Cash and bank balances of subsidiaries acquired	-	-	(9)	-	(34)	
Net cash inflow on acquisition	-	-	(9)	-	19	

Claim to be refunded by vendor

On 26 February 2010, the vendor and the Company have signed a supplemental agreement, by which the vendor agreed to reimburse \$7,893,000 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

14. Available-for-sale financial assets

	Group and Company		
	2011 \$'000	2010 \$'000	2009 \$'000
At beginning and end of financial year	12,345	12,345	12,345

The available-for-sale financial assets represent cost of unquoted investment in 15% equity stake in 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.

15. Derivative financial asset

	Group and Company		
	2011 \$'000	2010 \$'000	2009 \$'000
Forward foreign exchange contract	1,428	1,704	-

Forward foreign exchange contract

The Group and Company utilise currency derivatives 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 financial year, the total notional amount of outstanding forward foreign exchange contract to which the Group and Company are committed is as follows:

	Group and Company		
	2011 \$'000	2010 \$'000	2009 \$'000
Forward foreign exchange contract	35,000	35,000	-

The above arrangement is designed to address significant foreign currency exchange exposures from 23 July 2008 to 4 August 2014 of the financial assets at fair value through profit or loss.

At 31 December 2011, the fair value of the Group's and Company's foreign currency derivative is estimated to be approximately \$1,428,000 (2010: \$1,704,000). The fair values are measured using quoted forward exchange rates by a financial institution.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

15. Derivative financial asset (Continued)

Changes in the fair value of currency derivative amounting to \$276,000 (2010: \$1,704,000) has been debited (2010: credited) to profit or loss in the financial year (Note 6).

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

	Average exchange rate			Foreign currency			Contract value			Fair value		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
				US'000	US'000	US\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	US\$'000
Group and Company												
Sell US dollars more than a year	1.26	1.31	-	26,080	26,080	-	35,000	35,000	-	1,428	1,704	-

16. Intangible asset

	Group		
	2011	2010	2009
	\$'000	\$'000	\$'000
Cost			
At 1 January	2,069	2,066	-
Addition	4,944	-	2,066
Translation differences	33	3	-
At 31 December	7,046	2,069	2,066
Accumulated amortisation			
At 1 January	115	115	-
Charged for the year (Note 6)	777	-	107
Translation differences	(82)	-	8
At 31 December	810	115	115
Net carrying amount			
At 31 December	6,236	1,954	1,951

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

16. Intangible asset (Continued)

The intangible assets relate to the following items:

- i) Supplier contract of Iron Ore Fines or Lumps relate to the fair value recognised during the business combination in 2009 with a cost and carrying amount of \$2,069,000 and \$1,259,000 (2010: \$2,069,000 and \$1,954,000), respectively.
- ii) Mining right of an iron ore mine located in Australia with a cost and carrying amount of \$4,977,000.

17. Investment properties

	Group and Company		
	2011 \$'000	2010 \$'000	2009 \$'000
Statement of financial position			
Balance at beginning of year	21,850	20,411	20,122
Net gains from fair value change (Note 4)	2,650	1,439	289
Balance at end of year	24,500	21,850	20,411
Statement of comprehensive income			
Rental income from investment properties (Note 4)	659	654	548
Direct operating (expenses)/credits arising from:			
- Rental generating properties	(118)	(138)	2
- Non-rental generating properties	(59)	(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 dated 1 February 2012 (2010: 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 leases.

The investment properties are mortgaged to a bank as security for a term loan (Note 29).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

18. Security deposit

The security deposit represents the security deposit for the rental of an office in Indonesia which will expire after 12 months.

19. Trade receivables

	Group			Company		
	2011	2010	2009	2011	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Non-current:</u>						
Outside parties	-	-	28,036	-	-	7,224
Less: Allowance for impairment	-	-	(1,831)	-	-	(489)
Net	-	-	26,205	-	-	6,735
<u>Current:</u>						
Outside parties	2,042	40	28,989	28	-	6,260
Related party	-	22,965	15,762	-	-	2,808
Less: Allowance for impairment	-	-	(6,282)	-	-	(420)
Net	2,042	23,005	38,469	28	-	8,648
At end of financial year	2,042	23,005	64,674	28	-	15,383

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

19. Trade receivables (Continued)

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

	Group			Company		
	2011 \$'000	2010 \$'000	2009 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of financial year	-	8,113	15,035	-	908	1,894
Charge during the year	-	-	43	-	-	43
Write back of allowance (Note 4)	-	(3,279)	(6,857)	-	(866)	(1,025)
Written off	-	(4,359)	(4)	-	(42)	(3)
Translation differences	-	(475)	(104)	-	-	-
Balance at end of financial year	-	-	8,113	-	-	909

20. Other receivables, deposits and prepayments

	Group			Company		
	2011 \$'000	2010 \$'000 (Restated)	2009 \$'000	2011 \$'000	2010 \$'000 (Restated)	2009 \$'000 (Restated)
Claim to be refunded from vendor	-	7,888	8,480	-	7,888	8,480
Deposits	91,471	22,922	56,046	91,256	22,907	56,031
Amount due from immediate holding company	4,000	2,689	-	-	-	-
Prepayments	351	18,764	79	29	145	79
Subsidiaries	-	-	-	34,108	42,103	-
Sundry debtors	5,719	2,067	145	5,715	1,655	166
Dividends receivable	249	-	-	249	-	-
Financial guarantee asset	-	-	-	-	1,586	-
Less: Allowance for doubtful debts	-	-	(50)	(10,282)	(10,665)	(93)
Net	101,790	54,330	64,700	121,075	65,619	64,663

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

20. Other receivables, deposits and prepayments (Continued)

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

	Group			Company		
	2011 \$'000	2010 \$'000 (Restated)	2009 \$'000	2011 \$'000	2010 \$'000 (Restated)	2009 \$'000
Balance at beginning of financial year	-	50	50	10,665	93	93
Charge during the financial year (Note 6)	-	11	-	-	10,633	-
Doubtful debts recovered (Note 4)	-	(61)	-	(383)	(61)	-
Balance at end of financial year	-	-	50	10,282	10,665	93

Amount due from immediate holding company and subsidiaries are non-trade related, unsecured, repayable on demand and interest free except for an amount due from subsidiaries which bears interest ranging from Nil% to 0.5% (2010 : Nil% to 0.5%) per annum.

Deposits

In 2010, deposits are mainly paid for the proposed acquisition of the 30.6% of equity interest of Shanxi Lingshi Fuyuan Coal Co., Ltd. (山西靈石富源煤業有限公司) ("Fuyuan") amounting to \$22,892,000.

On 3 January 2011, the Company announced the cancellation of the proposed acquisition of Fuyuan Coal Company Limited. 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 additional 54.42% equity interest in Xinrui.

During the year, the Group has made additional payment of deposit amounting to \$61,672,000 for this acquisition. The total deposits paid for acquisition additional 54.42% equity interest in of Xinrui as at 31 December 2011 is \$91,241,534.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

20. Other receivables, deposits and prepayments (Continued)

Prepayments

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 (Sino Honest Capital Investment Limited) which amounted to US\$14,310,000 (equivalent to \$18,402,000), representing 40% of the contract sum of US\$36,000,000.

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 due to the fact that the Group needed 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.

Sundry debtors

Sundry debtors include an amount of \$5,715,000 which is receivable from Shenzhen Full Winner Industrial Co., Ltd ("Manfu") as a result of the profit guarantee made by Manfu for the acquisition of Xinrui per agreement dated 18 December 2007. Based on the purchase contract, Manfu agreed to pay the Group 22.8% of the profit shortfall if the actual profit of Xinrui in the financial year ended 31 December 2011 is less than RMB150,000,000.

21. Other financial asset at fair value through profit or loss

	Group and Company		
	2011 \$'000	2010 \$'000	2009 \$'000
<u>At fair value:</u>			
Balance at beginning of financial year	35,272	36,181	35,168
Addition	-	35,000	-
Disposal	-	(35,000)	-
Loss on disposal (Note 6)	-	(2,578)	-
Fair value gain (Note 4)	974	1,669	1,013
Balance at end of financial year	36,246	35,272	36,181

The asset is an unquoted Index-linked structured deposit with a tenure of 4 years commencing from 25 August 2010 and is used as a security in favour to the bank for the term loan granted to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

22. Cash and cash equivalents

	Group			Company		
	2011 \$'000	2010 \$'000	2009 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Cash and cash equivalents	7,326	8,879	2,998	506	3,060	2,269
Pledged to bank for trade facilities	-	-	759	-	-	-
Cash and bank balances	7,326	8,879	3,757	506	3,060	2,269

At 31 December 2009, the Group's cash and bank balances amounting to approximately \$759,000 was pledged to bank for trade financing facilities granted to a subsidiary for trading purpose in 2009 was released by the bank in 2010.

23. Share capital

	Group and Company					
	2011		2010		2009	
	Number of ordinary shares	\$'000	Number of ordinary shares	\$'000	Number of ordinary shares	\$'000
Issued and paid up:						
At the beginning of the year	226,755,386	229,692	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	-	-	(5,066,062,074)	-	-	-
Issue for cash after share consolidation	-	-	15,669,467	19,000	-	-
Issue of new shares pursuant to Equity Line Facility	18,491,561	22,500	-	-	-	-
Share issue expenses	-	(5)	-	(65)	-	(56)
At the end of the financial year	245,246,947	252,187	226,755,386	229,692	5,138,601,977	203,719

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

23. Share capital (Continued)

The Company issued 18,491,561 (2010: Nil) new ordinary shares at the issue price of \$1.217 (2010: Nil) pursuant to the Equity Line Facility and the Company was charged for a commission of \$2,786,000 in relation to this facility. All new shares issued rank pari-passu with the existing shares.

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 2011, option holders held options over 3,031,000 ordinary shares (2010: 1,200,000 ordinary shares) (of which 3,031,000 are unvested (2010: 1,200,000)) in aggregate. The 1,831,000 options granted during the year expire on 24 March 2013. Share options granted under the Abterra Employee Share Option Scheme (the "Scheme") carry no rights to dividends and no voting rights.

24. Share options reserve

Equity Settled Share option scheme

The Company has adopted the Scheme for the executive directors of the Company, employees of the Group and the controlling shareholders of 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 option holder 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 year 2010	1,200,000	1.27
Outstanding at 31 December 2010	1,200,000	1.27
Granted during year 2011	1,831,000	1.24
Outstanding at 31 December 2011	3,031,000	1.25
Exercisable at the end of the financial year	1,200,000	1.27

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

24. Share options reserve (Continued)

Equity Settled Share option scheme (Continued)

The options outstanding at the end of the year have a weighted average remaining contractual life of 1.2 years (2010: 1.7 years). In 2010, options were granted on 15 September. The estimated fair values of the options granted on 15 September 2010 were approximately \$0.64 each. In 2011, options were granted on 25 March. The estimated fair values of the options granted on 25 March 2011 were approximately \$0.50.

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

	2011	2010	2009
Expected dividend yield	Nil	Nil	Nil
Expected life	2 years	2 years	Nil
Expected volatility	77.73%	103.3%	Nil
Expected forfeiture yield	Nil	Nil	Nil
Interest rate	0.36%	0.5%	Nil
Suboptimal exercise factor	2.50	2.25	Nil
Weighted average exercise price	\$1.24	\$1.27	Nil
Weighted average share price	\$1.22	\$1.27	Nil

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 or behavioural considerations.

The Group and the Company recognised total expenses of \$1,198,000 (2010: \$257,000) related to equity-settled share-based payment transactions during the financial year.

25. 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

26. Trade payables

The average credit period of the trade payables is 30 days. No interest is charged on the trade payables.

27. Other payables and accruals

	Group			Company		
	2011 \$'000	2010 \$'000 (Restated)	2009 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Accrued operating expenses	1,755	2,297	1,606	1,322	1,764	1,001
Amount due to immediate holding company	16,112	3,765	6,718	500	494	14
Amount due to intermediate holding company	576	10	1,062	-	-	89
Sundry creditors	10,243	8,850	4,963	179	350	215
Amount due to a subsidiary	-	-	-	30,912	-	-
Total	28,686	14,922	14,349	32,913	2,608	1,319

Amounts due to immediate and intermediate holding companies are non-trade related, unsecured, interest-free and repayable on demand except for an amount due to immediate holding company amount of \$12,300,815 which bears an interest of 9% per annum.

At 31 December 2011, included in sundry creditors is an amount of approximately \$8,381,000 (2010: \$7,893,000) being the remaining assumed liability due to vendor upon acquisition of a subsidiary which is recoverable from the vendor.

The amount due to subsidiary is non-interest bearing and repayable on demand.

28. Provision

The provision is in respect of a claim under Hua Kok International Ltd ("HKI") scheme of arrangement by a creditor. On 8 December 2004, the Scheme Administrator filed a claim against the Company for a total of S\$7,056,539. On 13 September 2010, the Company has issued 2,725,844 shares at the market price to a creditor at the inception of S\$1.425 per share, totaling S\$3,884,328 as part of the settlement arrangement.

Hence, a provision of S\$3,000,000 was made as at 31 December 2010 for the remaining unsettled claim. Subsequent to the financial year ended 31 December 2011, the company has issued additional Shares amounting to S\$2,481,923 to settle the entire liability

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

29. Term loans

	Group			Company		
	2011 \$'000	2010 \$'000	2009 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Secured:						
Loan 1	19,599	20,821	22,026	19,599	20,821	22,026
Loan 2	28,000	28,000	23,000	28,000	28,000	23,000
Loan 3	-	2,500	-	-	2,500	-
Loan 4	-	-	6,949	-	-	6,949
Loan 5	-	-	4,121	-	-	-
Loan 6	-	-	10,519	-	-	10,519
Total term loans	47,599	51,321	66,615	47,599	51,321	62,494
Due within one year (current)	47,599	51,321	45,792	47,599	51,321	41,671
Due more than one year (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 \$12,249,000 (Note 12) and investment properties with carrying amount of \$24,500,000 (Note 17) of the Group and of the Company and bears a fixed interest rate at 4.98% (2010: 4.98%) 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. However, the Group and Company is required to repay the loan in full upon the request of the bank.

Loan 2 is secured over a 100% principal-protected structured deposit (Note 21) and bears variable interest rates ranging from 0.64% to 0.9% (2010: 0.841% to 1.12%) and is renewable quarterly.

Loan 3 is a short-term unsecured loan. In 2010, the loan note bears an effective interest of 107%.

Loan 4 is secured over a 100% principal-protected structured deposit and bears a fixed interest of 4.67% for a period of one year commencing on 2 November 2009. The term loan has been fully repaid during the prior 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% per annum for a period of one year commencing on 20 November 2009. The term loan has been fully repaid during the prior financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

30. Deferred tax liabilities

	Group			Company		
	2011 \$'000	2010 \$'000	2009 \$'000	2011 \$'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:						
- Equity component of convertible notes	-	-	205	-	-	205
- Fair value changes on investment properties	536	294	-	536	294	-
- Property, plant and equipment	-	5	6	-	-	-
Total	536	299	211	536	294	205
Net deferred tax liabilities	536	299	53	536	294	47

Movement in provision for deferred tax:

	Group			Company		
	2011 \$'000	2010 \$'000	2009 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of financial year	299	53	78	294	47	78
Recognised in equity	-	(205)	(93)	-	(205)	(93)
Charge during the year (Note 10)	242	452	67	242	452	62
Translation differences	(5)	(1)	1	-	-	-
Balance at end of financial year	536	299	53	536	294	47

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

30. Deferred tax liabilities (Continued)

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		
	2011 \$'000	2010 \$'000	2009 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of financial year	294	(158)	(220)	294	(158)	(220)
Effect of changes in Singapore tax rate	-	-	13	-	-	13
Charge during the year (Note 10)	242	452	49	242	452	49
Balance at end of financial year	536	294	(158)	536	294	(158)

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

	Group			Company		
	2011 \$'000	2010 \$'000	2009 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of financial 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 financial 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		
	2011 \$'000	2010 \$'000	2009 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of financial year	5	6	-	-	-	-
Charge during the year	-	-	5	-	-	-
Translation differences	(5)	(1)	1	-	-	-
Balance at end of financial year	-	5	6	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

31. Related party transactions

Many of the Group's and Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, in addition to those disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties:

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Acquisition of subsidiary from related party	-	78,633	-	78,633
Advances from immediate holding company	11,601	9,012	-	-
Advances from subsidiaries	-	-	1,244	2,391
Advances to subsidiaries	-	-	8,769	7,284
Payment on behalf by intermediate holding company	-	2,282	-	-
Payment on behalf of immediate holding company	-	39	-	39
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	-	-
Settlement of liabilities on behalf by subsidiaries	-	-	-	2,177
Settlement of liabilities on behalf of subsidiaries	-	-	-	4,686
Settlement of trade liabilities by immediate holding company	-	5,701	-	-
Interest expense from an immediate holding company	581	-	-	-
Settlement of trade receivables by related entity for:				
- Outside party	-	4,159	-	-
Trade receipts by the Company on behalf of subsidiaries	-	-	-	2,145

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

32. Commitments

(a) Acquisition of 30.6% equity interest in Fuyuan

	Group and Company		
	2011 \$'000	2010 \$'000	2009 \$'000
Consideration	-	49,400	49,400
Less: deposit paid	-	(24,700)	(24,700)
Translation difference	-	(1,808)	(517)
Net	-	22,892	24,183

On 3 January 2011, the Company announced the cancellation of the proposed acquisition of Fuyuan Coal Company Limited. As discussed in Note 13, 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.

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

The Group has 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		
	2011 \$'000	2010 \$'000	2009 \$'000
Future minimum lease payments:			
Not later than 1 year	24	143	32
1 to 5 years	-	67	23
Total	24	210	55

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

32. Commitments (Continued)

(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:

	Group and Company		
	2011 \$'000	2010 \$'000	2009 \$'000
Future minimum lease payments:			
Not later than 1 year	250	641	688
1 to 5 years	-	26	708
Total	250	667	1,396

33. Contingent liabilities

In 2010, the Company has given corporate guarantees of up to \$61,728,000 to certain banks and financial institutions for credit facilities granted to the subsidiaries. There is no draw down of facilities by the subsidiaries as at 31 December 2010. The fair values of the corporate guarantee have been eliminated on consolidation.

The corporate guarantees expired during the year and the Company agreed to waive the fair value of guarantees previously charged. Consequently, the fair value of the corporate guarantees at the end of the reporting period was reversed.

34. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

34. Segment information (Continued)

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

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

	Trading - Iron Ore \$'000	Trading- Coal \$'000	Trading - Others \$'000	Total \$'000
For the 12 months ended 31 December 2011				
Revenue	31,323	-	-	31,323
Segment results	2,148	-	-	2,148
Other operating income				16,871
Unallocated costs				(12,750)
Finance costs				(1,893)
Share of result of associates				(962)
Profit before tax				3,414
Income tax				(1,107)
Non-controlling interests				601
Profit attributable to equity holders of the Company				2,908
Non-cash items:				
Amortisation of intangible asset				777
Depreciation of property, plant and equipment				677
Fair value gain on other financial asset at fair value through profit or loss				(974)
Fair value loss on forward foreign exchange contract				276
Fair value gain on investment properties				(2,650)
Income from profit guarantee				(5,715)
Reversal of impairment loss on property, plant and equipment				(1,062)
Unrealised exchange gain				(2,362)
Share option expense				1,198

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

34. Segment information (Continued)

	Trading - Iron Ore \$'000	Trading- Coal \$'000	Trading - Others \$'000	Total \$'000
<u>At 31 December 2011</u>				
Segment assets	1,974	-	-	1,974
Associates				82,909
Unallocated assets				203,827
Consolidated total assets				288,710
Segment liabilities	115	-	-	115
Unallocated liabilities				80,568
Consolidated total liabilities				80,683
<u>For the 12 months ended 31 December 2010</u>				
Revenue	23,792	106,454	-	130,246
Segment results	1,411	11,522	-	12,933
Other operating income				4,391
Unallocated costs				(102,917)
Finance costs				(2,512)
Share of result of associates				(3,453)
Loss before tax				(91,558)
Income tax				(603)
Non-controlling interests				997
Loss attributable to equity holders of the Company				(91,164)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

34. Segment information (Continued)

	Trading - Iron Ore \$'000	Trading- Coal \$'000	Trading - Others \$'000	Total \$'000
For the 12 months ended 31 December 2010 (Continued)				
Non-cash items:				
Allowance of trade doubtful debts written back	(23)	(3,256)	-	(3,279)
Depreciation of property, plant and equipment				511
Fair value gain on other financial asset 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				78,430
Impairment loss on plant, property and equipment				1,062
Loss on disposal of financial assets at fair value through profit or loss				2,578
Share options expenses				257
Share of results of associates				(10,050)
At 31 December 2010				
Segment assets	-	22,985	-	22,985
Associated companies				79,232
Unallocated assets				147,881
Consolidated total assets				250,098
Segment liabilities	363	558	45	966
Unallocated liabilities				69,689
Consolidated total liabilities				70,655

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

34. Segment information (Continued)

	Trading - Iron Ore \$'000	Trading- Coal \$'000	Trading - Others \$'000	Total \$'000
For the 12 months ended 31 December 2009				
Revenue	7,312	120,520	24,087	151,919
Segment results	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
Profit attributable to equity holders of the Company				10,323
Non-cash items:				
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 other financial asset 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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

34. Segment information (Continued)

	Trading - Iron Ore \$'000	Trading- Coal \$'000	Trading - Others \$'000	Total \$'000
At 31 December 2009				
Segment assets	21,271	54,728	17,421	93,420
Associated companies				87,343
Unallocated assets				159,034
<hr/>				
Consolidated total assets				339,797
<hr/>				
Segment liabilities	345	-	291	636
Unallocated liabilities				90,301
<hr/>				
Consolidated total liabilities				90,937
<hr/>				

The Group's two business segments operate in five 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

34. Segment information (Continued)

Australia

The entity is established to hold the right, title and interest in the mine and property upon the completion of the proposed acquisition.

	Group's revenue		
	2011 \$'000	2010 \$'000	2009 \$'000
Singapore	-	93,265	38,540
Macau	31,323	36,981	113,379
Total	31,323	130,246	151,919

	Group's non-current assets		
	2011 \$'000	2010 \$'000 (Restated)	2009 \$'000
Singapore	36,391	33,467	46,942
Macau	-	-	17,503
Australia	6,761	-	-
China	95,457	91,577	99,688
Indonesia	2,697	3,568	3,811
Total	141,306	128,612	167,944

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 and investment properties.

Revenue of approximately \$31,323,000 (2010: \$83,728,000, 2009: \$151,919,000) is derived from 2 major customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. 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. The exposure is managed by natural hedges that arise from offsetting between sales receipts and purchases, and operating expenses disbursement that are denominated in foreign currencies and the utilisation of forward foreign exchange contracts to hedge the Company's foreign currency exposures. Further details on the forward exchange contracts can be found in Note 15 to the financial statements.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (Continued)

Financial risk management objectives and policies (Continued)

(i) Foreign exchange risk (Continued)

At the end of the reporting period, the carrying amounts of the monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Singapore dollar \$'000	United States dollar \$'000	Chinese Renminbi \$'000	Others*	Total \$'000
Group					
As at 31 December 2011					
Financial assets					
Cash and cash equivalents	387	6,208	40	691	7,326
Trade receivables	49	1,993	-	-	2,042
Other receivables	4,214	60	97,157	8	101,439
Available-for-sale financial assets	12,345	-	-	-	12,345
Other financial asset at fair value through profit or loss	-	36,246	-	-	36,246
Derivative financial asset	1,428	-	-	-	1,428
Total	18,423	44,507	97,197	699	160,826
Financial liabilities					
Trade payables	194	128	-	-	322
Other payables and accruals	1,433	17,167	9,872	214	28,686
Provision	3,000	-	-	-	3,000
Term loans	47,599	-	-	-	47,599
Total	52,226	17,295	9,872	214	79,607

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (Continued)

Financial risk management objectives and policies (Continued)

(i) Foreign exchange risk (Continued)

	Singapore dollar \$'000	United States dollar \$'000	Chinese Renminbi \$'000	Others*	Total \$'000
Group					
As at 31 December 2010					
Financial assets					
Cash and cash equivalents	6,933	1,905	-	41	8,879
Trade receivables	20	22,985	-	-	23,005
Other receivables	861	3,457	30,973	275	35,566
Available-for-sale financial assets	12,345	-	-	-	12,345
Other financial asset at fair value through profit or loss	-	35,272	-	-	35,272
Derivative financial asset	-	1,704	-	-	1,704
Total	20,159	65,323	30,973	316	116,771
Financial liabilities					
Trade payables	-	966	-	-	966
Other payables and accruals	6,079	1,069	7,490	284	14,922
Provision	3,000	-	-	-	3,000
Term loans	51,321	-	-	-	51,321
Total	60,400	2,035	7,490	284	70,209

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (Continued)

Financial risk management objectives and policies (Continued)

(i) Foreign exchange risk (Continued)

	Singapore dollar \$'000	United States dollar \$'000	Chinese Renminbi \$'000	Others*	Total \$'000
As at 31 December 2009					
Financial assets					
Cash and cash equivalents	1,536	2,087	111	23	3,757
Trade receivables	48	38,421	-	-	38,469
Other receivables	173	-	64,527	-	64,700
Available-for-sale financial assets	12,345	-	-	-	12,345
Other financial asset at fair value through profit or loss	36,181	-	-	-	36,181
Total	50,283	40,508	64,638	23	155,452
Financial liabilities					
Trade payables	-	636	-	-	636
Other payables and accruals	1,676	8,266	4,340	67	14,349
Provision	3,000	-	-	-	3,000
Term loans	45,027	17,468	4,120	-	66,615
Lease obligation	9	-	-	-	9
Convertible notes	5,967	-	-	-	5,967
Total	55,679	26,370	8,460	67	90,576

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (Continued)

Financial risk management objectives and policies (Continued)

(i) Foreign exchange risk (Continued)

	Singapore dollar \$'000	United States dollar \$'000	Chinese Renminbi \$'000	Others*	Total \$'000
Company					
As at 31 December 2011					
Financial assets					
Cash and cash equivalents	284	220	-	2	506
Trade receivables	28	-	-	-	28
Other receivables	24,031	58	96,417	-	121,046
Available-for-sale financial assets	12,345	-	-	-	12,345
Other financial asset at fair value through profit or loss	-	36,246	-	-	36,246
Derivative financial asset	1,428	-	-	-	1,428
Total	38,116	36,524	96,417	2	171,599
Financial liabilities					
Trade payables	190	11	-	-	201
Other payables and accruals	32,244	669	-	-	32,913
Provision	3,000	-	-	-	3,000
Term loans	47,599	-	-	-	47,599
Total	83,033	680	-	-	83,713

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (Continued)

Financial risk management objectives and policies (Continued)

(i) Foreign exchange risk (Continued)

	Singapore dollar \$'000	United States dollar \$'000	Chinese Renminbi \$'000	Others*	Total \$'000
As at 31 December 2010					
Financial assets					
Cash and cash equivalents	2,706	354	-	-	3,060
Other receivables	28,464	6,230	30,780	-	65,474
Available-for-sale financial assets	12,345	-	-	-	12,345
Other financial asset at fair value through profit or loss	-	35,272	-	-	35,272
Derivative financial asset	-	1,704	-	-	1,704
Total	43,515	43,560	30,780	-	117,855
Financial liabilities					
Other payables and accruals	1,794	814	-	-	2,608
Provision	3,000	-	-	-	3,000
Term loans	51,321	-	-	-	51,321
Total	56,115	814	-	-	56,929

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (Continued)

Financial risk management objectives and policies (Continued)

(i) Foreign exchange risk (Continued)

	Singapore dollar \$'000	United States dollar \$'000	Chinese Renminbi \$'000	Others*	Total \$'000
Company					
As at 31 December 2009					
Financial assets					
Cash and cash equivalents	1,315	954	-	-	2,269
Trade receivables	28	8,620	-	-	8,648
Other receivables, deposits and prepayments	92	66	64,505	-	64,663
Available-for-sale financial assets	12,345	-	-	-	12,345
Other financial asset at fair value through profit or loss	36,181	-	-	-	36,181
Total	49,961	9,640	64,505	-	124,106
Financial liabilities					
Trade payables	-	325	-	-	325
Other payables and accruals	1,167	152	-	-	1,319
Provision	3,000	-	-	-	3,000
Term loans	45,026	17,468	-	-	62,494
Lease obligation	9	-	-	-	9
Convertible notes	5,967	-	-	-	5,967
Total	55,169	17,945	-	-	73,114

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (Continued)

Financial risk management objectives and policies (Continued)

(i) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 2% increase and decrease in the functional currency of the respective companies 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/weakened by 2% against the relevant foreign currencies, statement of comprehensive income and other equity will increase/(decrease) by:

	Group			Company		
	2011 \$'000	2010 \$'000	2009 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
	Increase/(Decrease)			Increase/(Decrease)		
United States dollar against Singapore dollar						
- strengthened	721	2,126	(552)	717	855	(166)
- weakened	(721)	(2,126)	552	(717)	(855)	166
Renminbi against Singapore dollars						
- strengthened	1,939	324	1,290	1,928	616	1,290
- weakened	(1,939)	(324)	(1,290)	(1,928)	(616)	(1,290)
Others currencies against Singapore dollars						
- strengthened	1	2	1	-	-	-
- weakened	(1)	(2)	(1)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (Continued)

Financial risk management objectives and policies (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		
		2011 \$'000	2010 \$'000	2009 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Assets							
Cash and cash equivalents	Floating	7,326	8,879	3,757	506	3,060	2,269
Liabilities							
Term loans	Floating	28,000	28,000	40,469	28,000	28,000	40,469
Term loans	Fixed	19,519	23,321	26,146	23,321	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% (2010: 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 \$90,000 and \$120,000 respectively (2010: \$83,000 and \$108,000 respectively) as a result of higher or lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (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.

	Less than 1 year \$'000	Over 1 year \$'000	Total \$'000
Group			
<u>Financial Assets</u>			
<i>At 31 December 2011</i>			
Cash and cash equivalents	7,326	-	7,326
Trade receivables	2,042	-	2,042
Other receivables and deposits	101,439	-	101,439
Available-for-sale financial assets	12,345	-	12,345
Other financial asset at fair value through profit or loss	36,246	1,428	37,674
Total	159,398	1,428	160,826
<i>At 31 December 2010</i>			
Cash and cash equivalents	8,879	-	8,879
Trade receivables	23,005	-	23,005
Other receivables and deposits	35,566	-	35,566
Available-for-sale financial assets	12,345	-	12,345
Other financial asset at fair value through profit or loss	35,272	1,704	36,976
Total	115,067	1,704	116,771

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (Continued)

(b) Liquidity risk (Continued)

	Less than 1 year \$'000	Over 1 year \$'000	Total \$'000
<i>At 31 December 2009</i>			
Cash and cash equivalents	3,757	-	3,757
Trade receivables	38,469	-	38,469
Other receivables and deposits	64,621	-	64,621
Available-for-sale financial assets	12,345	-	12,345
Other financial asset at fair value through profit or loss	36,181	-	36,181
Total	155,373	-	155,373
Financial liabilities			
<i>At 31 December 2011</i>			
Trade payables	322	-	322
Other payables and accruals	28,686	-	28,686
Provision	3,000	-	3,000
Term loans	47,599	-	47,599
Total	79,607	-	79,607
<i>At 31 December 2010</i>			
Trade payables	966	-	966
Other payables and accruals	14,922	-	14,922
Provision	3,000	-	3,000
Term loans	51,321	-	51,321
Total	70,209	-	70,209
<i>At 31 December 2009</i>			
Trade payables	636	-	636
Other payables and accruals	14,349	-	14,349
Provision	3,000	-	3,000
Term loans	45,792	20,823	66,615
Lease obligations	9	-	9
Convertible notes	5,967	-	5,967
Total	69,753	20,823	90,576

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (Continued)

(b) Liquidity risk (Continued)

	Less than 1 year \$'000	Over 1 year \$'000	Total \$'000
Company			
<u>Financial Liabilities</u>			
<i>At 31 December 2011</i>			
<i>Trade payables</i>	201	-	201
<i>Other payables and accruals</i>	32,913	-	32,913
<i>Provision</i>	3,000	-	3,000
<i>Term loans</i>	47,599	-	47,599
Total	83,713	-	83,713
<i>At 31 December 2010</i>			
<i>Trade payables</i>	-	-	-
<i>Other payables and accruals</i>	2,608	-	2,608
<i>Provision</i>	3,000	-	3,000
<i>Term loans</i>	51,321	-	51,321
Total	56,929	-	56,929
<i>At 31 December 2009</i>			
<i>Trade payables</i>	325	-	325
<i>Other payables and accruals</i>	1,319	-	1,319
<i>Provision</i>	3,000	-	3,000
<i>Term loans</i>	41,671	20,823	62,494
<i>Lease obligations</i>	9	-	9
Total	46,324	20,823	67,147

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<u>By geographical areas:</u>				
Singapore	68	-	28	-
China	-	22,965	-	-
Macau	1,974	-	-	-
Other countries	-	40	-	-
Total	2,042	23,005	28	-

The carrying amounts of cash and cash equivalents, 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 cash equivalents 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (Continued)

(c) Credit risk (Continued)

The age analysis of trade receivables is as follows:

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Not past due and not impaired	48	22,965	28	
<u>Past due but not impaired:</u>				
Past due 3 to 6 months	1,974	-	-	-
Past due over 6 months	20	40	-	-
Gross trade receivables	2,042	23,005	28	-

At the end of the reporting period, 100% (2010: 100%) of the Group's trade receivables were due from 1 major outside party customer (2010: 1 major related party in China).

(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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (Continued)

(d) Fair values of financial instruments (Continued)

(i) Fair value of financial instruments that are carried at fair value (Continued)

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy as at 31 December 2011 and 2010:

	Group and Company			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
At 31 December 2011				
Financial assets				
<i>Derivative financial assets</i>				
Forward foreign exchange contract	1,428	-	-	1,428
<i>Other financial asset at fair value through profit or loss</i>	-	36,246	-	36,246

	Group and Company			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
At 31 December 2010				
Financial assets				
<i>Derivative financial assets</i>				
Forward foreign exchange contract	1,704	-	-	1,704
<i>Other financial asset at fair value through profit or loss</i>	-	35,272	-	35,272

Determination of fair value

Money market structured deposit: The fair value of the money market structured deposit is determined with reference to the dealer quotes of the fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

35. Financial risk management (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.

(e) 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	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Net debt	69,297	58,330	80,207	50,869
Total equity	208,027	179,443	157,095	125,717
Total capital	277,324	237,773	237,302	176,586
Gearing ratio	25%	25%	34%	29%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial year ended 31 December 2011 and 2010.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

36. Comparative figures

Certain restatements have been made to the prior financial year's financial statements consequent to correction of errors made in prior financial year by the management during the financial year ended 31 December 2011.

(a) Incomplete technical report and valuation report of an associate - Zuoquan Xinrui Metallurgy Mine Co., Limited

During the year ended 31 December 2010, an international technical expert, John T. Boyd Company ("JTB"), had been engaged to conduct the assessment on the iron ore reserves of an associate of the Group, 左權縣鑫瑞冶金礦山有限公司 ("Xinrui"), and a qualified valuer, Jones Lang LaSalle Sallmanns ("JLLS"), had 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 mine reserves to be issued by JTB. The technical report of JTB had not been completed in time for the approval of the consolidated financial statements for the period ended 31 December 2010. As a result, JLLS was unable to determine the fair value of iron ore mines of Xinrui. As such, in its consolidated financial statements for the period ended 31 December 2010, the Group was unable to determine the fair value of the interest in the associate as at 12 May 2010, the completion date of the acquisition of 天津凱特美貿易有限公司 (Tianjin Kaitemei Trading Co., Ltd.*) ("Tianjin Kaitemei"), of 22.8% equity interest in Xinrui, and the recoverable amount of the interest in the associate as at 31 December 2010.

In July 2012, the technical report of JTB and the valuation report of JLLS were issued where the fair values of the mining rights of Xinrui as of 12 May 2010, 31 December 2010 and 31 December 2011 estimated by JLLS using the income approach as approximately RMB289,644,000, RMB321,934,000 and RMB212,047,000, respectively. Accordingly, the assets acquired for the acquisition of Tianjin Kaitemei were adjusted with reference to the report as a restatement of prior year to correct the error resulting from the inability to fair value the interest in view of the non-availability of the valuation report in prior year is as follows:

	Group
	2010
	\$'000
Negative goodwill	8,332

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

36. Comparative figures (Continued)

- (b) Incomplete technical report and valuation report of an associate - Shanxi Zhengzhong Coal Industry Co., Ltd.

During the year ended 31 December 2010, an international technical expert, John T. Boyd Company ("JTB"), had been engaged to conduct the assessment on the reserves of the coal mines of an associate of the Group, 山西汾西瑞泰正中煤業有限公司("Ruitai"), and a qualified valuer, Jones Lang LaSalle Sallmanns ("JLLS") had also been engaged to perform the valuation on the fair value of the mining right of Ruitai based on the technical report on the coal mine reserves to be issued by JTB. The valuation of JLLS on the fair value of the mining right of Ruitai as of 31 December 2009 and 2010 respectively would provide good reference to the Group in its assessment of the fair value and the recoverable amount of the mining right of Ruitai as at these dates for the purpose of the initial and the subsequent accounting for the deemed acquisition of Ruitai. The technical report of JTB had not been completed and therefore JLLS was unable to perform a valuation on the fair value of the mining right of Ruitai when the consolidated financial statements for the period/year ended 31 December 2009/2010 were approved and authorised for issue. As such, in its consolidated financial statements for the period/year ended 31 December 2009/2010, the Group had to estimate respectively the fair value and the recoverable amount of its interest in Ruitai as at 31 December 2009, being the completion date of the deemed disposal of the then subsidiary, and the deemed acquisition of the associate, Ruitai, as at 31 December 2010 without the benefit of a professional valuation.

In September 2011, a technical report in respect of the reserves of the coal mines was issued by a PRC qualified technical expert, 山西省煤炭地質物探測繪院 (Shanxi Institute of Coal Geophysical Surveying and Mapping*). In July 2012, the valuation report of JLLS in respect of the fair value of the mining right was also issued. The fair values of the mining right of Ruitai as of 31 December 2009, 2010 and 2011 were estimated by JLLS using the income approach as approximately RMB929,378,000, RMB978,202,000 and RMB1,338,631,000, respectively. Accordingly, the fair value of the interest in the associate acquired (note 9) was adjusted with reference to the afore mentioned reports as a restatement of prior years to correct the error resulting from the inability to fair value the interest in view of the non-availability of the valuation report in prior year is as follows:

	Group 2009 \$'000
Negative goodwill	24,019
Non-controlling interest	(9,307)
	14,712

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

36. Comparative figures (Continued)

(c) Recognition of penalties and fines for non-compliance of an associate

In April 2008, the Safety Production Permit of Iron Ore Mine 1 of Xinrui expired. As of 12 May 2010, 31 December 2010, 31 December 2011 and the date of these consolidated financial statements, the expired Safety Production Permit had not yet been renewed. In July 2010, a fine of RMB1,960,000 was charged on Xinrui by Shanxi Administration of Work Safety for its operation of four mining lines in the absence of the valid Safety Production Permit. Two more mining lines were put in operations in 2011. Pursuant to the relevant laws and regulations in the PRC, the revenue derived from the production is subject to confiscation by the government. However, the share of the provision for the potential expropriation and fines had not been accounted for by the Group in its consolidated financial statements for the period ended 31 December 2010. As of 12 May 2010, 31 December 2010 and 31 December 2011, the related liabilities were estimated to be approximately RMB179,360,000, RMB236,330,000 and RMB284,690,000, respectively. Accordingly, the fair value of the associate acquired were adjusted in relation to the penalties and fine is as follows:

	Group 2010 \$'000
Negative goodwill	(87,198)

(d) Acquisition and disposal of Jiaozhong and acquisition of Ruitai

As further explained in Note 13 to the consolidated financial statements, on 29 May 2009, the Group acquired 80% of the paid-up capital of 山西泰星椒仲煤業股份有限公司(Shanxi Taixing Jiaozhong Coal Industry Company Limited*) ("Jiaozhong"). On 28 October 2009, a wholly owned subsidiary of the Group, 深圳市創融新貿易有限公司(Shenzhen Chuangrongxin Trading Co., Ltd*)("Chuangrongxin") and the other investor of Jiaozhong, 楊廣陵(Yang Guang Ling) ("YANG"), entered into a restructuring agreement (the "Restructuring Agreement") with 山西汾西瑞泰煤業投資有限責任公司(Shanxi Fenxi Ruitai Coal Investment Co., Ltd) ("Fenxi"), pursuant to which Fenxi would inject new coal mines as capital contribution to Jiaozhong, in return for a maximum of 51% of the enlarged paid-up capital of Jiaozhong. Jiaozhong was subsequently renamed as 山西汾西瑞泰正中煤業有限公司 (Shanxi Fenxi Ruitai Coal Investment Co., Ltd). According to the terms of the Restructuring Agreement, the equity interest of Chuangrongxin in Ruitai on completion of the restructuring was 39.2%. A supplemental agreement entered into by all investors of Ruitai on 13 February 2012 confirms that the equity interest of Chuangrongxin in Ruitai as from 1 January 2010 is 39.2%. However, in the consolidated financial statements for the year ended 31 December 2009, the acquisition of 80% of the paid-up capital of Jiaozhong was not accounted for as a business combination, and the deemed disposal of the then subsidiary, Jiaozhong and the acquisition of the associate, Ruitai were not properly accounted for. Accordingly, the fair value of the interest in the associate were adjusted as a restatement of prior year to correct the error in prior year due to non-compliance with FRS 103 Business Combination accounting treatment on acquisition of associate is as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

36. Comparative figures (Continued)

(d) Acquisition and disposal of Jiaozhong and acquisition of Ruitai (Continued)

	Group	
	2010	2009
	\$'000	\$'000
Foreign currency translation reserve	384	1,916
Share of associate's result	1,202	(22,207)
Non-controlling interest	644	11,667
	2,230	(8,624)

(e) Impairment in the carrying amount of the investment in Max Harvest Group

As at 31 December 2010, Max Harvest Group was in net current liability and capital deficiency position of RMB106,829,249 (S\$22,081,300) as a result of the restatements mentioned in (a) and (c) above. Thus, the cost of investment in Max Harvest Group amounting to \$78,430,453 which recorded in the book of the Company was fully impaired as at 31 December 2010 and 2011. The cost of investment in Max Harvest Group was adjusted as a restatement of prior year to correct the error in prior year due to adjustments mentioned in (a) and (c) above.

(f) Fair value of the financial guarantee

As at 31 December 2010, the Company, together with its Chairman and a related party have jointly provided guarantee to a bank for granting banking facilities amounting to \$30 million to another wholly owned subsidiary, Abterra Resources Pte Ltd. The fair value of the financial guarantee was not accounted for by the Company in the financial statement for the financial year ended 31 December 2010. Accordingly, the fair value of the financial guarantee amounting to S\$1,586,000 was accounted for by the Company as a restatement of prior year to correct the error in prior year due to the non-availability of the valuation report on the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

36. Comparative figures (Continued)

(f) Fair value of the financial guarantee (Continued)

The effects of the restatement arising from (a) to (d) above are summarised as below:

	Previously reported \$'000	Group Adjustment \$'000	As restated \$'000
<u>31 December 2010</u>			
Consolidated statement of Comprehensive Income			
Other operating income	(9,374)	273	(9,101)
Administrative expenses	7,629	1,116	8,745
Other operating expenses	20,086	77,059	97,145
Finance costs	2,512	(2)	2,510
Share of result of associate	3,453	(1,541)	1,912
	<u>24,306</u>	<u>76,905</u>	<u>101,211</u>
<i>Loss attributable to:</i>			
Equity holder of the company	13,500	77,664	91,164
Non-controlling interests	1,756	(759)	997
	<u>15,256</u>	<u>76,905</u>	<u>92,161</u>
Consolidated statement of Financial Position			
Associates	149,354	(70,122)	79,232
Other receivables, deposits and prepayments	53,886	(2,245)	51,641
Security deposit	-	49	49
Other payables	(14,007)	1,774	(12,233)
Income tax payable	(143)	(4)	(147)
Non-controlling interests	(23,398)	(3,004)	(26,402)
Translation reserve	3,504	(2,300)	1,204
Retained earnings	(148)	75,852	75,704

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

36. Comparative figures (Continued)

The effects of the restatement arising from (e) to (f) above are summarised as below:

31 December 2010	Company		
	Previously reported \$'000	Adjustment \$'000	As restated \$'000
Consolidated statement of Comprehensive Income			
Other operating income	(3,388)	(1,586)	(4,974)
Other operating expenses	31,677	78,430	110,107
	28,289	76,844	105,133
Consolidated statement of Financial Position			
Subsidiaries	109,575	(78,430)	31,145
Other receivables	64,033	1,586	65,619
Retained earnings	27,388	75,852	104,232

37. 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	
			2011 %	2010 %
Subsidiaries				
<u>Held by the Company</u>				
Abterra Resources Pte. Ltd. ⁽¹⁾	General trading	Singapore	100	100
Abterra Macao Commercial Offshore Ltd ⁽²⁾	General trading	Macau	100	100
Abterra Mineral Resources India Private Limited ⁽³⁾	Stockpile and trading of iron ore, coal and coke	India	100	100
Abterra Australia Pty. Ltd. ^{(2) (7)}	Mining	Australia	100	-
PT. Abterra Resources Indonesia ⁽⁴⁾	General trading and mining contractor	Indonesia	-	95
Max Harvest Enterprise Limited ⁽⁵⁾	Investment holding	Hong Kong	100	100
Sunny Energy Limited ⁽⁵⁾	Investment holding	Hong Kong	61	61
Tian Yi Investment Pte. Ltd. ⁽³⁾	General trading	Singapore	100	100
Tian Yi Power Co. Pte. Ltd. ⁽³⁾	General trading	Singapore	100	100
World Spa Industries (M) Sdn. Bhd. ⁽⁸⁾	Investment holding	Malaysia	60	60

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

37. 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	
			2011 %	2010 %
Subsidiaries				
<u>Held through Abterra Resources Pte. Ltd.</u>				
PT. Abterra Resources Indonesia ⁽⁴⁾	General trading and mining contractor	Indonesia	5	5
<u>Held through Max Harvest Enterprise Limited</u>				
Tianjin Kaitemei Trading Co., Ltd. ⁽⁵⁾ (天津凯特美贸易有限公司)	Investment holding	China	100	100
<u>Held through Sunny Energy Limited</u>				
Shenzhen Manxin Trading Co., Ltd. ⁽⁵⁾ (深圳市满鑫贸易有限公司)	Investment holding	China	61	61
Shenzhen Chuangrongxin Trading Co., Ltd. ⁽⁵⁾ (深圳市创融新贸易有限公司)	Investment holding	China	61	61
Associates				
<u>Held by the Company</u>				
Tianjin Lant Development Co., Ltd. ⁽⁶⁾ (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 ⁽⁵⁾ (左权鑫瑞冶金矿山有限公司)	Iron ore mining	China	23	23
<u>Held through Shenzhen Chuangrongxin Trading Co., Ltd.</u>				
Shanxi Fenxi Ruitai Zhengzhong Coal Limited ⁽⁵⁾ (山西汾西瑞泰正中煤业有限责任公司)	Coal mining	China	24	49

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

37. Significant subsidiaries and associated companies (Continued)

List of the entities in the Group (Continued)

- (1) Audited by Mazars LLP, Singapore.
- (2) Not required to be audited by law in its country of incorporation. The unaudited management accounts have been reviewed by Mazars LLP, Singapore for consolidation purposes, as they are material to the Group's financial statements.
- (3) 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.
- (4) Audited by Mazars LLP, Indonesia, and reviewed by Mazars LLP, Singapore for group consolidation purposes.
- (5) Audited by Mazars LLP, Hong Kong, and reviewed by Mazars LLP, Singapore for group consolidation purposes.
- (6) Reviewed by Mazars LLP, Hong Kong, for group consolidation purposes.
- (7) Newly incorporated during the year.
- (8) In the process of winding up.

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2013

ISSUED AND FULLY PAID- UP CAPITAL	:	S\$252,836,510
NUMBER OF SHARES ISSUED	:	246,999,994
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHT	:	1 VOTE PER SHARE

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 - 999	1,550	44.77	475,975	0.19
1,000 - 10,000	1,646	47.55	5,842,252	2.36
10,001 - 1,000,000	257	7.42	10,090,763	4.09
1,000,000 & Above	9	0.26	230,591,004	93.36
Total	3,462	100.00	246,999,994	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of shareholders	No. of shares	%
1	Phillip Securities Pte Ltd	79,577,720	32.22
2	DMG & Partners Securities Pte Ltd	52,792,000	21.37
3	DBS Vickers Securities (S) Pte Ltd	41,233,364	16.69
4	HSBC (Singapore) Nominees Pte Ltd	30,110,196	12.19
5	Bank of Singapore Nominees Pte Ltd	10,920,330	4.42
6	Maybank Kim Eng Securities Pte Ltd	10,630,560	4.31
7	Hua Kok Realty (Private) Limited (R & M Appointed)	2,725,844	1.10
8	Citibank Nominees Singapore Pte Ltd	1,521,550	0.62
9	UOB Kay Hian Pte Ltd	1,079,440	0.44
10	Raffles Nominees (Pte) Ltd	866,600	0.35
11	American Home Assurance Company	838,716	0.34
12	DBS Nominees Pte Ltd	635,540	0.26
13	OCBC Securities Private Ltd	556,800	0.22
14	United Overseas Bank Nominees Pte Ltd	331,290	0.13
15	ABN Amro Nominees Singapore Pte Ltd	317,840	0.13
16	Seck Kew Mary	146,000	0.06
17	Tang Zhi Tian Kelvin	144,000	0.06
18	Xiang Tao	142,000	0.06
19	Zheng Chuanlong	134,000	0.05
20	OCBC Nominees Singapore Pte Ltd	126,120	0.05
	Total:	234,829,910	95.07

Based on the information available to the Company, approximately 67.04% 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.

Pursuant to Rule 1207(9)(f) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company does not hold any treasury shares.

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2013

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Note	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
General Nice Resources (Hong Kong) Limited		81,404,976	32.96		
General Nice Development Limited	[1]			81,404,976	32.96
General Nice Investment (China) Limited	[2]			81,404,976	32.96
General Nice Group Holdings Limited	[3]			81,404,976	32.96
Cai Sui Xin	[4]			81,404,976	32.96
Tsoi Ming Chi	[5]			81,404,976	32.96

[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 Fourteenth Annual General Meeting of the Company will be held at 7 Temasek Boulevard, #11-05 Suntec Tower 1, Singapore 038987, on Friday, 12 April 2013 at 10 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 2011 and the Directors' Reports and the Auditors' Report thereon. Resolution 1
2. To approve Directors' fees of S\$171,900 for financial year ended 31 December 2011. (2010: S\$99,650) Resolution 2
3. To re-elect the following Directors who are retiring by rotation pursuant to Article 91 of the Company's Articles of Association:
 - (i) Mr Lin Xizhong; and Resolution 3(i)
 - (ii) Mr Wong Shiu Wah Williamson. *(See Explanatory Note)* Resolution 3(ii)
4. To note the retirement of Ms Cai Suirong, a Director who is retiring pursuant to Article 91 of the Articles of Association of the Company and would not be seeking re-election.
5. To re-appoint Messrs Mazars LLP as Auditors and authorise the Directors to fix their remuneration. Resolution 4
6. 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

28 March 2013

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- (1) A member of the Company entitled to attend and vote at the Fourteenth 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 Fourteenth Annual General Meeting.

Explanatory Notes:

Resolution 3(ii)

Mr Wong Shiu Wah Williamson will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating 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.

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ABTERRA LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199903007C)

PROXY FORM – FOURTEENTH ANNUAL GENERAL MEETING

IMPORTANT

1. For investors who have used their CPF moneys to buy ordinary shares in the capital of Abterra Ltd., this 2011 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)

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or failing him/her, the Chairman of the Fourteenth 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 Friday, 12 April 2013 at 10 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
	Ordinary Business		
1.	To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2011 and the Directors' Reports and the Auditors' Report thereon		
2.	To approve Directors' fees of S\$171,900 for financial year ended 31 December 2011 (2010: S\$99,650)		
3(i).	To re-elect Mr Lin Xizhong retiring by rotation pursuant to Article 91 of the Company's Articles of Association		
3(ii).	To re-elect Mr Wong Shiu Wah Williamson retiring by rotation pursuant to Article 91 of the Company's Articles of Association		
4.	To re-appoint Messrs Mazars LLP as Auditors and to authorise the Directors to fix their remuneration		

Dated this _____ day of _____ 2013.

Total number of
Shares Held

--

Signature(s) or Common Seal of Member



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.
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.

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

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

Remuneration Committee

Mr Chew Ban Chuan Victor Mark

Mr Wong Shiu Wah Williamson

Mr Chan Chun Tat Ray

Employee Share Option Scheme Committee

Mr Chew Ban Chuan Victor Mark

Mr Wong Shiu Wah Williamson

Mr Chan Chun Tat Ray

Auditors

Mazars LLP

Public Accountants and

Certified Public Accountants

133 Cecil Street

#15-02 Keck Seng Tower

Singapore - 069535

Audit Partner

Mr Chan Hock Leong

with effect from 17 February 2012

Principal Bankers

Standard Chartered Bank

Registrar

B.A.C.S. Private Limited

63 Cantonment Road, Singapore 089758

Investor Relations

Email: ir@abterra.com.sg

Website: 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

Website: www.abterra.com.sg



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