



PURSuing OPPORTUNITIES

2016

ANNUAL REPORT



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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 :



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

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.

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.

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 PROFILE

ABTERRA is a 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 September 2011, Abterra successfully obtained 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.

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



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual report of Abterra Ltd ("Abterra", or the "Company" and together with its subsidiaries, the "Group") for the financial year ended 31 December 2016 ("FY2016").

FY2016: YEAR IN REVIEW

FY2016 continued to be a challenging year for the Group. As an emerging supply chain manager in the natural resources business, trading in iron ore, coking coal and coke, Abterra's business was affected by various macro-economic developments during the year such as the oversupply in the global steel sector, the resultant weakening in related commodity prices and the slowdown in China's economy.

Revenue, cost of sales and gross profit remained zero in FY2016 as no sales were made during the year under review due to the lack of financial facilities.

The Group recorded other operating income of S\$0.9 million in FY2016, a decrease of 63% from S\$2.4 million in the financial year ended 31 December 2015 ("FY2015"). Compared to a share of loss from associates of S\$50.8 million in FY2015, there was no further share of losses of associates for FY2016 as the carrying amount of the associates have decreased to zero since the beginning of FY2016. In view of the above, the Group narrowed its loss after tax attributable to equity holders to S\$23.1 million in FY2016 from S\$51.0 million in FY2015.

Loss per share was 9.47 Singapore cents per share in FY2016, compared to loss per share of 20.88 Singapore cents per share in FY2015. Net asset value per share as at 31 December 2016 was 21.46 Singapore cents per share, compared to 31.29 Singapore cents per share as at 31 December 2015.

Given the challenging operating environment, the Company took the decision to divest five office units in its investment portfolio progressively during the year under review. This was part of the Board of Directors' (the "Board") plan for the divestment of the Company's investment properties, which would provide Abterra with cash proceeds.

In May 2016, the Company signed an option agreement to dispose two of its office units located at Suntec Tower 1, with an aggregate floor area of 4,400 square feet, for a purchase consideration of S\$9.2 million. The sale of the two office units was completed in August 2016, of which the net proceeds were used for reducing bank borrowings and for the Company's general working capital.

Separately in August 2016, the Company granted an option to purchase to sell three office units located at Suntec Tower 1, with an aggregate floor area of 5,683.34 square feet. Having obtained shareholders' approval for the disposal of the three office units at the Company's extraordinary general meeting ("EGM") held on 31 October 2016, the disposal of these three office units was completed in February 2017. The completion of the disposal of office units provided the Company with cash proceeds of S\$11.4 million, which was used to reduce bank borrowings further and for general working capital purposes.

The Board is continuously reviewing Abterra's business to strengthen and enhance its internal processes and controls. The Company has appointed Virtus Law LLP as its compliance adviser with effect from 1 July 2016 to advise the Company on its continuing listing obligations.

EXPLORING BUSINESS OPPORTUNITIES

The sale proceeds from the disposal of the three office units had provided Abterra with working capital to kickstart its trading business activities in February 2017. The Group aims to work towards developing its trading business and to establish a sustainable trade business in commodities including coking coal, coke and iron ore. In addition to that, the Board will continue to review the Group's business continuity plan, and to steer the business in the right direction amidst the tough operating environment.

In February 2017, the Company signed a non-binding Memorandum of Understanding to purchase 51% equity interest in Tianjin Belong Faith Energy Minerals Co., Ltd (天津博朗信国际贸易有限公司). Through this proposed acquisition of Tianjin Belong Faith Energy Minerals Co., Ltd, which is primarily engaged in the business of coal imports for sale within the People's Republic of China ("PRC"), the Company intends to enhance its trading capabilities and achieve a greater market presence, as well as to enlarge its revenue stream.

The Company had entered into a conditional sale and purchase agreement in July 2015 to acquire the mixed-use property located in the Beijing Media Village providing the Company an opportunity to enter the property market in the PRC. In December 2016, Abterra announced a further extension to the Long-Stop Date to 30 June 2017 for the proposed acquisition of a commercial property situated in the Chao Yang District of Beijing, the PRC. The proposed acquisition is subject to amongst others condition, the approval of the shareholders of the Company at a general meeting.

The Board will provide updates to the shareholders on any new developments as and when available through announcements made via SGXNet.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank all our shareholders for their continued support for the Company. I would also like to express my sincere appreciation to my fellow Directors, our management team, employees and business associates for their hard work and commitment. Together, we will strive towards building the Company's business, while managing our costs prudently and pursuing new opportunities actively.

Cai Sui Xin

Non-Executive Chairman



主席致辞

总裁致辞

我很荣幸代表董事会向你们报告天益有限公司(以下简称[天益]或[公司])及其子公司截止至2016年12月31日的2016财政年度报告。

2016财政年：年度回顾

2016财政年对集团来说，仍然是个具有挑战的年度。作为一家正在兴起的经营铁矿石、焦炭及焦煤贸易的自然资源供应链管理公司，天益的业务受到各种宏观经济的影响，如全球钢铁行业供应过度、由此导致的相关商品价格疲软，以及中国经济增长放缓等。

2016财政年的收入、销售成本及毛利润维持为零，因当年缺乏金融活动，没有进行任何销售。

2016年集团其它经营收入为90万新元，比2015年12月31日截止的2015财政年的240万新元下滑63%。相比2015财政年因联营公司所需承担的5,080万新元的损失，2016年未发生进一步这类损失，自2016财政年起，联营公司账面价值降至零。因此，集团2016财政年税后可归属于股东的损失由2015财政年的5,100万新元降低至2,310万新元。

2016财政年每股亏损9.47新加坡分，2015财年为每股亏损20.88新加坡分。截止至2016年12月31日的每股净资产净值为21.46新加坡分，而截止至2015年12月31日为31.29新加坡分。

因经营环境存在挑战，公司决定当年积极剥离其投资组合中的五个办公室单位。这是董事会剥离公司投资资产计划的一部分，这会为公司带来现金收益。

2016年5月，公司签署了一份选择性协议，以920万新元的对价，处置位于新达城大夏的总楼层面积为4,400平方英尺的两个办公室单位。这两个办公室单位的出售于2016年8月完成，净收益用于减少银行贷款及公司的一般运营资金。

2016年8月，公司批准了一份认购选择性协议，出售位于新达城大夏的总楼层面积为5,683.34平方英尺的三个办公室单位。在2016年10月31日召开的公司特别股东大会上获得股东对处置这三个办公室单位的批准后，2017年2月完成处置。办公单位的处置为公司带来1,140万新元的现金收益，用于进一步减少银行贷款及一般运营资金。

董事会仍在继续复核公司的经营以增强内部流程及控制。公司已任命维德律所作为合规顾问，自2016年7月1日生效，为公司继续履行上市责任提供建议。

探索业务经营机会

处置三个办公室单位的收益为公司提供了在2017年2月开始贸易业务活动的运营资金。集团旨在发展贸易业务，建成包括焦炭、焦煤及铁矿石贸易的可持续的商品贸易企业。此外，董事会将继续复核集团的经营连续性计划，在艰难的运营环境中把握企业发展的正确方向。

2017年2月，公司签署了非约束性理解备忘录，购买天津博朗信国际贸易有限公司51%的权益。天津博朗信国际贸易有限公司主要在中国从事煤炭进口销售，通过这项收购提议，公司旨在增强贸易能力获得更大的市场份额，并扩大收入流。

公司在2015年7月已达成一项有条件的买卖协议，收购位于北京媒体村的一幢多用途产业，为公司进入中国房地产市场提供机会。2016年12月，公司宣布将收购位于中国北京朝阳区的一幢商业房地产的提议的最后期限延长至2017年6月30日。该项收购提议还有其它条件的限制，并需公司股东大会的批准。

董事会将通过新加坡交易所发布声明，向股东提供任何可能的最新进展情况。

致谢

我谨代表董事会感谢全体股东对公司持续的支持。我还想向公司的董事、管理团队、员工及经营方表示我本人诚挚的感谢，感谢他们的辛勤工作与付出。我们将共同努力增进公司的业务经营，审慎管理成本，积极寻求新的机会。

Cai Sui Xin
非执行主席

BOARD OF DIRECTORS



Cai Sui Xin
Non-Executive Chairman

Mr. Cai Sui Xin, 55, joined the Board in October 2006 as the Managing Director and was appointed as the Executive Chairman in November 2006. Mr. Cai stepped down as an Executive Director of the Board with effect from 31 March 2016 and continue as Non-Executive Director and Non-Executive Chairman of the Company. Mr. Cai is also a member of the Audit Committee, Nominating Committee, Remuneration Committee and Employee Share Option Scheme Committee.

Mr. Cai founded General Nice Development Limited in 1992 and went on to establish other related companies under the General Nice Group. Mr. Cai was previously the Chairman of the Board of Directors and the Nominating Committee and an Executive Director of Loudong General Nice Resources (China) Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited. Mr. Cai was also the Chairman and an Executive Director of New Silkroutes Group Limited, a company listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").



Lau Yu
Chief Executive Officer and
Executive Director

Mr. Lau Yu, 48, joined the Board of Directors in October 2006 as an 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 holds a Bachelor of Business Administration degree from the School of Finance in University of Hawaii in the United States of America.

Mr. Lau was previously the Chairman of the Executive Committee, an Executive Director and Chief Executive Officer of Loudong General Nice Resources (China) Holdings Limited and the Chairman and an Executive Director of Evershine Group Holdings Limited. Both companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Lau was also the Vice Chairman of the Board of Directors and an Executive Director of New Silkroutes Group Limited, a company listed on SGX-ST.



Wong Shiu Wah Williamson
Independent Director and
Chairman of Audit Committee

Mr. Wong Shiu Wah Williamson, 56, joined the Board of Directors in February 2010.

He is presently the Chairman of the Audit Committee and Employee Share Option Scheme Committee and a member of the Nominating Committee and Remuneration Committee.

Mr. Wong works as a Director for a business consultancy firm in Hong Kong. Prior to that, he has worked with various public and private companies in Hong Kong

and in the United States of America as Financial Controller/ Officer. He possesses extensive experience in auditing, accounting, corporate finance, 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.



Chan Chun Tat Ray
Independent Director and
Chairman of Nominating Committee
and Remuneration Committee

Mr. Chan Chun Tat Ray, 58, joined the Board in July 2010. He is presently the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee and Employee Share Option Scheme Committee.

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 had 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.

SENIOR MANAGEMENT

John Baey Yam Chye

Group General Manager

Mr Baey joined the Group in October 2006 and is responsible for the Group's corporate management and human resource function. Mr Baey has extensive experience in corporate management and accumulated more than 30 years of experience in the trading and marketing of commodities.

Prior to joining the Group, Mr Baey was the Managing Director of J-Tech Supply Pte Ltd since 1999, responsible for the running of the company's operations and trading of industrial bolts and nuts for the oil and gas industry. In 1990, he was appointed the Executive Vice President of American International Industries Ltd. Moscow, overseeing the trading of steel products, coke and coal to China and Asia Pacific region.

Chung Tin Yau, Antony

Financial Controller

Mr Chung joined the Group in January 2017 and is responsible for the Group's accounting and finance functions. Mr Chung is a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr Chung holds a Bachelor of Business Administration (Honours) in Accountancy from The Hong Kong Polytechnic University.

Mr Chung has over 14 years of experience in accounting, auditing, corporate finance, mergers and acquisitions, corporate governance and financial management. Prior to joining the Group, Mr Chung has worked for an international accounting firm and a large conglomerate.

THREE YEAR FINANCIAL STATEMENTS

GROUP	2016 \$'000	2015 \$'000	2014 \$'000
Turnover	-	-	49,005
Operating loss	(23,096)	(19,242)	(36,755)
Financial costs	(855)	(939)	(1,200)
Share of results of associates	-	(50,833)	(22,833)
Loss before taxation	(23,951)	(71,014)	(60,788)
Income tax	779	83	(2)
Loss for the financial year	(23,172)	(70,931)	(60,790)
Non-controlling interests	(43)	(19,917)	(10,620)
Loss attributable to owners of the Company	(23,129)	(51,014)	(50,170)
Basic loss per ordinary share (cents)	(9.47)	(20.88)	(20.54)
Total equity			
Share capital	250,805	250,805	250,805
Reserves	(194,257)	(170,123)	(121,822)
Equity attributable to owners of the Company	56,548	80,682	128,983
Non-controlling interests	(4,125)	(4,250)	15,256
Capital employed	52,423	76,432	144,239
Represented by			
Non-current assets	11,500	47,573	112,168
Current assets	69,493	64,484	63,723
Current liabilities	(28,553)	(34,817)	(30,834)
Net current assets	40,940	29,667	32,889
Total assets less current liabilities	52,440	77,240	145,057
Non-current liabilities	(17)	(808)	(818)
Net assets	52,423	76,432	144,239
Net asset value per ordinary share (dollars)	0.215	0.313	0.590

TURNOVER (\$'000)



LOSS BEFORE TAXATION (\$'000)



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



BASIC LOSS PER ORDINARY SHARE (CENTS)



NET ASSET VALUE PER ORDINARY SHARE (DOLLARS)



OPERATING & FINANCIAL PERFORMANCE REVIEW

FINANCIAL HIGHLIGHTS

Revenue, cost of sales and gross profit remained zero in the financial year ended 31 December 2016 ("FY2016") as no sales were made during the year under review.

Other operating income increased by 62.5% from S\$2.4 million in the financial year ended 31 December 2015 ("FY2015") to S\$0.9 million in FY2016. This was mainly due to the absence of fair value gain on investment properties and certain sundry income items in FY2016.

Other operating expenses increased 20% from S\$17.7 million in FY2015 to S\$21.4 million in FY2016. This was mainly attributable to the absence of various impairment losses in FY2015 that totalled S\$15.6 million, as well as net of S\$2.2 million loss on disposal of investment properties held for sale, S\$3.9 million fair value loss on investment properties and various impairment/provision of S\$13.8 million in FY2016.

There were no further share of losses of associates during the financial year as the carrying amount of the associates have decreased to zero since the beginning of FY2016.

In view of the above, the Group recorded loss after tax of S\$23.2 million for FY2016, as compared to loss after tax of S\$70.9 million for FY2015.

Loss per share was 9.47 Singapore cents per share in FY2016, compared to loss per share of 20.88 Singapore cents per share in FY2015. Net asset value per share for the Group as at 31 December 2016 was 21.46 Singapore cents per share, compared to 31.29 Singapore cents per share as at 31 December 2015.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and cash equivalents of the Group increased from S\$0.5 million as at 31 December 2015 to S\$0.7 million as at 31 December 2016.

Other receivables, deposits and prepayments decreased from S\$63.9 million as at 31 December 2015 to S\$57.4 million as at 31 December 2016. The decrease was mainly due to the difference in exchange translation on consolidating deposits denominated in Renminbi.

Other payables and accruals increased from S\$18.4 million as at 31 December 2015 to S\$21.0 million as at 31 December 2016. The increase was mainly due to a S\$1.1 million deposit received for the disposal of investment properties.



OPERATING & FINANCIAL PERFORMANCE REVIEW (cont'd)

OUTLOOK

Entering into 2017, the global outlook has worsened due to geopolitical and economic uncertainties. Abterra's operating environment remains challenging. Nonetheless, the Group remains committed to maintaining business sustainability and will continue to seek financial facilities while utilising available internal resources. The Board of Directors is in the midst of reviewing its business continuity plans and is working to establish a sustainable trade business in commodities such as coking coal, coke and iron ore.

In February 2017, the Company signed a non-binding Memorandum of Understanding to purchase 51% equity interest in Tianjin Belong Faith Energy Minerals Co., Ltd (天津博朗信国际贸易有限公司), which is primarily engaged in the business of coal imports for sale within the People's Republic of China ("PRC"). Through this proposed acquisition, the Company intends to enhance its trading capabilities and achieve a greater market presence, as well as to enlarge its revenue stream.

As part of Abterra's diversification efforts into property investment, in July 2015, the Company entered into a conditional sale and purchase agreement to acquire a commercial mixed-use development, located in the Beijing Media Village in Beijing, the PRC giving the Company an opportunity to enter the property market in the PRC and to then generate an alternative income stream for the Group. In December 2016, the Company announced its extension of the Long-Stop Date to 30 June 2017 for the proposed acquisition of this commercial property.

The Board of Directors will continue to review and monitor the Group's business and will keep the shareholders updated of their review as well as provide updates on any new developments for the Group on a timely basis.



BUILDING **SUSTAINABLE GROWTH**

Abterra continues to be prudent while pursuing growth opportunities and corporate sustainability in the conduct of our business.



CORPORATE

SOCIAL RESPONSIBILITY

In 2016, Abterra continued to strengthen its commitment to the society and held various corporate social responsibility (“CSR”) initiatives with a primary focus on the environment and the elderly.

Following the adoption of the Lee Ah Mooi Old Age Home as the Group’s charity, the employees of Abterra have in the past year, been volunteering at the Home and extending their support to meet the needs of the Home’s residents. The Group’s efforts at the Home are aimed at enhancing the welfare of the Home’s residents which includes assisting the residents in their daily activities, as well as sponsoring food and medical supplies. We have been continuously working with the Home’s management to better understand the needs of their residents, and have plans in the pipeline to sponsor the Home with other selected perishable food, medical items and equipment.

On the operational front, Abterra remains committed to adopt and uphold best practices and standards in sustainability throughout its value chain. In 2016, the Group continued to strengthen its environmental sustainability initiatives with the objective to reduce the environmental impact of its mining operations.

Going forward, Abterra will continue to refine and adapt sustainable approaches via partnerships with relevant government agencies, industry bodies and business partners to further improve its environmental initiatives.

STRENGTHENING OUR COMMITMENT TO THE COMMUNITY

In line with Abterra’s core values of Agility, Reliability, Integrity and Professionalism, the Group is committed to giving back to local communities where we operate in.

Over the course of the year, Abterra focused its community outreach efforts to support charitable causes for the elderly, in particular, at its adopted charity - the Lee Ah Mooi Old Age Home.

The 110-bedded Lee Ah Mooi Old Age Home is a private nursing home dedicated to providing healthcare services to the “sandwiched-class” elderly - those who do not qualify for government-funded homes but are unable to afford services at private homes. With a mission to provide affordable, professional and personalised eldercare services for the needy and sick in Singapore, the Home is highly dependent on volunteers and sponsorships.

To support the Home’s mission, the employees of Abterra had volunteered their time and assisted residents with day-to-day activities such as feeding them or engaging them in conversations. In addition to the snacks provided during each visit, the Group also supplied a constant supply of foodstuffs to the Home during the year. The Group is currently reviewing plans to sponsor other selected perishable food items as well as medical items and equipment in the upcoming year.

CREATING A SUSTAINABLE ENVIRONMENT

As an emerging supply chain manager in the natural resources business, with trading operations for iron ore, coking coal and coke, the Group recognises the potential impact its mining operations can have on the environment.

The Group is therefore committed to creating a green and sustainable future, adhering closely to the required standards and taking precautions in every stage of our operations. Initiatives are also put in place to ensure that all employees are aware of the Group’s environmental policy and observe it.

CORPORATE SOCIAL RESPONSIBILITY

Waste Management

To ensure that topsoil stockpiles were protected from erosion, the Group undertook some remedial run-off management activities. All general rubbish and contaminated materials are collected and disposed off in accordance with standards stipulated by industry regulators and local authorities.

Water Management

To effectively manage surface water runoff with contaminated sediments at its mines, Abterra introduced various measures including (i) building a waste storage dam, (ii) fitting catch drains with silt stop fencing and placed additional coarse overburden rock in catch drains to better control sediment scouring and retention and (iii) installing diversion drains to direct water away from topsoil stockpiles where necessary. To ensure optimized effectiveness, the waste storage dam remained at less than 80% capacity during the period under review. The silt stop fences are also cleared of sediment regularly.

Erosion and Sediment Control

Runoff water is minimised to control erosion and sediment flow. All runoff is firstly diverted to sediment catch drains and subsequently the sediment catch dam. Cleared vegetation and silt fences are also installed in the catch drains to act as sediment traps which inhibit sediment flow and prevent breaching of the outer perimeter of the drains.

To address the issue of sediment loss from the top soil and sub soil, measures that were implemented includes vegetating the top soil stockpile or ensuring it was covered by straw or hay mulch, applying soil binders to the top soil and sub soil to prevent the discharge of sediments to the creek, construction and installation of drainage and sediment fences.

Surface and Ground Water Pollution

The Group's efforts to control sediment pollution have been effective against several significant rainfall events throughout the past year. Despite experiencing occasions of heavy rain, there has been no evidence of discharge from the sediment catch dams to the natural drainage system during the period under review. There is also no ground water pollution emanating from the mining site.

Apart from the categories listed above, there were no issues and risks relating to hazardous material management, contaminated land, threatened flora and fauna, hydrocarbon contamination and public safety identified during the reporting period.

As a testament to Abterra's sustainability initiatives, Abterra has not faced any complaints pertaining to the environment in 2016. The Group will continue to work with relevant government agencies, industry bodies and business partners to further improve its environmental initiatives.

CORPORATE GOVERNANCE

Introduction

The Board of Directors (the “Board”) and the management (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 2012 (the “Code”).

Board of Directors

Principle 1 - The Board’s Conduct of Affairs

Role of the Board

The Board’s primary role is to protect and enhance long-term shareholders’ value. 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 the 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.

All Directors have objectively discharged their duties and responsibilities at all times as fiduciaries in the interests of the Company. 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 for 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 (“AC”), the Remuneration Committee (“RC”), the Nominating Committee (“NC”) and the Employee Share Option Scheme Committee (“ESOS Committee”). Each of the Board Committee functions within clearly defined terms of reference and operating procedures. The effectiveness of the Board Committees are also constantly monitored.

The Board and the various Board Committees meet regularly, and as warrant by business imperatives or deemed appropriate by the members of the Board. The Constitution of the Company allows 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 ended 31 December 2016 (“FY2016”) and the attendance of the Directors at these meetings are set out below.

CORPORATE GOVERNANCE

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 ⁽¹⁾	9	1	3	0	0	0	0	0	-	-
Lau Yu	9	9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chew Ban Chuan Victor Mark ⁽²⁾	1	1	1	1	0	0	1	1	-	-
Wong Shiu Wah Williamson	9	9	5	5	1	1	3	3	-	-
Chan Chun Tat Ray	9	9	5	5	1	1	3	3	-	-

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

⁽¹⁾ Mr Cai Sui Xin was appointed as a member of AC, RC, NC and ESOS Committee on 1 April 2016.

⁽²⁾ Mr Chew Ban Chuan Victor Mark resigned as a Director of the Company on 27 January 2016.

The Board is regularly briefed on the Group's activities to keep them updated on the latest developments.

Newly appointed Directors are briefed by the Board to familiarise them with the Group's business and its strategic directions. They will also be issued with a formal letter by the Company Secretary explaining their duties and obligations as a Director upon their appointment. In addition, 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. The Board is also briefed from time to time by Virtus Law LLP, the Company's compliance adviser, on the selected sections of the Listing Manual.

The Board presently comprises the following members:

Name of Director	Position held on the Board and Board committees served on (if any)	Date of first appointment to the Board	Date of last re-election as Director	Nature of appointment
Cai Sui Xin	Chairman of the Board and member of AC, RC, NC and ESOS Committee	18 October 2006	13 May 2016	Non-Executive/ Non-Independent
Lau Yu	Director and Chief Executive Officer	18 October 2006	22 April 2014	Executive/ Non-Independent
Wong Shiu Wah Williamson	Director and Chairman of AC and ESOS Committee and member of RC and NC	11 February 2010	30 April 2015	Non-Executive/ Independent
Chan Chun Tat Ray	Director and Chairman of NC and RC and member of AC and ESOS Committee	26 July 2010	13 May 2016	Non-Executive/ Independent

Principle 2 - Board Composition and Guidance

The Board comprises four Directors, of whom three are non-executive and of the three non-executive Directors, two of them are considered independent of management by the NC. In considering whether a Director is independent, the NC took into account examples of relationship with the Group, and if so, whether such relationship 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.

CORPORATE GOVERNANCE

Each independent Director is required to complete a Independent Director's Declaration form annually to confirm his independence based on the guidelines as set out in the Code. All the two independent Directors have confirmed their independence and that they do not have any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent judgment.

None of the independent Directors has served on the Board beyond nine (9) years from their date of appointment.

The Nominating Committee is satisfied that the Board comprises of Directors with a variety of expertise, networking and core competencies necessary to discharge their duties and responsibilities, and to provide strategic networking to enhance the business of the Group.

The independent Directors have constructively challenged and helped develop proposals on strategy; and reviewed the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

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 a Non-Executive Chairman, Mr Cai's role, amongst other matters, is to share his expertise and trade connections in the commodities trading business.

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 operations of the Group. Mr Lau is responsible for the day-to-day management of the Group and ensures smooth flow of information between the Management and the Board.

The independent Directors meet amongst themselves without the presence of the other Directors where necessary, and the independent Directors will provide a summary of their discussions to the CEO.

Principle 4 - Board Membership

Nominating Committee ("NC")

The members of the NC are as follows:

Mr Chan Chun Tat Ray - Chairman
Mr Wong Shiu Wah Williamson
Mr Chew Ban Chuan Victor Mark⁽¹⁾
Mr Cai Sui Xin⁽²⁾

⁽¹⁾ Mr Chew Ban Chuan Victor Mark has resigned as a Director of the Company on 27 January 2016. Accordingly, he has also ceased as a member of the NC on the same day.

⁽²⁾ Mr Cai Sui Xin was appointed as a member of NC on 1 April 2016.

The NC is made up of non-executive Directors, a majority of them including the Chairman are independent.

The key terms of reference of the NC are as follows:

- The NC shall consist of at least three members appointed by the Board, a majority whom, including the Chairman, should be independent.
- The NC Chairman shall be nominated by the Board from time to time.
- At least half or two of the members shall be present to constitute a quorum for a meeting of the NC.
- Meetings shall be held not less than once a year. Special meetings may be convened as required.

CORPORATE GOVERNANCE

The key functions of the NC are as follows:

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

The size and composition of the Board are reviewed on an annual basis by the NC, which seeks to ensure that the Board has an appropriate mix of expertise and experience. The Board has set the maximum number of listed company board representations each Director may hold to be six (6). When a Director has multiple board representations, the NC shall monitor the Director’s involvement and time allocated to the affairs of the Company. The NC is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

In the selection process for the appointment of new Directors, the NC reviews the composition of the Board and identifies the skill sets which will enhance the Board’s overall effectiveness. Potential candidates are identified from various sources. Thereafter, the NC conducts an initial assessment to review a candidate’s qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidates’ independence, expertise, background and right skills will be considered before the NC makes its recommendations to the Board.

The Constitution provides that one-third of the Directors shall retire from office by rotation at every AGM of the Company. For the forthcoming AGM, Mr Lau Yu and Mr Wong Shiu Wah Williamson are due for retirement and are eligible for re-election pursuant to Article 91 of the Company’s Constitution.

Principle 5 – Board Performance

The effectiveness of the Board is monitored by the NC. The NC assesses the Board’s performance in terms of overall performance, achieving an adequate return for shareholders, oversight of the 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 each Director 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 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.

CORPORATE GOVERNANCE

Principle 6 - Access to Information

Management recognises the importance of ensuring the flow of complete, adequate and timely information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. Agenda, board papers and related materials, background or explanatory information relating to matters to be discussed at the Board meetings and Board committee meetings are circulated electronically to the Directors prior to the meetings. Any additional material or information requested by the Directors is promptly furnished.

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. The Constitution provides that the Company Secretary shall be appointed by the Board.

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 CEO, at the Company's expense, to render the advice.

Remuneration Matters

Principle 7 - Procedures for Developing Remuneration Policies

Remuneration Committee ("RC")

The members of the RC are as follows:

Mr Chew Ban Chuan Victor Mark ⁽¹⁾	- Chairman
Mr Chan Chun Tat Ray ⁽²⁾	- Chairman
Mr Wong Shiu Wah Williamson	
Mr Cai Sui Xin ⁽³⁾	

⁽¹⁾ Mr Chew Ban Chuan Victor Mark has resigned as a Director of the Company on 27 January 2016. Accordingly, he has also ceased as Chairman of the RC on the same day.

⁽²⁾ Mr Chan Chun Tat Ray was appointed as the Chairman of the RC on 1 April 2016.

⁽³⁾ Mr Cai Sui Xin was appointed as a member of RC on 1 April 2016.

The RC is made up of non-executive Directors, a majority of them including the Chairman are independent.

The key terms of reference of the RC are as follows:

- The RC shall consist entirely of non-executive Directors, the majority of whom, including the Chairman, should be independent.
- The RC Chairman shall be nominated by the Board from time to time.
- At least half or two of the members shall be present to constitute a quorum for a meeting of the RC.
- Meetings shall be held not less than once a year. Special meetings may be convened if necessary. Head/Director of Human Resource may request through the Chairman of RC to convene a meeting if he/she considers that it is necessary.

The key functions of the RC are as follows:

- 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.

CORPORATE GOVERNANCE

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, benefits-in-kind and the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses. The RC's recommendations are submitted for endorsement by the entire Board.

The RC will seek expert advice inside and/or outside the Company on remuneration of all Directors if it considers necessary.

Principle 8 - Level and Mix of Remuneration

The Company adopts an overall remuneration policy for its Executive Directors, key management personnel and 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 Employee Share Option Scheme ("ESOS"). This seeks to align the interests of the Company's Executive Directors, key management personnel and 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 an executive 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 service 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 subjected to the approval of shareholders at AGM.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

Principle 9 - Disclosure of Remuneration

The remuneration of the Directors of the Company for FY2016 is as follows:

Director	Directors' Fees (%)	Salary** (%)	Bonus (%)	Benefits in kind (%)	Total (%)
Below \$250,000					
Cai Sui Xin**	-	100	-	-	100
Lau Yu	-	100	-	-	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.

** Mr Cai Sui Xin is not paid as a non-executive Director of the Company from 31 March 2016.

*** Mr Chew Ban Chuan Victor Mark ceased as a Director of the Company on 27 January 2016.

CORPORATE GOVERNANCE

The Company has only one key management personnel who is not a Director or the CEO. The remuneration of the key management personnel of the Company (who is not a Director or the CEO) for FY2016 is as follows:

Key Management Personnel	Salary* (%)	Bonus (%)	Benefits in kind (%)	Total (%)
Below \$250,000				
John Baey Yam Chye	92.80	7.20	-	100

* Salary is inclusive of CPF where applicable.

Given the highly competitive industry conditions, the Company believes that it is not in the best interest of the Company to disclose remuneration of each individual Director, the CEO and its key management personnel in full. The Company is instead disclosing the Directors' remuneration in bands of \$250,000 and the breakdown of the Directors' remuneration as per the table above. The remuneration of the Company's key management personnel is below \$250,000.

There are no terminations, retirement and post-employment benefits granted to the Directors, the CEO and the key management personnel.

Currently, the Company does not have any short-term and long-term incentive schemes. The Company will recommend the implementation of such schemes when it considers appropriate.

There are no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds \$50,000 during the financial year.

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.

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;
- 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.

The number of shares comprised in option(s) offered to a participant shall be determined at the absolute discretion of the ESOS Committee who shall take into account, where applicable, criteria such as rank, past performance, years of services and potential contribution of the participant. Details of the Scheme and the number of unissued shares under option and options exercised are set out in the Directors' Statement.

CORPORATE GOVERNANCE

Accountability and Audit

Principle 10 - Accountability

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

The shareholders are provided with detailed analysis, explanation and assessment of the Group's financial position and prospects via the issuance of annual reports and quarterly announcements of results. Results for the first three quarters are released to shareholders within 45 days from the end of each quarter. The full year results are released within 60 days from the financial year end. Financial and other price sensitive information are disseminated to shareholders through announcements and press releases via SGXNet. The Board has also taken adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange. On 1 July 2016, the Company had, in consultation with the AC, appointed Virtus Law LLP as its compliance adviser to advise the Company on its continuing listing obligations.

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 on a quarterly basis 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 - Risk Management and Internal Controls

As the Company does not have a risk management committee, the Board, the AC and the Management assume the responsibility of the risk management function. The Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. The Management also reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

The Board determines the Company's levels of risk tolerance and oversee Management in the design implementation and monitoring of the risk management and internal control systems. The Company will establish risk policies when considers appropriate. 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 financial year, the Board reviews with the assistance of the Management, external and internal auditors on the effectiveness of the Company's internal controls and risk management systems. The Board and the 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, compliance and information technology controls, and risks management systems of the Company, are effective and adequate to meet the needs of the Group in its current business environment. This is in turn supported by written assurance from the CEO and the Financial Controller that:

- (a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and are in accordance with the relevant accounting standards; and
- (b) regarding the effectiveness of the Company's internal controls and risk management.

The AC has also discussed with the Company's external and internal auditors of their reporting points and note that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise or report financial data.

CORPORATE GOVERNANCE

Principle 12 - 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 non-executive Directors, namely:

Mr Wong Shiu Wah Williamson - Chairman
Mr Chan Chun Tat Ray
Mr Chew Ban Chuan Victor Mark⁽¹⁾
Mr Cai Sui Xin⁽²⁾

⁽¹⁾ Mr Chew Ban Chuan Victor Mark has resigned as a Director of the Company on 27 January 2016. Accordingly, he has also ceased as a member of the AC on the same day.

⁽²⁾ Mr Cai Sui Xin was appointed as a member of AC on 1 April 2016.

A majority of the members of the AC including the Chairman are independent.

The Chairman of AC possesses extensive experience in auditing, accounting, corporate finance, operations management and control in various industries. Mr Chan Chun Tat Ray has vast experience in risk management and managing financial portfolios of various corporate institutions. Mr Cai Sui Xin possesses vast experience in international business and has the necessary financial management expertise and experience in the business management fields. 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 the Management.

The key terms of reference of the AC are as follows:

- The AC shall consist of at least three non-executive Directors appointed by the Board, the majority of whom, including the Chairman, should be independent.
- The members of the AC shall elect a Chairman from among their numbers who is not an executive Director or employee of the Company or any related company.
- At least half or two of the members shall be present to constitute a quorum for a meeting of the AC.
- At least two members should have accounting or related financial management expertise and should be generally knowledgeable about regulatory reporting requirements and generally accepted accounting principles.
- Meetings shall be held at least two times a year. Special meetings may be convened as required. Internal auditor or the external auditors may request through the Chairman of AC to convene a meeting if they consider it necessary.

The key functions of the AC are as follows:

- 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);
- 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.

CORPORATE GOVERNANCE

The AC has 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 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. For FY2016, the aggregate amount of fees paid and/or payable to the external auditors for audit services amounted to approximately \$150,000 and tax fee amounted to approximately \$6,000. There were no other non-audit services rendered to the Company.

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 addition, updates on changes in accounting standards and treatment are prepared by external auditors and circulated to members of the AC, if any.

Whistle-Blowing Policy

The Group has in place a Whistle-Blowing Policy. This Policy provides an independent feedback channel through which matters of concern about possible improprieties in matters of financial reporting or other matters may be raised by employees in confidence and in good faith, without fear of reprisal. Details of this policy have been disseminated and made available to all employees of the Company. All matters which are raised are then independently investigated and appropriate actions taken. The AC ensures that independent investigations and any appropriate follow-up actions are carried out.

Principle 13 - Internal Audit

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

The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The Company has engaged a certified public accounting firm to perform the internal audit function, with the purpose to examine and evaluate the internal control systems of the Group and hence maximise effectiveness and efficiency. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

On an annual basis, the AC reviews the internal audit program of the Group so as to align it to the changing needs and risk profile of the Group's activities. The AC would oversee the process and evaluates the adequacy of the internal audit function.

The AC is satisfied that the internal audit function is staffed with persons with the relevant qualifications and experience.

The internal audit works of the internal auditors are guided by the International Standards for the Professional Practice of Internal Auditing ("IIA Standards") issued by the Institute of Internal Auditors. The appointed internal auditors would review the process in accordance to the audit plan approved by the AC. The finalised internal audit report would be presented to the AC for review, which would highlight any issues that requires attention.

Communications with Shareholders

Principle 14 - Shareholder Rights

The Company continues the disclosure obligations pursuant to the SGX-ST Listing Manual to provide the adequate and timely information of all major developments concerning the Company and/or the Group to the shareholders. The Company provides information to the shareholders through SGXNet, Annual Reports and Notice of Annual General Meeting ("AGM") of Shareholders.

CORPORATE GOVERNANCE

At the general meetings, the shareholders have the opportunity to participate and vote on the resolutions. A notice, agenda and circulars to shareholders (where appropriate) are sent to the shareholders as well as releasing on the SGXNet prior to the general meetings. Shareholders (other than a shareholder who is a relevant intermediary) may vote in person or by appointing up to two proxies to attend and vote on their behalf at the general meetings of the Company. A shareholder who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the general meetings of the Company. The duly completed proxy form is to be deposited at the Company's registered office 48 hours before the time of the general meeting.

The shareholders would be informed of the rules and the voting procedures at the general meetings.

Principle 15 - 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, which are released via SGXNet. The Company sends its annual report and notice of AGM to all shareholders.

The Board establishes and maintains regular dialogue with shareholders, to gather view or inputs, and address shareholders' concern. The Company's website at www.abterra.com.sg provides up-to-date information on the Group and its businesses. Lines of contact such as the investor relations email and hotline are also available on the Company's website for the investing community to reach out to the Company for queries.

The Company has engaged an investor relations consultancy firm to assist the Company in facilitating the communications with all stakeholders – shareholders, analysts and media – to attend to their queries or concerns as well as to keep the investors public apprised of the Group's corporate developments and financial performance. When necessary and appropriate, the Chairman and CEO will meet analysts and fund managers who like to seek a better understanding of the Group's operations.

While the Group does not have a fixed dividend policy, it is the Group's intention to evaluate its resources and distribute dividends as appropriate. Any such dividends payout are dependent on the financial performance, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors that the Board may deem appropriate. Taking into consideration the abovementioned factors, the Group has not declared any dividends for FY2016.

Principle 16 - Conduct of Shareholder Meetings

The AGM of the Company is the principal forum for dialogue and interaction with all shareholders. All shareholders will receive the notice of AGM, which is also advertised on the newspapers and issued via SGXNet. The Board welcomes questions and comments relating to the Group's business or performance from shareholders at AGMs. Shareholders are given the opportunity to air their views and direct questions to the Board on matters affecting the Group. The Company is not implementing absentia-voting methods such as by mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company does not practise bundling of resolutions at general meetings. Each item of special business included in the notice of the general meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Directors, including the chairman of the Board Committees are present at all general meetings to address shareholders' queries. External auditors are also present at such meeting to assist the Directors to address any relevant queries from the shareholders.

The Company prepares minutes of all general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and the Management. These minutes will be made available to shareholders upon their request.

The Company conducts the voting of all its resolutions by poll at all its general meetings. The results of poll of each resolutions tabled are announced at the meetings and in an announcement released after the meeting via SGXNet. Shareholders can vote in person or by their appointed proxies. The Company will employ electronic polling if necessary.

CORPORATE GOVERNANCE

Dealing in Securities

(Rule 1207(19) of the Listing Manual)

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by the Company, Directors, officers and the key employees of the Group. The Company circulated an internal memorandum via email to inform that the Company, Directors, officers and employees of the Company are not allowed to deal in the listed issuer's securities 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 ("Black-out Period"), and at any time while in possession of price sensitive information. The internal memorandum was sent out before the commencement of the Black-out Period. All Directors, officers and employees of the Company are also reminded that the law on insider trading is applicable at all times, notwithstanding compliance with the Black-out Period. Further, Directors, officers and employees of the Company are advised not to deal in the Company's securities on short-term considerations.

The Company has complied with the SGX-ST's Listing Rules 1207(19)(c) on best practices on dealings in the Company's securities.

Material Contracts

There was no material contract entered into by Abterra Ltd. or any of its subsidiaries involving the interests of the CEO, each director or 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.

Interested Person Transactions

There was no interested person transactions during the financial year which fall under Chapter 9 of Listing Manual of the SGX-ST.

Singapore, 28 April 2017

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of Abterra Ltd. (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016 and the statement of changes in equity of the Company for the financial year then ended.

1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and
- (ii) 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.

2. Directors

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

Cai Sui Xin	Non-Executive Director and Non-Executive Chairman
Lau Yu	Executive Director and Chief Executive Officer
Wong Shiu Wah Williamson	Non-Executive and Independent Director
Chan Chun Tat Ray	Non-Executive and Independent Director

3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year there, subsist arrangements to which the Company a party, being arrangements 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.

4. 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 interests 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 financial year	At end of financial year	At beginning of financial year	At end of financial year
The Company				
Abterra Ltd.				
(Ordinary shares)				
Cai Sui Xin	-	-	86,903,976	85,403,976

DIRECTORS' STATEMENT

4. 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 Immediate Holding Company				
General Nice Resources (Hong Kong) Limited				
(Ordinary shares)				
Cai Sui Xin	-	-	159,999,700	159,999,700
Lau Yu	39,999,800	39,999,800	-	-
The Intermediate Holding Company				
General Nice Development Limited				
(Ordinary shares)				
Cai Sui Xin	5,000,000	5,000,000	50,000,000	50,000,000
The Intermediate Holding Company				
General Nice Investment (China) Limited				
(Ordinary shares)				
Cai Sui Xin	2,500	2,500	25,000	25,000
The Ultimate Holding Company				
General Nice Group Holdings Limited				
(Ordinary shares)				
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 the shares held by the Company in all its subsidiaries.

The directors' interests as at 21 January 2017 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2016.

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:

Wong Shiu Wah Williamson (Chairman)
Chan Chun Tat Ray
Cai Sui Xin

DIRECTORS' STATEMENT

5. Share options (Continued)

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 on the Singapore Exchange Securities Trading Limited for the five consecutive market days immediately preceding the date of grant ("Market Price"); or
- (ii) at a discount to the Market Price, provided that 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 date of 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 after 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.

All share options granted by the Company have expired in the financial year ended 31 December 2013. No share options have been granted during the financial year under review to take up unissued shares of the Company.

There were no shares issued during the financial year to which this statement relates by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year.

6. Audit committee

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

Wong Shiu Wah Williamson (Chairman)
Chan Chun Tat Ray
Cai Sui Xin

The audit committee has convened five 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 review of internal controls and 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 annual financial statements and the auditors' 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 full year results 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;

DIRECTORS' STATEMENT

6. Audit committee (Continued)

- (vii) Review of interested person transactions in accordance with the listing rules of the Singapore Exchange Securities Trading Limited;
- (viii) Recommend the appointment or re-appointment of external auditors and review of their fees; 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.

7. Auditors

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

On behalf of the directors

Cai Sui Xin
Director

Singapore
28 April 2017

Lau Yu
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD.

Report on the Audit of the Financial Statements

Qualified Opinion

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 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information from page 36 to 93.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements 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 financial position of the Group and of the Company as at 31 December 2016 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.

Basis for Qualified Opinion

As disclosed in Note 17, included in the deposits of the Company and the Group as of 31 December 2016 is carrying amount of \$41,320,000, net of accumulated impairment loss of \$35,369,000, in relation to a deposit paid to a third party, Shenzhen Manfu Industrial Co., Ltd ("Manfu"), for the proposed acquisition of the 54.42% of equity interest of Zuoquan Xinrui Metallurgy Mine Co., Limited which was terminated during the financial year ended 31 December 2013.

An agreement was subsequently entered into by and between the Company and Manfu for Manfu to refund the deposit over five instalments commencing January 2014 with the last instalment scheduled to take place in September 2015. This deposit is also secured over Manfu's interest of 65% in equity shares of General Nice (S.A.) Resources Company Limited ("GNSA") (held through Manfu's 100% interest in Full Winner Industrial Co., Ltd ("Full Winner")), which in turn owns 70% in equity interest of General Nice (S.A.) Manganese Pty Ltd ("GNSAM") which indirectly owns a manganese mine located on Farm Buchansvale No. 61 in the Carletonville area of Gauteng, South Africa (the "Pledged Shares").

After the repayment of two instalments during the financial year ended 31 December 2014, the Company and Manfu entered into another conditional sales and purchase agreement for a proposed acquisition by the Company of Manfu's 60% equity interest in Smart Harmony Investment Ltd which in turn owned a commercial property located in Beijing, Peoples Republic of China ("proposed acquisition"), in which the purchase consideration of \$73,329,000 would be offset against the gross balance of deposit receivable of \$76,689,000 and the remaining gross balance of the deposit receivable of \$3,360,000 would be settled in cash by Manfu on completion of the proposed acquisition. As at the date of this report, the conditional sales and purchase agreement is still subject to the finalisation and acceptance from both parties on various precedent conditions and the approvals of the relevant authorities and shareholders.

The Company has on 8 April 2016, received written notice about the decrease in Full Winner's shareholding in GNSA from 65% to 19.5%, which significantly reduced the value of the Pledged Shares as collateral of the deposit owing from Manfu.

In consideration of the above factors and in the absence of further information, we are unable to ascertain the appropriateness of the carrying amount of the deposit of \$41,320,000 owing by Manfu to the Company. Should the deposit receivable be impaired, the carrying amount of the deposit receivable would be reduced by the impairment loss, with a corresponding charge to the profit or loss during the financial year ended 31 December 2016.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABTERRA LTD.

Basis for Qualified Opinion (Continued)

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements, the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Overview



We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

As in all our audits, we exercised our professional judgment in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgments and estimates to be made by directors. We will elaborate on the salient areas of focus as follows.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters include the aforementioned salient areas of focus in our audit and do not represent all the risks identified by our audit. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Matter	Audit response
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Available-for-sale financial asset (refer to Note 14 to the financial statements)

The available-for-sale financial asset ("AFS") represented cost of unquoted investment in 15% equity stake in Zuoquan Yongxing Coal Company Limited ("Yongxing"), a company incorporated in the People's Republic of China ("China") and engaged in the coal mining and coking coal processing business.

We focused on this area given the significance of the impairment losses recognised by the Group during the financial year of \$8,886,000.

AFS is stated at cost less accumulated impairment losses.

We have reviewed the competence, objectivity and independence of the independent professional valuer.

We have also reviewed the appropriateness of the basis used by the independent professional valuer to calculate the present value of estimated future cash flows, including the assumptions applied and the discount rate which is based on the current market rate of return for a similar financial asset.

Going concern (refer to Note 2.1 to the financial statements)

During the financial year ended 31 December 2016, the Group and the Company incurred net losses of \$23,172,000 and \$20,920,000 respectively, and the Group incurred operating cash outflows of \$955,000 for the financial year ended 31 December 2016.

Included in the Group's and the Company's net current assets of \$40,940,000 and \$42,193,000, respectively, as at 31 December 2016, is a deposit receivable from Manfu with carrying amount of \$41,320,000. As described in the Basis of Qualified Opinion section of our report, we are unable to ascertain the appropriateness of the carrying amount. Should the deposit be fully impaired as of 31 December 2016, the Group would be in net current liabilities position of \$380,000.

These conditions may cast a significant doubt on the Group's and Company's abilities to continue as going concerns.

Our audit procedures included the following:

- Reviewing the cash flow forecast prepared by management for the 12 months subsequent to the reporting date;
- Challenging and where applicable, verifying the reasonableness of the basis and key assumptions used by management in the cash flow forecast, which includes verifying the net cash proceeds received in February 2017, after repayment of corresponding bank loans, from the subsequent disposal of the investment properties held for sale as of 31 December 2016; and
- Simulating a what-if scenario on assumptions including, but not limited to, full impairment of the deposit receivable from Manfu and settlement of all payables due to third parties to test the abilities of the Group and Company to continue as going concerns.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD.

Responsibilities of Management and Directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABTERRA LTD.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 the subsidiary entity incorporated have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tan Chee Tyan.

MAZARS LLP

Public Accountants and
Chartered Accountants

Singapore
28 April 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<u>Note</u>	<u>Group</u> <u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other operating income	4	901	2,417
Administrative expenses	5	(2,585)	(3,923)
Other operating expenses	6	(21,412)	(17,736)
Finance costs	8	(855)	(939)
Share of losses from equity-accounted for associates	9	-	(50,833)
Loss before taxation		(23,951)	(71,014)
Income tax	10	779	83
Loss for the financial year		(23,172)	(70,931)
Other comprehensive (loss)/income:			
<i>Components of other comprehensive income that will not be reclassified to profit or loss, net of taxation</i>			
Gain on revaluation of property, plant and equipment		149	329
<i>Components of other comprehensive income that will be reclassified to profit or loss, net of taxation</i>			
Exchange differences on translating foreign operations		(986)	2,245
Reclassification of cumulative exchange differences relating to Max Harvest Enterprise Limited included in profit or loss		-	550
Total other comprehensive (loss)/income, net of taxation		(837)	3,124
Total comprehensive loss for the financial year		(24,009)	(67,807)
Loss attributable to:			
Owners of the Company		(23,129)	(51,014)
Non-controlling interests		(43)	(19,917)
Loss for the financial year		(23,172)	(70,931)
Total comprehensive loss attributable to:			
Owners of the Company		(24,134)	(48,301)
Non-controlling interests		125	(19,506)
Total comprehensive loss for the financial year		(24,009)	(67,807)
Loss per share attributable to owners of the Company (cents)			
Basic	11	(9.47)	(20.88)
Diluted	11	(9.47)	(20.88)

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 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	6,347	7,562	6,344	7,559
Investments in subsidiaries	13	-	-	3	3
Investments in associates	9	-	-	-	-
Available-for-sale financial asset	14	-	8,886	-	8,886
Intangible assets	15	325	325	-	-
Investment properties	16	4,828	30,800	4,828	30,800
Total non-current assets		<u>11,500</u>	<u>47,573</u>	<u>11,175</u>	<u>47,248</u>
Current assets					
Investment properties held for sale	16	11,367	-	11,367	-
Trade receivables		100	98	-	-
Other receivables, deposits and prepayments	17	57,366	63,933	110,601	113,040
Cash and cash equivalents	18	660	453	604	293
Total current assets		<u>69,493</u>	<u>64,484</u>	<u>122,572</u>	<u>113,333</u>
TOTAL ASSETS		<u>80,993</u>	<u>112,057</u>	<u>133,747</u>	<u>160,581</u>
EQUITY					
Capital and reserves attributable to owners of the Company					
Share capital	19	250,805	250,805	250,805	250,805
Asset revaluation reserve	20	478	329	478	329
Share options reserve	21	1,683	1,683	1,683	1,683
Foreign currency translation reserve	22	3,660	4,814	-	-
Accumulated losses		(200,078)	(176,949)	(199,598)	(178,678)
Total equity attributable to owners of the Company		56,548	80,682	53,368	74,139
Non-controlling interests		(4,125)	(4,250)	-	-
Total equity		<u>52,423</u>	<u>76,432</u>	<u>53,368</u>	<u>74,139</u>
LIABILITIES					
Current liabilities					
Other payables and accruals	23	21,003	18,432	72,845	69,280
Income tax liabilities		17	261	1	247
Borrowings	24	7,533	16,124	7,533	16,124
Total current liabilities		<u>28,553</u>	<u>34,817</u>	<u>80,379</u>	<u>85,651</u>
Non-current liabilities					
Employee benefits obligation		17	17	-	-
Deferred tax liabilities	25	-	791	-	791
Total non-current liabilities		<u>17</u>	<u>808</u>	<u>-</u>	<u>791</u>
Total liabilities		<u>28,570</u>	<u>35,625</u>	<u>80,379</u>	<u>86,442</u>
TOTAL EQUITY AND LIABILITIES		<u>80,993</u>	<u>112,057</u>	<u>133,747</u>	<u>160,581</u>

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 2016

	Share capital \$'000	Asset revaluation reserve \$'000	Share options reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
Group								
At 1 January 2015	250,805	-	1,683	2,430	(125,935)	128,983	15,256	144,239
Loss for the financial year	-	-	-	-	(51,014)	(51,014)	(19,917)	(70,931)
<u>Other comprehensive income:</u>								
Gain on revaluation of property, plant and equipment	-	329	-	-	-	329	-	329
Exchange differences on translating foreign operations	-	-	-	1,834	-	1,834	411	2,245
Reclassification of cumulative exchange differences relating to Max Harvest Enterprise Limited included in profit or loss	-	-	-	550	-	550	-	550
Total comprehensive income/ (losses) for the financial year	-	329	-	2,384	(51,014)	(48,301)	(19,506)	(67,807)
At 31 December 2015	250,805	329	1,683	4,814	(176,949)	80,682	(4,250)	76,432
Loss for the financial year	-	-	-	-	(23,129)	(23,129)	(43)	(23,172)
<u>Other comprehensive income/ (loss):</u>								
Gain on revaluation of property, plant and equipment	-	149	-	-	-	149	-	149
Exchange differences on translating foreign operations	-	-	-	(1,154)	-	(1,154)	168	(986)
Total comprehensive income/ (losses) for the financial year	-	149	-	(1,154)	(23,129)	(24,134)	125	(24,009)
At 31 December 2016	250,805	478	1,683	3,660	(200,078)	56,548	(4,125)	52,423

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 2016

Company	Share capital \$'000	Asset revaluation reserve \$'000	Share options reserve \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 January 2015	250,805	-	1,683	(118,839)	133,649
Loss for the financial year	-	-	-	(59,839)	(59,839)
<u>Other comprehensive income:</u>					
Gain on revaluation of property, plant and equipment	-	329	-	-	329
Total comprehensive income/(loss) for the financial year	-	329	-	(59,839)	(59,510)
At 31 December 2015	250,805	329	1,683	(178,678)	74,139
Loss for the financial year	-	-	-	(20,920)	(20,920)
<u>Other comprehensive income:</u>					
Gain on revaluation of property, plant and equipment	-	149	-	-	149
Total comprehensive income/(loss) for the financial year	-	149	-	(20,920)	(20,771)
At 31 December 2016	250,805	478	1,683	(199,598)	53,368

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 2016

	<u>Note</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
Operating activities			
Loss before taxation		(23,951)	(71,014)
Adjustments for:			
Depreciation of property, plant and equipment	12	256	453
Fair value loss/(gain) on investment properties	16	380	(829)
Fair value loss on investment properties held for sale	16	3,893	-
Provision for doubtful debts – trade		-	20
Provision for doubtful debts – non-trade	17	4,873	713
Loss on disposal of property, plant and equipment		-	6
Loss on disposal of investment properties	16	2,200	-
Gain on disposal of subsidiaries	13	-	(40)
Impairment of property, plant and equipment	12	-	609
Impairment of intangible assets	15	-	3,519
Impairment of investment in associate	9	-	8,030
Impairment of available-for-sale financial asset	14	8,886	3,459
Interest expense		851	935
Employee benefits obligation		-	(2)
Share of results of associates	9	-	50,833
Unrealised exchange loss		891	1,664
		<hr/>	<hr/>
Total operating cash flows before movements in working capital		(1,721)	(1,644)
Changes in working capital:			
Other receivables, deposits and prepayments		(200)	(2,992)
Other payables and accruals		2,140	2,998
Total changes in working capital		<hr/> 1,940	<hr/> 6
Cash generated from/(used in) operations		219	(1,638)
Interest expense paid		(918)	(895)
Income tax (paid)/refunded		<hr/> (256)	<hr/> 293
Cash flows used in operating activities		<hr/> (955)	<hr/> (2,240)
Investing activities			
Net cash inflow from disposal of subsidiaries	13	-	190
Purchase of property, plant and equipment	12	-	(32)
Proceeds from disposal of property, plant and equipment		-	7
Proceeds from disposal of investment properties	16	<hr/> 9,240	<hr/> -
Cash flows generated from investing activities		<hr/> 9,240	<hr/> 165

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 2016

	<u>Note</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
Financing activities			
Advance from immediate holding company		453	369
Proceeds from other borrowings		2,600	2,000
Repayment of borrowings		(11,131)	(1,496)
		<u>(8,078)</u>	<u>873</u>
Cash flows (used in)/generated from financing activities			
		(8,078)	873
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the financial year		207	(1,202)
		<u>453</u>	<u>1,655</u>
Cash and cash equivalents at end of the financial year	18	<u><u>660</u></u>	<u><u>453</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 mainboard of 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, #11-01, 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 companies 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 30 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 2016 were authorised for issue by Board of Directors on 28 April 2017.

2. Summary of significant accounting policies

2.1 Going concern

During the financial year ended 31 December 2016, the Group and the Company incurred net losses of \$23,172,000 and \$20,920,000 respectively, and the Group incurred operating cash outflows of \$955,000 for the financial year ended 31 December 2016. These conditions may cast a significant doubt on the Group’s and Company’s abilities to continue as going concerns. Notwithstanding these conditions, the Group’s and Company’s financial statements have been prepared on a going concern basis.

Subsequent to the reporting date, in February 2017, the disposal of the Group’s and the Company’s investment properties held for sale as at 31 December 2016 was successfully completed to generate net cash inflows of \$3,834,000, after the repayment of borrowings of carrying amount of \$7,533,000 as at 31 December 2016.

In the opinion of the directors, no material uncertainty exists over the Group’s and Company’s abilities to continue as going concerns as the Group and Company have generated sufficient cash flows from the disposal of the aforementioned investment properties and cash on hand that they have as of the date of the financial statements to sustain the operations for at least the foreseeable future. In addition, the Group and Company still has properties which can be sold, as and when deemed necessary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.2 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 statements.

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 (“\$”) which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand (“\$’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.

2.3 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.

2.4 New accounting standards and FRS interpretations

FRS and INT FRS issued but not yet effective

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

		Effective date (annual periods beginning on or after)
FRS 7	Amendments to FRS 7: Disclosure Initiative	1 January 2017
FRS 12	Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 40	Amendments to FRS 40: Transfers of Investment	1 January 2018
FRS 102	Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 104	Amendments to FRS 104: Applying FRS 109 Financial Instruments to FRS 104 Insurance Contracts	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Effective Date of FRS 115	1 January 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019
Various	Improvements to FRSs (December 2016)	Various

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.4 New accounting standards and FRS interpretations (Continued)

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in the financial year ended 31 December 2016. Other than the following standards, management anticipates that the adoption of the aforementioned revised/new standards will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in FRS 39, determines the recognition of impairment provisions as well as interest revenue. An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognised lifetime expected credit losses on the affected assets.

The Group does not intend to early adopt FRS 109. The Group is still assessing the potential impact of FRS 109 on its financial statements in the initial year of adoption.

2.5 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.5 Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

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 assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions 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 are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.6 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.6 Business combinations (Continued)

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.

2.7 Associates

An associate is an entity over which the Group has significant influence, being the power to participate in the financial and operating policy decisions of the entity but is not control or of joint control of those policies, and generally accompanying a shareholding of 20% or more of the voting power.

On acquisition of the associate, any excess of the cost of the investment over the Group's share of the net fair value of the associate identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the reporting period in which the investment is acquired. Investments in associates are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

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 from the date on which the investee become an associate.

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. The Group's share of 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. Distributions received from the associate reduce the carrying amount of the investment. Any goodwill arising on the acquisition of the Group's interest in an associate is accounted for in accordance with the Group's accounting policy for goodwill arising on such acquisitions (see above).

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.

The Company has accounted for its investments in associates at cost in its separate financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.8 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 equipment	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.

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.

2.9 Impairment of non-financial tangible and intangible assets

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.9 Impairment of non-financial tangible and intangible assets (Continued)

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.

2.10 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 tons available under the supplier contract.

2.11 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 2016

2. Summary of significant accounting policies (Continued)

2.12 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 is the rate that 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.12 Financial instruments (Continued)

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 financial 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.12 Financial instruments (Continued)

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.

Other financial liabilities

Other payables

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 loans and bank 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 below).

Derecognition of financial liabilities

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

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

Cash and cash equivalents comprise cash on hand and bank balances which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

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

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable with the asset (or disposal group) being available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to be completed within one year from the date of classification.

They are measured at the lower of the carrying amount and fair value less costs to sell. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.14 Non-current assets (or disposal groups) and discontinued operations held for sale (Continued)

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

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

2.15 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.

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

As lessee

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.

As 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 2016

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 21 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.

Interest income

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

Rental income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.20 Borrowing costs

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.

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 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.

2.24 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 financial 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.24 Income tax (Continued)

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.

2.25 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 financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.25 Foreign currency transactions and translations (Continued)

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.

2.26 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 or 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); and
 - (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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Critical accounting judgements and key sources of estimation uncertainty

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 these estimates.

3.1 Critical judgements made in applying the Group's accounting policies

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.

3.2 Key sources of estimation uncertainty

Estimated impairment of available-for-sale financial assets

The Group first assesses whether objective evidence of impairment exists for the above-mentioned assets. If there is objective evidence that an impairment loss has been incurred on an equity instrument that does not have a quoted price in an active market and that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Impairment loss of the Group's and Company's available-for-sale financial asset amounted to approximately \$12,345,000 (2015: \$3,459,000) as at the end of the financial year are disclosed in Note 14 to the financial statements respectively. At 31 December 2016, the Group's and Company's carrying amount of the available-for-sale financial asset amounted to approximately \$Nil (2015: \$8,886,000).

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 with reference to recent transactions of similar properties. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the financial year in which they arise.

Fair value of the investment properties amounting to approximately \$4,273,000 loss (2015: \$829,000 gain) is recognised during the financial year as disclosed in Note 16 to the financial statements. At 31 December 2016, the Group's and Company's carrying amount of investment properties amounted to approximately \$16,195,000 (2015: \$30,800,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

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 \$40,433,000 and \$67,627,000 (2015: \$37,740,000 and \$67,665,000) as at the end of the reporting period are disclosed in Note 17 to the financial statements respectively. The carrying amount of trade and other receivables of the Group and Company as at 31 December 2016 are approximately \$57,466,000 and \$110,601,000 (2015: \$64,031,000 and \$113,040,000) 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 2016 are approximately \$17,000 and \$1,000 (2015: \$261,000 and \$247,000) respectively.

Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these assets to be within 5 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 intangible assets

An impairment exist when the carrying value of an asset or cash generating unit exceeds its recoverable amount, i.e. its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The carrying amount of intangible assets of the Group as at 31 December 2016 is approximately \$325,000 (2015: \$325,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Other operating income

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Rental income (Note 16)	697	1,075
Fair value gain on investment properties (Note 16)	-	829
Gain on disposal of subsidiaries (Note 13)	-	40
Others	204	473
	901	2,417
	901	2,417

5. Administrative expenses

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Entertainment expenses	22	35
Operating lease expenses		
- office premises	290	209
Personnel expenses (Note 7)	1,048	1,745
Audit fees paid to auditors of the Company	150	445
Non-audit fees paid to auditors of the Company	-	1
Professional fees	607	1,246
Transportation and travelling expenses	70	104
Others	398	138
	2,585	3,923
	2,585	3,923

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Other operating expenses

	<u>Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Depreciation of property, plant and equipment (Note 12)	256	453
Fair value loss on investment properties (Note 16)	380	-
Fair value loss on investment properties held for sale (Note 16)	3,893	-
Impairment of property, plant and equipment (Note 12)	-	609
Impairment of intangible assets (Note 15)	-	3,519
Impairment of investment in associate (Note 9)	-	8,030
Impairment of available-for-sale financial asset (Note 14)	8,886	3,459
Provision for doubtful debts - trade	-	20
Provision for doubtful debts - non-trade (Note 17)	4,873	713
Foreign currency exchange loss	924	583
Loss on disposal of property, plant and equipment	-	6
Loss on disposal of investment properties (Note 16)	2,200	-
Others	-	344
	21,412	17,736
	21,412	17,736

7. Personnel expenses

	<u>Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Central Provident Fund contributions	57	57
Total wages, salaries and bonuses, including directors' remuneration	938	1,610
Other personnel expenses	53	78
	1,048	1,745
	1,048	1,745

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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:

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Central Provident Fund contributions	21	20
Directors' fee	97	134
Directors' remuneration of the Company	240	460
Total wages, salaries and bonuses	219	326
	577	940

8. Finance costs

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Bank charges	4	4
Interest expense:		
- bank loans	570	735
- other borrowing	281	160
- letter of credit	-	40
	855	939

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. Investments in associates

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
Unquoted equity investments, at costs	104,218	104,218	20,423	20,423
Impairment loss	(8,030)	(8,030)	(20,423)	(20,423)
Dividend declared	(5,106)	(5,106)	-	-
Translation difference	3,081	3,081	-	-
Share of post-acquisition results	(94,163)	(94,163)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Movement in impairment loss of investment in associates are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
At beginning of financial year	8,030	78,430	20,423	18,274
Impairment during the financial year (Note 6)	-	8,030	-	2,149
Derecognised on disposal of associate	-	(78,430)	-	-
At end of financial year	<u>8,030</u>	<u>8,030</u>	<u>20,423</u>	<u>20,423</u>

At 31 December 2015, the recoverable amount of the investment has been determined on the basis of its value-in-use which was determined with reference to the independent third party valuation report. The discount rate based on the weighted average cost of capital used by the independent third party valuer is 3.8%. Accordingly, management concluded that investments in associates of the Group and of the Company are impaired and an impairment loss of \$8,030,000 and \$2,149,000 had been recorded, respectively.

Summarised financial information of the Group's associates was not disclosed as the associates are not significant.

Details of the associates are disclosed in Note 30 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. Income tax

	<u>Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Current tax		
Under/(Over) provision in prior financial years	12	(83)
Deferred tax		
Origination and reversal of temporary differences (Note 25)	(791)	-
Income tax credit	<u>(779)</u>	<u>(83)</u>

The reconciliation of effective tax rate is as follows:

	<u>Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Loss before taxation	<u>(23,951)</u>	<u>(71,014)</u>
Tax at the applicable rate of 17%	(4,072)	(12,073)
Tax effects of:		
- Expenses not deductible for tax purposes	3,112	11,315
- Under/(Over) provision in prior years	12	(83)
- Others	<u>169</u>	<u>758</u>
Total income tax credit for the financial year	<u>(779)</u>	<u>(83)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. 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:

	<u>Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Loss</u>		
Loss for the purposes of basic and diluted earnings per share		
Loss attributable to owners of the Company	<u>(23,129)</u>	<u>(51,014)</u>
	<u>2016</u>	<u>2015</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	244,274,150	244,274,150
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>244,274,150</u>	<u>244,274,150</u>
	<u>2016</u>	<u>2015</u>
Loss per share (cents)		
Basic	(9.47)	(20.88)
Diluted	<u>(9.47)</u>	<u>(20.88)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. Property, plant and equipment

<u>Group</u>	<u>Leasehold buildings</u> \$'000	<u>Furniture and equipment</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Leasehold improvements</u> \$'000	<u>Total</u> \$'000
Cost					
At 1 January 2015	12,540	1,556	133	258	14,487
Additions	-	2	-	30	32
Disposals	-	(62)	(15)	-	(77)
Revaluation surplus	329	-	-	-	329
Transfer to investment properties (Note 16)	(4,156)	-	-	-	(4,156)
Exchange differences	-	(124)	(2)	-	(126)
At 31 December 2015	8,713	1,372	116	288	10,489
Revaluation surplus	149	-	-	-	149
Transfer to investment properties (Note 16)	(2,088)	-	-	-	(2,088)
Exchange differences	-	123	-	-	123
At 31 December 2016	6,774	1,495	116	288	8,673
Accumulated depreciation					
At 1 January 2015	1,184	812	96	91	2,183
Charge during the year	361	26	12	54	453
Disposals	-	(56)	(8)	-	(64)
Transfer to investment properties (Note 16)	(185)	-	-	-	(185)
Exchange differences	-	(64)	(1)	-	(65)
At 31 December 2015	1,360	718	99	145	2,322
Charge during the year	163	24	11	58	256
Transfer to investment properties (Note 16)	(980)	-	-	-	(980)
Exchange differences	-	63	-	-	63
At 31 December 2016	543	805	110	203	1,661
Accumulated impairment loss					
At 1 January 2015	-	-	-	-	-
Impairment during the year	-	609	-	-	609
Exchange differences	-	(4)	-	-	(4)
At 31 December 2015	-	605	-	-	605
Exchange differences	-	60	-	-	60
At 31 December 2016	-	665	-	-	665
Net carrying amount					
At 31 December 2016	6,231	25	6	85	6,347
At 31 December 2015	7,353	49	17	143	7,562

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. Property, plant and equipment (Continued)

<u>Company</u>	<u>Leasehold buildings</u> \$'000	<u>Furniture and equipment</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Leasehold improvements</u> \$'000	<u>Total</u> \$'000
Cost					
At 1 January 2015	12,540	178	110	258	13,086
Additions	-	2	-	30	32
Disposals	-	(47)	-	-	(47)
Revaluation surplus	329	-	-	-	329
Transfer to investment properties	(4,156)	-	-	-	(4,156)
At 31 December 2015	8,713	133	110	288	9,244
Revaluation surplus	149	-	-	-	149
Transfer to investment properties	(2,088)	-	-	-	(2,088)
At 31 December 2016	6,774	133	110	288	7,305
Accumulated depreciation					
At 1 January 2015	1,184	108	84	90	1,466
Charge during the year	361	24	11	55	451
Disposals	-	(47)	-	-	(47)
Transfer to investment properties	(185)	-	-	-	(185)
At 31 December 2015	1,360	85	95	145	1,685
Charge during the year	163	24	11	58	256
Transfer to investment properties	(980)	-	-	-	(980)
At 31 December 2016	543	109	106	203	961
Net carrying amount					
At 31 December 2016	6,231	24	4	85	6,344
At 31 December 2015	7,353	48	15	143	7,559

Leasehold buildings of the Group and of the Company with a carrying amount of approximately \$6,231,000 (2015: \$7,353,000) have been pledged to a bank for banking facilities (Note 24).

Revaluation surplus pertains to the revaluation of the owner-occupied leasehold building up till the change in use of the leasehold building that was subsequently transferred to the investment properties. In 2015, the Group engaged an independent valuer to determine the fair value of the leasehold buildings. In 2016, the fair value of the leasehold building was determined based on management assessment with reference to the market price of the nearby comparative properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. Investments in subsidiaries

	<u>Company</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Unquoted equity shares, at cost	31,286	31,286
Less: Impairment loss	<u>(31,283)</u>	<u>(31,283)</u>
Net	<u>3</u>	<u>3</u>
Movements in impairment loss of investments in subsidiaries are as follows:		
At beginning of financial year	31,283	78,780
Disposal of subsidiaries	-	(78,440)
Impairment during the financial year	<u>-</u>	<u>30,943</u>
At end of financial year	<u>31,283</u>	<u>31,283</u>

In 2015, the recoverable amount of the investment has been determined on the basis of its value-in-use which was determined with reference to the independent third party valuation report. The discount rate based on the weighted average cost of capital used by the independent third party valuer is 13.4%. Accordingly, management concluded that investments in subsidiaries are impaired and an impairment loss of \$30,943,000 had been recorded.

Summarised financial information of the Group's subsidiaries was not disclosed as the subsidiaries are not significant.

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group except cash and cash equivalents of \$7,000 (2015: \$7,000) as at 31 December 2016 held in People's Republic of China ("China") are subject to local exchange control regulations which restrict the amount of currency to be exported other than through dividends.

Information relating to subsidiaries is disclosed in Note 30 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. Investments in subsidiaries (Continued)

Disposal of subsidiaries

On 31 December 2015, the Company disposed of its entire interest in Max Harvest Enterprise Limited and its subsidiary (collectively "MHEL Group") to a third party vendor for cash consideration of \$200,000.

Carrying amounts of the assets and liabilities as at the date of disposal are as follows:

	<u>Carrying amount</u> \$'000
Investment in associate (net of impairment of \$78,430,000)	-
Other receivables	132
Cash and cash equivalents	10
	<u>142</u>
Other payables	188
	<u>188</u>
Net liabilities	<u>(46)</u>
Cash consideration	200
Cash and cash equivalents of MHEL Group	(10)
Net cash inflow on disposal of MHEL Group	<u>190</u>
Gain on disposal:	
Consideration received	200
Net liabilities derecognised	46
Fair value of amount due from MHEL Group retained as other receivable	344
Cumulative exchange differences relating to MHEL Group reclassified from equity to profit or loss	(550)
Gain on disposal	<u>40</u>

The gain on disposal is recognised in "Other operating income" in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. Available-for-sale financial asset

	<u>Group and Company</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Unquoted equity shares, at cost	12,345	12,345
Less: Impairment loss	(12,345)	(3,459)
	<u> </u>	<u> </u>
Net	<u> -</u>	<u> 8,886</u>
Movements in impairment loss of available-for-sale financial asset are as follows:		
At beginning of financial year	3,459	-
Impairment during the financial year	8,886	3,459
	<u> </u>	<u> </u>
At end of financial year	<u> 12,345</u>	<u> 3,459</u>

The available-for-sale financial asset represents 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 China and engaged in the coal mining and coking coal processing business.

As part of the Group’s impairment assessment, the recoverable amount of the available-for-sale investment has been determined on the basis of its value-in-use which was determined with reference to the independent third party valuation report. The discount rate based on the current market rate of return for a similar financial assets used by the independent third party valuer is 14.60% (2015: 16.42%). Accordingly, management concluded that available-for-sale investment at Group and Company are impaired and an impairment loss of \$8,886,000 (2015: \$3,459,000) had been recorded.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. Intangible assets

	<u>Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Cost		
At 1 January	6,003	6,156
Additions	-	32
Exchange differences	56	(185)
At 31 December	<u>6,059</u>	<u>6,003</u>
Accumulated amortisation		
At 1 January	2,152	2,171
Exchange differences	6	(19)
At 31 December	<u>2,158</u>	<u>2,152</u>
Accumulated impairment		
At 1 January	3,526	-
Impairment during the financial year	-	3,519
Exchange differences	50	7
At 31 December	<u>3,576</u>	<u>3,526</u>
Net carrying amount		
At 31 December	<u>325</u>	<u>325</u>

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 \$325,000 (2015: \$2,069,000 and \$325,000), respectively.
- ii) Mining right of an iron ore mine located in Australia with a cost and carrying amount of \$3,990,000 and \$Nil (2015: \$3,934,000 and \$Nil), respectively.

In 2015, the iron ore mine located in Australia was not in operation and given the current industry outlook in iron ore, the management is considering to return the mining right back to the government. Accordingly, full impairment was recognized in relation to the carrying amount of the iron ore mine located in Australia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Investment properties

	<u>Group and Company</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
At fair value		
Balance at beginning of financial year	30,800	26,000
Disposal during the financial year	(11,440)	-
Transfer from owner-occupied properties (Note 12)	1,108	3,971
Revaluation (loss)/gain included in profit or loss (Note 6 and 4)		
- Investment properties	(380)	829
- Investment properties held for sale	(3,893)	-
	<hr/>	<hr/>
Balance at end of financial year	16,195	30,800
Less: Current portion classified as held for sale (a)	(11,367)	-
	<hr/>	<hr/>
Balance at end of financial year	<u>4,828</u>	<u>30,800</u>

An investment property with a carrying amount of \$11,440,000 was disposed during the financial year for a consideration of \$9,240,000 and the loss of \$2,200,000 has been recognised in profit or loss.

In 2015, the fair values of the Group's investment properties, including the investment properties held for sale, amounting to approximately \$30,800,000 million have been determined by an independent qualified professional valuers based on the direct comparison and income approach that makes reference to estimated market rental values and equivalent yields. In 2016, the management has determined the fair value of the investment properties by reference to recent transactions of similar properties as at 31 December 2016.

The investment properties of the Group and of the Company, including the investment properties held for sale, with a carrying amount of approximately \$15,260,000 (2015: \$30,800,000) have been pledged to a bank for banking facilities (Note 24).

Investment properties are leased to non-related parties under operating leases. The following amounts are recognised in profit or loss:

	<u>Group and Company</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Rental income from investment properties (Note 4)	697	1,075
Direct operating expenses arising from:		
- Rental generating properties	96	111
- Non-rental generating properties	30	34
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Investment properties (Continued)

Details of the investment properties held by the Group as at 31 December 2016 are set out below:

Location	Description	Existing use	Tenure	Unexpired lease term (years)
7 Temasek Boulevard, #11-06, Suntec City Tower 1, Singapore	Office tower	Rental	99 years	72
73 Tallarook Road, Cowra, NSW2794, Australia	Land & premises	Rental	Freehold	NA

(a) Investment properties held for sale

On 3 August 2016, management committed to a plan to sell part of the investment properties in Suntec. Accordingly part of the investment properties is presented as an investment properties held for sale. Efforts to sell the investment properties have started in August 2016 and the sale transaction was completed on 7 February 2017.

Details of the investment properties held for sale is set out below:

Location	Description	Existing use	Floor area (sqm)	Ownership	Carrying amount (\$'000)	Fair value less cost to sell (\$'000)
7 Temasek Boulevard, #11-01A/02/03, Suntec City Tower 1, Singapore	Office tower	Rental	528	100%	15,260	11,367

17. Other receivables, deposits and prepayments

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deposits	77,185	80,743	76,693	80,268
Interest receivable from Manfu	258	270	258	270
Amount due from immediate holding company	7,746	7,664	-	-
Amount due from related parties	7,783	7,353	-	-
Prepayments	22	559	17	22
Subsidiaries	-	-	96,376	95,419
Sundry debtors	182	590	261	232
Dividends receivable from an associate	4,623	4,494	4,623	4,494
Less: Allowance for doubtful debts	(40,433)	(37,740)	(67,627)	(67,665)
Net	57,366	63,933	110,601	113,040

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. Other receivables, deposits and prepayments (Continued)

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

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balance at beginning of financial year	37,740	36,541	67,665	47,073
Provision for the financial year (Note 6)	4,873	713	2,135	19,423
Exchange differences	(2,180)	486	(2,173)	1,169
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at end of financial year	<u>40,433</u>	<u>37,740</u>	<u>67,627</u>	<u>67,665</u>

Other receivables 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 Nil% (2015 : Nil% to 0.5%) per annum.

Other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Deposits

Included in the deposit of the Company and the Group as of 31 December 2016 is carrying amount of \$41,320,000, net of accumulated impairment loss of \$35,369,000, in relation to a deposit paid to a third party, Shenzhen Manfu Industrial Co., Ltd ("Manfu"), for the proposed acquisition of the 54.42% of equity interest of Zuoquan Xinrui Metallurgy Mine Co., Limited which was terminated during the financial year ended 31 December 2013.

An agreement was subsequently entered into by and between the Company and Manfu for Manfu to refund the deposit over five instalments commencing January 2014 with the last instalment scheduled to take place in September 2015. This deposit is also secured over Manfu's interest of 65% in equity shares of General Nice (S.A.) Resources Company Limited ("GNSA") (held through Manfu's 100% interest in Full Winner Industrial Co., Ltd ("Full Winner")), which in turn owns 70% in equity interest of General Nice (S.A.) Manganese Pty Ltd ("GNSAM") which indirectly owns a manganese mine located on Farm Buchansvale No. 61 in the Carletonville area of Gauteng, South Africa (the "Pledged Shares").

After the repayment of two instalments during the financial year ended 31 December 2014, the Company and Manfu entered into another conditional sales and purchase agreement for a proposed acquisition by the Company of Manfu's 60% equity interest in Smart Harmony Investment Ltd which in turn owned a commercial property located in Beijing, Peoples Republic of China ("proposed acquisition"), in which the purchase consideration of \$73,329,000 would be offset against the gross balance of deposit receivable of \$76,689,000 and the remaining gross balance of the deposit receivable of \$3,360,000 would be settled in cash by Manfu on completion of the proposed acquisition.

The Company has on 8 April 2016, received written notice about the decrease in Full Winner's shareholding in GNSA from 65% to 19.5%, which significantly reduced the value of the Pledged Shares as collateral of the deposit owing from Manfu.

As at the date of this report, the conditional sales and purchase agreement is still subject to the finalisation and acceptance from both parties on various precedent conditions and the approvals of the relevant authorities and shareholders. There is no further update since the last financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
Cash and bank balances	660	453	604	293

19. Share capital

	<u>Group and Company</u>			
	<u>2016</u>		<u>2015</u>	
	<u>Number of ordinary shares</u>	<u>\$'000</u>	<u>Number of ordinary shares</u>	<u>\$'000</u>
At the beginning and end of financial year	244,274,150	250,805	244,274,150	250,805

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.

20. Asset revaluation reserve

Asset revaluation reserve represented the increase in fair value of an owner-occupied property that was subsequently transferred to investment property.

21. Share options reserve

Equity-settled share option scheme

The Company has adopted the Abterra Employee Share Option 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 of the shares of the Company on the Singapore Exchange Securities Trading Limited for the five consecutive market days immediately preceding the date of grant ("Market Price") or at a discount to the Market Price, provided that 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 share options granted with the exercise price set at Market Price may be exercised after 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. If the options remain unexercised after the exercisable period, the options shall immediately lapse and become null and void. Options shall immediately lapse and become null and void if the option holder leaves the Group before the options vest.

All share options granted by the company have expired in the financial year ended 31 December 2013.

22. Foreign currency translation reserves

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 2016

23. Other payables and accruals

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
Accrued operating expenses	3,072	2,422	1,921	1,558
Amount due to immediate holding company	7,685	7,150	190	-
Amounts due to related parties	7,106	7,191	-	-
Sundry creditors	3,140	1,669	2,092	650
Amounts due to subsidiaries	-	-	68,642	67,072
Total	<u>21,003</u>	<u>18,432</u>	<u>72,845</u>	<u>69,280</u>

Amounts due to immediate holding company, subsidiaries and related parties are non-trade related, unsecured, interest-free and repayable on demand.

24. Borrowings

	<u>Group and Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Secured:		
Loan 1	4,933	14,124
Unsecured:		
Loan 2	<u>2,600</u>	<u>2,000</u>
Total borrowings	<u>7,533</u>	<u>16,124</u>
Due within one year (current)	<u>7,533</u>	<u>16,124</u>

The borrowings of the Group and the Company consist of:

Loan 1 is secured by pledge of leasehold building with carrying amount of \$6,231,000 (2015: \$7,353,000) (Note 12) and investment properties with carrying amount of \$15,087,000 (2015: \$30,800,000) (Note 16) of the Group and of the Company and bears a fixed interest rate at 4.98% (2015: 4.98%) per annum. This loan is repayable at monthly installment payments ranging from approximately \$175,000 to \$186,000 over period of 15 years commencing on October 2008. However, the Group and the Company are required to repay the loan in full upon the request of the bank.

Loan 2 is an unsecured loan bearing interest rates of 12% and 24% per annum and is repayable in full on 16 February 2017, 13 March 2017, 19 March 2017 and 22 March 2017 respectively.

Both loans have been fully repaid as at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Deferred tax liabilities

	<u>Group and Company</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Fair value changes on investment properties	-	791
Total	-	791

Movement in provision for deferred tax:

	<u>Group and Company</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Balance at beginning of financial year	791	791
Credit to income statement (Note 10)	(791)	-
Balance at end of financial year	-	791

26. 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 financial 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:

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Consultancy income from a related party	-	105	-	105
Advances from immediate holding company	453	369	190	-
Advances from subsidiaries	-	-	122	195
Advances to subsidiaries	-	-	(107)	(548)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Operating lease commitments

(a) 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.

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Future minimum lease payments:		
Not later than 1 year	26	47
1 to 5 years	-	29
	<u>26</u>	<u>76</u>
Total	<u>26</u>	<u>76</u>

(b) 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:

	<u>Group and Company</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Future minimum lease payments:		
Not later than 1 year	40	709
1 to 5 years	-	1,184
	<u>40</u>	<u>1,893</u>
Total	<u>40</u>	<u>1,893</u>

28. 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 five geographic areas: Singapore, China, Macau Special Administrative Region of China ("Macau"), Indonesia and Australia.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Segment information (Continued)

	Iron ore trading \$'000	Coke and coal trading \$'000	Total \$'000
<u>For the financial year ended 31 December 2016</u>			
Revenue	-	-	-
Segment results			
Other operating income			901
Unallocated costs			(23,997)
Finance costs			(855)
Share of losses of equity-accounted for associates			-
Loss before taxation			(23,951)
Income tax			779
Non-controlling interests			43
Loss attributable to owners of the Company			(23,129)
Non-cash items:			
Depreciation of property, plant and equipment			256
Fair value loss on investment properties			380
Fair value loss on investment properties held for sale			3,893
Provision for doubtful debts - non-trade			4,873
Impairment of available-for-sale financial asset			8,886
Loss on disposal of investment properties			2,200
Unrealised exchange loss			891
<u>At 31 December 2016</u>			
Segment assets	425	-	425
Unallocated assets			80,568
Consolidated total assets			80,993
Segment liabilities	-	-	-
Unallocated liabilities			28,570
Consolidated total liabilities			28,570

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Segment information (Continued)

	Iron ore trading \$'000	Coke and coal trading \$'000	Total \$'000
<u>For the financial year ended 31 December 2015</u>			
Revenue	-	-	-
Segment results			
Other operating income			2,417
Unallocated costs			(21,659)
Finance costs			(939)
Share of losses of equity-accounted for associates			(50,833)
Loss before taxation			(71,014)
Income tax			83
Non-controlling interests			19,917
Loss attributable to owners of the Company			(51,014)
Non-cash items:			
Depreciation of property, plant and equipment			453
Fair value gain on investment properties			(829)
Provision for doubtful debts – trade			20
Provision for doubtful debts – non-trade			713
Impairment of property, plant and equipment			609
Impairment of investment in associate			8,030
Impairment of available-for-sale financial asset			3,459
Impairment of intangible assets			3,519
Unrealised exchange loss			1,664
<u>At 31 December 2015</u>			
Segment assets	423	-	423
Unallocated assets			111,634
Consolidated total assets			112,057
Segment liabilities	-	-	-
Unallocated liabilities			35,625
Consolidated total liabilities			35,625

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Segment information (Continued)

The Group's two business segments operates 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 region are principally the coal mining and provision of logistics services.

Macau

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

Indonesia

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

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	
	2016	2015
	\$'000	\$'000
Macau	-	-
Indonesia	-	-
	<hr/>	<hr/>
Total	-	-
	<hr/> <hr/>	<hr/> <hr/>
	Group's non-current assets	
	2016	2015
	\$'000	\$'000
Singapore	11,498	38,685
Australia	-	-
China	-	8,886
Indonesia	2	2
	<hr/>	<hr/>
Total	11,500	47,573
	<hr/> <hr/>	<hr/> <hr/>

Non-current assets information presented above consists of property, plant and equipment, investments in associates, available-for-sale financial asset, intangible assets and investment properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial risk management

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.

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 2016

29. Financial risk management (Continued)

(a) Market risk (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:

Group	Singapore dollar \$'000	United States dollar \$'000	Chinese Renminbi \$'000	Others* \$'000	Total \$'000
As at 31 December 2016					
Financial assets					
Cash and cash equivalents	588	23	7	42	660
Trade receivables	-	100	-	-	100
Other receivables and deposits	4,218	3,601	48,733	792	57,344
Investment properties held for sale	11,367	-	-	-	11,367
Total	16,173	3,724	48,740	834	69,471
Financial liabilities					
Other payables and accruals	9,355	404	7,470	3,774	21,003
Borrowings	7,533	-	-	-	7,533
Total	16,888	404	7,470	3,774	28,536
As at 31 December 2015					
Financial assets					
Cash and cash equivalents	297	87	7	62	453
Trade receivables	-	98	-	-	98
Other receivables and deposits	8,170	3,521	50,744	939	63,374
Available-for-sale financial asset	8,886	-	-	-	8,886
Total	17,353	3,706	50,751	1,001	72,811
Financial liabilities					
Other payables and accruals	7,334	351	7,614	3,133	18,432
Borrowings	16,124	-	-	-	16,124
Total	23,458	351	7,614	3,133	34,556

* 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 2016

29. Financial risk management (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Company	Singapore dollar \$'000	United States dollar \$'000	Chinese Renminbi \$'000	Others* \$'000	Total \$'000
As at 31 December 2016					
Financial assets					
Cash and cash equivalents	581	21	-	2	604
Other receivables and deposits	29,865	39,099	41,609	11	110,584
Investment properties held for sale	11,367	-	-	-	11,367
Total	41,813	39,120	41,609	13	122,555
Financial liabilities					
Other payables and accruals	7,307	64,167	-	1,371	72,845
Borrowings	7,533	-	-	-	7,533
Total	14,840	64,167	-	1,371	80,378
As at 31 December 2015					
Financial assets					
Cash and cash equivalents	253	37	-	3	293
Other receivables and deposits	67,239	-	43,516	2,263	113,018
Available-for-sale financial asset	8,886	-	-	-	8,886
Total	76,378	37	43,516	2,266	122,197
Financial liabilities					
Other payables and accruals	5,353	62,723	-	1,204	69,280
Borrowings	16,124	-	-	-	16,124
Total	21,477	62,723	-	1,204	85,404

* 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 2016

29. Financial risk management (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

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

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
	<u>Increase/(Decrease)</u>		<u>Increase/(Decrease)</u>	
United States dollar				
- strengthened	66	67	(501)	(1,254)
- weakened	(66)	(67)	501	1,254
Chinese Renminbi				
- strengthened	825	863	832	870
- weakened	(825)	(863)	(832)	(870)
Other currencies				
- strengthened	(59)	(43)	(27)	21
- weakened	59	43	27	(21)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial risk management (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

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

The Group has adequate credit facilities to ensure necessary liquidity as provided from the consolidated statement of financial position.

The Group 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 cash 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	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Assets					
Cash and cash equivalents	Floating	660	453	604	293
Liabilities					
Borrowings	Fixed	<u>7,533</u>	<u>16,124</u>	<u>7,533</u>	<u>16,124</u>

If the interest rates increase or decrease by 0.50% (2015: 0.50%) with all other variables including tax rate being held constant, the Group and Company's profit/(loss) after income tax will be higher or lower by \$3,000 and \$3,000 respectively (2015: \$2,000 and \$1,000 respectively) as a result of higher or lower interest expense on these borrowings.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial risk management (Continued)

(b) Liquidity risk (Continued)

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

	<u>Less than</u> <u>1 year</u> <u>\$'000</u>	<u>Over 1 year</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Group			
<u>Financial Assets</u>			
<i>At 31 December 2016</i>			
Cash and cash equivalents	660	-	660
Trade receivables	100	-	100
Other receivables and deposits	57,344	-	57,344
Investment properties held for sale	11,367	-	11,367
Total	<u>69,471</u>	<u>-</u>	<u>69,471</u>
<i>At 31 December 2015</i>			
Cash and cash equivalents	453	-	453
Trade receivables	98	-	98
Other receivables and deposits	63,374	-	63,374
Available-for-sale financial asset	-	8,886	8,886
Total	<u>63,925</u>	<u>8,886</u>	<u>72,811</u>
<u>Financial liabilities</u>			
<i>At 31 December 2016</i>			
Other payables and accruals	21,003	-	21,003
Borrowings	7,533	-	7,533
Total	<u>28,536</u>	<u>-</u>	<u>28,536</u>
<i>At 31 December 2015</i>			
Other payables and accruals	18,432	-	18,432
Borrowings	16,124	-	16,124
Total	<u>34,556</u>	<u>-</u>	<u>34,556</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial risk management (Continued)

(b) Liquidity risk (Continued)

Company	Less than <u>1 year</u> \$'000	<u>Over 1 year</u> \$'000	<u>Total</u> \$'000
<u>Financial Assets</u>			
<i>At 31 December 2016</i>			
Cash and cash equivalents	604	-	604
Other receivables and deposits	110,584	-	110,584
Investment properties held for sale	11,367	-	11,367
Total	<u>122,555</u>	<u>-</u>	<u>122,555</u>
<i>At 31 December 2015</i>			
Cash and cash equivalents	293	-	293
Other receivables and deposits	113,018	-	113,018
Available-for-sale financial asset	-	8,886	8,886
Total	<u>113,311</u>	<u>8,886</u>	<u>122,197</u>
<u>Financial Liabilities</u>			
<i>At 31 December 2016</i>			
Other payables and accruals	72,845	-	72,845
Borrowings	7,533	-	7,533
Total	<u>80,378</u>	<u>-</u>	<u>80,378</u>
<i>At 31 December 2015</i>			
Other payables and accruals	69,280	-	69,280
Borrowings	16,124	-	16,124
Total	<u>85,404</u>	<u>-</u>	<u>85,404</u>

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial risk management (Continued)

(c) Credit risk (Continued)

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:

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<u>By geographical areas:</u>				
Singapore	-	-	-	-
Macau	100	98	-	-
Total	100	98	-	-

The carrying amounts of cash and cash equivalents, trade and other receivables and deposits, 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.

The age analysis of trade receivables is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Not past due and not impaired	-	-	-	-
<u>Past due but not impaired:</u>				
Past due over 6 months	100	98	-	-
Gross trade receivables	100	98	-	-

At the end of the reporting period, 100% (2015: 100%) of the Group's trade receivables were due from 1 major third party customer (2015: 1 major third party customer).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial risk management (Continued)

(d) Fair values of assets and liabilities

The carrying amounts of investment properties held for sale, cash and bank balances, trade and other receivables, other payables and borrowings approximate their respective fair values due to the relative short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of applicable financial assets and financial liabilities are determined as follows:

- (a) Level 1 – the fair values of assets and liabilities with standard terms and conditions and which trade in active liquid markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted);
- (b) Level 2 – in the absence of quoted market prices, the fair values of the other assets and liabilities (excluding derivative instruments) are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability.
- (c) Level 3 – in the absence of observable inputs, the fair values of the remaining assets and liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

	<u>Group and Company</u>			<u>Total</u> \$'000
	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	
<u>At 31 December 2016</u>				
Recurring fair value measurements				
<i>Investment properties</i>	-	4,828	-	4,828
Non-recurring fair value measurements				
<i>Investment properties held for sale</i>	-	11,367	-	11,367
<u>At 31 December 2015</u>				
Recurring fair value measurements				
<i>Investment properties</i>	-	30,800	-	30,800

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial risk management (Continued)

(d) Fair values of assets and liabilities (Continued)

Movements in Level 3 assets and liabilities subject to recurring fair value measurements

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs (Level 3):

	<u>Group and Company</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
At fair value		
Balance at beginning of financial year	30,800	26,000
Disposal during the financial year	(11,440)	-
Transfer from owner-occupied properties	1,108	3,971
Revaluation (loss)/gain included in profit or loss	(4,273)	829
	<u>16,195</u>	<u>30,800</u>
Less: Current portion classified as held for sale	(11,367)	-
	<u>4,828</u>	<u>30,800</u>

Valuation policies and procedures

The Group's Financial Controller ("FC") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures and reports to the Group's Audit Committee.

It is the Group's policy that where assessed necessary by the local management, the Group would engage experts to perform significant financial reporting valuations. The FC is responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

He also reviews at least on an annual basis, the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

The analysis and results of the external valuations are then reported to the Audit Committee for the latter's comments before presenting the results to the Board of Directors for approval.

During the financial year, there is no change in the applicable valuation techniques.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial risk management (Continued)

(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. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 31 December 2015.

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.

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
Net debt	27,893	34,120	79,774	85,111
Total equity	52,423	76,432	53,368	74,139
Total capital	<u>80,316</u>	<u>110,552</u>	<u>133,142</u>	<u>159,250</u>
Gearing ratio	<u>35%</u>	<u>31%</u>	<u>60%</u>	<u>53%</u>

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2016 and 31 December 2015.

30. Significant subsidiaries and associated companies

List of the entities in the Group

<u>Name of entity</u>	<u>Principal activities</u>	<u>Country of incorporation and place of business</u>	<u>Percentage of effective interest held by the Group</u>	
			<u>2016</u> %	<u>2015</u> %
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 ⁽²⁾	Stockpile and trading of iron ore, coal and coke	India	100	100
Abterra Australia Pty Limited ⁽²⁾	Mining	Australia	100	100
PT. Abterra Resources Indonesia ⁽²⁾	General trading and mining contractor	Indonesia	95	95

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. 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	
			2016 %	2015 %
Subsidiaries				
<u>Held by the Company</u>				
Sunny Energy Limited ⁽²⁾	Investment holding	Hong Kong	61	61
Tian Yi Investment Pte. Ltd. ⁽²⁾	General trading	Singapore	100	100
Tian Yi Power Co. Pte. Ltd. ⁽²⁾	General trading	Singapore	100	100
<u>Held through Abterra Resources Pte. Ltd.</u>				
PT. Abterra Resources Indonesia ⁽²⁾	General trading and mining contractor	Indonesia	5	5
<u>Held through Sunny Energy Limited</u>				
Shenzhen Manxin Trading Co., Ltd. ⁽²⁾ (深圳市满鑫贸易有限公司)	Investment holding	China	61	61
Shenzhen Chuangrongxin Trading Co., Ltd. ⁽²⁾ (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. ⁽²⁾ (天津蓝塔发展有限公司)	Logistics business	China	45	45
<u>Held through Shenzhen Chuangrongxin Trading Co., Ltd.</u>				
Shanxi Fenxi Ruitai Zhengzhong Coal Limited ⁽²⁾ (山西汾西瑞泰正中煤业有限责任公司)	Coal mining	China	24	24

(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 used for consolidation purposes as they are not material to the Group's financial statements.

STATISTICS OF SHAREHOLDINGS

AS AT 21 APRIL 2017

ISSUED AND FULLY PAID- UP CAPITAL	: S\$248,977,243
NUMBER OF SHARES ISSUED	: 244,274,150
CLASS OF SHARES	: ORDINARY SHARES
NUMBER OF TREASURY SHARE HELD	: NIL
NUMBER OF SUBSIDIARY HOLDINGS HELD	: NIL
VOTING RIGHT	: 1 VOTE PER SHARE

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 - 99	566	18.92	30,840	0.01
100 - 1,000	940	31.42	457,547	0.19
1,001 - 10,000	1,266	42.31	4,597,236	1.88
10,001 - 1,000,000	212	7.08	8,830,283	3.62
1,000,000 & Above	8	0.27	230,358,244	94.30
Total	2,992	100.00	244,274,150	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of shareholders	No. of shares	%
1	Raffles Nominees (Pte) Ltd	63,142,440	25.85
2	Citibank Nominees Singapore Pte Ltd	53,400,246	21.86
3	RHB Securities Singapore Pte Ltd	39,372,500	16.12
4	DBS Vickers Securities (S) Pte Ltd	27,967,424	11.45
5	Phillip Securities Pte Ltd	23,243,994	9.52
6	Maybank Kim Eng Securities Pte Ltd	9,246,640	3.78
7	Sinjia Land Limited	7,485,000	3.06
8	BNP Paribas Nominees Singapore Pte Ltd	6,500,000	2.66
9	American Home Assurance Company	838,716	0.34
10	UOB Kay Hian Pte Ltd	693,400	0.28
11	OCBC Securities Private Ltd	438,040	0.18
12	DBS Nominees Pte Ltd	378,800	0.16
13	HSBC (Singapore) Nominees Pte Ltd	376,000	0.15
14	United Overseas Bank Nominees Pte Ltd	251,390	0.10
15	Xiang Tao	142,000	0.06
16	Zheng Chuanlong	134,000	0.06
17	Choah Leong Yew	122,040	0.05
18	Low Kim Hion	113,800	0.05
19	Choo Swee Choo	100,000	0.04
20	Kristy Yap	100,000	0.04
Total:		234,046,430	95.81

STATISTICS OF SHAREHOLDINGS

AS AT 21 APRIL 2017

Based on the information available to the Company, approximately 52.76% 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.

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Note	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
General Nice Resources (Hong Kong) Limited		85,403,976	34.96	-	-
General Nice Development Limited	[1]	-	-	85,403,976	34.96
General Nice Investment (China) Limited	[2]	-	-	85,403,976	34.96
General Nice Group Holdings Limited	[3]	-	-	85,403,976	34.96
Cai Sui Xin	[4]	-	-	85,403,976	34.96
Tsoi Ming Chi	[5]	-	-	85,403,976	34.96
Xiang Yu Investments Limited		30,000,000	12.28	-	-

- [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 Nineteenth Annual General Meeting of the Company will be held at 7 Temasek Boulevard #11-01 Suntec Tower 1 Singapore 038987, on Friday, 26 May 2017 at 10.00 a.m., for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2016 and the Directors' Statement and the Auditors' Report thereon. Resolution 1
2. To approve Directors' fees of S\$99,409 for financial year ended 31 December 2016 (2015: S\$133,840). Resolution 2
3. To re-elect the following Directors retiring by rotation pursuant to Article 91 of the Company's Constitution:
 - (i) Mr Lau Yu; and Resolution 3
 - (ii) Mr Wong Shiu Wah Williamson. (See Explanatory Note) Resolution 4
4. To re-appoint Messrs Mazars LLP as Auditors and to authorise the Directors to fix their remuneration. Resolution 5

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:

5. THAT pursuant to Section 161 of the Companies Act (Chapter 50) and in accordance with the listing rules of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors to:
 - (a) (i) allot and issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion, deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

Notice of **ANNUAL GENERAL MEETING**

PROVIDED THAT:

- (1) save as may otherwise be permitted by the SGX-ST, the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue or consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. (See Explanatory Note)

6. THAT authority be and is hereby given to the Directors to:

- (a) offer and grant options in accordance with the provisions of the Abterra Employee Share Option Scheme (the “**ESOS Scheme**”); and
- (b) allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the ESOS Scheme,

Resolution 7

PROVIDED THAT the aggregate number of ordinary shares to be issued pursuant to the ESOS Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company on the day preceding the relevant dates of grant of the option. (See Explanatory Note)

Notice of **ANNUAL GENERAL MEETING**

7. 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
11 May 2017

Notes:

1. (a) A member of the Company ("**Member**") (other than a member who is a relevant intermediary) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf.

(b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies that has been executed by a Member, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof), must be deposited at the registered office of the Company at 7 Temasek Boulevard, #11-01 Suntec Tower 1, Singapore 038987, not less than 48 hours before the time appointed for the Annual General Meeting.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) agrees to provide the Company with written evidence of such prior consent upon reasonable request, and (iv) agrees to indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Notice of **ANNUAL GENERAL MEETING**

Explanatory Notes:

Resolution 4

Mr Wong Shiu Wah Williamson will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and ESOS Committee and a member of the Nominating Committee and Remuneration Committee, and he will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Resolution 6

Resolution no. 6, if passed, save as may otherwise be permitted by the SGX-ST, will empower the Directors of the Company to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of twenty per cent (20%) for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Resolution 7

Resolution no. 7, if passed, will empower the Directors of the Company to offer and grant options and/or to issue shares in the capital of the Company pursuant to the Abterra Employee Share Option Scheme (the “**ESOS Scheme**”) provided that the aggregate number of shares issued pursuant to the ESOS Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

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ABTERRA LTD.

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

**PROXY FORM -
 NINETEENTH ANNUAL GENERAL MEETING**
IMPORTANT

1. A relevant intermediary may appoint more than two (2) proxies to attend the Annual General Meeting of the Company.
2. For investors who have used their Central Provident Fund ("CPF") monies ("CPF Investors") and/or monies in the Supplementary Retirement Scheme (SRS) accounts ("SRS Investors") to buy Abterra Ltd.'s shares, this annual report and its enclosures are forwarded to you at the request of their CPF and/or SRS Approved Nominees (as the case may be) and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF Investors and SRS Investors may attend and cast their votes in person at the Annual General Meeting of the Company. If they are unable to attend but wish to vote, they may contact their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy.

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 Nineteenth 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 #11-01 Suntec Tower 1 Singapore 038987, on Friday, 26 May 2017 at 10.00 a.m., and at any adjournment thereof.

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

Ordinary Resolutions	For	Against
Ordinary Business		
1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2016 and the Directors' Statement and the Auditors' Report thereon		
2. To approve Directors' fees of S\$99,409 for financial year ended 31 December 2016 (2015: S\$133,840)		
3. To re-elect Mr Lau Yu retiring by rotation pursuant to Article 91 of the Company's Constitution		
4. To re-elect Mr Wong Shiu Wah Williamson retiring by rotation pursuant to Article 91 of the Company's Constitution		
5. To re-appoint Messrs Mazars LLP as Auditors and to authorise the Directors to fix their remuneration		
Special Business		
6. To authorise the Directors to allot/issue new shares		
7. To authorise the Directors to offer/grant options and allot and issue shares pursuant to the Abterra Employee Share Option Scheme		

Dated this _____ day of _____ 2017.

Total number of Shares Held

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 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 81SF of the Securities and Futures Act (Chapter 289)), you should insert that number of shares. If you have shares registered in your name in the Register of Members, 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. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. (a) A member of the Company (other than a member who is a relevant intermediary) entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of the proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.

(b) A Member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.

3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 7 Temasek Boulevard #11-01 Suntec Tower 1 Singapore 038987, not less than 48 hours before the time appointed for the holding of the meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
6. Where the instrument appointing a proxy is signed by an attorney, the letter or power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company) be stamped and be lodged with the instrument of proxy at the registered office of the Company, not less than 48 hours before the time for holding the meeting and/or any adjournment thereof at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
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. In the case of joint holders of shares, any one of such persons may vote, but if more than one of such persons is present at the AGM, the person whose name stands first on the Register of Members or (as the case may be) in the Depository Register shall alone be entitled to vote.
9. Any alteration made to the instrument of proxy should be initialled by the person who signs it.

General: The sending of a Proxy Form by a Member does not preclude him from attending and voting in person at the meeting if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked. The Company shall be entitled to reject an 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 shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies lodged if such members being the appointor, is not shown to have shares entered against his names in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Chairman

Mr Cai Sui Xin

Chief Executive Officer

Mr Lau Yu

Independent Directors

Mr Wong Shiu Wah Williamson

Mr Chan Chun Tat Ray

Company Secretary

Ms Chew Bee Leng

Audit Committee

Mr Wong Shiu Wah Williamson

Mr Chan Chun Tat Ray

Mr Cai Sui Xin

Nominating Committee

Mr Chan Chun Tat Ray

Mr Wong Shiu Wah Williamson

Mr Cai Sui Xin

Remuneration Committee

Mr Chan Chun Tat Ray

Mr Wong Shiu Wah Williamson

Mr Cai Sui Xin

Employee Share Option Scheme Committee

Mr Wong Shiu Wah Williamson

Mr Chan Chun Tat Ray

Mr Cai Sui Xin

Auditors

Mazars LLP

Public Accountants and Chartered Accountants

135 Cecil Street #10-01 MYP Plaza

Singapore 069536

Audit Partner

Mr Tan Chee Tyan

Since financial year ended 31 December 2016

Principal Banker

United Overseas Bank Limited

Registrar

B.A.C.S. Private Limited

8 Robinson Road

#03-00 ASO Building

Singapore 048544

Investor Relations

Email: ir@abterra.com.sg

Website: www.abterra.com.sg

Company Registration No.

199903007C

Registered Office

7 Temasek Boulevard

#11-01, Suntec Tower 1, Singapore 038987

Tel : (+65) 6885 9800 **Fax :** (+65) 6885 9829

Email : info@abterra.com.sg

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