

Company Registration. No. 199508589E

United Fiber System Limited
and its Subsidiaries

Interim Consolidated Financial Statements
For the six months period ended 30 June 2014



Building a better
working world

United Fiber System Limited and its Subsidiaries

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United Fiber System Limited and its Subsidiaries

Statement by Directors

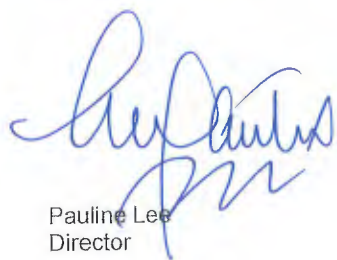
We, Peh Pit Tat and Pauline Lee, being two of the directors of United Fiber System Limited, do hereby state that, in the opinion of the directors,

- (i) the accompanying consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group as at 30 June 2014 and the results of the business, changes in equity and cash flows of the Group for the period ended on that date, in accordance with International Financial Reporting Standards and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

On behalf of the board of directors,



Peh Pit Tat
Director



Pauline Lee
Director

Singapore

01 OCT 2014

United Fiber System Limited and its Subsidiaries

Independent Auditor's Report For the six months ended 30 June 2014

Independent Auditor's Report to the Members of United Fiber System Limited and its subsidiaries

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of United Fiber System Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated balance sheet as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Basis for Disclaimer of Opinion

a) **Default interest not provided for**

As disclosed in Note 21(b) to the financial statements, the Group breached the debt covenant on the loan from a financial institution for which it is entitled to charge the Group default interest of US\$46,000,000 up to 30 June 2014. On 26 September 2014, the financial institution agreed to waive the default interest on the completion of the Proposed DSS Acquisition. Notwithstanding that the condition has not been met, the Group did not provide for the default interest of US\$46,000,000 and the related charges of US\$5,000,000. This is not in accordance with the requirements of IFRS9 Financial Instruments: Recognition and measurement.

United Fiber System Limited and its Subsidiaries

**Independent Auditor's Report
For the six months ended 30 June 2014**

Independent Auditor's Report to the Members of United Fiber System Limited and its subsidiaries

b) Going concern assumption

As disclosed in Note 1.2, the Group incurred a net loss of US\$9,554,000 for the financial period ended 30 June 2014 and as at that date, the Group is in a net current liability position of US\$121,038,000. Furthermore the Group is in a net liability position of US\$83,245,000. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

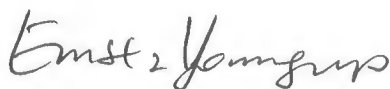
As disclosed in Note 1.2, the directors have prepared these financial statements on the going concern basis premised on, *inter alia*, the success of the Proposed DSS Acquisition as stated in that note. Based on the information available to us, we are unable to perform procedures to obtain support for the assumptions disclosed in that note and consequently, we are unable to conclude as to the appropriateness of the use of going concern assumption in the preparation of these financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Purpose and restriction on distribution and use

The financial statements for the period ended 30 June 2014 prepared in accordance with International Financial Reporting Standards have been prepared for inclusion in the Circular to Shareholders in connection with the Proposed DSS Acquisition of PT. Golden Energy Mines Tbk. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the shareholders of the Company and should not be used by any other parties.



Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

1 October 2014

United Fiber System Limited and its Subsidiaries

**Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2014**

(In United States Dollars)

	Note	30 June 2014 US\$'000	30 June 2013 US\$'000
Revenue	4	4,332	2,054
Cost of sales		(6,003)	(2,075)
Gross loss		(1,671)	(21)
Other income	5	1,703	5,098
Selling and distribution expenses		(414)	(361)
Administrative expenses		(1,133)	(1,399)
Other operating expenses		(4,043)	(2,025)
Fair value loss on forestry assets	10	(136)	(10,665)
Finance costs	6	(3,873)	(4,313)
Net effect on deconsolidation of subsidiaries	3(b)	–	16,720
(Loss)/profit before tax	7	(9,567)	3,034
Income tax benefit	8	13	2,335
(Loss)/profit for the period		(9,554)	5,369
Other comprehensive income:			
Foreign currency translation		(2,342)	3,140
Release of foreign currency translation reserves on deconsolidation of subsidiaries		–	(1,540)
Other comprehensive income for the period		(2,342)	1,600
Total comprehensive income for the period		(11,896)	6,969
(Loss)/profit attributable to:			
Owners of the Company		(9,553)	5,369
Non-controlling interests		(1)	–
		(9,554)	5,369
Total comprehensive income attributable to:			
Owners of the Company		(11,895)	6,969
Non-controlling interests		(1)	–
		(11,896)	6,969
(Loss)/profit per share attributable to owners of the Company (cents per share)			
Basic and diluted	9	(0.25)	0.14

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

United Fiber System Limited and its Subsidiaries

**Consolidated Balance Sheet
As at 30 June 2014**

(In United States Dollars)

	Note	30 June 2014 US\$'000	31 December 2013 US\$'000
Non-Current Assets			
Forestry concession	10	22,537	27,093
Property, plant and equipment	11	17,306	18,317
Club membership	12	—	—
Deferred tax assets	13	178	178
Goodwill on consolidation	14	—	—
Trade and other receivables	17	—	—
		40,021	45,588
Current Assets			
Investment properties held for sale	15	—	—
Inventories	16	5,013	4,264
Trade and other receivables	17	1,146	1,190
Cash and bank balances	18	3,265	1,432
		9,424	6,886
Current Liabilities			
Trade and other payables	19	81,462	72,491
Provisions	20	—	—
Loans and borrowings	21	49,000	49,000
		130,462	121,491
Net Current Liabilities		(121,038)	(114,605)

United Fiber System Limited and its Subsidiaries

Consolidated Balance Sheet

As at 30 June 2014

(In United States Dollars)

	Note	30 June 2014 US\$'000	31 December 2013 US\$'000
Non-Current Liabilities			
Deferred tax liabilities	13	2,228	2,332
		2,228	2,332
Net Liabilities		(83,245)	(71,349)
Equity Attributable to Equity Holders of the Company			
Share capital	22	257,956	257,956
Reserves		(341,195)	(329,300)
		(83,239)	(71,344)
Non-controlling interests		(6)	(5)
Total Equity		(83,245)	(71,349)

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

United Fiber System Limited and its Subsidiaries

**Consolidated Statement of Changes in Equity
For the six months ended 30 June 2014**

(In United States Dollars)

30 June 2014

At 1 January 2014

Loss for the period

Other comprehensive income
Foreign currency translation

Total comprehensive income for the period

At 30 June 2014

30 June 2013

At 1 January 2013

Profit for the period

Other comprehensive income
Foreign currency translation
Release of foreign currency translation reserves
on deconsolidation of subsidiaries

Other comprehensive income for the period

Total comprehensive income for the period

At 30 June 2013

Attributable to owners of the Company						
Share Capital (Note 25) US\$'000	Foreign Currency Translation US\$'000	Other Reserves (2) US\$'000	Accumulated Losses US\$'000	Total Reserves US\$'000	Non- controlling Interests US\$'000	Total Equity US\$'000
257,956	10,148	(62,479)	(276,969)	(329,300)	(5)	(71,349)
-	-	-	(9,553)	(9,553)	(1)	(9,554)
-	(2,342)	-	-	(2,342)	-	(2,342)
-	(2,342)	-	(9,553)	(11,895)	(1)	(11,896)
257,956	7,806	(62,479)	(286,522)	(341,195)	(6)	(83,245)
256,613	11,344	(62,479)	(266,246)	(317,381)	(5)	(60,773)
-	-	-	5,369	5,369	-	5,369
-	3,140 (1,540)	-	-	3,140 (1,540)	-	3,140 (1,540)
-	1,600	-	-	1,600	-	1,600
-	1,600	-	5,369	6,969	-	6,969
256,613	12,944	(62,479)	(260,877)	(310,412)	(5)	(53,804)

(1) Foreign currency translation reserves are used to record exchange differences arising from the translation of the financial statements of the Group's foreign operations whose functional currencies are different from that of the Group's presentation currency.

(2) Other reserves pertain to the merger reserve that arose for acquisition of Anrof Singapore Limited ("ASL") Group of companies in year 2002.

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

United Fiber System Limited and its Subsidiaries

**Consolidated Cash Flow Statement
For the six months ended 30 June 2014**

(In United States Dollars)

	30 June 2014 US\$'000	30 June 2013 US\$'000
Cash flows from operating activities		
(Loss)/profit before tax	(9,567)	3,034
Adjustments for:		
Consultancy service income	–	(165)
Depreciation of property, plant and equipment	1,307	898
Gain on deconsolidation of subsidiaries	–	(16,916)
Fair value gain on derivative	–	(1,129)
Fair value loss on forestry assets	136	10,665
Write down of inventories	1,933	–
Expenses for proposed acquisition ⁽¹⁾	411	457
Interest expenses	3,869	4,350
Interest income	(23)	(26)
Net exchange differences	(3,292)	2,389
Operating cash flow before working capital changes	(5,226)	3,557
Decrease in gross amount due to customers for contract work-in-progress	–	(10,415)
Decrease in inventories	386	392
Decrease in trade and other receivables	2,190	4,827
Increase in trade and other payables	5,512	5,329
Cash flows from operations	2,862	3,690
Income tax refunded	–	28
Interest paid	–	(38)
Net cash flows from operating activities	2,862	3,680
Cash flows from investing activities		
Addition to forestry assets	(761)	(660)
Interest received	23	26
Purchase of property, plant and equipment	(310)	(221)
Net cash outflow resulting from deconsolidation of subsidiaries	–	(5,493)
Net cash flows used in investing activities	(1,048)	(6,348)
Cash flows from financing activities		
Proceeds from loans and borrowings	–	1,571
Repayment of loans and borrowings	–	(4,416)
Repayment of hire purchase creditors	–	(159)
Payment of expenses for proposed acquisition	(13)	(319)
Net cash flows used in financing activities	(13)	(3,323)
Net Increase/(decrease) in cash and cash equivalents	1,801	(5,991)
Effect of exchange rate changes on cash and cash equivalents	32	(452)
Cash and cash equivalents at 1 January	1,432	7,927
Cash and cash equivalents at 30 June (Note 18)	3,265	1,484

⁽¹⁾ Expenses for proposed acquisition are incurred for the proposed acquisition as disclosed under Note 29.

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

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

1. General information

1.1 Corporate information

United Fiber System Limited ("Unifiber" or the "Company") is a limited liability company, incorporated and domiciled in Singapore. The Company's shares are publicly traded on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office of the Company is located at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623.

The principal activities of the Company are those of an investment holding company and provision of management services to entities within the Unifiber Group of companies. The principal activities of the subsidiaries are set out in Note 3 to the financial statements.

1.2 Going concern

The Group incurred net loss of US\$9,554,000 (31 December 2013: US\$10,723,000) for the financial period ended 30 June 2014. As at that date, the Group is in a net current liability position of US\$121,038,000 (31 December 2013: US\$114,605,000) and net liability position of US\$83,245,000 (31 December 2013: US\$71,349,000).

As at the balance sheet date, the Group has loans and borrowings totalling US\$49,000,000 (31 December 2013: US\$49,000,000) that are due within the next twelve months. The presence of these factors cast doubt on the Group's ability to continue as a going concern.

For the purpose of evaluating the Group's going concern, the Directors have considered the following:-

Proposed DSS Acquisition

On 11 July 2013, the Company and PT Dian Swastatika Sentosa Tbk ("DSS") entered into a share purchase agreement following the heads of agreement ("HoA") on 4 June 2013 to acquire 3,941,166,500 ordinary shares or approximately 66.9998% of the total issued and paid-up share capital of PT Golden Energy Mines Tbk ("GEMS") (the "Proposed DSS Acquisition").

The successful completion of the Proposed DSS Acquisition is subjected to various conditions precedent as detailed in Note 29.

Following the completion and approval obtained from the shareholders on the Proposed DSS Acquisition, the Group will undertake compliance share placement of up to 226,500,000 ordinary shares to restore the public float and to maintain the listing status of the Group on the SGX. The proceeds from the compliance share placement will contribute approximately US\$160.4 million (estimated S\$200.2 million) proceeds, after deducting estimated expenses including professional fees, placement commission and miscellaneous expenses.

The net proceeds from the compliance placement shares will be used to settle the Group's loans and borrowings due to certain financial institutions as disclosed in Note 21(a), (b) and (c); for expansion plans and general working capital purposes.

1. General information (cont'd)

1.2 Going concern (cont'd)

Proposed DSS Acquisition (cont'd)

Pursuant to the conditions precedent in the Proposed DSS Acquisition, on 30 August 2013 and 31 July 2014 respectively, the Company entered into a settlement agreement and supplemental agreement (collectively, "Settlement Agreement") with various banks and financial institutions (collectively known as "Unsecured Creditors") in relation to the existing corporate guarantees entered into in favour of Poh Lian Construction (Pte.) Ltd, a material subsidiary of the Company, which was put under interim judicial management on 7 March 2013.

According to the Settlement Agreement, the Company will issue up to US\$36,726,328.97 (equivalent to S\$45,834,458.56) in aggregate principal amount of 5% bonds due 2015 upon the receipt of in-principle approval from SGX on the RTO transaction and will allot and issue up to a maximum 2,447,368,421 ordinary shares in the capital of the Company at the agreed conversion price of S\$0.019 per share upon the approval obtained from the shareholders, which is inter-conditional on the shareholders' approval in respect of the Proposed DSS Acquisition transaction, the proposed consolidation, the proposed white wash resolution, the proposed post completion placement and the issuance of the DSS compensation shares (if applicable).

The Directors have evaluated that the Proposed DSS Acquisition will be successfully completed and that the compliance placement shares will be executed. The success of the Proposed DSS Acquisition and the compliance share placement will result in the settlement of the corporate guarantee claims through the issuance of shares of the Company and that the loans and borrowings will be repaid using the proceeds received from the compliance share placement. Accordingly the directors are of the opinion that the Group is able to continue as going concern, and that the financial statements have been prepared on the basis that the Group will continue as going concern. If the Group are unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group may have to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The interim consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The interim financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The interim financial statements are presented in United States Dollars ("USD" or "US\$") and all values in the tables are rounded to the nearest thousand (US\$'000) as indicated.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the financial year ended 31 December 2013 except in the current financial period, the Group has adopted all the new and revised standards which are effective from annual financial period beginning on or after 1 January 2014. The adoption of those standards did not have any effect on the financial performance or the position of the Group.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

<i>Description</i>	<i>Effective for period beginning on or after</i>
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
IFRS 9 <i>Financial Instruments</i>	1 January 2018

The directors expect that the adoption of these standards and interpretations above will have no material impact on the financial statements in the period of initial application.

2.4 Significant accounting judgments and estimates

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets and liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.4.1 Judgments made in applying accounting policies

Critical judgement made in applying accounting policies

In the process of applying the Group's accounting policies, management is of the opinion that the instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimates.

2.4.2 Key sources of estimation uncertainty

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

2. Summary of significant accounting policies (cont'd)

2.4 Significant accounting judgments and estimates (cont'd)

2.4.2 Key sources of estimation uncertainty (cont'd)

(a) Valuation of forestry assets

Forestry assets are measured at its fair value less estimated point-of-sale cost. Annual valuation by independent professional valuer is carried out to ascertain the fair value of forestry assets. The carrying amount of the Group's forestry assets at the end of the reporting period is disclosed in Note 10 to the financial statements.

The valuation of the forestry assets is sensitive to the valuation inputs such as log price and foreign exchange rate. A 10% change in these valuation inputs would result in approximately 21.7% variance in the Group's loss for the period ended 30 June 2014 (31 December 2013: 21.1%).

(b) Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that loans and receivables are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 17 to the financial statements. The loans and receivables that are impaired have been fully provided for.

(c) Income taxes

The Group has exposure to income taxes in numerous jurisdictions specifically certain subsidiaries are operating in countries where the practical application of tax legislation is subject to varying interpretations. There is a risk that these subsidiaries could be exposed to further tax liabilities on their income for current and prior years, if the tax authorities adopt a different interpretation of the tax legislation at the time of finalisation of these tax returns.

Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax 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 recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's deferred tax assets and deferred tax liabilities at 30 June 2014 was US\$178,000 (31 December 2013: US\$178,000) and US\$2,228,000 (31 December 2013: US\$2,332,000) respectively.

2. Summary of significant accounting policies (cont'd)

2.4 Significant accounting judgments and estimates (cont'd)

2.4.2 Key sources of estimation uncertainty (cont'd)

(d) Impairment of property, plant and equipment

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model and requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's property, plant and equipment at the balance sheet date is disclosed in Note 11 to the financial statements.

2.5 Functional and foreign currency

The Group's consolidated financial statements are presented in United State Dollar ("USD"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The Company's functional currency is Singapore Dollar ("SGD"), which reflects the economic substance of the underlying events and circumstances of the Company.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

2. Summary of significant accounting policies (cont'd)

2.5 Functional and foreign currency (cont'd)

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of local and foreign operations are translated into SGD at the rate of exchange ruling at the reporting date and their profit and loss are translated at the average exchange rate for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a local and foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(c) Translation to the presentation currency

The financial statements are presented in United States Dollars ("USD" or "US\$"), which is to better reflect the business environment where the Group is operating.

The financial statements are translated from SGD to USD using the following procedures:

- Assets and liabilities for each reporting period presented are translated at the closing rate ruling at that reporting date; and
- Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.
- All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserves.

2.6 Subsidiaries and basis of consolidation

(a) Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- Power over the investee,
- Exposure, or rights or variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

2. Summary of significant accounting policies (cont'd)

2.6 Subsidiaries and basis of consolidation (cont'd)

(a) Subsidiaries (cont'd)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

(b) Basis of consolidation and business combinations

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2. Summary of significant accounting policies (cont'd)

2.6 Subsidiaries and basis of consolidation (cont'd)

(b) Basis of consolidation and business combinations (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss. The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.11. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

(c) Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

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

2.7 Biological asset - forestry assets

Forestry assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement.

The forestry concession is valued by an independent professional valuer, using discounted cash flow ("DCF") projections in arriving at the fair value of the forestry concession.

Deferred tax liability arising from the temporary difference between the tax base of forestry assets and its carrying amount is accounted for in accordance with the accounting policy stated in Note 2.24(b).

2. Summary of significant accounting policies (cont'd)

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.18. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives as follows:

Leasehold land and buildings	15 years
Plant and machinery	5 to 15 years
Motor vehicles	5 years
Computers and office equipment	3 years
Furniture and fittings	5 years

Leasehold land and buildings includes buildings, forestry and fire protection infrastructures. Plant and machinery includes field equipment. 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 residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the assets is included in profit or loss in the year the asset is derecognised.

2.9 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance leases.

Investment properties are initially recorded at cost including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the balance sheet date. Professional valuation is performed once every year. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

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

2. Summary of significant accounting policies (cont'd)

2.10 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.5.

Goodwill and fair value adjustments which arose on acquisition of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Group and are recorded in SGD at the rates prevailing at the date of acquisition.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

2. Summary of significant accounting policies (cont'd)

2.11 Impairment of non-financial assets (cont'd)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in statement of comprehensive income.

Except for goodwill, an assessment on the asset is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.12 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.12 Financial assets (cont'd)

Derecognition (cont'd)

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

2.13 Impairment of financial assets

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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

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

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

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 was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and unsecured fixed deposits readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts repayable on demand that form an integral part of the Group's cash management.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present locations and conditions are accounted for as follows:

- (a) Raw materials refer to purchase cost on a first-in-first-out basis.
- (b) Agricultural produce comprises logs. Agricultural produce at the point of harvest is measured on initial recognition at its fair value less estimated point-of-sale costs. Thereafter, the inventory is carried at the lower of costs and net realisable value. Cost is determined using weighted average method.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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

2.16 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they incur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

2.17 Financial liabilities (cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses from changes in fair value of the financial liabilities are recognised in profit or loss.

(a) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 Convertible financial instruments

The conversion option of convertible financial instruments exhibits characteristics of an embedded derivative. The derivative is separated from the liability component. On initial recognition, the derivative component of the convertible financial instruments is measured at fair value and presented as part of the derivative financial instruments. The derivative is subsequently carried at its fair value with fair value changes recognised in profit or loss. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. The liability component is measured at amortised cost using the effective interest method. Transaction costs relating to the liability component are recognised initially as part of the liability.

2. Summary of significant accounting policies (cont'd)

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

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

2.21 Leases - as lessee

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

2. Summary of significant accounting policies (cont'd)

2.22 Revenue (cont'd)

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.23 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.23 Taxes (cont'd)

(c) Sales tax

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

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the 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.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 28, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

2. Summary of significant accounting policies (cont'd)

2.26 Contingencies (cont'd)

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.27 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) Has control or joint control over the Group;
 - (ii) Has significant influence over the Group; or
 - (iii) Is a member of the key management personnel of the Group or of a parent of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group 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 venture 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 Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

3. Group of companies

(a) Details of the subsidiaries are as follows:

Name of company	Country of Incorporation	Principal activities	Proportion of ownership interest	
			30 June 2014 %	31 December 2013 %
<u>Held by the Company</u>				
Poh Lian Development Private Limited ⁽¹⁾	Singapore	Dormant	100.00	100.00
Anrof Singapore Limited ⁽²⁾	Mauritius	Investment holding	100.00	100.00
Poh Lian (Cambodia), Ltd ⁽³⁾	Cambodia	Dormant	100.00	100.00
Able Advance Limited ⁽³⁾	British Virgin Islands	Dormant	100.00	100.00
<u>Held through subsidiaries</u>				
<i>Subsidiaries</i>				
PT Hutan Rindang Banua ⁽²⁾	Indonesia	Forestry operation	100.00	100.00
PT Marga Buana Bumi Mulia ⁽²⁾	Indonesia	Dormant	100.00	100.00
PT Mangium Anugerah Lestari ⁽²⁾	Indonesia	Dormant	99.98	99.98
Pacificwood Investment Ltd ⁽²⁾	Mauritius	Investment holding and trading	100.00	100.00
Shinning Spring Resources Limited ⁽³⁾	British Virgin Islands	Investment holding	100.00	100.00
<i><u>Subsidiary under judicial management order (Note 3(b)):</u></i>				
Poh Lian Construction (Pte.) Ltd.	Singapore	Building contractor and property developer	100.00	100.00
<i><u>Subsidiaries and associate held under Poh Lian Construction (Pte.) Ltd which is under judicial management order:</u></i>				
Poh Lian Realty Pte Ltd	Singapore	Property development	100.00	100.00
Sin Poh Lian Sdn. Bhd.	Malaysia	Investment holding	100.00	100.00
Dongshan Poh Lian Real Estate Co., Ltd	People's Republic of China	Property investment	100.00	100.00
<i>Associate</i>				
Poh Lian Training & Management (Bangladesh) Pvt Ltd	Bangladesh	Dormant	30.00	30.00

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

3. Group of companies

- (a) Details of the subsidiaries are as follows: (cont'd)

As disclosed in Note 3(b), Poh Lian Construction (Pte.) Ltd ("PLC") made a judicial management application to place itself under interim judicial management. Upon the appointment of the judicial managers, the Group has deconsolidated PLC and its subsidiaries due to loss of control.

- (1) Audited by Ernst & Young LLP, Singapore
- (2) Audited by member firms of Ernst & Young Global in the respective countries
- (3) Exempted/not required to be audited by the law of its country of incorporation

- (b) Judicial management order ("JMO")

On 7 March 2013, Poh Lian Construction (Pte.) Ltd ("PLC") made a Judicial Management Application ("JM Application") in the High Court of the Republic of Singapore to place itself under interim judicial management. The JM Application was subsequently approved by the High Court on 5 April 2013. Updates on the status of the JM are disclosed in Note 30.

PLC had been experiencing significant financial and operational difficulties due to challenging conditions in the local construction industry. In addition, PLC suffered significant losses during the financial year ended 31 December 2012.

Mr Tam Chee Chong and Mr Andrew Grimmett, both from Deloitte & Touche LLP were appointed as interim judicial managers and subsequently judicial managers to, inter alia, manage the affairs of PLC as well as preserve the assets of PLC. Upon the appointment of the interim judicial managers, the functions and powers of PLC's directors were transferred to the interim judicial managers. Accordingly, the assets and liabilities of PLC and its subsidiaries ("PLC group") have been deconsolidated due to loss of control of PLC by the Group as follows:-

- (i) Deconsolidation of PLC and its subsidiaries:-

The unaudited assets and liabilities of PLC as at 7 March 2013 are as follows:

	US\$'000
Assets:	
Property, plant and equipment (Note 11)	4,863
Club membership (Note 12)	81
Properties held for sale	972
Trade and other receivables	51,902
Gross amount due from customers for contract work-in-progress	1,048
Investment properties held for sale (Note 15)	1,456
Fixed deposits	7,124
Cash and cash equivalents	5,493
Total assets	72,939

United Fiber System Limited and its Subsidiaries

**Notes to the interim Consolidated Financial Statements
For the six months ended 30 June 2014**

3. Group of companies (cont'd)

(b) Judicial management order ("JMO") (cont'd)

(ii) Deconsolidation of PLC and its subsidiaries:- (cont'd)

Liabilities:

Gross amount due to customers for contract work-in-progress	(3,717)
Trade and other payables	(69,380)
Provision for potential losses arising from termination of construction contacts (Note 20)	(48,453)
Hire purchase creditors	(626)
Provision for taxation	(552)
Loans and borrowings	(2,983)
Deferred tax liabilities	(162)

Total liabilities	(125,873)
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Total net liabilities	(52,934)
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Adjustment:

Liability relating to provision for corporate guarantees retained in the Group **	36,018
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Gain on deconsolidation of subsidiaries arising from loss of control	(16,916)
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Net cash outflow on deconsolidation of subsidiaries	5,493
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** The Company provided corporate guarantees for facilities granted by banks and financial institutions (collectively known as "Unsecured Creditors") to PLC. The Company has received letters from these Unsecured Creditors enforcing their rights under the corporate guarantees. As disclosed in Note 32, the Company entered into Mandatory Convertible Bonds agreement with these Unsecured Creditors to settle the obligation due.

(iii) With PLC being placed into JMO, the operating loss for the period from 1 January 2013 to 6 March 2013 of US\$196,000 has been presented as part of the gain on deconsolidation in order to provide a better picture of the Group going forward.

United Fiber System Limited and its Subsidiaries

**Notes to the interim Consolidated Financial Statements
For the six months ended 30 June 2014**

3. Group of companies (cont'd)

(b) Judicial management order ("JMO") (cont'd)

(iii) (cont'd)

The unaudited profit or loss contribution from PLC group from 1 January 2013 to 6 March 2013 are as follows:-

	US\$'000
Revenue	25,612
Cost of sales	(25,069)
Gross profit	543
Other income	228
Selling and distribution expenses	(15)
Administrative expenses	(801)
Other operating expenses	(113)
Finance costs	(38)
Loss for the period	(196)
Add: Gain on deconsolidation of subsidiaries arising from loss of control	16,916
Net effect on deconsolidation of subsidiaries	16,720

4. Revenue

	30 June 2014 US\$'000	30 June 2013 US\$'000
Sale of logs	4,332	2,054

5. Other income

	30 June 2014 US\$'000	30 June 2013 US\$'000
Interest income	23	20
Insurance claim received	–	87
Foreign exchange gain, net	1,419	778
Fair value gain on derivative instrument	–	1,129
Compensation income ⁽¹⁾	221	2,371
Write back of accrual on legal fees and other expenses	–	605
Others ⁽²⁾	40	108
	1,703	5,098

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

5. Other income (cont'd)

- (1) Compensation income relates to expected settlement arising from actions taken against third parties for encroaching the Group's forestry concession (Note 10).
- (2) Others relate mainly to sale of scrap metal, commission and discount recovered from suppliers.

6. Finance costs

	30 June 2014 US\$'000	30 June 2013 US\$'000
Interest expense on bank loans and bonds	3,869	4,234
Service fees	—	76
Others	4	3
	<u>3,873</u>	<u>4,313</u>

7. (Loss)/profit before tax

(Loss)/profit before tax is derived after charging/(crediting) the following:

	30 June 2014 US\$'000	30 June 2013 US\$'000
<u>Included as part of administrative expenses:</u>		
Directors' fees	62	63
Legal and professional fees	77	127
<u>Staff costs:</u>		
Salaries, wages, bonuses and other costs	407	435
Contribution to defined contribution plans	24	32
	<u></u>	<u></u>
<u>Included as part of other operating expenses:</u>		
Depreciation of property, plant and equipment (Note 11(b))	1,307	877
Expenses for proposed acquisition (Note 29)	411	457
Withholding tax expenses	2,325	654
	<u>2,325</u>	<u>654</u>

8. Income tax benefit

The major components of income tax benefit for the periods ended 30 June 2014 and 2013 are:

	30 June 2014 US\$'000	30 June 2013 US\$'000
Consolidated Statement of Comprehensive Income		
Deferred income tax (Note 13)		
- changes in fair value on forestry concession	(34)	(2,332)
- Under/(over) provision in respect of previous years	21	(3)
	<u>(13)</u>	<u>(2,335)</u>
Income tax benefits		
	<u>(13)</u>	<u>(2,335)</u>

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

8. Income tax benefit (cont'd)

The reconciliation between the income tax benefit and the product of accounting loss multiplied by the applicable corporate tax rate for the periods ended 30 June 2014 and 2013 are as follows:

	30 June 2014 US\$'000	30 June 2013 US\$'000
(Loss)/profit before tax	(9,567)	3,034
Tax at the domestic rates applicable to loss in the countries where the Group operates	(1,913)	(369)
<i>Adjustments:</i>		
Income not subjected to tax	(170)	(3,308)
Expenses not deductible for tax purposes	2,066	1,161
Tax effect on partial exemption	–	(3)
Deferred tax assets not recognised	473	298
Under/(over) provision in respect of previous years	21	(3)
Utilisation of previously unrecognised deferred tax assets	(408)	(159)
Others	(82)	48
Income tax benefits	(13)	(2,335)

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Group has unabsorbed tax losses of approximately US\$34,331,000 (30 June 2013: US\$46,866,000), which predominantly arose in Singapore and Indonesia, that are available for offset against future taxable income for which no deferred tax asset is recognised due to uncertainty of its recoverability. Unabsorbed tax losses of US\$9,191,000 expired during the period. The use of these tax losses is subject to the agreement of the respective domestic tax authorities in the countries concerned.

Expenses not deductible for tax purposes mainly related to tax effect on disallowed interest expenses.

Income not subjected to tax in 2013 mainly related to tax effect on gain on deconsolidation of PLC and its subsidiaries due to loss of control of PLC on 7 March 2013.

9. (Loss)/profit per share

Basic (loss)/profit per share from operations are calculated by dividing net (loss)/profit from operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted (loss)/profit per share are calculated by dividing the net loss/(profit), net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

United Fiber System Limited and its Subsidiaries

**Notes to the interim Consolidated Financial Statements
For the six months ended 30 June 2014**

9. (Loss)/profit per share (cont'd)

The following reflects the loss and share data used in the computation of basic and diluted (loss)/profit per share for the period ended 30 June 2014 and 2013:

	30 June 2014 US\$'000	30 June 2013 US\$'000
(Loss)/profit net of tax for the period attributable to owners of the Company used in the computation of basic (loss)/profits per share	(9,553)	5,369
Weighted average number of ordinary shares on issue applicable to basic (loss)/profits per share ('000)	3,864,251	3,789,687
Adjusted weighted average number of ordinary shares applicable to diluted (loss)/profits per share ('000)	3,864,251	3,789,687

10. Forestry concession

	30 June 2014 US\$'000	31 December 2013 US\$'000
Forestry concession comprises:		
Biological asset - forestry assets (i)	10,865	13,276
Land rent-use rights (ii)	11,672	13,817
At period and year end	22,537	27,093

Analysis of forestry concession is as follows:

		30 June 2014		31 December 2013	
		Hectares	US\$'000	Hectares	US\$'000
Existing Plantation Forest	(i)	13,210	10,622	13,779	12,767
Utilisable Natural Forest	(i)	1,464	243	1,673	509
		14,674	10,865	15,452	13,276
Land rent-use rights		14,074	11,672	14,074	13,817
Total		28,748	22,537	29,526	27,093

United Fiber System Limited and its Subsidiaries

**Notes to the interim Consolidated Financial Statements
For the six months ended 30 June 2014**

10. Forestry concession (cont'd)

(i) Biological asset - forestry assets

	30 June 2014 US\$'000	31 December 2013 US\$'000
Movement in forestry assets:		
At beginning of period/year	13,276	30,720
Harvested during the period/year	(3,036)	(2,286)
Cost incurred during the period/year	761	949
Net change in fair value less estimated costs to sell	11,001 (136)	29,383 (16,107)
At end of period/year	10,865	13,276

Forestry assets relate to forest and rubber plantations. For the forest plantation, the plantation related to plantation of acacia mangium tree which can be harvested and processed into saw logs and pulpwood. The wood from these logs can be further processed into market pulp for the production of tissues, printing and writing grade papers. Acacia tree has an average lifespan of up to 15 years. The tree may take up to 6 to 7 years to reach the maturity for harvesting. During the financial period, the Group harvested approximately 189,761 m³ (31 December 2013: 270,914 m³) of logs.

For the rubber plantation, the Group started planting rubber trees on a trial basis on the concession area during the period. When mature, the runner trees will be tapped to produce cup lumps for latex production. The rubber plantation area is currently less than 1% of the total concession area.

The fair value of forestry assets has been determined based on valuations by an independent professional valuer using discounted cash flows of the underlying asset. The expected cash flows from the forest plantations are determined using the market price and the estimated yields of the trees, net of maintenance and harvesting costs and any costs required to bring the plantations to maturity. The estimated yield of the trees is dependent on the age of the trees, the location of the plantations and infrastructure. The market price of the produce is largely dependent on the prevailing market price. Point-of-sale costs include all costs that would be necessary to sell the assets.

United Fiber System Limited and its Subsidiaries

**Notes to the interim Consolidated Financial Statements
For the six months ended 30 June 2014**

10. Forestry concession (cont'd)

(i) Biological asset - forestry assets (cont'd)

The following table shows the key unobservable inputs used in the valuation models:-

Key unobservable inputs	Range of unobservable inputs (weighted average)	Inter-relationship between key unobservable inputs and fair value measurement
Discount rate per annum	10%	The higher the discount rate, the lower the fair value
Average plantations yield, in metric tonne (m ³ /ha) and kilogram per hectare (kg/ha):-		The higher the plantation yields, the higher the fair value
- Acacia mangium	78 m ³ /ha to 175 m ³ /ha (109 m ³ /ha)	
- Rubber plantation	500 kg/ha to 2,350 kg/ha (1,425kg/ha)	
Selling price of:		The higher the selling price, the higher the fair value
- Sawlogs	US\$19.11/m ³ to US\$42.16/m ³ (US\$30.64/m ³)	
- Pulpwood	US\$33.93/m ³ to US\$36.38/m ³ (US\$35.15/m ³)	
- Rubber	US\$1.64 per kg	

Financial risk management strategies related to agricultural activities

The Group is exposed to financial risk in respect of agricultural activity. The agricultural activity of the Group consists of the management of biological assets to produce marketable output. The primary financial risk associated with this activity occurs due to length of time between expanding cash on the planting and maintenance of biological assets and on harvesting and ultimately receiving cash from the sale of the marketable output.

The Group plans for cash flow requirements for such activities and manage its debts actively.

(ii) Land rent-use rights

	30 June 2014 US\$'000	31 December 2013 US\$'000
Compensation income receivables	11,672	13,817

Land rent-use rights represent the expected cashflows of compensation expected to be received from mining licensees who have encroached onto the Group's forestry concession land to carry out mining activities.

10. Forestry concession (cont'd)

(ii) Land rent-use rights (cont'd)

The estimation of the compensation cashflows, determined based on the report issued by the independent professional valuer, Ata Marie Group Ltd, and based on management's expectations of cash flows, is based on direct compensation approach in accordance with the two regulations issued by Indonesia's Ministry of Forestry in 2011 as follows:

- (a) Permenhut No. P.18/Menhut-II/2011, Minister of Forestry Decree regarding temporary release of Forest Land (Pedoman Pinjam Pakai Kawasan Hutan). In 2014, Permenhut No.P.18/Menhut-II/2011 was replaced by Permenhut No.P.16/Menhut-II/2014, Minister of Forestry Decree regarding temporary release of Forest Land (Pedoman Pinjam Pakai Kawasan Hutan); and
- (b) Peraturan DirJen BUK No. 4/VI-BRPUK/2011, Directorate General Regulation regarding calculation of Compensation of Investment Costs for forestry companies.

The direct compensation is determined based on the loss of existing plantations, infrastructure, increase in operational costs and loss of income from plantations over the remaining concession license period (opportunity costs) due to overlapping mining permits on the same forestry concession plantable area.

There are no allowances for impairment made to the compensation income receivables.

Receivables that are past due but not impaired amounting to US\$6,072,000 (31 December 2013: US\$8,208,000).

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements
For the six months ended 30 June 2014

11. Property, plant and equipment

	Leasehold land and buildings US\$'000	Plant and machinery US\$'000	Motor vehicles US\$'000	Computers, office equipment, furniture and fittings US\$'000	Total US\$'000
Cost					
At 1 January 2013	7,820	49,848	1,551	1,334	60,553
Additions	496	7	2	115	620
Disposals	–	–	(222)	(4)	(226)
Deconsolidation of subsidiaries (Note 3(b))	(17)	(7,755)	(923)	(789)	(9,484)
Net exchange differences	(43)	(127)	(15)	(64)	(249)
At 31 December 2013 and 1 January 2014	8,256	41,973	393	592	51,214
Additions	281	–	20	9	310
Net exchange differences	23	–	–	(42)	(19)
At 30 June 2014	8,560	41,973	413	559	51,505
Accumulated depreciation and impairment loss					
At 1 January 2013	5,250	27,993	1,380	1,172	35,795
Adjustments/charge for the year	253	1,896	(152)	(65)	1,932
Disposals	–	–	(222)	(3)	(225)
Deconsolidation of subsidiaries (Note 3(b))	–	(3,470)	(596)	(555)	(4,621)
Net exchange differences	(10)	53	(17)	(10)	16
At 31 December 2013 and 1 January 2014	5,493	26,472	393	539	32,897
Charge for the period	123	1,212	2	2	1,339
Net exchange differences	6	(46)	–	3	(37)
At 30 June 2014	5,622	27,638	395	544	34,199
Net carrying amounts					
At 31 December 2013	2,763	15,501	–	53	18,317
At 30 June 2014	2,938	14,335	18	15	17,306

United Fiber System Limited and its Subsidiaries

**Notes to the interim Consolidated Financial Statements
For the six months ended 30 June 2014**

11. Property, plant and equipment (cont'd)

(a) Assets pledged as security

The Group's wood chip mill asset classified under plant and machinery with a carrying amount of US\$14,335,000 (31 December 2013: US\$15,501,000) is mortgaged to secure the Group's bank loans (Note 21(a)).

(b) Depreciation charge

Details of the depreciation charge for the period and year ended are as follows:

	30 June 2014 US\$'000	31 December 2013 US\$'000
Charged to profit or loss		
- other operating expenses (Note 7)	1,307	1,869
Deconsolidation/capitalised in construction projects	–	190
Capitalised/(adjustments) in forestry assets	32	(127)
Depreciation for the period and year end	1,339	1,932

12. Club membership

	30 June 2014 US\$'000	31 December 2013 US\$'000
Cost		
At beginning of the period and year	–	139
Net exchange differences	–	(2)
Deconsolidation of subsidiaries	–	(137)
At end of the period/year	–	–
Impairment		
At beginning of the period and year	–	(57)
Net exchange differences	–	1
Deconsolidation of subsidiaries	–	56
At end of the period/year	–	–
Net carrying amount	–	–
Market value	–	–

As disclosed in Note 3(b), club membership has been derecognised as a result of the deconsolidation due to loss of control of PLC on 7 March 2013.

United Fiber System Limited and its Subsidiaries

**Notes to the interim Consolidated Financial Statements
For the six months ended 30 June 2014**

13. Deferred tax

	Consolidated balance sheet		Consolidated statement of comprehensive income	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax liabilities				
Revaluation of forestry concession	(1,976)	(2,010)	(34)	(3,680)
Remittance of foreign source income	(22)	(22)	—	—
Other items	(230)	(300)	21	—
Deferred tax liabilities	(2,228)	(2,332)		
Deferred tax assets				
Differences in depreciation for tax purposes	178	178	—	(3)
Deferred tax assets	178	178		
Deferred income tax benefits			(13)	(3,683)

At the end of each reporting period, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as there were no undistributed earnings available for distributions by the subsidiaries.

14. Goodwill on consolidation

	US\$'000
Cost	
At 1 January 2013	24,089
Net exchange differences	(819)
Deconsolidation of subsidiaries (Note 3(b))	(23,270)
At 31 December 2013, 1 January 2014 and 30 June 2014	—
Impairment	
At 1 January 2013	(24,089)
Net exchange differences	819
Deconsolidation of subsidiaries	23,270
At 31 December 2013, 1 January 2014 and 30 June 2014	—
Net carrying amount	
At 31 December 2013 and 30 June 2014	—

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

14. Goodwill on consolidation (cont'd)

Goodwill acquired through business combinations has been allocated to Construction and Property Division, the identified cash-generating unit ("CGU"), for impairment testing.

In 2012, PLC which was allocated to the CGU had suffered significant financial and operational difficulties due to challenging conditions in the local construction industry. In view the state of affairs of PLC, PLC was placed under judicial management on 7 March 2013. A full impairment was made in 2012 after management had determined that no future benefits would be derived from operating the division.

As disclosed in Note 3(b), goodwill has been derecognised as a result of the deconsolidation due to loss of control of PLC on 7 March 2013.

15. Investment properties held for sale

	30 June 2014 US\$'000	31 December 2013 US\$'000
At beginning of the period/year	—	1,453
Exchange differences	—	3
Deconsolidation of subsidiaries (Note 3(b))	—	(1,456)
At end of the period/year	—	—

Investment properties were commercial units with a site area of approximately 4,347 square meters, situated in Dongshan, People's Republic of China ("PRC"). Investment properties were previously stated at fair value, which were determined based on valuations performed as at the balance sheet dates. Valuations were performed by independent professional valuers with recent experience in the location and category of the properties being valued.

In December 2011, the Group's subsidiary in PRC signed a sale and purchase agreement to sell the remaining commercial and residential units. Hence, the investment properties have been reclassified to investment properties held for sale. The fair value of the investment properties was written down to the fair value less costs to sell of the properties.

As disclosed in Note 3(b), gross amount due from/(to) customers for contract work-in-progress has been derecognised as a result of the deconsolidation due to loss of control of PLC on 7 March 2013.

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements
For the six months ended 30 June 2014

16. Inventories

	30 June 2014 US\$'000	31 December 2013 US\$'000
Balance sheet:		
Raw materials	66	67
Logs	4,947	4,197
Total inventories at lower of cost and net realisable value	5,013	4,264

Inventories recognised as an expense in cost of sales for the period and year ended is as follows:-

	30 June 2014	30 June 2013
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	577	876
Inventories written-down	1,933	—

17. Trade and other receivables

	30 June 2014 US\$'000	31 December 2013 US\$'000
Current		
Trade receivables	928	836
Deposits	7	7
Other receivables	3,868	4,060
	4,803	4,903
Less: Allowance for doubtful debts	(3,928)	(3,856)
	875	1,047
Prepayments	271	143
	1,146	1,190
Non-current		
Advances to PT KK	28,165	28,165
Less: Allowance for doubtful debts	(28,165)	(28,165)
	—	—
Total trade and other receivables (current and non-current)	1,146	1,190
Add: Cash and bank balances (Note 18)	3,265	1,432
Add: Compensation income receivable (Note 10)	11,672	13,817
Less: Prepayments	(271)	(143)
Total loans and receivables	15,812	16,296

United Fiber System Limited and its Subsidiaries

**Notes to the interim Consolidated Financial Statements
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17. Trade and other receivables (cont'd)

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to US\$527,000 (31 December 2013: US\$494,000) that are past due at the balance sheet date but not impaired as follows:

	30 June 2014 US\$'000	31 December 2013 US\$'000
<i>Trade receivables past due:</i>		
Less than 60 days	9	—
61 to 180 days	518	466
More than 180 days	—	28
	<u>527</u>	<u>494</u>

Trade receivables that are impaired

The Group's Trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired 30 June 2014 US\$'000	31 December 2013 US\$'000
Trade receivables - nominal amount	401	373
Less: Allowance for impairment	(401)	(373)
	<u>—</u>	<u>—</u>
 Movement in allowance account:		
At beginning of the period/year	373	1,970
Deconsolidation of subsidiaries	—	(1,544)
Exchange differences	28	(53)
At end of the period/year	<u>401</u>	<u>373</u>

Other receivables that are past due but not impaired

The Group has other receivables amounting to US\$131,000 (31 December 2013: US\$267,000) that are past due more than 180 days at the balance sheet date but not impaired. These other receivables are unsecured.

United Fiber System Limited and its Subsidiaries

**Notes to the interim Consolidated Financial Statements
For the six months ended 30 June 2014**

17. Trade and other receivables (cont'd)

Other receivables that are impaired

The Group's other receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired	
	30 June	31 December
	2014	2013
	US\$'000	US\$'000
Other receivables - nominal amount	31,692	31,803
Less: Allowance for impairment	(31,692)	(31,648)
	–	155
Movement in allowance account:		
At beginning of period/year	31,648	28,370
Charge for the year (Note 7)	–	3,633
Written off	–	(35)
Deconsolidation of subsidiaries	–	(193)
Exchange differences	44	(127)
At end of the period/year	31,692	31,648

Trade and other receivables that are individually determined to be impaired at the balance sheet date 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.

Trade and other receivables denominated in IDR as at period/year end are amounting to US\$930,000 (31 December 2013: \$877,000).

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**Notes to the interim Consolidated Financial Statements
For the six months ended 30 June 2014**

18. Cash and bank balances

	30 June 2014	31 December 2013
	US\$'000	US\$'000
Cash on hand	1	–
Cash at banks	3,264	1,432
Cash and bank balances	3,265	1,432

Cash and cash equivalents denominated in foreign currencies as at the period and year ended are as follows:

	30 June 2014	31 December 2013
	US\$'000	US\$'000
USD	11	11
IDR	2,917	843

19. Trade and other payables

	30 June 2014	31 December 2013
	US\$'000	US\$'000
Trade payables ⁽¹⁾	498	189
Interest payable ⁽⁵⁾	16,850	13,843
Accrued expenses	1,412	435
Accrual for directors' fee and bonus	193	146
Non-trade payables ⁽²⁾	13,900	11,808
Corporate guarantee claims ⁽⁴⁾	37,192	35,818
Advances received ⁽³⁾	1,042	1,061
Other non-trade payable	8,775	7,079
Other	1,600	2,112
Total trade and other payable	81,462	72,491
Add: Loans and borrowings (Note 21)	49,000	49,000
Less: Advances received	(1,042)	(1,061)
Less: Other non-trade payable	(8,775)	(7,079)
Total financial liabilities carried at amortised costs	120,645	113,351

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

19. Trade and other payables (cont'd)

- (1) These amounts are non-interest bearing. Trade payables are normally settled on 30 to 120 days' terms.
- (2) Non-trade payables are unsecured, non-interest bearing and repayable on demand. Included in non-trade payables is an amount of US\$7,427,000 (31 December 2013: US\$7,314,000) due to Poh Lian Construction (Pte.) Ltd, the Group's material subsidiary, who was placed under judicial management
- (3) Advances received from third parties in relate to logs sales.
- (4) This is related to corporate guarantees by the banks and financial institutions on credit facilities granted to PLC who was placed under judicial management. Please refer to Note 32 for more details on the settlement of the corporate guarantee claims.
- (5) Interest payable consists of interest billed and accrued on loans and borrowings from financial institution.

Trade and other payables denominated in foreign currencies as at period/year ended are as follows:

	30 June 2014	31 December 2013
	US\$'000	US\$'000
USD	16,042	14,040
IDR	11,643	9,215

20. Provisions

Provisions for potential losses arising from termination of construction contracts

	30 June 2014	31 December 2013
	US\$'000	US\$'000
At beginning of the period/year	—	48,453
Deconsolidation of subsidiaries (Note3(b))	—	(48,453)
At end of the period/year	—	—

As disclosed in Note 3(b), the provision for potential losses arising from termination of construction contracts has been derecognised as a result of the deconsolidation due to loss of control of PLC on 7 March 2013.

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

21. Loans and borrowings

	Note	30 June 2014 US\$'000	31 December 2013 US\$'000
Current:			
Short-term loan, secured	(a)	10,000	10,000
Short-term loan, secured	(b)	35,000	35,000
Short-term loan, unsecured	(c)	4,000	4,000
At 31 December 2013		49,000	49,000

- (a) The loan is secured by a corporate guarantee given by a subsidiary, a share pledge over the entire issued and paid up capital of a subsidiary, and the woodchip mill asset. The loan bears effective interest from 7.36% to 7.55% per annum (31 December 2013: 6.91% to 7.32% per annum).

On 25 July 2014, the Company and the financial institution agreed to extend the loan maturity to 31 March 2015 subject to the condition that the Company shall provide the financial institution with fortnightly updates on the progress of the on-going Proposed DSS Acquisition.

The Company has breached a covenant for the credit facilities as disclosed under Note 21(i). The loan is expected to be repaid through the proceeds received from the compliance placement shares following the completion of the Proposed DSS Acquisition.

- (b) The loan is secured by a share pledge and a share charge over the entire issued and paid up share capital in certain subsidiaries.

The loan bears interest of 10% (31 December 2013: 10%) per annum. The Company and the financial institution has on 14 August 2014, amended and restated the terms of the loan agreement of 12 January 2011 (as supplemented, extended and modified), extending the date of completion of the Proposed Acquisition to 31 March 2015, which are disclosed under Note 29.

The loan is expected to be repaid through the proceeds received from the compliance placement shares following the completion of the Proposed DSS Acquisition.

As the Company did not manage to service the accrued interest on quarterly basis, the Company has breached an event of default when failing to pay any sum payable under the loan agreement (as supplemented, extended and modified). The default interest is charged at 2% per month above the interest of 10% per annum, on the outstanding obligations calculated on a daily basis from 11 May 2011 to 30 June 2014. As at 30 June 2014, the default interest amounted to US\$46,000,000, with the relevant charges estimated to be approximately US\$5,000,000.

On 14 August 2014, the financial institution and the Company entered into an amended loan agreement to waive the breach of the Company's obligation, which are disclosed under Note 31.

On 26 September 2014, the Company received a waiver letter from the financial institution to waive all default interest payable in connection with the loan agreement subject to the completion of Proposed DSS Acquisition.

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

21. Loans and borrowings (cont'd)

- (c) On 6 November 2012, the Company and a financial institution entered into a US\$4,000,000 loan agreement to finance the expenses relating to the Proposed Acquisition. The loan is unsecured, bears interest at 12.5% per annum, and is repayable by proceeds to be received from the proposed compliance placement following the completion of the Proposed DSS Acquisition no later than 31 March 2015, as disclosed under Note 29.

At 30 June 2014, the Company utilised US\$4,000,000 (31 December 2013: US\$4,000,000) for payment of professional and expenses relating to the Proposed Acquisition.

On 7 August 2014, the Company received a deed of undertaking from the financial institution to waive all default interest payable in connection with the loan agreement and will not declare that an event of default has occurred under the loan agreement provided that the Proposed DSS Acquisition is completed on or before 31 March 2015.

The loan is expected to be repaid through the proceeds received from the compliance placement shares following the completion of the Proposed DSS Acquisition.

Mr Chan Kin, the Non-Executive Chairman of UFS, holds an indirect interest of more than 30% votes attached to the voting rights in the financial institution.

Undrawn equity line of credit

The Company is entitled to issue loan notes to the financial institution and request advances from the financial institution at any time before 20 July 2014. The Company will repay the loan note amount by issuing shares to the financial institution according to the schedule agreed between the two parties. As at 30 June 2014, the Company has undrawn amount from the equity line of US\$42,067,000 (equivalent to S\$52,500,000) (31 December 2013: US\$41,502,000 (equivalent to S\$52,500,000), which has expired as at date of report.

The requests for drawdown on the equity line by the Company are by way of delivery of Advance Notice to the financial institution and its acceptance, *inter alia*, are subject to the following conditions:

- The Advance Notice must not specify an amount which when aggregated with amount of all preceding Advance exceeds the Maximum Investment Amount, that is, S\$165,000,000; or exceeds the Minimum Advance Amount, that is, in any 3 Market Day period an aggregate amount equal to the lesser of S\$2,500,000 and any unused portion up to a limit of aggregate amount of S\$5,000,000;
- No Event of Default, as specified in the Equity Line of Credit Agreement;
- All the necessary authorisations for the issue of shares and Admission of the shares to the SGX-ST have been obtained; and
- The trading of the Company's shares is not suspended by the SGX-ST.

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

21. Loans and borrowings (cont'd)

The Company has breached a covenant for the equity credit line as disclosed under Note 21(ii).

Breach of covenants

- (i) The Company breached the covenants for not maintaining minimum tangible net worth of S\$15,000,000 and total net debt not more than four times of its EBITDA of a subsidiary, who is currently under judicial management.

The financial institution is contractually entitled to request for immediate termination of the credit facility in the event of breach of covenant(s). As at the date of this report, the financial institution has not requested for immediate termination of the loan and the enforcement of the securities and has extended the loan maturity to 31 March 2015.

- (ii) The Company has breached the covenant of the Equity Line of Credit granted by a financial institution when the Company is unable to repay outstanding obligations to certain financial institution due to default events. At the date of report, the equity line of credit has expired.

22. Share capital

	30 June 2014		31 December 2013	
	No. of shares '000	US\$'000	No. of shares '000	US\$'000
Issued and fully paid ordinary shares ⁽¹⁾				
At 1 January	3,864,251	257,956	3,789,687	256,613
Issued during the year	—	—	74,564 ⁽²⁾	1,367
Share issuance expense	—	—	—	(24)
At end of period/year	3,864,251	257,956	3,864,251	257,956

- (1) 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.

- (2) On 16 July 2013, the Company entered into a settlement agreement with Bliss Deal Limited ("BDL") in satisfaction of the amounts due and owing to Stamford Law Corporation ("SLC") in the aggregate amount of US\$1,416,833 (S\$1,731,369) (the "Relevant Indebtedness") by the way of a private placement (the "Placement Share"). BDL had acquired from SLC the Relevant Indebtedness of the Group owing to SLC. The indebtedness arising from legal services provided by SLC to the Group from 29 February 2012 up to 20 June 2013 where SLC had assigned to BDL all its rights, interest and remedies under or arising out of the Relevant Indebtedness, together with its entitlement and rights to payments under, in connection with or arising from the Relevant Indebtedness.

The principle terms of placement are settled by way of allotment and issuance of 74,563,714 shares (the "Placement Shares") to BDL at an issue price of S\$0.02322 per Placement Share.

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

23. Operating lease commitments - as lessee

The Group leases certain motor vehicle, office equipment and property under lease agreements that are non-cancellable with no renewal option or escalation clauses included in the contracts. Lease terms do not contain restrictions concerning dividend, additional debts or further leasing. Operating lease payments recognised in the consolidated statement of comprehensive income during the period/year amounted to US\$214,000 (31 December 2013: US\$155,000).

Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows:

	30 June 2014 US\$'000	31 December 2013 US\$'000
Within one year	182	32
After one year but not more than five years	82	—
	<u>264</u>	<u>32</u>

24. Related party disclosures

(a) Interest expenses payable to Convertible Bondholders, loans and borrowings

30 June 2014	30 June 2014 US\$'000	30 June 2013 US\$'000
Interest expenses payable to the loan in which Mr. Chan Kin, a director of the Company has an interest in the following entities:		
- ASM Asia Recovery (Master) Fund	251	142

As at 30 June 2014, the outstanding amounts on interest and loan payable in which the director has an interest amounted to US\$644,000 (31 December 2013: US\$392,000) and US\$4,000,000 (31 December 2013: US\$4,000,000) respectively.

As at 30 June 2014 and 31 December 2013, there are no outstanding amounts on interest and loan payable to the convertible bondholders in which the director has an interest.

(b) Compensation of key management personnel

Short-term employee benefits paid and payable to:		
- directors of the Company	134	130
- other key management personnel	3	147
	<u>137</u>	<u>277</u>
Total compensation paid and payable to key management personnel	137	277

Included in the compensation paid or payable to key management personnel are contributions to defined contribution plan amounted to US\$4,634 (30 June 2013: US\$7,501).

United Fiber System Limited and its Subsidiaries

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25. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Fair value measurement 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.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities carried at fair value at the end of the reporting period:

Fair value measurements at the end of the reporting period/year using			
Quoted prices in active markets for identical instruments (Level 1) US\$'000	Significant observable inputs other than quoted prices (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	Total US\$'000
Recurring fair value measurements:			
30 June 2014			
Assets			
Non-financial assets			
Forestry assets	—	10,865	10,865
31 December 2013			
Assets			
Non-financial assets			
Forestry assets	—	13,276	13,276

There has been no transfer from Level 1 and Level 2 and Level 3 for the financial period and year ended 30 June 2014 and 31 December 2013 respectively.

25. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

Methods and assumption used to determine fair value

Fair value of forestry assets has been determined based on valuations by an independent professional valuer using discounted cash flows of the underlying forestry assets. Please refer to Note 10 for more details.

Valuation policies and procedures

The Group's Chief Financial Officer (CFO) oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the CFO reports to the Group's Audit and Compliance Committee. For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and IFRS 13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations. These are reviewed by the Audit and Compliance Committee for submission to the Board of Directors for approval. Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Trade and other receivables (Note 17), cash and bank balances (Note 18), trade and other payables (Note 19) and loans and borrowings (Note 21)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature.

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows. These financial assets and liabilities are categorised within Level 3 of the fair value hierarchy.

United Fiber System Limited and its Subsidiaries

**Notes to the interim Consolidated Financial Statements
For the six months ended 30 June 2014**

25. Fair value of assets and liabilities (cont'd)

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd)

	30 June 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair Value
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets:				
Compensation income receivable	11,672	11,375	13,817	14,002

Determination of fair value

The financial assets and liabilities are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or leasing arrangements at the date of statements of financial position.

* The carrying value of the compensation income receivable approximates its fair value at the reporting date

26. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk, foreign currency risk and commodity price risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks except as described below.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its floating interest rate loans and borrowings.

Currently the Group does not have an interest rate policy. At the balance sheet date, the Group has short-term loans and borrowings of which majority of the loans carried fixed interest rate except for one loan that is subject to floating interest rate. The floating interest rate does not vary significantly with the movements in the market interest rates.

26. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if the interest rates had been 75 (30 June 2013: 75) basis points lower/higher with all other variables held constant, the Group's loss net of tax would have been approximately US\$37,500 (30 June 2013: US\$37,500) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility in prior years.

Information relating to the Group's interest rate exposure is also disclosed in various notes to the financial statements.

(b) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Group will encounter difficulty in raising funds to meet its commitments. The Group is exposed to liquidity risk in respect of its cash flow management to fund its ongoing operations as well as settlement of its short-term loans and borrowings and all of its current liabilities. The Group's objective is to maintain an appropriate level of liquid assets to meet its liquidity requirements in the short term.

The Group manage its liquidity needs by monitoring its forecast cash inflows and outflows from its day to day operations. Liquidity needs are then monitored in various time bands such as daily, weekly as well as on a rolling of 30 day projection. Net cash requirements are compared to available cash and cash equivalents in order to determine the cash shortfalls.

At the end of the reporting period, the Group is in net liabilities of approximately US\$83,245,000. The liquidity of the Group are primarily dependent on its ability to maintain adequate cash flow from operations and to raise funds in the capital market.

So far the financial institutions have agreed to extend the repayment date of the loans and borrowings, including all the related interest charges. The repayment date is planned to coincide with the completion of the Proposed DSS Acquisition. The loans will be repaid from the proceeds received from the proposed compliance shares placement following the completion of the acquisition. Likewise for the obligations arising from the corporate guarantee claims, the Company has entered into the mandatory convertible bond agreement with the unsecured creditors to settle the obligation due. Please refer to Note 32 for more details.

The Group continues to focus its effort to completing the Proposed DSS Acquisition.

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

26. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and financial liabilities at the balance sheet date based on contractual undiscounted repayment obligations:

	1 year or less US\$'000	1 to 5 years US\$'000	Total US\$'000
30 June 2014			
Financial assets:			
Trade and other receivables	875	–	875
Compensation income receivable	–	14,193	14,193
Cash and bank balances	3,265	–	3,265
Total undiscounted financial assets	4,140	14,193	18,333
Financial liabilities:			
Trade and other payables	71,501	–	71,501
Loans and borrowings	53,893	–	53,893
Total undiscounted financial liabilities	125,394	–	125,394
Total net undiscounted financial (liabilities)/assets	(121,254)	14,193	(107,061)
31 December 2013			
Financial assets:			
Trade and other receivables	1,047	–	1,047
Compensation income receivable	–	16,468	16,468
Cash and bank balances	1,432	–	1,432
Total undiscounted financial assets	2,479	16,468	18,947
Financial liabilities:			
Trade and other payables	64,351	–	64,351
Loans and borrowings	53,001	–	53,001
Total undiscounted financial liabilities	117,352	–	117,352
Total net undiscounted financial (liabilities)/assets	(114,873)	16,468	(98,405)

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

26. Financial risk management objectives and policies (cont'd)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables and compensation income expected to be receivable from mining licensees.

Credit risk is limited to the risk arising from the inability of a debtor to make payments when due. It is the Group's policy to provide credit terms to creditworthy customers. These debts are continually monitored and therefore, the Group does not expect to incur material credit losses.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. For international trade transaction of significant value, the Group accepts letter of credit issued by a reputable international bank. The credit risk profile of the Group has changed when Poh Lian Construction (Pte.) Ltd ("PLC"), its material subsidiary has placed itself under interim judicial management. Previously, the exposure to credit risk mainly concentrated in Singapore and receivables from property developers. Following the interim judicial management, the Group has lost control in PLC and accordingly, the credit risk is now concentrated in Indonesia, the continuing operation of the Group.

Exposure to credit risk

The carrying amount of trade and other receivables, compensation receivables and cash and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade and other receivables and compensation receivables on an on-going basis. The credit risk concentration profile of the Group's trade and other receivables and compensation receivables at the balance sheet date is as follows:

	30 June 2014		31 December 2013	
	US\$'000	% of total	US\$'000	% of total
By country				
Singapore	12	0.1%	225	2%
Indonesia	12,535	99.9%	14,639	98%
Total	12,547		14,864	
By industry sector				
Forest and pulp	12,535	99.9%	14,639	98%
Others	12	0.1%	225	2%
Total	12,547		14,864	

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

26. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

As at 30 June 2014 and 31 December 2013, there were no significant concentrate of credit risk with any single customer.

Financial assets that are neither past due nor impaired

Trade and other receivables and compensation receivable that are neither past due nor impaired are due from credit worthy debtors. Cash and cash equivalents that are neither past due nor impaired are placed with reputable local or international banks with high credit ratings.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired are disclosed in Note 10(ii) and Note 17.

(d) Foreign currency risk

The Group has transactional currency exposures primarily in USD and IDR arising mainly from sales and purchases. The Group hold cash and cash equivalents primarily denominated in foreign currencies for working capital purposes (Note 19). The Group's trade receivable and payable balances at the reporting date have similar exposure. The foreign currency in which these transactions are denominated is mainly in USD and IDR. Approximately 35% (31 December 2013: 26%) of these balances denominated are in these foreign currencies. Currently, there is no policy to reduce currency exposure through forward currency contracts, derivatives transactions or other arrangements. However the Group relies on its operational cash flow to hedge against the foreign currency exposure.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the USD and IDR against SGD, with all other variables held constant.

		(Loss)/profit net of tax	
		30 June	31 December
		2014	2013
		US\$'000	US\$'000
USD	- strengthened 3% (2013: 3%)	(1,951)	(1,891)
	- weakened 3% (2013: 3%)	1,951	1,891)
IDR	- strengthened 3% (2013: 3%)	59	(12)
	- weakened 3% (2013: 3%)	(59)	12

The Group is also exposed to currency translation risk arising from its net investments in foreign operations in countries such as Indonesia, Mauritius and British Virgin Islands. The Group does not hedge this currency exposure.

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

26. Financial risk management objectives and policies (cont'd)

(e) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in commodity prices.

The Group is exposed to commodity price risk arising from changes in market value of the mature forestry assets.

The Group's objective is to monitor the trend of these commodity prices and would reduce level of harvesting activities in period of price decline.

Sensitivity analysis for commodity price risk

At the balance sheet date, if the price of logs had been 5% (31 December 2013: 5%) higher/lower with all other variables held constant, the Group's loss net of tax would have been US\$2,155,000 (31 December 2013: US\$1,731,000) lower/higher, arising as a result of higher/lower fair value gains on the forestry concession.

27. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. No changes were made in the objectives, policies or processes between the period/year ended 30 June 2014 and 31 December 2013 respectively.

The Group monitors capital using gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 45%. The Group is required to comply with financial covenants imposed by financial institutions. The Group has breached the financial covenants for period ended 30 June 2014 as disclosed in Note 21.

The Group includes within net debt, loans and borrowings, trade and other payables, hire purchases less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent, capital reserves and other reserves.

	30 June 2014 US\$'000	31 December 2013 US\$'000
Loans and borrowings	49,000	49,000
Trade and other payables	81,462	72,491
Less: Cash and bank balances	(3,265)	(1,432)
Less: Other non-trade payables	(8,775)	(7,079)
Net debts	118,422	112,980
Equity attributable to equity holders of the Company	(83,245)	(71,344)
Capital and net debts	35,177	41,636
Gearing ratio	337%	271%

United Fiber System Limited and its Subsidiaries

Notes to the interim Consolidated Financial Statements For the six months ended 30 June 2014

27. Capital management (cont'd)

As at 30 June 2014 and 31 December 2013, the Group recorded a gearing ratio of 337% and 271% respectively. Except for Poh Lian Construction (Pte.) Ltd and its subsidiaries which are currently under judicial management, the Group manages its capital for its continuing activity by procuring goods and services which are commensurate with the level of risk. This is to ensure that the Group would be able to continue as a going concern and to provide an adequate return to shareholders.

In light of the capital deficiency of approximately US\$83,245,000 as at 30 June 2014, the Group will continue to seek out various opportunities to ensure the Group's ability to continue as a going concern.

In addition, should the proceeds raised from the proposed statutory compliance placement to meet the minimum public float requirements under Rule 210(1)(a) of the SGX-ST Listing Manual following the completion of the Proposed DSS Acquisition is successful as planned, the proceeds will be used to repay the Group's loans and borrowings. The Unsecured Creditors as discussed in Note 32 under the corporate guarantee claims of US\$37,192,000 will also be exercising their put option when the Company receives its shareholders' approval at the forthcoming extraordinary general meeting, amongst others, to approve the Proposed DSS Acquisition and the issuance of shares to the MCB bondholders.

28. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- The Construction and property segment is involved in the construction of residential properties and industrial projects and in property development.
- The Forestry and pulp segment is engaged in forestry operations and manufacture of wood chips.
- The Others segment is investment holding and trading company.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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28. Segment information (cont'd)

	Forestry and pulp		Others		Elimination		Note	Consolidated	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013		30 June 2014	30 June 2013
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		US\$'000	US\$'000
Revenue:									
Revenue from external customers	4,332	2,054	-	-	-	-		4,332	2,054
Inter segment revenue	-	-	-	128	-	(128)	A	-	-
Total revenue	4,332	2,054	-	128	-	(128)		4,332	2,054
Results:									
Segment results	(5,308)	(7,137)	(386)	(2,236)	-	-	B	(5,694)	(9,373)
Gain on deconsolidation of subsidiaries								-	16,720
Finance costs	(2)	-	(3,871)	-	-	-		(3,873)	(4,313)
(Loss)/profit before tax								(9,567)	3,034
Taxation								13	2,335
(Loss)/profit for the period								(9,554)	5,369

United Fiber System Limited and Subsidiaries

Notes to the Interim Consolidated Financial Statements
For the six months ended 30 June 2014

28. Segment information (cont'd)

	Forestry and pulp		Others		Elimination		Note	Consolidated	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013		30 June 2014	31 December 2013
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		US\$'000	US\$'000
Assets and Liabilities:									
Segment assets	50,512	52,910	1,704	2,076	(2,771)	(2,512)	C	49,445	52,474
Total assets	50,512	52,910	1,704	2,076	(2,771)	(2,512)		49,445	52,474
Segment liabilities	176,887	174,511	66,522	62,998	(187,573)	(185,940)	C	55,836	51,569
Unallocated liabilities							D	76,853	72,254
Total liabilities								132,689	123,823
Compensation income	(221)	(2,374)	-	-				(221)	(2,374)
Depreciation of property, plant and equipment (Note 11(c))	1,306	1,868	-	1				1,307	1,869
Fair value loss in forestry assets	136	16,107	-	-				136	16,107
Impairment loss	-	3,633	-	-				-	3,633
Write down of inventory	1,933	-	-	-				1,933	-

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Notes to the Interim Consolidated Financial Statements For the financial year ended 30 June 2014

28. Segment information (cont'd)

- A Inter-segment revenues are eliminated on consolidation.
- B The following items are added to/(deducted from) segment results net of intra-segment elimination to arrive at "Loss before tax" present in the consolidated statement of comprehensive income:

	Forestry and pulp US\$'000	Others US\$'000	Total US\$'000
30 June 2014			
Other income	818	885	1,703
Selling and distribution expenses	(387)	(27)	(414)
Administrative expenses	(613)	(520)	(1,133)
Other operating expenses	(3,204)	(839)	(4,043)
Fair value loss on forestry assets	(136)	—	(136)
30 June 2013			
Other income	5,865	(767)	5,098
Selling and distribution expenses	(340)	(21)	(361)
Administrative expenses	(751)	(648)	(1,399)
Other operating expenses	(1,225)	(800)	(2,025)
Fair value loss on forestry assets	(10,665)	—	(10,665)

- C Elimination is relating to intra-group transactions which are eliminated on consolidation.
- D Unallocated liabilities comprise of loans and borrowings, interest payables, other payables and deferred tax liabilities amounting to US\$49,000,000, US\$16,850,000, US\$8,775,000 and US\$2,228,000 (31 December 2013: US\$49,000,000, US\$13,843,000, US\$7,079,000 and US\$2,332,00) respectively.

The Group did not include the segment revenue and results of the construction and property segment in the segment information since the Group already lost control of PLC group. The results of the construction and property segment have been disclosed in Note 3(b).

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Singapore US\$'000	Indonesia US\$'000	Asia Pacific Countries US\$'000	Consolidated US\$'000
30 June 2014				
Total revenue from external customers	—	4,332	—	4,332
Non-current assets	7	40,014	—	40,021
30 June 2013				
Total revenue from external customers	—	2,054	—	2,054
Non-current assets	2	55,989	4,745	60,736

United Fiber System Limited and Subsidiaries

Notes to the Interim Consolidated Financial Statements For the financial year ended 30 June 2014

28. Segment information (cont'd)

Geographical information (cont'd)

Non-current assets information presented above consists of forestry assets, property, plant and equipment, goodwill and other non-current assets.

Information about a major customer

Revenue from one major customer accounting for more than 95% of the total turnover is from the forestry and pulp segment.

29. Proposed acquisition of PT Golden Energy Mines Tbk ("GEMS")

- (a) On 29 June 2012, the Company entered into a share purchase agreement ("SPA") with PT Dian Swastatika Sentosa Tbk ("DSS") and GMR Coal Resources Pte Ltd ("GMR") to acquire approximately 96.9998% of the total issued share capital in PT Golden Energy Mines Tbk ("GEMS") (the "Proposed Acquisition"). The SPA has been extended to 31 May 2013 to enable the parties to negotiate on the revised terms of the proposed acquisition.

However, on 31 May 2013, the revised long-stop date to satisfy the conditions precedent in the SPA has lapsed. Since the conditions precedent have not been fulfilled or waived before the long-stop date of 31 May 2013, the agreement was terminated and ceased to have any force and effect. The Group incurred approximately US\$2.6 million transactions costs in connection with this transaction which have been recognised in the profit and loss for the year in 2012.

- (b) On 4 June 2013, the Group entered into a new non-legal binding heads of agreement (HoA) with DSS to set out the new proposed commercial terms in respect of the proposed acquisition of 66.9998% in GEMS.

On 11 July 2013, the Group and DSS entered into a share purchase agreement following the HoA on 4 June 2013 to acquire 3,941,166,500 ordinary shares or approximately 66.9998% of the total issued and paid-up share capital of GEMS (the "Proposed DSS Acquisition"). The purchase consideration for the acquisition shall be satisfied by way of issuance and allotment of new ordinary shares in the Company which represent approximately 94.4745% of the enlarged Company's ordinary share capital.

The Proposed DSS Acquisition, if it proceeds to completion, will result in a change in control of the Group and would constitute a "Very Substantial Acquisition" or a "Reverse Take-over Transaction".

- (c) The completion of the Proposed DSS Acquisition will be conditional upon the following condition precedents inter-alia to be agreed and completed:-
- (a) Satisfactory completion of the due diligence by the Group on GEMS and DSS on the Group;
 - (b) The completion of the share consolidation exercise by the Group;
 - (c) Disposal of all its direct and indirect shareholding in Poh Lian Construction (Pte.) Ltd ("PLC");

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29. Proposed acquisition of PT Golden Energy Mines Tbk ("GEMS") (cont'd)

- (c) The completion of the Proposed DSS Acquisition will be conditional upon the following condition precedents inter-alia to be agreed and completed:- (cont'd)
- (d) Entered into subscription agreement with the Group's unsecured creditors in relation to the corporate guarantees provided by the Group for the due performance or payment of monies by PLC which will be settled through the subscription of the Mandatory Convertible Bonds to be issued by the Group;
- (e) DSS received the Group's completion financial statements and completion of statement of liabilities;
- (f) Subject to the approval from the shareholders of DSS and the Group; and
- (g) Subject to approvals received from the respective regulatory in Singapore and Indonesia.

As at 30 June 2014, the Group incurred approximately US\$411,000 (June 2013: US\$457,000) transaction costs in connection with this transaction which has been recognised in the profit and loss for the period.

On 5 July 2014, the Company has entered into a supplemental agreement ("SPA Supplemental Agreement") with DSS to amend certain terms and conditions of the Share Purchase Agreement. The Company and DSS have agreed to extend the Acquisition Long-Stop Date to 31 March 2015 and also amend such other terms in the Share Purchase Agreement that are affected by the extended timeline for the Proposed DSS Acquisition ("SPA Amendments").

30. Judicial management order for Poh Lian Construction (Pte.) Ltd ("PLC")

On 4 July 2013, the Group announced the outcome of its first meeting with the creditors of PLC pursuant to Section 227M of the Companies Act, to update the creditors of PLC on the status of the judicial management and to consider the judicial managers ("JM") statement of proposal moving forward. The judicial management order ("JMO") remains in force for 180 days following the approval by the High Court.

The following resolutions were put to vote and approved by majority in number and value of creditors present and voting at the meeting as required under Section 227N of the Companies Act:

- (a) JM continues to review PLC's transactions relating to the 3 building projects, namely Goodwood Project, Sophia Project and Bishopsgate Project and any misfeasance on the part of former management or employees with a view of taking legal proceedings;
- (b) Upon realising PLC's remaining assets, the JM are to have PLC placed in liquidation subject to final determination of application initiated by United Overseas Bank in OS 506/2013 and any actions that the JM may take after completing their review of the past transactions of PLC; and
- (c) To liquidate or to sell both the active and dormant subsidiaries in PLC.

On 1 October 2013, the High Court ordered the JMO to be extended to 1 February 2014.

On 28 January 2014, the JMO was further extended to 1 August 2014.

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30. Judicial management order for Poh Lian Construction (Pte.) Ltd (“PLC”) (cont’d)

On 29 July 2014, the High Court heard the application for a further extension of the JMO. At the hearing, the High Court extended the JMO till 15 October 2014.

On 15 August 2014, the High Court granted the application to further extend the JMO until 15 October 2014. The High Court, while granting the application, is also processing the application to discharge the JMO and to place PLC in liquidation.

31. Asia Star Fund Ltd (“ASF”) US\$35,000,000 loan

The Company entered into an amended and restated loan agreement (“ASF Restated Loan Agreement”) with ASF on 11 July 2013, to amend and restate the terms of the original loan agreement dated 12 January 2011 (as supplemented, extended and modified), and on 14 August 2014, to amend the terms of the ASF Restated Loan Agreement. The key terms, inter alia, are as follows:

- (a) The repayment date for the repayment of all amounts due and owing under the ASF Restated Loan Agreement (“**Indebtedness**”) has been amended to the earliest of the following:
 - (i) The third business days after the completion of a placement exercise by the Company following the completion of the proposed acquisition by the Company of 66.9998% stake in GEMS from DSS;
 - (ii) The next business after the date of termination of the definitive agreement in relation to the Proposed Acquisition;
 - (iii) The next business day after the expiry of 1 year from the date of the Restated Loan Agreement; and
 - (iv) 31 March 2015
- (b) The Indebtedness shall be payable by the Company to ASF in cash;
- (c) in the event of insufficiency of funds available to the Company on the repayment date, ASF shall be entitled to enforce its rights against the Company for the repayment of the Indebtedness or any balance thereof, including but not limited to the enforcement of ASF’s rights under the Anrof Share Pledge and Shinning Spring Share Charge, subsidiaries of the Group; and
- (d) ASF shall not, at any time before the repayment date demand the payment of all or any part of the Indebtedness due and owing or may have become due or owing by the Company to ASF, subject to the satisfaction of the following conditions:
 - (i) The execution of the definitive agreement(s) in relation to the Proposed DSS Acquisition; and
 - (ii) No creditors of the Company have taken any enforcement actions or commence legal proceedings against the Company at any time before the repayment date.
- (e) ASF shall waive the breach of the Company’s obligations, as a result of the Company’s failure to repay the indebtedness in full by the repayment date of 14 July 2014.

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31. Asia Star Fund Ltd ("ASF") US\$35,000,000 loan (cont'd)

- (f) On 26 September 2014, the Company received a waiver letter from the financial institution to waive all default interest payable in connection with the loan agreement subject to the completion of Proposed DSS Acquisition.

32. Settlement of corporate guarantees by way of issuance of mandatory convertible bonds ("MCB")

On 30 August 2013, the Company entered into subscription agreement with various bank and financial institutions (collectively known as Unsecured Creditors) in relation to the existing corporate guarantees entered into in favour of Poh Lian Construction (Pte.) Ltd ("PLC") which was put under interim judicial management on 7 March 2013.

On 31 July 2014, the Company entered into a supplemental agreement ("MCB Supplemental Agreement") with the Unsecured Creditors to amend certain terms and conditions of the Subscription Agreement as required under the SPA Supplemental Agreement.

The Company will issue up to US\$36,726,328.97 (equivalent to S\$45,834,458.56) in aggregate principal amount of 5% bonds due 2015 which are mandatorily convertible into ordinary shares in the capital of the Company at the agreed conversion price of S\$0.019 per share. The conversion price will be adjusted accordingly following the proposed share consolidation. The conversion will take place upon the completion date of the Proposed Acquisition. The yield is calculated at a rate of 5% per annum on the basis of a 365-day year, and the actual number of days elapsed from the Closing Date of 15 December 2014 to the Conversion Date, which is assumed to be 31 March 2015.

The Subscribers have agreed with the Company as follows:

- (i) Extend the Cut-Off Date for the closing of the Bonds Issue, from 31 January 2014 to 31 March 2015, to correspond with the extension of the Acquisition Long-Stop Date;
- (ii) Increase the material adverse change threshold from US\$20 million to US\$56 million in connection with the assessing the occurrence of an event of default by the Company under the Bonds Issue; and
- (iii) Limit the Company's aggregate liabilities to all the Subscribers up to and including 31 March 2015 under the Subscription Agreement (including any accrued interest payable under the Mandatory Convertible Bonds) to no more than S\$46.5 million ("Maximum Liabilities Limit"), which shall constitute full and final settlement of all claims against the Company by the Subscribers in respect of the Corporate Guarantees.

33. Authorisation of financial statements

The financial statements for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors dated on 1 October 2014.