

Company Registration. No. 199508589E

United Fiber System Limited
and its Subsidiaries

Consolidated Financial Statements
For the year ended 31 December 2013



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

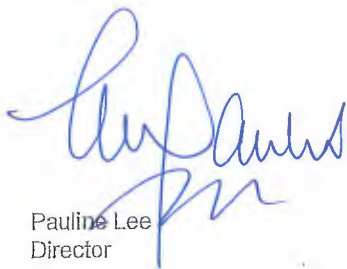
We, Peh Pit Tat and Pauline Lee, being two of the Directors of United Fiber System Limited, do hereby state that, in the opinion of the Directors,

- (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 31 December 2013 and the results of the business, changes in equity and cash flows of the Group for the year 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 year ended 31 December 2013

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 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation 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) Deconsolidation of Poh Lian Construction (Pte.) Ltd, a material subsidiary of the Group, and its subsidiaries (collectively, "PLC group")

We did not issue an opinion on the consolidated financial statements for the previous financial year ended 31 December 2012 as we were unable to verify the appropriateness of the carrying value of the assets, liabilities, income and expenses of the Group's material subsidiary, Poh Lian Construction (Pte.) Ltd ("PLC"), included in the financial statements. As disclosed in Note 3 (b) to these financial statements, PLC was placed under interim judicial management on 7 March 2013 and accordingly the assets and liabilities of PLC and its subsidiaries ("PLC group") have been deconsolidated with effect from that date due to loss of control of PLC by the Group. The deconsolidation was performed using the unaudited financial information of the PLC Group as at that date, and we are unable to satisfy ourselves on the computation of the gain on deconsolidation of US\$16,916,000 and net cash outflow of US\$5,493,000 recorded in the consolidated comprehensive income and cashflow statement for year respectively. In addition, as further disclosed in that note, the Group did not consolidate the operating results of PLC from 1 January 2013 to 6 March 2013 on a line by line basis. This is not in compliance with the requirements of IFRS 10 *Consolidated Financial Statements*.

United Fiber System Limited and its Subsidiaries

Independent Auditor's Report For the year ended 31 December 2013

To the Members of United Fiber System Limited

b) Default interest not provided for

As disclosed in Note 23(f)(i) 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\$35,400,000 up to 31 December 2013. 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\$35,400,000 and the related charges of US\$3,900,000. This is not in accordance with the requirements of IFRS9 Financial Instruments: Recognition and measurement.

c) Going concern assumption

As disclosed in Note 1.2, the Group incurred a net loss of US\$10,723,000 for the financial year ended 31 December 2013 and as at that date, the Group is in a net current liability position of US\$114,605,000. Furthermore the Group is in a net liability position of US\$71,349,000. 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 year ended 31 December 2013 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.

United Fiber System Limited and its Subsidiaries

**Independent Auditor's Report
For the year ended 31 December 2013**

To the Members of United Fiber System Limited

Separate audit report issued

We also issued a separate audit report dated 28 March 2014 on the financial statements of the Group for the same period prepared in accordance with Singapore Financial Reporting Standards. We issued a disclaimer of opinion on those financial statements as based on the information provided by management we were unable to obtain sufficient audit evidence on the following matters:

- the appropriateness of the computation of the gain and net cash outflow on the deconsolidation of Poh Lian Construction (Pte.) Ltd and its subsidiaries;
- non-consolidation of the operating results of Poh Lian Construction (Pte.) Ltd and its subsidiaries on a line by line basis which are not in compliance with the requirements of IFRS 10;
- non-provision of default interest and related charges; and
- the appropriateness of the use of the going concern assumption in preparing those financial statements.



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 year ended 31 December 2013

(In United States Dollars)

	Note	2013 US\$'000	2012 US\$'000
Revenue	4	4,945	234,857
Cost of sales		(4,007)	(251,193)
Gross profit/(loss)		938	(16,336)
Other income	5	4,597	14,109
Selling and distribution expenses		(840)	(538)
Administrative expenses		(3,068)	(7,436)
Other operating expenses		(8,847)	(106,228)
Fair value loss on forestry assets	10	(16,107)	(32,161)
Finance costs	6	(7,831)	(18,060)
Net effect on deconsolidation of subsidiaries	3(b)	16,720	–
Loss before tax	7	(14,438)	(166,650)
Income tax benefit	8	3,715	13,075
Loss for the year		(10,723)	(153,575)
Other comprehensive income:			
Foreign currency translation		344	2,372
Release of foreign currency translation reserves on deconsolidation of subsidiaries		(1,540)	–
Other comprehensive income for the year		(1,196)	2,372
Total comprehensive income for the year		(11,919)	(151,203)
Loss attributable to:			
Owners of the Company		(10,723)	(153,574)
Non-controlling interests		–	(1)
		(10,723)	(153,575)
Total comprehensive income attributable to:			
Owners of the Company		(11,919)	(151,202)
Non-controlling interests		–	(1)
		(11,919)	(151,203)
Loss per share attributable to owners of the Company (cents per share)			
Basic and diluted	9	(0.28)	(4.21)

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 31 December 2013

(In United States Dollars)

	Note	2013 US\$'000	2012 US\$'000
Non-Current Assets			
Forestry concession	10	27,093	47,855
Property, plant and equipment	11	18,317	24,758
Club membership	12	–	82
Deferred tax assets	13	178	176
Trade and other receivables	18	–	13,335
		<u>45,588</u>	<u>86,206</u>
Current Assets			
Gross amount due from customers for contract work-in-progress	15	–	830
Investment properties held for sale	16	–	1,453
Inventories	17	4,264	2,145
Trade and other receivables	18	1,190	51,155
Fixed deposits	19	–	7,207
Cash and bank balances	19	1,432	7,927
		<u>6,886</u>	<u>70,717</u>
Current Liabilities			
Gross amount due to customers for contract work-in-progress	15	–	14,104
Trade and other payables	20	72,491	87,397
Provisions	21	–	48,453
Hire purchase creditors	22	–	310
Derivative	24	–	1,151
Loans and borrowings	23	49,000	52,233
		<u>121,491</u>	<u>203,648</u>
Net Current Liabilities		(114,605)	(132,931)

United Fiber System Limited and its Subsidiaries

Consolidated Balance Sheet as at 31 December 2013

(In United States Dollars)

	Note	2013 US\$'000	2012 US\$'000
Non-Current Liabilities			
Trade payables	20	—	7,632
Deferred tax liabilities	13	2,332	5,941
Hire purchase creditors	22	—	475
		<u>2,332</u>	<u>14,048</u>
Net Liabilities		<u>(71,349)</u>	<u>(60,773)</u>
Equity Attributable to Equity Holders of the Company			
Share capital	25	257,956	256,613
Reserves		(329,300)	(317,381)
		<u>(71,344)</u>	<u>(60,768)</u>
Non-controlling interests		(5)	(5)
Total Equity		<u>(71,349)</u>	<u>(60,773)</u>

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 year ended 31 December 2013

(In United States Dollars)

	Attributable to owners of the Company				
	Share Capital (Note 25) US\$'000	Foreign Currency Translation ⁽¹⁾ US\$'000	Other Reserves ⁽²⁾ US\$'000	Accumulated Losses US\$'000	Total Reserves US\$'000
					Non- controlling Interests US\$'000
					Total Equity US\$'000
31 December 2013					
At 1 January 2013	256,613	11,344	(62,479)	(266,246)	(317,381)
Loss for the year	-	-	-	(10,723)	(10,723)
<u>Other comprehensive income</u>					
Foreign currency translation	-	344	-	-	344
Release of foreign currency translation reserves on deconsolidation of subsidiaries	-	(1,540)	-	-	(1,540)
Other comprehensive income for the year	-	(1,196)	-	-	(1,196)
Total comprehensive income for the year	-	(1,196)	-	(10,723)	(11,919)
<u>Contribution by owners</u>					
Issuance of ordinary shares	1,367	-	-	-	-
Share issuance expense	(24)	-	-	-	-
Total transaction with owners in their capacity as owners	1,343	-	-	-	-
At 31 December 2013	257,956	10,148	(62,479)	(276,969)	(329,300)
					(5)
					(71,349)

(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 Statement of Changes in Equity for the year ended 31 December 2013

(In United States Dollars)

	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
31 December 2012							
At 1 January 2012	243,511	8,972	(62,479)	(112,672)	(166,179)	(4)	77,328
Loss for the year	-	-	-	(153,574)	(153,574)	(1)	(153,575)
<u>Other comprehensive income</u>							
Foreign currency translation	-	2,372	-	-	2,372	-	2,372
Total comprehensive income for the year	-	2,372	-	(153,574)	(151,202)	(1)	(151,203)
<u>Contribution by owners</u>							
Issuance of ordinary shares	13,257	-	-	-	-	-	13,257
Shares issuance expense	(155)	-	-	-	-	-	(155)
Total transactions with owners in their capacity as owners	13,102	-	-	-	-	-	13,102
At 31 December 2012	256,613	11,344	(62,479)	(266,246)	(317,381)	(5)	(60,773)

⁽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 year ended 31 December 2013

(In United States Dollars)

	2013 US\$'000	2012 US\$'000
Cash flows from operating activities		
Loss before tax	(14,438)	(166,650)
Adjustments for:		
Consultancy service income	(165)	–
Depreciation of property, plant and equipment	1,890	1,250
Gain on disposal of property, plant and equipment	(56)	(21)
Gain on deconsolidation of subsidiaries	(16,916)	–
Impairment loss on other receivables	3,633	39
Impairment loss on trade receivables	–	1,959
Impairment loss of goodwill on consolidation	–	23,651
Fair value gain on derivative	(1,123)	(12,415)
Fair value loss on forestry assets	16,107	32,161
Write down of compensation income receivable	–	22,912
Write down of inventories	–	247
Expenses for proposed acquisition ⁽¹⁾	2,336	2,648
Potential losses arising from termination of construction contracts	–	48,453
Interest expenses	7,865	18,060
Interest income	(37)	(119)
Net exchange differences	279	(93)
Operating cash outflow before changes in working capital	(625)	(27,918)
(Increase)/decrease in gross amount due from customers for contract work-in-progress	(218)	13,678
Decrease in gross amount due to customers for contract work-in-progress	(10,197)	(28,460)
Decrease/(increase) in inventories	168	(376)
Decrease/(increase) in trade and other receivables	10,293	(12,910)
Increase in trade and other payables	4,516	33,567
Cash flows from/(used in) operations	3,937	(22,419)
Income taxes paid	(20)	(2,036)
Income tax refunded	48	–
Interest paid	(41)	(508)
Net cash flows from/(used in) operating activities	3,924	(24,963)

⁽¹⁾ Expenses for proposed acquisition are incurred for the proposed acquisition as disclosed under Note 33.

United Fiber System Limited and its Subsidiaries

Consolidated Cash Flow Statement for the year ended 31 December 2013

(In United States Dollars)

	31 December 2013 US\$'000	31 December 2012 US\$'000
Cash flows from investing activities		
Addition to forestry assets	(1,076)	(470)
Interest received	37	119
Proceeds from disposal of property, plant and equipment	56	25
Purchase of property, plant and equipment	(620)	(404)
Net cash outflow resulting from deconsolidation of subsidiaries	(5,493)	—
Net cash flows used in investing activities	(7,096)	(730)
Cash flows from financing activities		
Increase in pledged fixed deposits	—	(3,690)
Payment of share issuance expenses	(24)	(155)
Proceeds from loans and borrowings	2,620	13,010
Repayment of loans and borrowings	(4,416)	(9,563)
Repayment to hire purchase creditors	(159)	(430)
Payment of expenses for proposed acquisition	(889)	(1,657)
Net cash flows used in financing activities	(2,868)	(2,485)
Net decrease in cash and cash equivalents	(6,040)	(28,178)
Effect of exchange rate changes on cash and cash equivalents	(455)	1,711
Cash and cash equivalents at 1 January	7,927	34,394
Cash and cash equivalents at 31 December (Note 19)	1,432	7,927

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

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\$10,723,000 (2012: US\$153,575,000) for the financial year ended 31 December 2013. As at 31 December 2013, the Group is in a net current liability position of US\$114,605,000 (2012: US\$132,931,000) and net liability position of US\$71,349,000 (2012: US\$60,773,000).

As at the balance sheet date, the Group has loans and borrowings totalling US\$49,000,000 (2012: US\$52,233,000) 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 33.

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 23(e), (f) and (g); 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 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 financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The 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 previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective from annual financial periods beginning on or after 1 January 2013. The adoption of those standards did not have any effect on the financial performance or the position of the Group.

According to the transition provision of IFRS 13, Fair value measurement, IFRS 13 has been applied prospectively by the Group on 1 January 2013.

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 annual periods beginning on or after</i>
Amendment to IAS 32 <i>Offsetting of Financial Assets and Financial Liabilities</i>	1 January 2014
Amendment to IAS 36 <i>Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendment to IAS 39 - <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 - <i>Investment Entities</i>	1 January 2014
IFRIC 21 <i>Levies</i>	1 January 2014
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
IFRS 9 <i>Financial Instruments</i>	1 January 2018
Amendments to IFRS 7 and IFRS 9 - <i>Mandatory Effective Date and Transition Disclosure</i>	1 January 2018
Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39	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. Summary of significant accounting policies (cont'd)

2.4 Significant accounting judgments and estimates (cont'd)

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.

(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 21.1% variance in the Group's loss for the year ended 31 December 2013 (2012: 1.8%).

(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 18 to the financial statements. The loans and receivables that are impaired have been fully provided for.

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)

(c) 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.

(d) 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 31 December 2013 was US\$178,000 (2012: US\$176,000) and US\$2,332,000 (2012: US\$5,941,000) respectively.

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

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.

(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.

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

2.5 Functional and foreign currency (cont'd)

(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.

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.

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

2.6 Subsidiaries and basis of consolidation (cont'd)

(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.

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.

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)

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

The forestry assets are 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 2.25(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.

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

2.9 Investment properties (cont'd)

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.

2.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are not subject to amortisation and they are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised.

The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

2.11 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.

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

2.11 Goodwill

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.

2.12 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.

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.

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

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

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.

2.13 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.

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. Summary of significant accounting policies (cont'd)

2.14 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.

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

2.16 Construction contracts

Construction contracts comprise uncompleted building contracts. It is valued at cost plus a proportion of estimated profits earned to date less progress billings received or receivable, using the percentage of completion method. The stage of completion is determined by reference to architect certification. When reference to architect certification is not available in a timely manner, the stage of completion is determined by reference to the past experience and knowledge of the internal quantity surveyors. Full provision is made for estimated losses to completion where applicable.

Cost comprises materials, labour, other overhead and incidental costs including interest expense.

2.17 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) Finished goods and work-in-progress refers to costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in-first-out basis.
- (c) 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.

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

2.19 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.

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.

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

2.20 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.

2.21 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.

2.22 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.

2.23 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.

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

2.23 Leases - as lease (cont'd)

(a) Finance leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve constant rate of interest on the remaining balance of the liability. Finance charges are charged to income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

(b) 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.

2.24 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:

(a) Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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

2.24 Revenue (cont'd)

(a) Construction contracts (cont'd)

The stage of completion is determined by reference to the architect certification.

(b) 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.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

2.25 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

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

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

- 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.

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.

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

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

(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.

2.26 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 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 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.

2.28 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

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

2.28 Contingencies (cont'd)

(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.

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.

2.29 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 Consolidated Financial Statements - for the year ended 31 December 2013

3. Group of companies

(a) Details of the subsidiaries are as follows:

Name of company	Country of Incorporation	Principal activities	Proportion of ownership interest	
			31 December 2013 %	31 December 2012 %
<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	Manufacturing	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
<u>Subsidiary under judicial management order (Note 3(b)):</u>				
Poh Lian Construction (Pte.) Ltd.	Singapore	Building contractor and property developer	100.00	100.00
<u>Subsidiaries and associate held under Poh Lian Construction (Pte.) Ltd which is under judicial management order:</u>				
Poh Lian Realty Pte Ltd	Singapore	Property development	100.00	100.00
PLC Scaffolding Pte. Ltd. ⁽⁴⁾	Singapore	Construction services	-	100.00
Sin Poh Lian Sdn. Bhd.	Malaysia	Investment	100.00	100.00
Dongshan Poh Lian Real Estate Co., Ltd	People's Republic of China	Property investment	100.00	100.00

United Fiber System Limited and its Subsidiaries

Notes to the Consolidated Financial Statements - for the year ended 31 December 2013

3. Group of companies (cont'd)

(a) Details of the subsidiaries are as follows:

Name of company	Country of Incorporation	Principal activities	Proportion of ownership interest	
			31 December 2013	31 December 2012
<i>Associate</i>			%	%
Poh Lian Training & Management (Bangladesh) Pvt Ltd	Bangladesh	Dormant	30.00	30.00

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
- (4) Under member voluntary liquidation

(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 34.

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:-

3. Group of companies (cont'd)

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

(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	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 16)	1,456
Fixed deposits	7,124
Cash and cash equivalents	5,493
Total assets	72,939
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 21)	(48,453)
Hire purchase creditors	(626)
Provision for taxation	(552)
Loans and borrowings	(2,983)
Deferred tax liabilities	(162)
Total liabilities	(125,873)
Total net liabilities	(52,934)
Adjustment:	
Liability relating to provision for corporate guarantees retained in the Group **	36,018
Gain on deconsolidation of subsidiaries arising from loss control	(16,916)
Net cash outflow on deconsolidation of subsidiaries	5,493

** 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 36, the Company entered into Mandatory Convertible Bonds agreement with these Unsecured Creditors to settle the obligation due.

3. Group of companies (cont'd)

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

- (ii) With PLC group being placed into JMO, the current 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 continuing operation of the Group going forward.

The unaudited profit or loss contribution from PLC group from 1 January 2013 to 6 March 2013 is 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

The Group did not consolidate the operating results of PLC group from 1 January to 6 March 2013 on a line by line basis in accordance with IFRS 10 as the directors are of the view that the consolidation is not meaningful given that the Group already loss control of PLC on 7 March 2013. In addition, the Group is planning to discontinue and dispose of its entire investment in PLC once the Proposed DSS Acquisition is completed. As a result, Directors believe the non-consolidation of the current operating results of PLC group will provide a better picture of the continuing operation of the Group going forward. Consequently, management has offset the operating loss before tax of PLC group for the period from 1 January 2013 to 6 March 2013 amounting to US\$196,000 against the gain on deconsolidation of US\$16,916,000 and presented a net amount of US\$16,720,000 on the consolidated statement of comprehensive income.

United Fiber System Limited and its Subsidiaries

Notes to the Consolidated Financial Statements - for the year ended 31 December 2013

4. Revenue

	2013 US\$'000	2012 US\$'000
Construction contract revenue	–	234,606
Sale of logs	4,945	251
	<u>4,945</u>	<u>234,857</u>

5. Other income

	2013 US\$'000	2012 US\$'000
Interest income	31	119
Insurance claim received	145	–
Bad debts recovered ⁽¹⁾	–	803
Fair value gain on derivative instrument	1,123	12,415
Gain from disposal of property, plant and equipment	56	21
Compensation income ⁽²⁾	2,374	–
Write back of accrual on legal fees and other expenses	804	–
Others ⁽³⁾	64	751
	<u>4,597</u>	<u>14,109</u>

⁽¹⁾ Bad debts recovered arising from the settlement of a legal suit.

⁽²⁾ The compensation income relates to expected settlement arising from actions taken against third parties for encroaching the Group's forestry concession (Note 10).

⁽³⁾ Others relate mainly to sale of scrap metal.

6. Finance costs

	2013 US\$'000	2012 US\$'000
Interest expense on bank loans and bonds	7,677	17,957
Service fees	148	83
Others	6	20
	<u>7,831</u>	<u>18,060</u>

Included in interest expense on bank loan and bonds is an amount of US\$1,587,000 (2012: US\$11,948,000) arising from amortisation of interest expense on convertible loan.

United Fiber System Limited and its Subsidiaries

Notes to the Consolidated Financial Statements - for the year ended 31 December 2013

7. Loss before tax

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

	2013 US\$'000	2012 US\$'000
<u>Included as part of administrative expenses:</u>		
Directors' fees	118	163
Legal and professional fees	317	1,197
Audit fees:		
- Auditors of the Company	108	154
- Other auditors	64	76
Non-audit fees:		
- Auditors of the Company	28	47
- Other auditors	56	8
<u>Staff costs:</u>		
Salaries, wages, bonuses and other costs		
- charged to profit or loss	866	4,267
- charged to construction projects (Note 15)	—	7,058
Contribution to defined contribution plans		
- charged to profit or loss	67	309
- charged to construction projects (Note 15)	—	570
	933	12,204
<u>Included as part of other operating expenses:</u>		
Impairment loss on other receivables (Note 18)	3,633	39
Impairment loss on trade receivables (Note 18)	—	1,959
Impairment loss of goodwill on consolidation (Note 14)	—	23,651
Write down of compensation income receivable (Note 10)	—	22,912
Write down of inventories (Note 17)	—	247
Depreciation of property, plant and equipment (Note 11(c))	1,869	1,250
Foreign exchange loss, net	22	1,501
Expenses for proposed acquisition (Note 33)		
- Auditors of the Company	335	327
- Other professional parties	2,001	2,321
Potential losses arising from termination of construction contracts (Note 21)	—	48,453

United Fiber System Limited and its Subsidiaries

Notes to the Consolidated Financial Statements - for the year ended 31 December 2013

8. Income tax benefit

The major components of income tax benefit for the years ended 31 December 2013 and 2012 are:

	2013 US\$'000	2012 US\$'000
Consolidated Statement of Comprehensive Income		
Current income tax		
- current income taxation	–	117
- over provision in respect of previous years	(32)	(556)
	<u>(32)</u>	<u>(439)</u>
Deferred income tax (Note 13)		
- origination and reversal of temporary difference	(3)	420
- changes in fair value on forestry concession	(3,677)	(13,768)
- (over)/under provision in respect of previous years	(3)	712
	<u>(3,683)</u>	<u>(12,636)</u>
Income tax benefits	<u><u>(3,715)</u></u>	<u><u>(13,075)</u></u>

The reconciliation between the income tax benefit and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 are as follows:

	2013 US\$'000	2012 US\$'000
Loss before tax	<u>(14,438)</u>	<u>(166,650)</u>
Tax at the domestic rates applicable to loss in the countries where the Group operates	(3,348)	(32,834)
<i>Adjustments:</i>		
Income not subjected to tax	(3,311)	(2,826)
Expenses not deductible for tax purposes	3,706	20,308
Tax effect on partial exemption	(6)	(11)
Deferred tax assets not recognised	617	2,131
(Over)/under provision in respect of previous years	(35)	156
Utilisation of previously unrecognised deferred tax assets	(1,386)	–
Others	48	1
Income tax benefits	<u><u>(3,715)</u></u>	<u><u>(13,075)</u></u>

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

8. Income tax benefit (cont'd)

The Group has unabsorbed tax losses of approximately US\$43,274,000 (2012: US\$49,602,000), 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. 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 in 2013 mainly related to tax effect on disallowed interest expenses while in 2012, the expenses were mainly due to impairment loss of goodwill, provision for losses arising from termination of construction contracts and 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. In 2012, the income not subject to tax related to fair value gain on financial instrument.

9. Loss per share

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

Diluted loss per share are calculated by dividing the net loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year 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.

The following reflects the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

	2013 US\$'000	2012 US\$'000
Loss net of tax for the year attributable to owners of the Company used in the computation of basic loss per share	(10,723)	(153,574)
Weighted average number of ordinary shares on issue applicable to basic loss per share ('000)	3,820,126	3,645,959
Adjusted weighted average number of ordinary shares applicable to diluted loss per share ('000)	3,820,126	3,645,959

In 2012, an option that was granted that would have allowed for the conversion of a loan granted by the financial institution into 840,931,440 new ordinary shares in the Company in full settlement of the loan, had not been included in the calculation of diluted loss per share as it was anti-dilutive. The conversion option lapsed in 2013.

There have been no other transactions involving ordinary shares or share options since the reporting date and before the completion of these financial statements.

United Fiber System Limited and its Subsidiaries

Notes to the Consolidated Financial Statements - for the year ended 31 December 2013

10. Forestry concession

	2013 US\$'000	2012 US\$'000
Forestry concession comprises:		
Biological asset - forestry assets (i)	13,276	30,720
Land rent-use rights (ii)	13,817	17,135
At 31 December	<u>27,093</u>	<u>47,855</u>

Analysis of forestry concession is as follows:

		2013		2012	
		Hectares	US\$'000	Hectares	US\$'000
Existing Forest	(i)				
Plantation		13,779	12,767	18,837	28,941
Utilisable Natural	(i)				
Forest		1,673	509	7,934	1,779
		15,452	13,276	26,771	30,720
Land rent-use rights	(ii)	14,074	13,817	14,074	17,135
Total		29,526	27,093	40,845	47,855

(i) Biological asset - forestry assets

	2013 US\$'000	2012 US\$'000
Movement in forestry assets:		
At 1 January	30,720	62,189
Harvested during the year	(2,286)	(255)
Cost incurred during the year	949	947
	<u>29,383</u>	<u>62,881</u>
Net change in fair value less estimated costs to sell	(16,107)	(32,161)
At 31 December	<u>13,276</u>	<u>30,720</u>

Forestry assets relates 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 year, the Group harvested approximately 270,914 m³ (2012: 37,339 m³) of logs.

10. Forestry concession (cont'd)**(i) Biological asset - forestry assets (cont'd)**

For the rubber plantation, the Group started planting rubber trees on a trial basis on the concession area during the year. When mature, the rubber 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.

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):-		
- Acacia mangium	78 m ³ /ha to 175 m ³ /ha (110 m ³ /ha)	The higher the plantation yields, the higher the fair value
- Rubber plantation	450 kg/ha to 2,300 kg/ha (1,375 kg/ha)	
Selling price of:		
- Sawlogs	US\$36.44/m ³ to US\$42.44/m ³ (US\$39.44/m ³)	The higher the selling price, the higher the fair value
- Pulpwood	US\$37.85/m ³ to US\$41.16/m ³ (US\$39.51/m ³)	
- Rubber	US\$1.89 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.

10. Forestry concession (cont'd)

(ii) Land rent-use rights

	2013 US\$'000	2012 US\$'000
Compensation income receivables	13,817	17,135

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.

The estimation of the compensation cashflows, determined based on the report issued by the independent professional valuer, Ata Marie Group Ltd, 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); 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.

In 2012, the Group has written down US\$22,912,000 compensation income receivables as the receivables were not probable due to uncertainty of its collection. In 2013, there are no allowances for impairment made to the receivables.

Receivables that are past due but not impaired amounting to US\$8,208,000 (2012: US\$10,678,000).

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 2012	7,711	45,870	1,457	1,325	56,363
Additions	7	3,754	156	179	4,096
Disposals	–	(15)	(106)	(233)	(354)
Net exchange differences	102	239	44	63	448
At 31 December 2012 and 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	8,256	41,973	393	592	51,214
Accumulated depreciation and impairment loss					
At 1 January 2012	4,853	25,788	1,315	1,217	33,173
Charge for the year	386	2,117	146	134	2,783
Disposals	–	(14)	(111)	(233)	(358)
Net exchange differences	11	102	30	54	197
At 31 December 2012 and 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	5,493	26,472	393	539	32,897
Net carrying amounts					
At 31 December 2012	2,570	21,855	171	162	24,758
At 31 December 2013	2,763	15,501	–	53	18,317

(a) Assets pledged as security

The Group's wood chip mill asset classified under plant and machinery with a carrying amount of US\$15,501,000 (2012: US\$17,146,000) is mortgaged to secure the Group's bank loans (Note 23(e)).

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

(b) Assets held under finance lease

During the year ended 31 December 2012, the Group acquired plant and machinery with an aggregate cost of US\$555,000 by means of finance leases. The cash outflow on acquisition of plant and machinery amounted to US\$404,000.

In 2012, an amount of US\$3,137,000 relating to construction equipment was transferred from construction projects. The corresponding depreciation relating to this equipment amounted to US\$647,000. The carrying value of plant and machinery held under finance leases as at 31 December 2012 was US\$1,957,000 and the assets were pledged as security for the related finance lease liabilities (Note 22).

In 2013, the Group did not acquire any plant and machinery by means of finance leases.

(c) Depreciation charge

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

	2013 US\$'000	2012 US\$'000
Charged to profit or loss		
- other operating expenses (Note 7)	1,869	1,250
Deconsolidation/capitalised in construction projects	190	1,311
(Adjustments)/capitalised in forestry assets	(127)	222
	<u>1,932</u>	<u>2,783</u>
Depreciation for the financial year	<u>1,932</u>	<u>2,783</u>

12. Club membership

	2013 US\$'000	2012 US\$'000
Cost		
At beginning of the year	139	131
Net exchange differences	(2)	8
Deconsolidation of subsidiaries	(137)	—
	<u>—</u>	<u>139</u>
At end of the year	<u>—</u>	<u>139</u>
Impairment		
At beginning of the year	(57)	(54)
Net exchange differences	1	(3)
Deconsolidation of subsidiaries	56	—
	<u>—</u>	<u>(57)</u>
At end of the year	<u>—</u>	<u>(57)</u>
Net carrying amount	<u>—</u>	<u>82</u>
Market value	<u>—</u>	<u>90</u>

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Notes to the Consolidated Financial Statements - for the year ended 31 December 2013

12. Club membership (cont'd)

Club membership has indefinite useful life and is carried at cost less impairment loss.

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.

13. Deferred tax

	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	–	(166)	–	1,027
Revaluation of forestry concession	(2,010)	(5,690)	(3,680)	(13,768)
Remittance of foreign source income	(22)	(23)	–	–
Other items	(300)	(62)	–	–
Deferred tax liabilities	(2,332)	(5,941)		
Deferred tax assets				
Differences in depreciation for tax purposes	178	176	(3)	105
Deferred tax assets	178	176		
Deferred income tax benefits (Note 8)			(3,683)	(12,636)

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 2012	22,696
Net exchange differences	1,393
At 31 December 2012 and 1 January 2013	24,089
Net exchange differences	(819)
Deconsolidation of subsidiaries (Note 3(b))	(23,270)
At 31 December 2013	–

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Notes to the Consolidated Financial Statements - for the year ended 31 December 2013

14. Goodwill on consolidation (cont'd)

	US\$'000
Impairment	
At 1 January 2012	—
Charge for the year (Note 7)	(23,651)
Net exchange differences	(438)
At 31 December 2012 and 1 January 2013	(24,089)
Net exchange differences	819
Deconsolidation of subsidiaries	23,270
At 31 December 2013	—
Net carrying amount	
At 31 December 2012	—
At 31 December 2013	—

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. Gross amount due from/(to) customers for contract work-in-progress

	2013 US\$'000	2012 US\$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	—	354,748
Less: Progress billings	—	(368,022)
	<u>—</u>	<u>(13,274)</u>
<i>Presented as:</i>		
Gross amount due from customers for contract work	—	830
Gross amount due to customers for contract work	—	(14,104)
	<u>—</u>	<u>(13,274)</u>

In 2012, no advances was received from customer before the related construction works commenced. Retention sums on construction contract included in trade receivables were disclosed in Note 18.

Included in costs incurred during the financial year are as follows:

	2013 US\$'000	2012 US\$'000
Depreciation of property, plant and equipment	—	1,311
Operating lease charges	—	647
Staff costs:		
- Salaries, wages, bonuses and other costs	—	7,058
- Contribution to defined contribution plans	—	570

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.

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16. Investment properties held for sale

	2013 US\$'000	2012 US\$'000
At 1 January	1,453	1,432
Exchange differences	3	21
Deconsolidation of subsidiaries (Note 3(b))	(1,456)	–
At 31 December	–	1,453

Investment properties are 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. The transaction was awaiting for administrative approval from the relevant authority and was expected to be completed in 2013.

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

17. Inventories

	2013 US\$'000	2012 US\$'000
Balance sheet:		
Raw materials	67	64
Logs	4,197	2,081
Total inventories at lower of cost and net realisable value	4,264	2,145

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

	2013	2012
Consolidated Statement of Comprehensive Income:		
Inventories recognised as an expense in cost of sales	1,468	64
Inventories written-down (Note 7)	–	247

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18. Trade and other receivables

	2013 US\$'000	2012 US\$'000
Current		
Trade receivables	836	49,796
Deposits	7	643
Other receivables	4,060	6,390
	<u>4,903</u>	<u>56,829</u>
Less: Allowance for doubtful debts	(3,856)	(5,808)
	<u>1,047</u>	<u>51,021</u>
Prepayments	143	134
	<u>1,190</u>	<u>51,155</u>
Non-current		
Trade receivables	–	9,702
Advances to PT KK	28,165	28,165
	<u>28,165</u>	<u>37,867</u>
Less: Allowance for doubtful debts	(28,165)	(24,532)
	<u>–</u>	<u>13,335</u>
Total trade and other receivables (current and non-current)	1,190	64,490
Add: Fixed deposits (Note 19)	–	7,207
Add: Cash and bank balances (Note 19)	1,432	7,927
Add: Compensation income receivable (Note 10)	13,817	17,135
Less: Prepayments	(143)	(134)
Total loans and receivables	<u>16,296</u>	<u>96,625</u>

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.

Receivables due from subsidiaries are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Trade receivables amounting to US\$NIL (2012: US\$ 31,109,000) are secured for the related loans and borrowings as disclosed in Note 23.

Included in the current and non-current trade receivables in 2012, were amounts of US\$12,862,000 and US\$9,702,000 of retention sums retained for construction contract in progress respectively.

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18. Trade and other receivables (cont'd)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to US\$494,000 (2012: US\$54,000) that are past due at the balance sheet date but not impaired as follows:

	2013 US\$'000	2012 US\$'000
<i>Trade receivables past due:</i>		
61 to 180 days	466	–
More than 180 days	28	54
	<u>494</u>	<u>54</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:

	2013 US\$'000	2012 US\$'000
Trade receivables - nominal amount	373	1,970
Less: Allowance for impairment	(373)	(1,970)
	<u>–</u>	<u>–</u>
 Movement in allowance account:		
At 1 January	1,970	1,221
Charge for the year (Note 7)	–	1,959
Written off	–	(1,296)
Deconsolidation of subsidiaries	(1,544)	–
Exchange differences	(53)	86
	<u>373</u>	<u>1,970</u>
At 31 December	<u>373</u>	<u>1,970</u>

Other receivables that are past due but not impaired

The Group has other receivables amounting to US\$267,000 (2012: US\$5,311,000) that are past due at the balance sheet date but not impaired. These other receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	2013 US\$'000	2012 US\$'000
<i>Other receivables past due:</i>		
61 to 120 days	–	318
121 to 180 days	–	–
More than 180 days	267	4,993
	<u>267</u>	<u>5,311</u>

18. 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	
	2013	2012
	US\$'000	US\$'000
Other receivables - nominal amount	31,803	32,455
Less: Allowance for impairment	(31,648)	(28,370)
	<u>155</u>	<u>4,085</u>
Movement in allowance account:		
At 1 January	28,370	29,793
Charge for the year (Note 7)	3,633	39
Written off	(35)	(1,786)
Deconsolidation of subsidiaries	(193)	—
Exchange differences	(127)	324
At 31 December	<u>31,648</u>	<u>28,370</u>

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 foreign currencies as at year end are as follows:

	2013	2012
	US\$'000	US\$'000
SGD	—	818
IDR	<u>877</u>	<u>755</u>

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19. Fixed deposit, cash and bank balances

	2013 US\$'000	2012 US\$'000
Fixed deposits, secured	–	7,207
Cash on hand	–	12
Cash at banks	1,432	7,915
Cash and bank balances	1,432	7,927

The secured fixed deposits were pledged to secure the Group's banking facilities issued by the financial institutions. As disclosed in Note 3(b), since PLC was placed under judicial management, the secured fixed deposits had been used to set off against the liabilities owing to the banks.

Fixed deposits were made for varying period of between one month and twelve months and earn interests at the respective deposit rates. The weighted average effective interest rate in 2012 was 0.4614% per annum.

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

	2013 US\$'000	2012 US\$'000
Cash on hand	–	12
Cash at banks	1,432	7,915
Cash and cash equivalents	1,432	7,927

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

	2013 US\$'000	2012 US\$'000
USD	11	570
IDR	843	1,257
Others	–	24

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20. Trade and other payables

	2013 US\$'000	2012 US\$'000
Current		
Trade payables ⁽¹⁾	189	61,227
Interest payable	13,843	8,341
Accrued expenses	435	2,035
Accrual for directors' fee and bonus	146	180
Non-trade payables ⁽²⁾	11,808	4,253
Corporate guarantee claims ⁽⁵⁾	35,818	—
Advances received ⁽³⁾	1,061	1,352
Other non-trade payable	7,079	7,104
Other	2,112	2,905
	<u>72,491</u>	<u>87,397</u>
Non-current		
Trade payables ⁽⁴⁾	—	7,632
	<u>—</u>	<u>7,632</u>
Total trade and other payables (current and non-current)	72,491	95,029
Add: Loans and borrowings (Note 23)	49,000	52,233
Add: Hire purchase creditors (Note 22)	—	785
Less: Advances received	(1,061)	(1,352)
Less: Other non-trade payable	(7,079)	(7,104)
	<u>(7,079)</u>	<u>(7,104)</u>
Total financial liabilities carried at amortised costs	<u>113,351</u>	<u>139,591</u>

(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\$7,314,000 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 2013 related to logs sales. In 2012, advances related to deposit received from sale of investment properties.

(4) Non-current trade payables relate to retention sums on gross amount due to customers for contract works.

(5) 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 36 for more details on the settlement of the corporate guarantee claims.

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

	2013 US\$'000	2012 US\$'000
USD	14,040	18,322
IDR	9,215	9,624
	<u>9,215</u>	<u>9,624</u>

21. Provisions

	US\$'000
Provisions for potential losses arising from termination of construction contracts	
At 1 January 2013	48,453
Deconsolidation of subsidiaries (Note3(b))	(48,453)
	<u>—</u>

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.

22. Hire purchase creditors

The Group has finance leases for certain items of plant and equipment. These leases do not contain any renewal option or escalation clauses and do not provide for contingent rents. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	2013		2012	
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year	—	—	344	310
After one year but not more than five years	—	—	516	475
Total minimum payments	—	—	860	785
Less: Amounts representing interest	—	—	(75)	—
Present value of minimum payments	—	—	785	785

The finance lease obligations which were denominated in SGD are secured over the leased assets (Note 11 (b)). The average discount rate implicit in the lease is NIL% (2012: 2.76%).

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

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23. Loans and borrowings

	Note	2013 US\$'000	2012 US\$'000
Current:			
Short-term loan, secured	(a)	—	550
Short-term loan, secured	(b)	—	4,910
Short-term loan, secured	(c)	—	978
Short-term loan, secured	(d)	—	1,023
Short-term loan, secured	(e)	10,000	10,004
Short-term loan, secured	(f)	35,000	33,387
Short-term loan, unsecured	(g)	4,000	1,381
		<u>49,000</u>	<u>52,233</u>

- (a) The loan was secured by corporate guarantee given by the Company and proceeds from certain construction projects of a subsidiary. The loan interest rates were ranging from 4.01% to 5.03% per annum as at 31 December 2012.

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

- (b) The loan was secured by corporate guarantee given by the Company and proceeds from certain construction projects of a subsidiary. The loan interest rates were ranging from 2.50% to 3.05% per annum as at 31 December 2012.

On 24 January 2013, the bank revised the existing limit of revolving credit facility ("RCF") from S\$6,000,000 to S\$3,000,000 and extended the availability of the RCF from 31 March 2013 to 30 April 2013. In January 2013, S\$3,000,000 has been repaid. As disclosed in Note 3(b), the remaining outstanding balance has been derecognised as a result of the deconsolidation due to loss of control of PLC on 7 March 2013.

- (c) The loan was secured by corporate guarantee given by the Company and proceeds from certain construction projects of a subsidiary. The loan interest rate was at 7.75% per annum. In February 2013, the loan has been fully repaid.

- (d) The loan was secured by corporate guarantee given by the Company, proceeds from certain construction project and pledged fixed deposit of a subsidiary. The loan interest rate was ranging from 3.63% to 3.64% per annum. As disclosed in Note 3(b), the loan has been derecognised as a result of the deconsolidation due to loss of control of PLC on 7 March 2013.

- (e) The loan is secured by a corporate guarantee given by a subsidiary and a share pledge over its entire issued and paid up capital of a subsidiary, and the woodchip mill asset. The loan bears effective interest ranging from 6.91% to 7.32% per annum (2012: 6.5% to 6.88% 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 23(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.

23. Loans and borrowings (cont'd)

- (f)(i) 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% (2012: 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 33.

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 31 December 2013. As at 31 December 2013, the default interest amounted to US\$35,400,000, with the relevant charges estimated to be approximately US\$3,900,000.

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 35.

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.

- (f)(ii) The loan described above in Note 23(f)(i) contains a convertible option feature which is required to be separated into two components, being loan and embedded derivative. The embedded derivative is to be measured at fair value as follows:-

	US\$'000
Convertible loan (included interest payable of US\$3,874,000) on 20 March 2012	38,874
Embedded equity conversion option	(13,796)
Liability component at initial recognition	25,078
Amortisation of interest expense	11,948
Exchange differences	235
Liability component at 31 December 2012	37,261
Less: Interest payable	(3,874)
Liability component less interest payable at 31 December 2012	33,387
Amortisation of interest expense	1,596
Exchange differences	17
Liability component at end of 31 December 2013	35,000

23. Loans and borrowings (cont'd)

(f)(ii) (cont'd)

As at 31 December 2013, the convertible option feature contains in the loan has lapsed following the amendment and restatement of terms in the loan agreements.

- (g) On 6 November 2012, the Company and a financial institution entered into a US\$4,000,000 loan agreement to finance the working capital and expenses relating to the Proposed Acquisition. The loan is unsecured and bears interest at 12.5% per annum, matured on 31 March 2013 and is repayable by proceeds to be received from the proposed compliance placement following the completion of the Proposed DSS Acquisition (Note 33(b)).

At 31 December 2013, the Company has fully drawn down US\$4,000,000 loan (2012: US\$1,381,000). The financial institution has agreed to extend the maturity of the loan to 28 February 2014. At the date of this report, the Group and the financial institution are in discussion to extend the maturity of the loan.

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% of the 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 31 December 2013, the Company has undrawn amount from the equity line of US\$41,502,000 (equivalent to S\$52,500,000) (2012: US\$43,000,000) (equivalent to S\$52,500,000).

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.

23. Loans and borrowings (cont'd)

The Company has breached a covenant for the equity credit line as disclosed under Note 23(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 31 December 2013, the financial institution has not requested for immediate termination of the loan and the enforcement of the securities.

- (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 balance sheet date, despite the breach, the Equity Line of Credit is still available to the Company until 20 July 2014.

24. Derivative

	2013	2012
	Liabilities US\$'000	Liabilities US\$'000
Conversion option	—	1,151

Conversion option referred to an option that was granted that would have allowed for the conversion of a loan granted by the financial institution, allowing the financial institution to redeem the outstanding obligations under the loan into equity shares in the Company. The conversion option is classified as financial liabilities at fair value through profit or loss. The conversion option was measured separately at fair value on initial recognition and subsequently at each balance sheet date. The conversion option was valued using a valuation technique with market observable inputs when available. The most common applied valuation technique is a lattice method. The model incorporates various inputs including the share price of the Company, credit risk, volatility and foreign exchange rate.

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25. Share capital

	2013		2012	
	No. of shares '000	US\$'000	No. of shares '000	US\$'000
Issued and fully paid ordinary shares ⁽¹⁾				
At 1 January	3,789,687	256,613	3,452,478	243,511
Issued during the year	74,564 ⁽³⁾	1,367	337,209 ⁽²⁾	13,257
Share issuance expense	—	(24)	—	(155)
At 31 December	<u>3,864,251</u>	<u>257,956</u>	<u>3,789,687</u>	<u>256,613</u>

(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) Equity shares were issued as settlement of the US\$10,000,000 5% Convertible Bonds and US\$400,000 loan at S\$0.05 per share during the year.

(3) 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.

26. Operating lease commitments - as lessee

The Group leases 1 (2012: 10) 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 year amounted to US\$29,000 (2012: US\$25,000). Operating lease payments capitalised in the construction contract work-in-progress is disclosed in Note 15.

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

	2013 US\$'000	2012 US\$'000
Within one year	32	1,149
After one year but not more than five years	—	398
	<u>32</u>	<u>1,547</u>

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27. Interests in joint venture

As at 31 December 2012, a subsidiary which was under judicial management has a 40% interest in Shimizu-Poh Lian Joint Venture, a jointly controlled entity, which involved in the construction of a condominium development. The joint venture has no paid-up capital and the subsidiary has not made any contribution to the joint venture. The joint venture has been deconsolidated from the Group due to loss of control of the subsidiary as disclosed under Note 3(b).

28. Related party disclosures

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

	Interest expense US\$'000	Service fees US\$'000	Total US\$'000
2013			
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	366	148	514
2012			
Interest expenses payable to the Convertible Bondholders in which Mr. Chan Kin, a director of the Company has an interest in the following entities:			
- ASM Hudson River Fund	131	—	131
- ASM Asia Recovery (Master) Fund	452	—	452
- ASM Co-Investment Term Trust I	146	—	146
Interest expenses payable to the loan in which Mr. Chan Kin, a director of the Company has an interest in the following entities:			
- ASM Co-Investment Opportunity Trust I LP	3	—	3
- ASM Asia Recovery (Master) Fund	26	80	106
	758	80	838

As at 31 December 2013, the outstanding amounts on interest and loan payable in which the director has an interest amounted to US\$392,000 (2012: US\$26,000) and US\$4,000,000 (2012: US\$1,381,000) respectively.

As at 31 December 2013 and 2012, there are no outstanding amounts on interest and loan payable to the convertible bondholders in which the director has an interest.

28. Related party disclosures (cont'd)

(b) Compensation of key management personnel

	2013 US\$'000	2012 US\$'000
Short-term employee benefits paid and payable to:		
- directors of the Company	270	485
- other key management personnel	148	960
Total compensation paid and payable to key management personnel	418	1,445

Included in the compensation paid or payable to key management personnel are contributions to defined contribution plan amounted to US\$13,772 (2012: US\$26,723).

29. 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.

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

(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:

2013 US\$'000			
Fair value measurements at the end of the reporting period using			
Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements:			
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 years ended 31 December 2013 and 31 December 2012.

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.

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

(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 18), Fixed deposits, cash and bank balances (Note 19), trade and other payables (Note 20) and loans and borrowings (Note 23)

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.

	2013		2012	
	Carrying amount US\$'000	Fair value US\$'000	Carrying amount US\$'000	Fair Value US\$'000
Financial assets:				
Trade and other receivables	—	—	13,335	10,532
Compensation income receivable	13,817	14,002	17,735	17,735*
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial liabilities:				
Trade payables	—	—	7,632	6,468
Hire purchase creditors	—	—	785	714
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

30. 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.

Sensitivity analysis for interest rate risk

At the end of the reporting period interest rates had been 75 (2012: 75) basis points lower/higher with all other variables held constant, the Group's loss net of tax would have been approximately US\$75,000 (2012: US\$131,000) 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.

30. Financial risk management objectives and policies (cont'd)**(b) Liquidity risk (cont'd)**

The Group manages 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 are in net liabilities of approximately US\$71,349,000 and US\$51,447,000 respectively. 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 verbally agreed to extend the repayment date of the loans and borrowings, including all the related interest charges. The repayment date is plan 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 36 for more details.

Notwithstanding, as at 31 December 2013 the Group still has a balance of the equity line credit of US\$41,502,000 from a financial institution that has not been drawn down. The equity line credit is available to the Group up till 20 July 2014. The Group continues to focus its effort to completing the Proposed DSS Acquisition.

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
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	18,497
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)

30. Financial risk management objectives and policies (cont'd)**(b) Liquidity risk (cont'd)**Analysis of financial instruments by remaining contractual maturities (cont'd)

2012	1 year or less US\$'000	1 to 5 years US\$'000	Total US\$'000
Financial assets:			
Trade and other receivables	51,021	13,335	64,356
Compensation income receivables	—	20,956	20,956
Fixed deposits	7,207	—	7,207
Cash and bank balances	7,927	—	7,927
Total undiscounted financial assets	66,155	34,291	100,446
Financial liabilities:			
Trade and other payables	78,941	7,632	86,573
Hire purchase creditors	344	516	860
Loans and borrowings	61,660	—	61,660
Total undiscounted financial liabilities	140,945	8,148	149,093
Total net undiscounted financial (liabilities)/assets	(74,790)	26,143	(48,647)

(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.

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

(c) Credit risk (cont'd)

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:

	2013		2012	
	US\$'000	% of total	US\$'000	% of total
By country				
Singapore	225	2%	57,060	70%
Indonesia	14,639	98%	21,466	26%
Others	—	—	2,965	4%
Total	14,864		81,491	
By industry sector				
Construction and property	—	—	59,428	73%
Forest and pulp	14,639	98%	21,466	26%
Others	225	2%	597	1%
Total	14,864		81,491	

As at 31 December 2012, 89% of the Group's trade and other receivables were from external parties who are property developers.

As at 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 18.

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

(d) Foreign currency risk

The Group has transactional currency exposures primarily in USD and IDR arising mainly from sales and purchases. The Group holds 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 26% (2012: 14%) 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 net of tax	
		2013	2012
		US\$'000	US\$'000
USD	- strengthened 3% (2012: 3%)	(1,891)	(1,924)
	- weakened 3% (2012: 3%)	1,891	1,924
IDR	- strengthened 3% (2012: 3%)	(12)	(16)
	- weakened 3% (2012: 3%)	12	16

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.

(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 2012: 5%) higher/lower with all other variables held constant, the Group's loss net of tax would have been US\$1,731,000 (2012: US\$3,768,000) lower/higher, arising as a result of higher/lower fair value gains on the forestry concession.

31. 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 years ended 31 December 2013 and 2012 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 year ended 31 December 2013 as disclosed in Note 23.

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.

	2013 US\$'000	2012 US\$'000
Loans and borrowings	49,000	52,233
Derivative	—	1,151
Trade and other payables	72,491	95,029
Hire purchases creditors	—	785
Less: Cash and bank balances	(1,432)	(7,927)
Less: Other non-trade payable	(7,079)	(7,104)
Less: Fixed deposits	—	(7,207)
Net debts	112,980	126,960
Equity attributable to equity holders of the Company	(71,344)	(60,768)
Capital and net debts	41,636	66,192
Gearing ratio	271%	192%

As at 31 December 2013 and 31 December 2012, the Group recorded a gearing ratio of 271% and 192% 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 actively 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\$71,349,000 as at 31 December 2013, the Group will continue to seek out various opportunities to ensure the Group's ability to continue as a going concern.

31. Capital management (cont'd)

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 36 under the corporate guarantee claims of US\$35,818,000 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.

32. 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.

United Fiber System Limited and Subsidiaries

Notes to the Interim Consolidated Financial Statements - for the year ended 31 December 2013

32. Segment information (cont'd)

	Construction and property		Forestry and pulp		Others		Elimination		Note	Consolidated	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000		2013 US\$'000	2012 US\$'000
Revenue:											
Revenue from external customers	-	234,606	4,945	251	-	-	-	-		4,945	234,857
Inter segment revenue	-	-	-	-	128	771	(128)	(771)	A	-	-
Total revenue	-	234,606	4,945	251	128	771	(128)	(771)		4,945	234,857
Results:											
Segment results	-	(23,536)	(18,361)	(62,532)	(4,966)	(62,522)	-	-	B	(23,327)	(148,590)
Gain on deconsolidation of subsidiaries	-	-	-	-	-	-	-	-		16,720	-
Finance costs	-	-	-	-	-	-	-	-		(7,831)	(18,060)
Loss before tax										(14,438)	(166,650)
Taxation										3,715	13,075
Loss for the year										(10,723)	(153,575)

United Fiber System Limited and Subsidiaries

Notes to the Interim Consolidated Financial Statements - for the year ended 31 December 2013

32. Segment information (cont'd)

	Construction and property		Forestry and pulp		Others		Elimination		Note	Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012		2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		US\$'000	US\$'000
Assets and Liabilities:											
Segment assets	-	92,047	52,910	76,836	2,076	3,345	(2,512)	(15,305)	C	52,474	156,923
Total assets	-	92,047	52,910	76,836	2,076	3,345	(2,512)	(15,305)		52,474	156,923
Segment liabilities	-	99,856	174,511	180,481	62,998	115,545	(185,940)	(245,494)	C	51,569	150,388
Unallocated liabilities									D	72,254	67,308
Total liabilities										123,823	217,696
Compensation income	-	-	(2,374)	-	-	-				(2,374)	-
Depreciation of property, plant and equipment (Note 11(c))	-	126	1,868	1,124	1	-				1,869	1,250
Fair value loss on forestry assets	-	-	16,107	32,161	-	-				16,107	32,161
Impairment loss on trade and other receivables	-	1,558	3,633	401	-	39				3,633	1,998
Impairment loss of goodwill	-	23,651	-	-	-	-				-	23,651
Write down of compensation income receivable	-	-	-	22,912	-	-				-	22,912
Write down of inventory	-	-	-	247	-	-				-	247

United Fiber System Limited and Subsidiaries

Notes to the Interim Consolidated Financial Statements - for the year ended 31 December 2013

32. 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:

	Construction and property US\$'000	Forestry and pulp US\$'000	Others US\$'000	Total US\$'000
2013				
Other income	—	3,412	1,185	4,597
Selling and distribution expenses	—	(791)	(49)	(840)
Administrative expenses	—	(1,747)	(1,321)	(3,068)
Other operating expenses	—	(4,066)	(4,781)	(8,847)
Fair value loss on forestry assets	—	(16,107)	—	(16,107)
2012				
Other income	729	120	13,260	14,109
Selling and distribution expenses	(342)	(128)	(68)	(538)
Administrative expenses	(4,309)	(2,028)	(1,099)	(7,436)
Other operating expenses	(2,433)	(28,409)	(75,386)	(106,228)
Fair value loss on forestry assets	—	(32,161)	—	(32,161)

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\$13,843,000, US\$7,079,000 and US\$2,332,000 (2012: US\$52,233,000, US\$8,341,000, US\$7,104,000 and US\$5,941,000) 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).

United Fiber System Limited and Subsidiaries

Notes to the Interim Consolidated Financial Statements - for the year ended 31 December 2013

32. Segment information (cont'd)

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
2013				
Total revenue from external customers	—	4,945	—	4,945
Non-current assets	6	45,582	—	45,588
2012				
Total revenue from external customers	227,898	251	6,708	234,857
Non-current assets	14,889	66,455	4,862	86,206

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

Information about a major customer

Revenue from one major customer accounting for more than 70% of the total turnover is from the forestry and pulp segment.

33. 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.

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

- (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".

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");
- (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 31 December 2013, the Group incurred approximately US\$2.4 million transaction costs in connection with this transaction which has been recognised in the profit and loss for the year.

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").

34. 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 JMP was further extended to 1 August 2014.

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.

35. 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.
- (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.

36. 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.

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37. Prior year adjustments

During the year ended 31 December 2013, the Group restated its financial statements for the year ended 31 December 2012.

The restatement is related to the reclassification of the provision for tax to trade and other payables. This is in line with the Group's accounting policy for the provision for tax.

The balance sheet of the Group as of 1 January 2012 has not been presented as the restatement described above has no impact to the opening balance of each component of equity for the earliest prior period presented.

Consequently, the effect of the restatement for the year ended 31 December 2012 in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors is as follows:

	As previously reported US\$'000	Adjustments US\$'000	Restated US\$'000
<u>31 December 2012</u>			
Provision for taxation	7,104	(7,104)	—
Trade and other payables	80,293	7,104	87,397

38. Authorisation of financial statements

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors dated on 1 October 2014.