

Corporate Governance

INTRODUCTION

The Board of Directors (“Board”) and the management of Abterra Ltd. (the “Company”), and together with its subsidiaries (the “Group”) are committed to maintaining a high standard of corporate governance. Underlying this commitment is the belief that good corporate governance will help to enhance corporate performance and accountability. We strongly believe that the integrity and professionalism of our Board members and employees, governed by a system of policies, will enable the Company to achieve greater heights and greater returns for our shareholders.

This report will help shareholders better understand the Company’s practices which were in place throughout the financial year and guided by the Code of Corporate Governance 2005.

BOARD OF DIRECTORS

Principle 1 – The Board’s Conduct of Affairs

Role of the Board

The Board’s primary role is to protect and enhance long-term shareholders’ value. The Board is responsible for the overall corporate governance of the Group. Besides carrying out its statutory responsibilities, the Board’s roles include setting its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board also:

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

The Company has put in place financial authorisation and approval limits for operating and capital expenditures, procurement of goods and services, and cheque signatory arrangements. Matters on which the Board’s approval is required include material acquisitions and disposals of assets, corporate or financial restructuring, share issuances and dividend payments to shareholders, and other transactions of a material nature requiring announcement under the Listing Rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

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Board Processes

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

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

Director	Board*		Audit Committee*		Remuneration Committee*		Nominating Committee*	
	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended
Cai Sui Xin	5	2	N/A	N/A	N/A	N/A	N/A	N/A
Lin Xizhong	5	5	N/A	N/A	N/A	N/A	N/A	N/A
Cai Suirong ¹	5	1	N/A	N/A	N/A	N/A	N/A	N/A
Lau Yu	5	4	N/A	N/A	N/A	N/A	N/A	N/A
Maheskumar s/o Shantilal Purshotam Mehta	5	5	N/A	N/A	N/A	N/A	N/A	N/A
Chew Ban Chuan Victor Mark	5	5	4	4	3	3	2	2
Wong Shiu Wah Williamson ¹	5	5	4	4	1	1	1	1
Chan Chun Tat Ray ²	2	2	2	2	0	0	0	0
Lim Hui Min John ³	1	0	1	1	3	3	1	1

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

Notes:

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

The Board is regularly briefed on the Group's activities to keep them updated on the latest developments. The Board is free to request sponsorship from the Company, subject to the approval from the Chairman, to attend courses to update their knowledge and better equip themselves to discharge their duties as Directors. Newly appointed Directors will also be issued with a formal letter by the Company Secretary explaining their duties and obligations as a Director upon their appointment.

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

Executive Directors

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

Independent Non-Executive Directors

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

Principle 2 – Board Composition and Guidance

The Board comprises eight Directors, of whom three are non-executive and are considered independent of management by the Nominating Committee. The Nominating Committee considers an independent Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

The Nominating Committee, having reviewed the composition of the Board is satisfied that the present size of the Board is effective for decision making. The Nominating Committee is also satisfied that the Board comprised Directors with a variety of core competencies necessary, expertise and networkings to discharge their duties and responsibilities, and to provide strategic networking to enhance the business of the Group.

The names and the key information of the Directors of the Company in office are set out in the Board of Directors section of this Annual Report.

Principle 3 – Chairman and Chief Executive Officer

There is a clear separation of the roles and responsibilities of the Chairman and the Chief Executive Officer ("CEO"). Different individuals assume the roles of the Chairman and the CEO. The Chairman of the Board is Mr Cai Sui Xin. As the Executive Chairman, Mr Cai's role, amongst other matters, is to manage the business of the Board, to exercise control over the quantity, quality and timeliness of the flow of information between the management of the Company and the Board and to preserve harmonious relations with shareholders.

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

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Principle 4 – Board Membership

Nominating Committee (“NC”)

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

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

The NC is responsible for:

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

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

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

Principle 5 – Board Performance

The effectiveness of the Board is monitored by the NC. The NC assesses the Board performance in terms of overall performance, achieving an adequate return for shareholders, oversight of management and the Group’s performance during the period. In evaluating the contributions and performance of each Director, factors taken into consideration include, inter alia, attendance record of the Directors at Board meetings and activities, contributions based on the member’s respective core competencies, and maintenance of independence.

The Board has implemented a formal process for assessing the effectiveness of the Board as a whole and contribution by each Director to the effectiveness of the Board.

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

The NC is satisfied that Mr Chew Ban Chuan Victor Mark, Mr Wong Shiu Wah Williamson and Mr Chan Chun Tat Ray are independent and the Directors having external directorships have devoted sufficient time and attention to the affairs of the Group.

Principle 6 – Access to Information

Board members have separate and independent access to the Company's senior management and the Company Secretary. The Company Secretary attends all meetings of the Board and Board Committees and ensures that board procedures are followed and that the corporate secretarial aspects of applicable rules and regulations are complied with.

Should Directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company will appoint a professional advisor selected by the Group or individual, and approved by the Chairman, at the Company's expense, to render the advice.

REMUNERATION MATTERS

Principle 7 – Procedures for Developing Remuneration Policies

Remuneration Committee ("RC")

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

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

The RC is responsible for:

- reviewing and approving the structure of the compensation plans and recruitment strategies of the Group so as to align compensation with shareholders' interests;
- reviewing the executive Directors' and senior management's compensation and determine appropriate adjustments; and
- reviewing and advise the Board on the implementation of any appropriate long-term incentive schemes for the Directors and employees of the Company.

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

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

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

Employee Share Option Scheme Committee ("ESOS Committee")

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

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

Principle 8 – Level and Mix of Remuneration

The Company adopts an overall remuneration policy for employees comprising a fixed component in the form of a base salary, and a variable component in the form of a bonus that is linked to the performance of the Company, the individual, the industry and the economy. Another element of the variable component is the grant of share options under the Scheme. This seeks to align the interests of employees with that of the shareholders.

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

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

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Principle 9 – Disclosure of Remuneration

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

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

* Salary is inclusive of CPF

Notes

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

The Company has two key executives (who are not Directors). None of them received remuneration in excess of \$250,000 during the financial year under review. Save for the Directors disclosed in the table above, there are no employees who are immediate family members of the Directors or the CEO whose remuneration exceeded \$150,000 during the period under review.

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

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ACCOUNTABILITY AND AUDIT

Principle 10 – Accountability

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

The shareholders are provided with detailed analysis, explanation and assessment of the Group's financial position and prospects via the issuance of annual reports and quarterly announcements of results. Results for the first three quarters are released to shareholders within 45 days from the end of each quarter. The full year results are released within 60 days from the financial year end. Financial and other price sensitive information are disseminated to shareholders through announcements and press releases via SGXNet.

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

Principle 11 – Audit Committee

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

Mr Wong Shiu Wah Williamson – Chairman

Mr Chew Ban Chuan Victor Mark

Mr Chan Chun Tat Ray

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

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

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

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

Principle 12 – Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

During the year, the Board reviews with the assistance of the external auditors and internal auditors, the effectiveness of the Company's material internal controls, including operational controls. The Board and management have reviewed and implemented stringent internal controls to safeguard shareholders' interest and the Company's assets.

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

Principle 13 – Internal Audit

The Board is responsible for maintaining a system of internal control processes to safeguard shareholders' interest and the Group's business and assets.

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

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COMMUNICATIONS WITH SHAREHOLDERS

Principle 14 – Regular, Effective and Fair Communication with Shareholders

The Company takes a serious view of maintaining full and adequate disclosure in a timely manner of material events and matters concerning its business. Price sensitive information, results of the Company and other necessary disclosures are disseminated via announcements to SGX-ST and through press releases which are also released via SGXNet. The Company sends its annual report and notice of AGM to all shareholders.

The Company's website, www.abterra.com.sg, also provides up-to-date information on the Group and its businesses.

Principle 15 – Shareholders Participation at Annual General Meetings

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

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

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

DEALING IN SECURITIES

(Listing Manual Rule 1207(18))

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

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

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

Singapore, 11 August 2011