



ABTERRA LTD.

(Company Registration No. 199903007C)

AUDITORS' NOTICE TO RESIGN AND APPLICATION FOR WAIVER TO COMPLY WITH RULE 707(1) OF THE LISTING MANUAL AND EXTENSION OF TIME TO HOLD ANNUAL GENERAL MEETING

1. Auditors' Notice To Resign

The Board of Directors (the "**Board**") of Abterra Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to inform shareholders that the Company had on 3 April 2018 received notice from auditors of the Company, Mazars LLP (the "**Auditors**"), informing that the Auditors had applied to the Accounting and Corporate Regulatory Authority ("**ACRA**") to seek its consent to resign as the statutory auditors of the Company.

In the notice, the Auditors stated that the reason for resignation is owing to non-resolution of outstanding audit matters. Based on the Company's communications with the Auditors, the outstanding audit matters pertain to 天津博朗信国际贸易有限公司 (Tianjin Bolangxin International Trading Ltd) ("**BLX**"), an indirect 51% owned subsidiary of the Company which had been acquired on 18 August 2017. BLX is a limited liability company incorporated in the People's Republic of China which is primarily engaged in the business of coal imports for sale within the PRC. Please refer to the Company's announcements dated 21 June 2017 and 18 August 2017 in relation to the Company's acquisition of BLX. From the date of the acquisition, being 18 August 2017, BLX's financial results would be consolidated with the Group's results for the financial year ended 31 December 2017.

Prior to receipt of the abovementioned notice from the Auditors on 3 April 2018, the Company had been working with the Auditors to resolve the audit questions and to provide the necessary documentation. These outstanding audit matters as raised by the Auditors, which the Company had expressed certain views on, relate mainly to BLX and documentation on:

- (a) certain trade transactions amounting to approximately RMB 211.0 million, which is approximately 39.8% of the Group's revenue for the financial year ended 31 December 2017 ("**FY2017**");
- (b) certain prepayments made amounting to approximately RMB 53.7 million, which is approximately 15.0% of the Group's net assets or approximately 8.0% of the Group's total assets as at 31 December 2017;
- (c) certain receivables amounting to approximately RMB 9.5 million, which is approximately 2.7% of the Group's net assets or approximately 1.4% of the Group's total assets as at 31 December 2017;
- (d) other payables amounting to approximately RMB 35.4 million, which is approximately 11.0% of the Group's total liabilities as at 31 December 2017; and

- (e) certain inventories amounting to approximately RMB 104 million, which is approximately 29.0% of the Group's net assets or approximately 15.0% of the Group's total assets as at 31 December 2017.

The figures disclosed above are subject to verification and audit by the incoming auditors of the Company, and the Company intends to resolve all issues raised as soon as practicable.

In relation to BLX, the Auditors had also raised certain questions relating to potential related party transactions ("**RPTs**"), and potential interested person transactions under Chapter 9 of the SGX-ST Listing Manual ("**IPTs**"). Prior to receipt of the abovementioned notice from the Auditors, the audit committee of the Company (the "**Audit Committee**") had requested for the Company's management to provide the necessary information and documents to the Auditors for resolution of the RPTs and the IPTs. As at the date of this announcement, the Company has engaged legal advisers to review and advise on the transactions relating to the potential IPTs. The Company will update all shareholders upon completion of the review.

The outstanding audit matters and questions raised by the Auditors pertain to BLX and were due, in part, to transactions entered into and matters occurring before 18 August 2017 (being the date of the Company's acquisition of BLX) which were not within the Company's control. The Company's management will review the operational and internal processes of BLX, to streamline such processes to be in line with that of the Group and to implement stronger control procedures.

As required under Rule 712(3) of the Listing Manual, a change of auditors must be specifically approved by shareholders in a general meeting. The Company is in the process of finalising the engagement of an auditing firm to replace the Auditors in the event that their resignation is approved, and will seek approval from shareholders of the Company to appoint the new auditors. A circular to shareholders of the Company setting out the reasons and rationale for the appointment of the new auditors, together with a notice of extraordinary general meeting will be despatched in due course if required.

2. Annual General Meeting - Waiver and Extension

The Company intends to apply to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for a waiver to comply with Rule 707(1) of the Listing Manual (the "**Waiver**") and for an extension of time of four months up to 31 August 2018 to hold its annual general meeting ("**AGM**") for FY2017. The main reasons for the foregoing application are as follows:

- a) The Company had originally scheduled to hold the AGM on 27 April 2017 (the "**Original AGM Date**"). Based on this Original AGM Date, the Company would have had to the issue notice convening the AGM (the "**Notice**") and despatch its annual report on 12 April 2017 ("**Despatch Date**"). The Auditors would have to issue their report on the financial statements of the Group and of the Company for FY2017 ("**FY2017 Financial Statements**") before the Despatch Date.
- b) As stated above, on 3 April 2018, the Company received a notice from the Auditors informing that the Auditors had applied to ACRA to seek its consent to resign as the statutory auditors of the Company.
- c) As the Independent Auditors' Report on the FY2017 Financial Statements have yet to be issued, the FY2017 Financial Statements will not be available before the Despatch Date and consequently, the Company will be unable to sign-off the printer's proof in

time for the issue of the Notice. The Company will not be able to hold the AGM on the Original AGM Date.

Contingent upon obtaining the Waiver, the Company will apply to ACRA for an extension of time to hold its AGM. The Company will provide updates on the outcome of the application to the SGX-ST in due course.

3. Company as a Going Concern

The Board is of the opinion that sufficient information has been disclosed for trading of the Company's shares to continue on an informed basis. The Board is also of the opinion that the Group and the Company is able to continue as a going concern for the following reasons:

- a) the Group's trading business and revenue is ongoing;
- b) the Company has a lean staff structure and is able to control operating expenditure;
- c) the availability of credit facilities from the Group's and the Company's lenders over the next twelve months will allow the Company to expand its trading capacity and increase revenue and cashflow. Currently, the Company has no bank borrowings. The Company may also consider other forms of fund raising such as the issuance of debt securities;
- d) the Company's management has critically assessed the cash flow forecasts of the Group for the next 8 months and is of the view that the Group has the ability to generate sufficient cash flows or have sufficient cash resources to satisfy its working capital requirements and to meet its obligations as and when they fall due; and
- e) the Group's total assets value is significantly higher than the Group's total liabilities.

The Board will update the Shareholders on any material developments in due course and the Company will make further announcements as and when there are any subsequent developments.

In the meantime, the Board wishes to advise shareholders and investors to exercise caution when dealing in the Shares and to refrain from taking any action in relation to their Shares which may be prejudicial to their interests. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants, tax advisers or other professional advisers immediately.

By order of the Board

Cai Suirong
Director and Chief Executive Officer
17 April 2018