ABTERRA LTD.
(Company Registration No. 199903007C)

RESPONSE TO SGX QUERIES ON THE UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31DECEMBER 2018

The Board of Directors (the "**Board**") of Abterra Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to make the following clarifications in response to the queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 1 July2019 and 2 July 2019 in relation to the unaudited financial statements for the financial year ended 31 December 2018 issued on 30 June 2019 (the "**Financial Statements**"). The queries from the SGX-ST and the Company's responses are as follows:

Query 1:

Please explain the material variances in: (i) property, plant and equipment; and (ii) investment properties, on page 3 of the Financial Statements.

Company's Response:

The Company owns property units at 7 Temasek Boulevard Suntec City Tower 1.

Prior to April 2018, the Company occupied unit #11-01 of Suntec City Tower 1 ("**Unit A**"). In April 2018, the Company relocated to unit #11-06 of Suntec City Tower 1 ("**Unit B**") which is a smaller unit. At the same time, Unit A was leased. In view of the foregoing, Unit A has been reclassified as investment properties while Unit B has been reclassified as property, plant and equipment.

The book value of Unit A is approximately S$6.0 million, and the book value of Unit B is approximately S$3.6 million. The reclassification decreased property, plant and equipment of the Group to S$3.6 million and increased investment properties to S$7.1 million.

Query 2:

Please provide a breakdown of "other receivables, deposits and prepayments" on page 3 of the Financial Statements.

Company's Response:

Please refer to the following table for the breakdown:

	2018		2017
	Unaudited		Unaudited
	S$'000		S$'000
Deposits - Refundable from Manfu	73,316		75,905
GST receivable	15		16
Other receivable in BLX	2,290		4,015
Deposits - Mining operations	324		352
Deposits - Others	52		1
Prepayments - Others	9		19
Amount due from related parties	4,531		6,930
Dividends receivables from an associate	4,494		4,494
Less: Impairment allowance	(38,180)		(39,370)
Total other receivables, deposits and prepayments	46,851		52,362

Query 3:

With regard to Section 2 of the Financial Statements, please show the restated items and amounts, and provide explanations for the restatements.

Company's Response:

Please refer to the following tables:

	2017 (Unaudited/ restated)	2017 (Unaudited) as announced on 28 February 2018	Difference	
	S$'000	**S$'000**	**S$'000**	**Please refer to Note**
-	-			
Revenue	**122,561**	**106,319**	16,242	1
Cost of sales	(118,835)	(103,345)	(15,490)	1
Gross profit	**3,726**	**2,974**	752	
Other operating income	164	164	-	
Selling expenses	(541)	(562)	21	2
Administrative expenses	(1,846)	(1,901)	55	2
Other operating expenses	(4,317)	(5,717)	1,400	2
Finance costs	(100)	(100)	-	
Loss before tax	**(2,914)**	**(5,142)**	2,228	
Income tax	(209)	(209)	-	
Loss after tax	**(3,123)**	**(5,351)**	2,228	
			-	
Other comprehensive income/(loss):			-	
Components of other comprehensive income that will			-	
be reclassified to profit or loss, net of taxation			-	

Exchange differences on translating foreign operations	1,651	1,465	186
			-
Total comprehensive loss for the year	**(1,472)**	**(3,886)**	2,414
			-
Loss for the year attributable to:			-
Owners of the Company	(4,999)	(6,135)	1,136
Non-controlling interests	1,876	784	1,092
	(3,123)	**(5,351)**	2,228
Total comprehensive loss for the year			-
attributable to:			-
Owners of the Company	(3,429)	**(4,753)**	1,324
Non-controlling interests	1,957	867	1,090
	(1,472)	**(3,886)**	2,414

		31 Dec 2017		31 Dec 2017			
		(Unaudited/ restated)		(Unaudited)		Difference	Please refer to Note
		S$'000		S$'000		S$'000	
ASSETS							
Non-current assets							
Property, plant and equipment		6,183		6,183		0	
Investments in subsidiaries		-		-		-	
Investments in associates						-	
Available-for-sale financial asset						-	
Intangibles assets		5,719		6,373		(654)	3
Investment properties		4,828		4,828		-	
Total non-current assets		16,730		17,384		(654)	
Current assets							
Inventories		-		21,350		(21,350)	1
Investment properties held for sale		-		-		-	
Trade receivables		62,695		11,332		51,363	1
Other receivables, deposits and prepayments		52,362		86,048		(33,686)	1
Income tax recovable		-				-	
Cash and cash equivalents		461		933		(472)	
Total current assets		115,518		119,663		(4,145)	
						-	
TOTAL ASSETS		132,248		137,047		(4,799)	
EQUITY							
Capital and reserves and non-controlling interests							
Share capital		265,856		265,856		-	
Reserves		(197,686)		(199,010)		1,324	
Non-controlling interests		8,516		6,796		1,720	
Total equity		76,686		73,642		3,044	
LIABILITIES							
Current liabilities							
Trade payables		27,372		30,929		(3,557)	1
Other payables and accruals		21,557		32,165		(10,608)	1
Income tax liabilities		6,618		296		6,322	1
Borrowings		-		-		-	
Total current liabilities		55,547		63,390		(7,843)	
						-	
Non-current liabilities						-	
Employee benefit obligation		15		15		-	
Total non-current liabilities		15		15		-	

Note:

1) The material changes in the revenue, cost of sales, inventories, trade receivables, other receivables, deposits and prepayments, trade payables and other payables and accruals were mainly due to changes in the revenue recognition in a subsidiary of the Group, Tianjin Belong Faith Energy Minerals Co., Ltd ("**BLX**").

   Previously, BLX recognised revenue based on tax invoices which BLX had issued and received. During their field work for the audit of the financial year ended 31 December 2017, the Company's new auditors Foo Kon Tan LLP (the "**New Auditors**") reviewed the sale processes and revenue recognition method adopted by BLX. Based on their review, the New Auditors were of the view that BLX should change its revenue recognition methods as BLX conducts back-to-back sales without holding inventories. The New Auditors note that Financial Reporting Standard ("**FRS**")18 on "Revenue" provides, *inter alia*, that for the sale of goods, one of the criteria to recognise revenue is when the entity has transferred to the buyer the significant risks and rewards associated with ownership of the goods (FRS 18, paragraph 14a). Prior accounting practice of BLX was that the revenue and cost of sales were recognized based on the date of sales tax invoices or supplier tax invoices respectively and this may lead to a difference in cut-off of revenue and purchases for the pre-acquisition, after acquisition and year-end as compared to the method of recognition under the FRS, resulting in misstatements of the financial statements for the year ended 31 December 2017 ("**FY2017**") as announced on 28 February 2018.

   Due to the abovementioned changes to the method of revenue and cost of sale recognition, the Group had adjusted based on the recommendations provided by the New Auditor on 28 June 2019.

   The change of income tax liabilities of S$6.3 million was an adjustment for Value-Added-Tax payables in the People's Republic of China due to the reasons mentioned in note 1. Such payables, which were previously classified as "income tax liabilities", should be re-classified as "other payable and accrual".

2) The changes in the selling expenses, administrative expenses and other operating expenses were mainly due to the change of the consolidation period of BLX. The acquisition of BLX had been completed on 18 August 2017. Accordingly, the Group should have consolidated the financial period for BLX from 18 August 2017 to 31 December 2017. However, the consolidation period for BLX used in the Group's financial results for FY2017 announced on 28 February 2018 was 1 September 2017 to 31 December 2017. In the restated value, the consolidation period for BLX is from 18 August 2017 to 31 December 2017.

3) The change in the intangible assets was mainly due to the change of the goodwill arising from the acquisition of BLX. Due to the circumstances set out in Note 1 and Note 2 above, the retained earnings of BLX for the pre-acquisition had been changed. The goodwill from the BLX acquisition had been revised accordingly.

   The restated figures were adjusted based on the recommendations of the New Auditor provided on 28 June 2019. For the avoidance of doubt, there stated Group figures have neither been reviewed nor audited by the New Auditors.

   The Board wishes to highlight that there may be variances between the Group's unaudited financial statements for the financial year ended 31 December 2017 as announced on 28 February 2018 and the audit report for financial year ended as 31 December 2017 to be issued later. In view of the deadline to announce its financial statement for FY2018, the Board has decided to make announce the Financial

Statements without making any Potential Revision as defined in the Company's announcement on 29 April 2019. The Board will update shareholders on the Potential Revision (if required) in due course.

Query 4:

With regard to the Company's review of its revenue and cost of sales on page 9 of the Financial Statements, we note that the Company stated that the cost of sales increased by 6% for all the goods imported and that the management has hedged the exchange rate risk to mitigate the high risk of the fluctuation of exchange rates.

In this regard, please disclose where the goods are imported from and the currency denomination for such imports. Please also disclose whether the Company has established policies for hedging foreign exchange fluctuations and whether these policies are approved by the Audit Committee.

Company's Response:

The goods are imported from Indonesia and Australia. The purchase contracts are signed in U.S. dollar.

At the present time, the Company does not have an established policy for hedging foreign exchange fluctuations as the management is of the view that the Group does not require such hedging on a regular basis. However, the Group has conducted hedging on an ad hoc basis as a risk mitigation measure.

The Company will continue to monitor the situation closely and if such hedging becomes necessary on a regular basis. If required, the Company will devise a formal policy for hedging foreign exchange fluctuations and submit the same for review and approval by the Audit Committee.

Query 5:

With regard to the Company's review of its selling expenses on page 10 of the Financial Statements, please identify the agent(s) and describe the sales process through these agent(s).

Company's Response:

The agents are third party companies. There is no fixed arrangement for all the agents, and these agents may also assist in the whole transaction process, not just the sale process.

Query 6:

With regard to the Company's review of its trade receivables on page 11 of the Financial Statements, please clarify if there was an increase or decrease in trade receivables for the corresponding periods.

Company's Response:

The Company confirms that there was a decrease in trade receivables for the corresponding periods.

Query 7:

With regard to the Company's review of other receivables, deposits and prepayments, please clarify if the Company has conducted impairment testing on these "other receivables, deposits and prepayments" and the nature of these "other receivables, deposits and prepayments".

Company's Response:

The Company had conducted impairment testing on other receivables, deposits and prepayments at the time the Financial Statements was prepared. Notwithstanding with the foregoing, with the benefit of hindsight, the Audit Committee will relook this issue, and the Company will update shareholders in due course.

For the nature of these "other receivables, deposits and prepayments", please refer to the below table:

	2018		2017
	Unaudited		Unaudited
	S$'000		S$'000
Deposits - Refundable from Manfu	73,316		75,905
GST receivable	15		16
Other receivable in BLX	2,290		4,015
Deposits - Mining operations	324		352
Deposits - Others	52		1
Prepayments - Others	9		19
Amount due from related parties	4,531		6,930
Dividends receivables from an associate	4,494		4,494
Less: Impairment allowance	(38,180)		(39,370)
Total other receivables, deposits and prepayments	46,851		52,362

BY ORDER OF THE BOARD

Cai Suirong
Director and Chief Executive Officer
5 July 2019