ABTERRA LTD.
(Registration No. 199903007C)

RESPONSE TO SGX QUERIES REGARDING THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The Board of Directors (the "**Board**") of Abterra Ltd. (the "**Company**") refers to its Annual Report for the financial year ended 31 December 2014 and wishes to provide the following clarification in response to the queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 27 April 2015:-

Query no. (a)

Guideline 9.3 of the Code of Corporate Governance 2012 (the "Code") states that the Company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. Companies need only show the applicable bands. There should be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

In addition, the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO).

As required under Listing Rule 1207(12) of the Listing Manual, please make disclosure as recommended in the Code; or otherwise disclose and explain any deviation from the recommendation.

Our Response:

Due to the highly competitive industry conditions, the Company believes that it is not in the best interests of the Company to disclose the breakdown (in percentage or dollar terms) of each key management personnel's remuneration and in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO).

Query no. (b)

Guideline 11.3 of the Code states that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
(b) regarding the effectiveness of the company's risk management and internal control systems.

As required under Listing Rule 710, please make disclosure as recommended in the Code; in particular, the effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, as well as the adequacy of the internal controls, including information technology controls, and risk management systems, or otherwise explain the reason(s) for the deviation.

Our Response:

The Board, with the concurrence of the AC, is of the opinion that the internal controls, addressing the financial, operational, compliance and information technology controls, and risk management systems of the Company was effective, and were adequate to meet the needs of the Group in its current business environment.

The Company wishes to clarify that it has received written assurance from the CEO and the Financial Controller that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) regarding the effectiveness of the Company's risk management and internal control system.

Query no. (c)

With reference to the audited consolidated statement of cash flows on pages 47 to 48 of the Annual Report, please disclose the reasons for the material difference in amounts for the following, as compared to the announced financial results of the Company dated 26 February 2015:-

i. the net cash generated from operating activities of $13,787,000 as compared to the amount of $12,762,000;

ii. the net cash generated from investing activities of $6,963,000 as compared to the amount of $35,000,000; and

iii. the net cash used in financing activities of $21,130,000 as compared to the amount of $48,142,000.

Our Response:

	2014 (Unaudited) $'000	2014 (Audited) $'000	Variance $'000	Note
Cash flows from operating activities				
Loss before income tax	(220)	(60,788)	(60,568)	1
Adjustments for:				
Amortisation of intangible assets	103	103	-	
Depreciation of property, plant and equipment	629	629	-	
Fair value loss on financial assets at fair value through profit or loss	1,217	1,217	-	
Fair value loss on forward foreign exchange contract	1,948	1,948	-	
Fair value gain on investment properties	-	-	-	
Provision for doubtful debts - non-trade	-	36,541	36,541	1
Property, plant and equipment written off	-	-	-	
Interest expense	1,188	1,188	-	
Interest income	(1,652)	(1,389)	263	2
Interest arising from termination of proposed acquisition	-	(263)	(263)	2
Gain from cancellation of shares previously issued under HKI scheme	-	-	-	
Employee benefits obligation	8	8	-	
Share of (profit)/loss of associates	(1,194)	22,833	24,027	1
Unrealised exchange loss	(1,190)	(1,153)	37	3
Operating profit before working capital changes	837	874	37	
Movements in working capital:				
Inventories	2,896	2,896	-	
Trade receivables	(18,037)	2,343	20,380	4
Other receivables, deposits and prepayments	17,691	17,908	217	2,4
Trade payables	17,255	(2,139)	(19,394)	4

Other payables and accruals	(8,404)	(8,356)	48	4
Cash generated from operations	12,238	13,526	1,288	
Interest income received	1,652	1,389	(263)	2
Interest expense paid	(1,188)	(1,188)	-	
Dividends received	-	-	-	
Income tax refunded	60	60	-	
Net cash generated from operating activities	12,762	13,787	1,025	
Cash flows from investing activities				
Proceeds from disposal of a financial asset at fair value through profit or loss	35,000	7,000	(28,000)	5
Purchase of property, plant and equipment	-	(37)	(37)	3
Net cash generated from investing activities	35,000	6,963	(28,037)	
Cash flows from financing activities				
Repayment to the immediate holding company	(18,719)	(19,707)	(988)	4
Repayment of borrowings	(29,423)	(1,423)	28,000	5
Net cash generated used in financing activities	(48,142)	(21,130)	27,012	
Net decrease in cash and cash equivalents	(380)	(380)	-	
Cash and cash equivalents at beginning of the financial year	2,035	2,035	-	
Cash and cash equivalents at end of the financial year	1,655	1,655	-	

Notes:

1. Increase in the loss before income tax was caused by the provision for doubtful debts on non-trade receivable of S$36,541,000 and increase in the share of loss of associates of S$24,027,000, which were non-cash items and added back in the Statement of Cash flows. For further details, please refer to Note 1 to the announcement of "MATERIAL DIFFERENCE BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS" dated on 10 April 2015.

2. Included in the interest income, there were interest amounted to S$263,000 which was non-cash settled and were reclassified to other receivables, deposits and prepayments under movements in working capital.

3. The decrease in the unrealised exchange loss of S$37,000 was due to the reclassification to the purchase of property, plant and equipment.

4. The changes in trade receivables, other receivables, deposits and prepayments, trade payables and other payables and accruals were as a result of reclassification of balances to amount due from the immediate holding company which was included in other payable. For further details, please refer to Note 4 to the announcement of "MATERIAL DIFFERENCE BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS" dated on 10 April 2015.

5. The reclassification of proceed from disposal of financial assets at fair value through profit or loss to repayment of bank borrowing amounted to S$28,000,000 was mainly due to its non-cash nature as they are offset to each other upon the disposal of the financial assets at fair value through profit or loss and the repayment to the bank borrowing.

BY ORDER OF THE BOARD

Lau Yu
Director and Chief Executive Officer
29 April 2015