ABTERRA LTD.
(Registration No. 199903007C)

RESPONSE TO SGX-ST QUERIES ON THE UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 29 March 2021 in relation to the unaudited financial statements for the financial year ended 31 December 2020 (the "**Financial Statements**"). The queries from the SGX-ST and the Company's responses are as follows.

Query 1:

It is noted on page 9 that an amount of S$192,000 was recognized as impairment of trade and other receivables for the year ended 31 December 2020. In this regard, please disclose:-

(a) The Company's plans to recover the trade and other receivables;

(b) Whether they are major customer(s) and whether the Company continues to transact with these customer(s) and if so, what are the commercial reasons in doing so;

(c) How long were the debts outstanding and when were the sales reported;

(d) What were the actions taken to recover the trade and other receivables;

(e) The reason(s) for the impairment on trade and other receivables, including the reasons for delays or non-payment where applicable;

(f) The Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables;

(g) The Board's assessment of the recoverability of the remaining trade and other receivables;

(h) The Company's policy in trade receivables collection; and

(i) The percentage of revenue earned in this financial year that was deemed uncollectible.

Company's Response:

(a) The Group will continue to send reminders by email and phone call to these debtors to seek payment. The Group is considering offering a payment discount for recovering the outstanding amount. The Group is exploring the possibility of engaging legal counsel to issue formal letters of demand to these debtors in accordance with its Collection Procedures set out in Annex 1.

(b) They are not major customers and Group did not continue to transact with these customers.

(c) The debts were reported between 2014 to 2019. The debts were outstanding for one year and above.

(d) The Group have been sending numerous reminders to these debtors to ensure that they are aware of when their payments are due.

(e) The Group have assessed several factors, including the financial position of the debtors, whether the Group has any on-going business with these debtors and the length of the debts have been outstanding and concluded that these receivables are highly likely not recoverable.

(f) The Board is of the view that the methodology used to determine the value of the impairment of the trade and other receivables by the Group is consistent with the relevant accounting standards and hence, reasonable.

(g) The Board is of the view that the remaining trade and other receivables would be recovered by keeping in touch with the debtors and sending frequent reminders to recover the receivables. The management will also conduct regular meetings to review the financial status and credit of the debtors.

(h) Kindly refer to Annex 1.

(i) Revenue earned in this financial year has been fully collected. Hence, 0% of revenue is uncollected.

Query 2:

It is noted on page 3 that the Group's trade receivables amounted to S$79,000 as at 31 December 2020 compared to S$9,644,000 as at 31 December 2019. Please disclose (a) a breakdown, (b) the aging analysis and (c) assessment of the recoverability of the trade receivables.

Company's Response:

Kindly refer to the table as below in relation to parts (a) and (b) above.

Item	Company	SGD Equivalent Amount	<1 Year	1-2 Year	2-3 Year	3-4 Year	Total
Trade Receivables	BLX	78,400.00	17,448.38	40,967.29	122.94	19,861.39	78,400.00

(c) The Board assessed and concluded that the remaining trade receivables amounted to S$79,000 will likely be recovered and will continue to pay close attention on the financial position of these debtors.

Query 3:

It is stated on page 10:- "Trade receivables decreased from S$9.6 million as at 31 December 2019 to S$0.8 million as at 31 December 2020. The decreasing was mainly due to the audit adjustment from BLX that proposed by previously auditor, which is approximately S$8.5 million." Please elaborate as to the nature of this audit adjustment from BLX of approximately S$8.5 million.

Company's Response:

During the audit of the Group for financial year ended 31 December 2017, which was completed at the end of 2019, Foo Kon Tan LLP ("**FKT**") had proposed such adjustments for Tianjin Belong Faith Energy Minerals Co., Ltd ("**BLX**"). This adjustment was proposed as BLX recognised revenue based on the time of issuance of tax invoice, which did not comply with the revenue recognition standard in Singapore in year 2017 under FRS18. Subsequently, due to the delay in audit and timeline issues, the audit adjustment affecting the following three years financial reporting, and the adjustment was completed in 2020 Q4.

Query 4:

It is also stated on page 10 that "Besides, there was impairment of S$0.3 million made on trade receivables in the year." Please clarify what is the difference between this amount and the S$192,000 mentioned in Query 1 above?

Company's Response:

Please refer to the breakdown below:

Impairment breakdown	SGD
Impairment of trade receivables	349,414.12
Reversal of impairment of other receivables	(4,187,982.99)
Impairment of other receivables	4,030,793.98
Grand Total	192,225.11

Query 5:

It is disclosed on page 9 that an amount of S$70,000 was recognized as impairment of goodwill.

(a) It is also stated on page 9:- "..the impairment of goodwill S$0.07 million was the adjustment for the agreement between Abterra Ltd and Li Ya Nan for transferring the among owing from Lead Bright (Tianjin) International Trading Co., Ltd ("LBTJ") to Li Ya Nan as part of the acquisition of LBTJ".

Please elaborate on what is the reason for this impairment and how the amount of S$0.07 million relating to impairment of goodwill arose?

How was the amount of the impairment of goodwill of S$0.07 million determined?

(b) Please provide the Board's Confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment.

Company's Response:

(a) On 10 August 2018, Abterra Ltd entered into an agreement with Li Ya Nan and confirmed that the loan of RMB 51,386,718.70 owing by Lead Bright (Tianjin) International Trading Co., Ltd ("**LBTJ**") to Li Ya Nan shall be discharged and considered part of the consideration given to Li Ya Nan as the acquisition of the LBTJ. FKT had made impairment adjustment of RMB 51,000,000 in 2017, the remaining RMB 386,718.70 was recorded as goodwill. Following the basis of previous audit adjustment and in view of the pandemic, the management proposed, and the Board agreed to fully impair the remaining goodwill of RMB 386,718.70.

(b) The Board is of the view that is reasonable to provide such impairment after assessing the pandemic situation. The management will further discuss this with the Company's auditor on the adjustment.

Query 6:

It is disclosed on page 9 that an amount of S$139,000 was recognized as bad debts written off.

(a) Please clarify what do the bad debts relate to and the reason(s) for the bad debts?

(b) How was the amount of bad debts determined?

(c) The Board's opinion on the reasonableness of the methodologies used to determine the value of the bad debts written off.

Company's Response:

The bad debt is related to the amount owing from the Company's immediate holding company, , General Nice Resources (Hong Kong) Limited ("**GNR (HK)**"). GNR (HK) has been forced to liquidate by High Court of Hong Kong, the Board is in the view that GNR (HK) is highly unlikely to be able to repay the debt. Hence, the full amount owed by GNR (HK) is written-off as bad debt.

Query 7:

It is disclosed on page 3 that the "Other receivables, deposits and prepayments" amounted to S$190,000 as at 31 December 2020 compared to S$2,656,000 as at 31 December 2019.

(a) Please disclose:-

(1) The nature of the Group's Other receivables, deposits and prepayments; and

(2) The assessment of the recoverability of the Group's Other receivables, deposits and repayments.

(b) It is stated on page 10:- "The other receivables increased from S$2.7 million in 2019 to S$4.3 million in 2020 due to reclassification from trade receivables to other receivables in 2020 Q3. Subsequently, the Group recorded impairment of approximately S$4.1 million for unrecoverable receivables which lead to decreased in other receivables. The reduction of deposit of approximately S$0.31 million was due to the deconsolidation of Abterra Australia Pty. Ltd."

(1) Why was there a reclassification from trade receivables to other receivables in 2020 Q3?

(2) What is the basis for the impairment of approximately S$4.1 million for unrecoverable receivables which lead to decreased in other receivables? What do these receivables relate to and how was this amount determined? Please provide the Board's opinion on the reasonableness of the methodologies used to determine the value of S$4.1 million impairment for unrecoverable receivables.

(3) Please clarify what is meant by the "deconsolidation of Abterra Australia Pty. Ltd." and how this resulted in the reduction of deposit of approximately S$0.31 million?

Company's Response:

(a) (1) Kindly refer to the table as below.

Nature	Total
Other Receivables (Rental & Payment on behalf)	102,514.91
Deposit	76,415.00
Prepayments (Operating Expenses)	10,644.06
Grand Total	**189,573.97**

(2) For other receivables, the Group has received S$22,353.71 in 2021. As such, the Board has made the assessment that the remaining receivables can be recovered and will continue to pay close attention on the financial position of these debtors.

(b) (1) Initially the payment was made for arranging business transactions, but due to unforeseen circumstances and change in the market and pandemic situation, the management has decided to suspend with the transactions, therefore the nature changed to other receivables. Hence, these receivables were re-classified to other receivables in 2020 Q3.

(2) Please refer to the Company's response to Query 1(e) above.

(3) Abterra Australia Pty Ltd, a 100% owned subsidiary of the Company has entered into liquidation and the Company has lost the control over it, hence the Company should deconsolidate its financial results from Group's financial result based on the relevant accounting standard. There is a mining lease deposit of approximately S$0.31 million in the book of Abterra Australia Pty Ltd which lead to the reduction in deposit receivable after the deconsolidation.

Query 8:

It is noted on page 3 that "other payables and accruals" decreased from S$11,407,000 as at 31 December 2019 to S$6,600,000 as at 31 December 2020.

(a) It is further stated on page 11:- "The decrease was mainly due to the reversal of impairment on amount due from related parties S$4.1 million and was used to offset against amount to related parties." Please clarify:-

(1) The reason for the reversal of impairment;

(2) What is the nature of the S$4.1 million due from related parties?

(3) The identity of the related parties; and

(4) The basis for the S$4.1 million to be offset against amount to related parties.

Company's Response:

The reversal of impairment is related to the amount owing from GNR (HK) to Abterra Macao Commercial Offshore Ltd ("**Abterra Macao**"), a 100% owned subsidiary of Abterra Ltd. Impairment loss was recognised previously for the amount owing from GNR (HK) due to its compulsory liquidation. However, there are both amount receivable (equivalent to S$4,000,653) and amount payable (equivalent to S$4,001,996) in the book of Abterra Macao. After considering that both amounts are related to the same related party, the netting should be done before any impairment recognised. Therefore, the impairment of S$4,132,783 recognised previously was reversed due to the higher amount payable compared to amount receivable. There is slight difference on the impairment loss recognised previously and amount receivables due to the exchange rate difference. The amount owing to and from GNR (HK) are non-trade in nature, and consists payment on behalf and operation funds transfer.

The initial recognition of impairment loss on amount receivable from GNR (HK) to Abterra Macao was taken in FY2017.

Query 9:

It is noted on page 4 that "Trade payables" decreased from S$9,239,000 as at 31 December 2019 to S$721,000 as at 31 December 2020. It is further stated on page 11:- "The decreased was mainly due to the audit adjustment from BLX that proposed by previous auditor, which is approximately S$8.5 million."

(a) Please elaborate as to the nature of this audit adjustment from BLX of approximately S$8.5 million.

Company's Response:

(a) Please refer to the Company's response to Query 3 above.

Query 10:

It is noted that the Group has net cashflows used in operating activities of S$1,075,000 and a net profit of S$1,191,000 for the financial year ended 31 December 2020. Please explain why the Group is unable to generate net cash inflow from its operating activities despite its net profit position for the financial year.

Company's Response:

The net profit of S$1,191,000 has included the net profit derived from the audit adjustment of BLX, which is approximately S$1,925,000. The Group would have reported net loss of approximately S$734,000 without this adjustment. Again, as mentioned above, the adjustment was affected by the delayed audit timeline.

Query 11:

Please clarify if the Group and Company has assessed the value of its property(ies) and investment property(ies) for FY2020, and its basis of assessment. Please explain how the Board has addressed its mind to the carrying value of its property(ies) and decided if any material change is required, in view of the current Covid-19 situation.

Given the significant change in the economic, operating and business conditions caused by the COVID-19 pandemic, please state whether and how the Group and Company would have disclosed all material information relating to the value of its investment property(ies) to enable investors to make informed investment decisions.

Company's Response:

The value of property and investment property are assessed based on net book value. Based on market research on the property at the same building, the market value is approximately S$10,000,000, which is slightly higher than the book value and the Board is of the view that no material changes are required. As such, the Group and the Company is of the view that all material information relating to the value of its investment property(ies) to enable investors to make informed investment decisions have been disclosed.

Nevertheless, the management is in the midst of procuring a valuer to prepare the valuation of the property and investment property for FY2020.

Query 12:

Given the Group's significant current liabilities of S$9,231,000 as at 31 December 2020, and cash and cash equivalents of only S$269,000, please disclose the Board's assessment:-

(a) whether the Group's current assets of S$538,000 are adequate to meet its current liabilities of S$9,231,000, including its bases of assessment; and

(b) how the Group and Company intends to fulfil its significant payment obligations in the next 12 months. Where the Group and Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Group and Company is on track to fulfilling these obligations.

Company's Response:

The current liabilities of S$9,231,000 include trade payables of S$634,239, mainly to a creditor of BLX which is in the process of bankruptcy.

There are other payables which include executive director's remuneration of S$1,277,558 and amount owing to a director of S$449,416, which the director and Company mutually agreed to pay when the Group has abundant cash flow. Besides, the current liabilities include accrual for audit fees of

S$559,600 which only will be paid when the incoming auditor is appointed, independent director fee of S$520,000 which is only payable upon approval of the same at the next Annual General Meeting.

The management intends to sell its wholly-owned subsidiary, Sunny Energy Limited Group, with liabilities of approximately S$2,939,672, which will be transferred to the buyer. Any disposal of Sunny Energy Limited Group will be made in accordance with the requirements of the Listing Manual of The Singapore Exchange Securities Trading Limited (the "**Listing Manual**").

The Group is not obligated to repay the amount due to related parties, amounting to S$300,241, within 12 months.

For the other borrowing of S$1,909,842, the Group will apply for extension for the repayment from the relevant lender.

Hence, excluding the payment obligations mentioned above, the Group's current liabilities are approximately S$640,432. The Group intends to sell office units and there is currently an offer from a potential buyer to purchase the Group's office units. Subject to compliance with the Listing Manual, the Group will have sufficient cash flow to fully repay existing liabilities by selling the office units.

Query 13:

It is also noted that the Group has "other borrowing" current liability amounting to S$1,910,000 as at 31 December 2020 with cash and cash equivalents of S$269,000. Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.

(a) Please assess the Group and Company's ability to operate as a going concern;

(b) Please assess the Group and Company's ability to meet its debt covenants (if any); and

(c) Please assess the Group and Company's ability to meet its short-term obligations when they fall due.

Company's Response:

(a) The Board is in the view that the Group is able to continue to operate as a going concern and generally believe there will be sufficient cash flow for business operations. Please refer to Annex 2 on the budget cashflow for year 2021.

(b) The Group does not have any debt covenants.

(c) The Board is in the view that the Group has the ability to meet its short-term obligations when they fall due. Furthermore, the management has been in constant contact with the lender of its existing loans regarding the possibility of refinancing the loans and the feedback has generally been positive.

BY ORDER OF THE BOARD

Cai Suirong
Director and Chief Executive Officer
10 April 2021

Annex 1 – Policy in trade receivables collection

COLLECTION PROCEDURES

2.1 The Accounts Department must keep all the relevant invoice records and monitor the payment due date of each invoices. It is expected that all invoices will be paid in full in a timely basis. If this is not possible, debtor is expected to contact the Trade Department to make alternative arrangements for payment.

2.2 Should an invoice fall into arrears, the following actions will be taken:

- **Monthly Reminder** – Accounts Department will send statement of accounts to remind the debtors for the outstanding amount.
- **Initial Reminder** – Accounts Department will inform the Trade Department to make an informal telephone reminder when a payment is 14 days late.
- **First Reminder Letter** – This formal letter will be sent out electronically when an invoice is 30 days overdue.
- **Second Reminder Letter** – This formal letter will be sent out in two weeks' time by registered mail to debtor's office if the invoice is remained outstanding after the first reminder letter has been delivered electronically.

2.3 Where Accounts Department fails to receive response from the customer after two reminder letters have been sent and the payment is remained overdue, a demand letter will be sent out to the debtor advising them that the matter may be placed in the hands of solicitors.

2.4 Abterra Ltd will consider placing the matter in the hands of solicitors in the case where debtor fails to respond after the demand letter has been sent and no payment is received.

2.5 The debtor is required to pay any additional costs incurred by Abterra Ltd because of debt recovery. Interest may be charged from the due date unless otherwise stated.

Annex 2 – The Group's budget cash flow for year 2021

Group Budget Cash Flow For 2021

	Q1 S$	Q2 S$	Q3 S$	Q4 S$
Cash Inflow				
Rental Income (exclude GST)	66,060.00	66,060.00	66,060.00	66,060.00
Loan Receivables	130,000.00	260,000.00	-	-
Ship chartering	290,233.00	-	-	-
Sale of Suntec Tower Office	-	-	10,735,000.00	-
Other operating income	661.00	-	-	-
Sale of subsidiaries	-	-	100,000.00	-
	486,954.00	**326,060.00**	**10,901,060.00**	**66,060.00**
Cash Outflow				
Ship chartering	289,566.00	-	-	-
Loan interest payable	61,937.00	66,162.00	53,487.00	4,225.00
Loan re-payable	-	-	402,675.00	1,537,762.00
Administrative expenses	313,785.00	265,139.00	246,414.00	362,292.00
Sales of property expenses	-	-	326,600.00	-
	665,288.00	**331,301.00**	**1,029,176.00**	**1,904,279.00**
Cash Flow Movement	- 178,334.00	- 5,241.00	9,871,884.00	- 1,838,219.00
Opening Balance	269,062.00	90,728.00	85,487.00	9,957,371.00
Current Period Movement	- 178,334.00	- 5,241.00	9,871,884.00	- 1,838,219.00
Closing Balance	90,728.00	85,487.00	9,957,371.00	8,119,152.00