



ABTERRA LTD.

(Company Registration No. 199903007C)

RESPONSE TO SGX QUERIES ON THE PROPOSED ACQUISITION OF COMMERCIAL PROPERTY IN BEIJING

The Board of Directors (the “**Board**”) of Abterra Ltd. (the “**Company**”) wishes to make the following clarification in response to the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 13 April 2016:-

1. It is stated in the Company’s SGXNet announcement of 8 April 2016 at 6.53PM:-

*“The Company had on 8 April 2016 received written notice of Full Winner Industrial Co., Limited’s (“**Full Winner**”) shareholding in General Nice (S.A.) Resources Company Limited (“**GNSA**”) had decreased from 65% to 19.5%. In relation to the Deed of Termination and the Proposed Acquisition, Full Winner had granted the Company a share charge over Full Winner’s 65% shareholding in GNSA (“**Share Charge**”)...Under the terms of the Deed of Termination, the Share Charge was granted as security for the fulfilment of Full Winner’s obligations...the Share Charge was further granted as security for the obligations of Full Winner’s parent company, Shenzhen Manfu Industrial Co., Limited, under the sale and purchase agreement...the Board is currently considering the options available to the Company and the Company will make the appropriate announcements on any further decisions made by the Board in respect of the Share Charge.”*

(the “**8 April 2016 Announcement 6:53PM**”)

2. It is stated in the Company’s SGXNet announcement of 8 April 2016 at 8.25PM:-

“...The Company will need more time to assess the implication of FY2015 Financial Statements as a result of the change in shareholding in GNSA. The auditors of the Company have also informed the Board that this new development will have significant impact to FY2015 Financial Statements and the auditors will need more time to complete their audit work and conclude their auditors’ report on FY2015 Financial Statements...”

(the “**8 April 2016 Announcement 8:25PM**”)

3. It is stated in the Company’s SGXNet announcement of 1 October 2014:-

*“...The Company received a request from Shenzhen Manfu Industrial Co., Ltd (“**Manfu**”), the holding company of Full Winner Industrial (Overseas) Limited (“**Full Winner**”), for an extension of 3 months to 31 December 2014 to pay the Third Instalment Payment. The letter explained that Manfu is in the midst of realigning its investment portfolio and the Company has been informed that the realignment process is expected to be completed*

*on or prior to the end of the current calendar year, thereafter which Manfu expects to have sufficient cash flow to repay the Third Instalment Payment. In connection with the Extension Request, Manfu agrees to pay default interest of 4% per annum on the Third Instalment Payment, amount to RMB 1,238,496 on or before 15 October 2014. The Board has considered the Extension Request and has also taken into account that the Company has security over Manfu's 65% shareholding interest ("**Mortgaged Shares**") in General Nice (S.A.) Resources Company Limited ("**GNSA**") for the purposes of guaranteeing Full Winner's payment and discharge obligations in respect of any outstanding Refund Payment...".*

(the "1 October 2014 Announcement")

Query no. (a)

What is the outstanding Refund Payment, giving the breakdown of the principal amounts and interest, if applicable.

Our Response:

The outstanding Refund Payment amounts to RMB 369,760,670.59. Please refer to the breakdown below:

		RMB
31-Dec-13	Initial payment made for investment	491,362,174.59
31-Jan-14	First instalment received	(48,442,000.00)
31-Mar-14	Second instalment received	(74,398,000.00)
30-Sep-14	Balance at due date for next instalment	368,522,174.59
31-Dec-14	2014 Q4 interest on Third instalment due 30 September 2014	1,238,496.00
31-Dec-14	Balance from 31 December 2014 onwards	<u>369,760,670.59</u>

Query no. (b)

Please provide an update on the realignment of the investment portfolio as disclosed in the 1 October 2014 Announcement.

Our Response:

The Company had requested Manfu for an update on the realignment of the investment portfolio as disclosed in the 1 October 2014 Announcement and will make the appropriate announcements on any further developments.

Query no. (c)

Please clarify as to whether the (i) Third Instalment Payment and the (ii) default interest of 4% per annum on the Third Instalment Payment as disclosed in the 1 October 2014 Announcement, has been made to the Company.

Our Response:

The Third Instalment Payment and the default interest of 4% per annum on the Third Instalment Payment have not been made to the Company. They are part of the deposit and receivables in the breakdown listed in Query no. (a).

Query no. (d)

Please clarify the circumstances which lead to the decrease in Full Winner Industrial Co., Limited's shareholding in General Nice (S.A.) Resources Company Limited from 65% to 19.5%? How did this occur notwithstanding the first-ranking mortgage and/or security interest?

Our Response:

The Company had on 8 April 2016 received written notice that Full Winner's shareholding in GNSA had decreased from 65% to 19.5%. Accordingly, the Company has sought Full Winner's further clarification on the circumstances leading to the decrease in Full Winner's shareholdings in GNSA from 65% to 19.5%. The Company will make appropriate announcements on any further developments in relation to the change in shareholdings once the Company has been notified by Full Winner.

There are no specific regulations which prohibit the transfer of shares by Full Winner.

Query no. (e)

The Board is to provide:-

- a. An assessment on the likelihood that the outstanding Refund Payment will be repaid to the Company;
- b. An update on its considerations and proposed actions to (i) secure Full Winner Industrial (Overseas) Limited and its guarantor, Full Winner Industrial Co., Limited's payment and discharge of their obligations in respect of the outstanding Refund Payment; and (ii) safeguard the interest of the Company and its shareholders; and
- c. An assessment on the recourse available to the Company in the event that it is unable to obtain the outstanding Refund Payment.

Our Response:

- a. The Company had on 27 July 2015 entered into a conditional sale and purchase agreement ("**SPA**") with Full Winner, pursuant to which the Company will acquire from Full Winner, 60% of the issued share capital of Smart Harmony Investment Limited ("**Proposed Acquisition**"). Upon completion of the Proposed Acquisition, the outstanding Refund Payment would be repaid to the Company based on a set off of the purchase consideration of the Proposed Acquisition. In the event that the Proposed Acquisition is not completed for any reason, the Board will seek legal advice on the means which are available in order to recover the Refund Payment.
- b. The Company had requested Manfu for new security in respect of the outstanding Refund Payment and will make appropriate announcements on any further developments.

Upon the completion of the SPA, the outstanding Refund Payment would be set off by the purchase consideration for the Proposed Acquisition. In relation to the Proposed Acquisition, the Company will request the creditor banks in the SPA to provide a letter of undertaking that the banks would inform the Company in any event of default before exercising their rights. This letter of undertaking will further safeguard the interests of the Company and its shareholders.

- c. The Board will seek legal advice on the remedies available to the Company and will make appropriate announcements on any further developments in relation to any possible course of action that the Company may undertake.

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BY ORDER OF THE BOARD

Lau Yu

Director and Chief Executive Officer

16 April 2016