

ABTERRA LTD.

(Registration No. 199903007C)

RESPONSE TO SGX-ST QUERIES

The Board of Directors (the “**Board**”) of Abterra Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the response to queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 4 February 2020.

Question 1: Under Provision 9.2(a) of the Code of Corporate Governance 2018, the Board is required, inter alia, to disclose in the Company’s annual report that it has received assurance from the CEO and CFO that the financial records have been properly maintained and all the financial statements give a true and fair view of the Company’s operations and finances. We note that it is disclosed on page 16 of the annual report that the assurance was received from the CEO. Please explain how the Company has complied with Provision 9.2(a).

Response

Whilst the Company does not currently have a CFO, its then finance manager has provided assurance to the CEO that the financial records have been properly maintained and all the financial statements give a true and fair view of the Company’s operations and finances. As the finance manager is not the CFO of the Company, the CEO then provided the assurance to the Board that the financial records have been properly maintained and all the financial statements give a true and fair view of the Company’s operations and finances. The CEO’s assurance is supported by the assurance of the Finance Manager. As such, the Company is of the view that it has complied with Provision 9.2(a) of the Code of Corporate Governance 2018.

The Company also wish to state for the record that it is looking for a suitable candidate to be the Company’s CFO.

Question 2: With reference to the audited consolidated statement of cash flows on pages 33 and 34 of the Company’s Annual Report 2017, please provide an explanation for the material differences in the amounts of the following items, as compared to the unaudited financial results announcement of the Company for the financial year ended 31 December 2017 which was announced on 28/2/2018:

- i. The net cash used in operating activities; and
- ii. The net cash generated from investing activities.

Response

Group consolidated statement of cash flow

	Unaudited	Audited	Difference	
	S\$000	S\$000	S\$000	Explanation
Cash flow from operating activities				
Net loss before tax	-5,142	-68,968	-63,826	
Adjustments for:				
Depreciation of property, plant and equipment	224	224	0	
Fair value loss on investment properties		217	217	

Fair value loss on investment properties held-for-sale				
Fair value loss on other investment properties		280	280	
Bad debts written-off	2,736	2,736	0	
Loss on disposal of investment properties				
Impairment loss of intangible assets		6,227	6,227	Adjustments for audited accounts, being impairment of intangible assets.
Impairment loss of trade receivables		10,976	10,976	Adjustments for audited accounts, being impairment of trade receivables as a result of long overdue trade balances without any significant collection.
impairment loss of other receivables and deposits		48,472	48,472	Adjustments for audited accounts, being impairment of other receivables and deposits as these receivables are long outstanding and deemed to be irrecoverable.
Impairment loss of available-for-sale financial asset				
Interest income	-5	-7	-2	
Interest expenses	92	92	0	
Unrealised exchange loss	113	1,949	1,836	
Operating profit/(loss before working capital changes)	-1,982	2,198	4,180	
Decrease in inventories	3,773	5,484	1,711	During the finalisation for audited accounts, there were material adjustment in the revenue, cost of sales, inventories, trade receivables, other receivables, deposits and prepayments, trade payables and other payables and accruals.
(Increase)/decrease in trade receivables	7,311	-8,951	-16,262	
Decrease/(increase) in other receivables, deposits and prepayments	532	2,826	2,294	
Decrease in trade payables	-4,197	-12,875	-8,678	
Increase in other payables and accruals	-8,864	2,812	11,676	
Cash (used in)/generated from operations	-3,427	-8,506	-5,079	
Interest received	5	7	2	
interest paid	-92	-92	0	
income tax (paid)/refund	33	0	-33	
Net cash used in operating activities	-3,481	-8,591	-5,110	
Cash flow from investing activities				
Net cash flow from acquisition of subsidiaries	1,111	4,503	3,392	Human error in calculation of cash flow from acquisition of subsidiaries in unaudited financial statements since the actual cash balances acquired at the date of acquisition was \$4,503,000.
Purchase of property, plant and equipment	-52	-60	-8	
Proceed from disposal of investment properties held-for-sale	11,367	11,367	0	
Deposit received for disposal of investment properties	-1,137	0	1,137	

Net cash realised from other investment	0	534	534
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Adjustments for audited accounts, being reclassification to funds placed with investment broker from other receivables.

Net cash generated from investing activities	11,289	16,344	5,055
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Cash flow from financing activities

Amount due to/(from) immediate holding	-2	0	2
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Proceed from other borrowings			
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Repayment of borrowings	-7,533	-7,533	0
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Net cash used in financing activities	-7,535	-7,533	2
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Net increase/(decrease) in cash	273	220	-53
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Cash and cash equivalents at beginning of year	660	660	0
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Effect of exchange rate changes in cash and cash equivalents	0	-2	-2
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Cash and cash equivalents at end of year	933	878	-55
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The main reason for these differences is that the recognition of the revenue, sales cost and related balances (such as inventory, trade receivables, other receivables, deposits and prepayments, trade payables and other payables and accruals) of Tianjin Belong Faith Energy Minerals Co., Ltd ("BLX"), a subsidiary of the group, has been corrected during the final approval of the account purpose. This has an impact on the cash flow of operation and the cash flow of investment activities. Please refer to previous announcement on 5 July 2019 for details regarding the change in revenue recognition.

BY ORDER OF THE BOARD

Cai Suirong
Director and Chief Executive Officer
15 February 2020