



ABTERRA LTD.

(Registration No. 199903007C)

RESPONSE TO SGX QUERY ON THE UNAUDITED FULL YEAR FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The Board wishes to make the following clarification with regard to the SGX query:

- (a) **We note that administrative expenses increased by S\$1.9m during the 6 months period ended 31 December 2008 as compared to the same corresponding period in 2007. In this regard, please provide a breakdown of the material expense items and to explain the fluctuations for these items.**

The increase in administrative expenses was mainly due to the professional and legal fees incurred and the property tax on the Company's office premises.

The breakdown and fluctuations of the material expense items are indicated as follows.

	1/7/2008 to	1/7/2007 to	Variance Analysis	
	31/12/2008	31/12/2007	S\$	%
	S\$	S\$		
ADMINISTRATIVE EXPENSES				
Accounting, secretarial and tax fees	4,498	18,973	-14,475	-76.3%
Audit fees	93,418	47,329	46,089	97.4%
Professional and legal fees	1,916,086	527,871	1,388,215	263.0%
Printing, stationery and courier	60,296	59,516	780	1.3%
Property tax	262,497	-	262,497	100.0%
Rent	97,741	75,450	22,291	29.5%
Telephone, Fax & Internet	20,485	29,831	-9,346	-31.3%
Utilities	11,984	9,910	2,074	20.9%
Depreciation	115,072	25,735	89,337	347.1%
Repairs and maintenance	94,742	3,908	90,834	2324.3%
Employment Expenses	865,123	785,586	79,537	10.1%
Travel and accomodation	75,660	120,914	-45,254	-37.4%
Entertainment	38,838	24,685	14,153	57.3%
Transportation	14,671	10,709	3,962	37.0%
Other administrative expenses	13,855	9,137	4,718	51.6%
TOTAL ADMINISTRATIVE EXPENSES	3,684,966	1,749,554	1,935,412	110.6%

- (b) **The Company made an impairment loss of S\$10.1m for the investment in an associated company. Please provide details of this associated company and elaborate on the reasons for the impairment.**

The associated company is Tianjin Lant Development Co. Ltd. ("TLD") which is engaged in the logistics business in Xingang Port of Tianjin, China. The 45% equity interest was acquired in February 2008 when the global economy was growing fast and the traffic in Xingang Port was busy. However, due to the changes in economic conditions of China, the assumptions in the valuation of TLD were adjusted accordingly. The valuation report was prepared by an independent international valuer.

- (c) **The Company made an allowance of S\$10.2m for doubtful debts in FY08. To provide details on the nature of the transaction leading to the doubtful debt. To also disclose whether the allowance is made to a major customer of the company. If so, to disclose whether future sales to this customer will be affected. In addition, to disclose whether any further provision needs to be made.**

Sales had been made on credit and also on letter of credit (“L/C”) basis to a major customer of the Company. Due to the recent global financial crisis, the customer has made continuous albeit slow payments in the settlement of the balance due to the Company. The Board has decided that no further sales on credit would be given to this customer and that sales can only be made upon the receipt of L/C from the customer. A repayment plan for the outstanding balance has been agreed with the customer. The Board believes that the customer has the ability to adhere to the repayment plan which stretches over a period of 36 months. The allowance of S\$10.2m was arrived at discounting the cash flows of the 36 instalments using the cost of funding of the Company as the discount rate. As no more credit sales will be made to this customer, the Board does not consider further provision needs to be made.

- (d) **We further note that a trade debtor was accorded a repayment plan. Please explain why a repayment plan was required, the amount to be paid under this plan and whether this arose from an IPT transaction. To also disclose updates on the repayment of the loan and whether the collection has been made as per schedule. If not, to disclose what actions the Company is taking to pursue the collection of the outstanding amount.**

The repayment plan of S\$116,959,897 was accorded as per explanations provided in part (c). As the major customer is a third party to the Company, the Company wishes to clarify that the repayment plan does not arise from any IPT transactions. The Company has come to a mutual agreement with the customer to enforce the plan in March 2009.

- (e) **We note that the Group has financial assets at fair value of S\$35.1m as at 31 December 2008. To provide details on these assets, reasons for the acquisition and whether shareholders' approval was required for the acquisition of such assets.**

The asset is a structured deposit the Company has with a bank. This deposit is 100% principal-protected by the concerned bank for its tenure of 6 years. As the structured deposit is considered a relatively risk free financial instrument given its principal-protected nature, the Board considers it as a treasury function rather than of an acquisition.

- (f) **Please explain the increase in Bills Payable from S\$73.7m as at 30 June 2008 to S\$120.7m as at 31 December 2008.**

As a result of the challenging business environment, the Company's customers are rather slow in accepting our delivery of goods thereby resulting in higher level of inventories whose purchases was financed mainly by bills payables. Most of these inventories are subsequently sold after year end.

BY ORDER OF THE BOARD

LAU YU

Director and Chief Executive Officer

Dated: 06 March 2009