



**ABTERRA LTD.**  
(Registration No. 199903007C)

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

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

- (a) **The Company reported that a major customer owed the Group S\$125.4 million as at 31 December 2008 and this major customer ("Major Customer") has agreed to a settlement plan for this amount over 3 years commencing March 2009. Please disclose the name of the Major Customer and its ultimate owner.**

The Company does not have the consent of the Major Customer to disclose its name in a public announcement. The Major Customer has been in the trading business for several years.

- (b) **The Company disclosed in its announcement in response to SGX's questions on 6 March 2009 that "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." To disclose further details on the financial position of this Major Customer to enable investors to assess the certainty of whether this Major Customer will be able to adhere to the 3-year repayment schedule. To also disclose the basis for the directors' opinion that the full debt is collectible.**

Please see response to (a) above. The Company does not have the consent of the Major Customer to disclose any financial affairs of the Major Customer. The Board of Directors has reviewed the aging of the outstanding trade receivables and an allowance for doubtful debts was provided for a portion of the outstanding receivables based on the Company's current accounting policy. The Company will endeavour to collect these debts with minimal losses. The Directors are of the opinion that the full debt is collectible.

- (c) **Due to the significance of the amount outstanding and the emphasis of matter given by the Auditors of the Company, the Company is required to provide a regular quarterly update via SGXNet of the collection of this amount and immediate announcements of any material updates on this matter, including defaults in repayment.**

The Company would provide a regular quarterly update of the collection in accordance with the Company's calendar quarterly reporting.

- (d) **The Company disclosed that "...certain directors of the Company have jointly undertaken to ensure that the remaining outstanding amount of \$47,594,000 due from the Major Customer or the ultimate beneficial owner ...will be collected by the Group and the Company", "The said directors' undertaking will be exercised in the event of default in payment by the Major Customer or the ultimate beneficial owner" and "The payment from the directors can be in the form of cash and/or through injection of assets of equivalent value into the Company". Please disclose who these "certain directors" are, whether there are any bank guarantees for the repayment and/or how certain is the Board and the Company of their financial ability to undertake the repayments. Will these undertakings be also exercised on a monthly basis, immediately when the default from the Major Customer occurs. Please provide details of how this will be enforced. The Company has also agreed that the repayment may be "through injection of assets of equivalent value into the Company". To disclose what assets have been envisaged for potential injection and to disclose the Audit Committee's view why such assets are desirable. The Company must ensure that such assets are independently valued and will be accepted only when it is in the best interest of the Company and such injections must not be prejudicial to the interest of the Company and minority shareholders. Please note that such acceptance of assets, instead of cash, will be treated as IPTs and listing rules relating to IPTs and Chapter 10 will apply accordingly.**

Two of the Company's executive directors, Mr. Cai Sui Xin and Mr. Lau Yu have jointly undertaken to ensure that the remaining outstanding amount, to the extent of S\$47,594,000, due from the Major Customer will be collected by the Company.

The two directors have not raised with the Company any specific assets which may be proposed to be injected in lieu of cash payment. The Company is not obliged to accept assets as consideration for cash and confirms that any proposal (if confirmed) which may constitute an interested party transaction, will comply with the listing rules at the relevant time.

While there are no bank guarantees for the repayment, the Board and the Company are confident of the financial abilities of the abovementioned directors to undertake the repayments. In the event of default by the Major Customer, the Company will proceed to enforce against the two abovementioned directors.

- (e) **Since the Major Customer is already in default of the repayment of its outstanding trade debts, to disclose the reasons and rationale why the vendor of Taixing Jiaozhong and Zuoquan Xinrui (the "Vendor") would agree to the arrangement to collect the purchase consideration from the major customer instead of directly from the Company? Why did the Company choose to single out the Vendor (from all its other creditors) to accept payment from the Major Customer? To disclose details of all relationships, direct and indirect, between the Vendor and the Major Customer, including and not limited to common shareholders, business connections, etc.**

Upon the completion of acquiring equity interests of Taixing Jiaozhong and Zuoquan Xinrui from the Vendor, the Company will have to pay a substantial amount of cash in Chinese renminbi ("RMB") as the balance of the purchase consideration. The Major Customer's ultimate owner has RMB currency reserves that could be used to pay this RMB consideration. In addition, the Company had discussions with the Vendor and it is agreeable to this arrangement.

No known relationship between the Vendor and the Major Customer has been declared to the Company.

**(f) We note that the Proposed Acquisitions of Zuoquan Xinrui and Taixing Jiaozhong were announced on 18 and 19 December 2007 respectively. A considerable amount of time has lapsed since these announcements. In this respect, please:-**

**i) explain the reasons for the delay in completion of the Proposed Acquisitions and disclose the month in year 2009 which the Proposed Acquisitions are likely to be completed;**

*Zuoquan Xinrui*

The delay in the Company's acquisition of 22.8% equity interest in Zuoquan Xinrui is mainly attributed to the group restructuring of the Vendor which was not disclosed to the Company at the time the transaction was entered into. The restructuring was not prohibited by the terms of the sales and purchase agreement. At the time when the sale and purchase agreement was signed, Zuoquan Xinrui was 77.22% owned by the Vendor.

As part of a restructuring exercise undergone by the Vendor, it transferred its equity holding of 77.22% in Zuoquan Xinrui to a subsidiary ("Subsidiary 1"). Subsequent to the above transfer, Subsidiary 1 in turn transferred the 77.2% equity interest to its own subsidiary ("Subsidiary 2") on 5 November 2008. Due to delays arising from the Vendor's internal restructuring, the acquisition by the Company was disrupted and had to be deferred to a later date.

Once the restructuring was completed, the transfer of 22.8% equity interest in Zuoquan Xinrui to the Company had to be approved by all existing shareholders of Zuoquan Xinrui as per PRC regulations. As Subsidiary 2 is 70% owned by Subsidiary 1 and 30% owned by a PRC individual, the transfer of 22.8% equity interest in Zuoquan Xinrui to the Company was again delayed due to an inability to obtain consent from the PRC individual. The Vendor proposed to buy out the PRC individual. An agreement between the Vendor and the PRC individual was signed on 9 March 2009 to buy out the PRC individual's 30% interest in Subsidiary 2, thereby clearing the obstacle for the transfer.

With this obstacle removed, the Vendor has informed the Company that the acquisition of Zuoquan Xinrui can proceed to completion. The Company is currently in the progress of preparing the necessary documentation for the equity transfer and the acquisition is estimated to complete in the last quarter of 2009.

*Taixing Jiaozhong*

The Vendor holds an 80% equity interest in Taixing Jiaozhong. The 80% equity interest is currently being transferred to a special purpose vehicle ("SPV") and upon completion, the Vendor will sell a 61.25% stake in the SPV to the Company, giving the Company an effective 49% interest in Taixing Jiaozhong. This was an alteration in the acquisition structure from the original plan of acquiring 49% directly. As the Company would be able to regard Taixing Jiaozhong as a subsidiary of the Company with the new corporate structure, the Company is of the opinion that consenting to the restructuring would be in the best interest of the Company and shareholders as a whole.

The approval by the PRC authorities for the restructuring is estimated to be completed by the first half of 2009. The Company is of the opinion that this transaction will be completed by 30 July 2009.

**ii) explain why no previous update was given for the status of the Proposed Acquisitions; and**

The Company acknowledges that much time has elapsed since the announcements of the Proposed Acquisitions. However due to the changing circumstances, the Company had hoped to confirm the final position before issuing an updated announcement. The Company will give quarterly updates on the progress of the Proposed Acquisitions as part of the Company's quarterly financial results reporting.

**iii) to also provide updated details required under Rule 1010 on the Proposed Acquisitions, providing information based on the latest announced results of the Company.**

The two Proposed Acquisitions were non-major transactions within the meaning of Rule 1014 of the Listing Manual at the time they were entered into. The information below is provided based on the later announced results of the Company and based on the closing price of the Company's shares on 20 April 2009.

*Zuoquan Xinrui*

1. Proposed Acquisition of Zuoquan Xinrui

The Company had on 18 December 2007 entered into a conditional sale and purchase agreement with Shenzhen Manfu Industrial Company Limited ("Shenzhen Manfu") for the acquisition of 22.8% equity interest in Zuoquan Xinrui at a cash consideration of RMB 320 million plus options.

The purchase consideration was arrived at a willing buyer willing seller basis, taking into consideration the net tangible asset value of Zuoquan Xinrui at the time when the sale and purchase agreement is signed and the potential iron ore reserves of the two mines owned by Zuoquan Xinrui.

A deposit of RMB 160 million had been placed with Shenzhen Manfu with the remaining amount to be paid by the Company's Major Customer upon completion of the acquisition.

2. Material conditions of the Proposed Acquisition

The completion of the Proposed Acquisition is conditional upon, inter alia, the following:

- a) The Company paying a deposit of RMB 160 million to Shenzhen Manfu within ten business days after the SPA is signed. The Company has subsequently made the payment to Shenzhen Manfu on 18 December 2007;
- b) Upon Completion, the Company paying to Shenzhen Manfu the sum of RMB 160 million in cash;
- c) the Company being satisfied with the results of its due diligence investigations.

### 3. Rationale for the Proposed Acquisition

The Company's principal business is the trading of hard commodities, such as iron ore and minerals internationally. The Company is keen to strengthen its hard commodities trading business by developing its logistics and supply capabilities.

In connection with this intention, Zuoquan Xinrui is mainly engaged in the production of iron ore, which the Company can market and trade. By acquiring a stake in Zuoquan Xinrui, and obtaining a non-exclusive right to market the iron ore produced by Zuoquan Xinrui, the Company has strengthened its control over its iron ore supplies for trading purposes.

Having identified Zuoquan Xinrui as a significant and viable company, the Company has taken the opportunity to adopt a stake in this synergistic business and intends to make Zuoquan Xinrui one of the major links in the Company's natural resources business chain.

### 4. Financial effects of the Proposed Acquisition

- a) Assuming that the Proposed Acquisition had been completed on 31 December 2008, the net tangible assets per share of the Company will not be affected by the Proposed Acquisition as Zuoquan Xinrui's financial results would not be consolidated with the Company's financial statements; and
- b) The effect of the Proposed Acquisition on the earnings per share at Group level for the financial year ended 31 December 2008 assuming that the transaction had been effected at the beginning of that financial year is as follows:

<b>Earnings/(loss) per share</b>	<b>For the financial year ended 31 December 2008</b>
Before adjusting for Proposed Acquisition	
- Earnings/(loss) per share	(0.31) cents
After adjusting for Proposed Acquisition	
- Earnings/(loss) per share	(0.26) cents

#### Relative Figures computed pursuant to Rule 1006 of the Listing Manual

##### Rule 1006(a)

The basis of comparison set out in Rule 1006(a) of the Listing Manual is not applicable as Rule 1006(a) only applies to disposal of assets.

##### Rule 1006(b)

Based on the audited financial statements of the Company for its financial year ended 31 December 2008, the net loss on a consolidated basis (after taxation) was approximately S\$15.6 million. Accordingly, the net profit attributable to the assets acquired, amounting to approximately RMB 11.7 million, compared with the Company's net losses, is approximately -15.83%.

#### Rule 1006(c)

The aggregate value of the Proposed Acquisition amounts to 31.18% of the Company's market capitalization of approximately S\$153 million as at 20 April 2009. The market capitalization of the Company is derived by multiplying the number of shares in issue of 5,084,755,824 by the closing price of the shares on 20 April 2009 being S\$0.03.

#### Rule 1006(d)

The basis of comparison set out in Rule 1006(d) of the Listing Manual is not applicable as no equity was issued by the Company as consideration for the Proposed Acquisition.

### 5. Interest of Directors and controlling Shareholders

None of the directors or (to the best of the directors' information and belief) substantial shareholders of the Company, or their associates has any interest, direct or indirect, in the Proposed Acquisition.

#### *Taixing Jiaozhong*

#### 1. Proposed Acquisition of Taixing Jiaozhong

The Company had on 19 December 2007 entered into a conditional sale and purchase agreement with Shenzhen Manfu Industrial Company Limited ("Shenzhen Manfu") for the acquisition of 49% equity interest in Taixing Jiaozhong at a cash consideration of RMB 188 million.

The purchased consideration was arrived at a willing buyer willing seller basis, taking into consideration the potential coking coal reserve of the coal mine owned by Taixing Jiaozhong.

A deposit of RMB 94 million had been placed with Shenzhen Manfu with the remaining amount to be paid by the Company's Major Customer upon completion of the acquisition.

#### 2. Material conditions of the Proposed Acquisition

The completion of the Proposed Acquisition is conditional upon, inter alia, the following:

- a) The Company paying a deposit of RMB 94 million to Shenzhen Manfu within ten business days after the SPA is signed. The Company has subsequently made the payment to Shenzhen Manfu on 24 December 2007;
- b) Upon Completion, the Company paying to Shenzhen Manfu the sum of RMB 94 million in cash;
- c) the Company being satisfied with the results of its due diligence investigations.

#### 3. Rationale for the Proposed Acquisition

The Proposed Acquisition is in line with the Company's plans to expand the scope of its business activities, vertically and horizontally, into the production of coal and coke, and other synergistic businesses.

#### 4. Financial effects of the Proposed Acquisition

- a) The effect of the Proposed Acquisition on the net tangible assets per share at Group level for the financial year ended 31 December 2008 assuming that the transaction had been effected at the end of the financial year is as follows:-

<b>Net tangible assets per share</b>	<b>Per Audited Accounts As at 31 December 2008</b>
Before adjusting for Proposed Acquisition	3.97 cents
After adjusting for Proposed Acquisition (based on Taixing Jiaozhong's actual net tangible assets as at 31 December 2008 of approximately RMB81.3 million)	4.31 cents

- b) The effect of the acquisition on the earnings per share at Group level for the financial year ended 31 December 2008 assuming that the transaction had been effected at the beginning of that financial year is as follows:

<b>Earnings/(loss) per share</b>	<b>For the financial year ended 31 December 2008</b>
Before adjusting for Proposed Acquisition - Earnings/(loss) per share	(0.31) cents
After adjusting for Proposed Acquisition - Earnings/(loss) per share	(0.25) cents

#### Relative Figures computed pursuant to Rule 1006 of the Listing Manual

##### Rule 1006(a)

The basis of comparison set out in Rule 1006(a) of the Listing Manual is not applicable as Rule 1006(a) only applies to disposal of assets.

##### Rule 1006(b)

Based on the audited financial statements of the Company for its financial year ended 31 December 2008, the net loss on a consolidated basis (after taxation) was approximately S\$15.6 million. Accordingly, the net profit attributable to the assets acquired, amounting to approximately RMB\$14.9 million, compared with the Company's net losses, is approximately -20.10%.

##### Rule 1006(c)

The aggregate value of the Proposed Acquisition amounts to 26.01% of the Company's market capitalization of approximately S\$153 million as at 20 April 2009. The market capitalization of the Company is derived by multiplying the number of shares in issue of 5,084,755,824 by the closing price of the shares on 20 April 2009 being S\$0.03.

#### 5. Interest of Directors and controlling Shareholders

None of the directors or (to the best of the directors' information and belief) substantial shareholders of the Company, or their associates has any interest, direct or indirect, in the acquisition.

**(g) In addition to (f) above, please clarify the following:-**

- i) The Company previously announced that the purchase consideration of approximately S\$77.8m for Zuoquan Xinrui will be paid in 3 tranches -- a deposit of RMB160m to the vendor within 10 business days after the Sales & Purchase Agreement is signed; RMB 160 million to be paid on completion and a grant of Call Options to subscribe for 263,580,377 new shares in the Company. In relation to the proposed acquisition of Taixing Jiaozhong, the purchase consideration of RMB188m will be paid in 2 tranches – RMB 94 million to be paid 10 days after the date of execution of the Agreement and another RMB 94 million upon completion of the Proposed Acquisition. To clarify for each of the Proposed Acquisitions, which tranche of the respective purchase considerations will be paid by the Major Customer.**

The Company has already paid the deposits of RMB 160 million and RMB 94 million for Zuoquan Xinrui and Taixing Jiaozhong respectively. The Major Customer and/or its ultimate owner would be paying the remaining balance of cash consideration and the value of the Call Options of which in total amounted to RMB 230.5 million for Zuoquan Xinrui and the remaining balance of RMB 94 million for Taixing Jiaozhong.

- ii) We note that the Vendor had provided a profit guarantee for each of the Proposed Acquisitions. To disclose the latest financial performance of the entities, whether the profit guarantees has been fulfilled and quantify the amount and date they were fulfilled.**

In accordance to the SPA signed between the Vendor and the Company, the profit guarantee is provided for the first financial year after the completion of the Proposed Acquisitions. As the Proposed Acquisitions have not been completed, the profit guarantees have not been enforced.

In reference to the audited financial statements for the year ended 31 December 2008, Zuoquan Xinrui's net profit for the year was approximately RMB 51.5 million while Taixing Jiaozhong's net profit for the year was approximately RMB 30.4 million.

- iii) To disclose whether the Vendor has exercised the Call Options granted in relation to the Proposed Acquisition of Zuoquan Xinrui.**

The Call Options will not be issued to the Vendor as the Major Customer will be paying in lieu with cash on the Company's behalf.

- (h) We note that the parent company of the Company, GN Resources (Hong Kong) Ltd ("GNHK") was incorporated in Hong Kong on 5 July 1999 and is principally engaged in the steel business which includes metallurgical coke, iron ore, coking coal and steel products and is also operating in Shanxi. To disclose whether the Major Customer was introduced to the Company by GNHK, whether the transactions were undertaken to facilitate transactions with GNHK and whether the Major Customer has any current or previous dealings with GNHK. Please provide an indication of the reliance/association, including quantifications, of the Major Customer and GNHK.**

GNHK is operating in Hong Kong rather than Shanxi. The Major Customer was introduced to the Company by GNHK and no transactions were undertaken to facilitate transactions with GNHK. The Major Customer has previous trade dealings with GNHK but has stopped after the trade transactions are taken up by the Company.

- (i) **To also disclose the reasons why the Company had not required the Major Customer to provide letters of credits (“L/Cs”) for the full amount of sales made to the Major Customer and whether such waivers for L/Cs have similarly been granted to its other third party customers which are independent of GNHK.**

Influenced by the poor economic conditions, commodities prices have declined in the second half of 2008. Banks have also reduced the amount of business credits extended and many enterprises are slower in making payments. As a result, the Major Customer was not able to provide the Company with L/Cs matching the contracted prices of their purchases.

The Company then decided to accept to receive part of the sales payment from the Major Customer in cash or LCs and the remaining in receivables. Such an arrangement would prevent the Company from having to hold the shipments as inventories and in turn suffer exposures to additional charges such as warehousing and further losses from possible declining prices. This Company has also extended such arrangements to other third party customers.

It is also to be noted that the Board of the Company had on 16 January 2009 determined that, no further credit can be given to the Major Customer until the full collection of the debt, and trade with the Major Customer can only be on cash or L/C basis.

BY ORDER OF THE BOARD

Lau Yu  
Director and Chief Executive Officer  
21 April 2009