



ABTERRA LTD.

(Registration No. 199903007C)

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

The Board wishes to make the following clarification with regards to the SGX queries dated 24 April 2009:

- (a) **With reference to page 94 of the Annual Report, we note that a different auditor, Tianjin Xingang CPA Ltd, was appointed to audit the Company's associated company, Tianjin Lant Development Co., Ltd. In this regard, please clarify whether this is a significant associated company. If so, please confirm whether Rule 716 has been complied. Kindly note that in future, a confirmation of compliance with Rule 716 must be disclosed in the Annual Report if different auditors were appointed to significant subsidiaries and/or associated companies.**

The comment is noted. However Tianjin Lant Development Co., Ltd. ("TLD"), incorporated in the People's Republic of China, is not a significant associated company for the purpose of Rule 716 of the Listing Manual as:

- i. the net tangible assets of TLD represents about 5.3% (less than 20% per Rule 718) of the Company's consolidated net tangible assets; and
 - ii. the share of profits of TLD accounts for about 1.4% (less than 20% per Rule 718) of the Company's consolidated pre-tax loss.
- (b) **We note from Pg 80 of the Annual Report in relation to Related Party Transactions that (i) for the year ended 31 December 2008, the immediate holding company and a related entity of the Group settled the liabilities of third parties amounting to \$35.76m; (ii) there were loans from the immediate holding company and the ultimate holding company amounting to \$7.63m; and (iii) receipts by immediate holding company on behalf of subsidiaries amounting to \$0.43m. In this regard, please provide reasons why the liabilities of third parties are settled by the Company's related parties and to disclose details and the nature of the underlying transactions which gave rise to the items (i) to (iii).**
- i. The Group had entered into a series of trade-related sales with its customers in the financial year ended 31 December 2008. Due to the financial crisis and subsequent tightening of bank credit, certain customers were unable to obtain bank financing to obtain letters of credits for the trades. The Group's immediate holding Company, General Nice (Hong Kong) Ltd. ("GNHK") and the related entity General Nice Tianjin Industry Co., Ltd. ("GNTI") had agreed to assist the customers so that they would be able to honour their trade obligations to the Group. GNHK and GNTJ did not charge the Group any money or consideration for the assistance granted to the Group's customers.

- ii. The loans from GNHK and the ultimate holding company, General Nice Development Limited (“GNDL”) are non-trade in nature and were made with no fixed term of repayment and are interest- free. Funds are provided from GNHK and GNDL in order to support the Group’s operations. Also from time to time, GNHK and GNDL pay expenses on behalf of the Group and its subsidiaries.
- iii. One of the suppliers of the Group had refunded an amount of US\$300,000 (approximately S\$432,000) which was due to the Group, to GNHK by mistake. The Group, GNHK and the supplier have been made aware of this erroneous remittance.

BY ORDER OF THE BOARD

Lau Yu
Director and Chief Executive Officer
29 April 2009