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

# PROPOSED ACQUISITION OF COMMERCIAL PROPERTY IN BEIJING, PRC

## 1. INTRODUCTION

The board of directors (the "**Board**") of Abterra Ltd. (the "**Company**") refers to the Company's announcements made on 31 December 2014 and 30 June 2015. Capitalised terms in this announcement shall, unless the contrary is stated otherwise, have the meanings ascribed to them in the announcement made on 31 December 2014.

The Board wishes to announce that the Company had on 27 July 2015 entered into a conditional sale and purchase agreement ("**SPA**") with the Vendor, pursuant to which the Company will acquire from the Vendor, 60% of the issued share capital of Smart Harmony Investment Limited ("**Target**") ("**Sale Shares**") ("**Proposed Acquisition**"). The obligations of the Vendor under the SPA are guaranteed by its parent company, Shenzhen Manfu Industrial Co., Limited ("**Guarantor**").

## 2. INFORMATION ON THE TARGET GROUP

The Target, a company incorporated in the British Virgin Islands as a company limited by shares on 5 July 2011, owns the entire issued and paid-up share capital of Success Linker Investment Limited, an investment holding company incorporated in Hong Kong ("**Success Linker**"). Success Linker in turn owns the entire registered capital of Yangpu Quanan Commercial Management Co., Ltd. (洋浦权安商业管理有限公司), a wholly foreign owned enterprise established in the People's Republic of China ("**PRC**") ("**YPQA**").The Target, Success Linker and YPQA collectively form the "**Target Group**".

Information on the Property

YPQA is the owner of commercial properties within a mixed-use development located at Bei Yuan Hong Jun Ying South Road (北苑红军营南路) in the Beijing Media Village (北京媒体村天畅园) situated in Chao Yang District of Beijing, PRC.

These commercial properties are comprised in 69 property ownership certificates, which are currently tenanted out to a mix of office and retail tenants (including securities firms, media and education technology companies and a supermarket) for lease durations of between 5to12 years.

The Property units are housed within four of the eight buildings within the said Beijing Media Village (北京媒体村天畅园) development, bearing building numbers 2, 3, 4 and 6. The total gross floor area of the four buildings is approximately 10,861.25 square metres.

## 3. THE PROPOSED ACQUISITION

### 3.1 Rationale for the Proposed Acquisition

In September 2011, the Company obtained approval of the Shareholders for the addition of property and minerals businesses to its core trading business. The addition of the property business allows the Company to diversify into property investment, property holding and property development. As set out in the annual report of the Company for the financial years ended on 31 December 2013 and 31 December 2014, the Company has been actively exploring investment opportunities in the regional property markets.

The Proposed Acquisition presents the Company with an opportunity to enter into the property market in the PRC, and if completed, will diversify the Company's existing businesses and provide an alternative income stream.

### 3.2 Key Terms of the Proposed Acquisition

3.2.1 Sale and Purchase

Under the terms of the SPA, the Vendor shall sell to the Company the Sale Shares in the Target, free from all encumbrances and together with all rights, title, interest, dividends, entitlements and advantages with effect as at the date of completion of the Proposed Acquisition ("**Completion Date**").

3.2.2 Purchase Consideration

The total purchase consideration ("**Consideration**") for the sale and purchase of the Sale Shares is RMB352,372,634 (equivalent to approximately S$78,860,995 based on the exchange rate of RMB1 to S$0.2238 as at 27 July 2015, the last market day preceding the date of the SPA ("**Exchange Rate**")), being 60% of the net asset value of the Target Group, which was arrived on a willing buyer and willing seller basis, taking into consideration the amount represented to the Company as the net asset value of the Target Group as at 31 May 2015. As at 31 May 2015, the net asset value of the Target Group isRMB587,287,723 (equivalent to approximately S$131,434,992 based on the Exchange Rate), based on an agreed value of the Property of RMB600,000,000.

The agreed value of the Property is based on a preliminary valuation of the Property of an independent market valuer engaged by the Vendor. The value of the Property indicated in the preliminary valuation report is RMB600,000,000 as at 30 April 2015. The Vendor is required to procure a formal valuation report to be issued no earlier than 60 days prior to the Completion Date stating that the valuation of the Property is not less than RMB600,000,000 as a condition to Completion.

Payment of the Consideration will be satisfied by setting-off an outstanding amount owing by the Vendor to the Company under the deed of termination dated 31 December 2013 between the Company, the Guarantor, Tianjin Kaitemei Trading Co., Ltd. ("**Kaitemei**") and the Vendor ("**Deed of Termination**", as amended and supplemented) pursuant to which the Guarantor and Vendor agreed to refund certain payments to the Company made under a sale and purchase agreement. Please refer to the announcements released by the Company on 31 December 2013, 2 March 2014, 9 May 2014 and 1 October 2014 for more information and details on the Deed of Termination. The outstanding amount owing to the Company under the Deed of Termination is RMB369,760,671, and will be set-off against the Consideration payable under the SPA.

After the set-off, there will be a balance amount of RMB17,388,037, which the Vendor will pay in cash to the Company on completion of the SPA.

3.2.3 Key Conditions Precedent

Completion of the Proposed Acquisition shall be conditional upon, *inter alia*, the conditions precedent of the Proposed Acquisition having been fulfilled (or waived) in accordance with the terms of the SPA, the key ones of which are summarised below:-

(i) the Company obtaining the approval of its shareholders at an extraordinary general meeting ("**EGM**") to be convened to approve the Proposed Acquisition;

(ii) the Company being satisfied in its absolute discretion with the results of the legal and financial due diligence investigations on the Property and the Target Group;

(iii) the land use rights in respect of the land on which the Property is situated will be alienated into separate land use right titles for each of the 69 property ownership certificates in respect of the Property;

(iv) the issue of a formal valuation report dated no earlier than 60 days before completion stating the valuation of the Property is not less than RMB600,000,000; and

(v) the Companyis satisfied that it will be able to raise sufficient funds to fund the completion of the Proposed Acquisition and the Call Option, and to perform its several obligations contemplated under the SPA.

3.2.4 Grant of Call Option

Under the SPA, the Vendor has granted a call option ("**Call Option**") to the Company to require the Vendor to sell to the Company the remaining 40% of the issued share capital of the Target ("**Call Option Shares**").

The Call Option is exercisable at any time during a three-year period commencing on the calendar day after the Completion Date, at an exercise price of RMB234,915,089, payable in cash, for all of the Call Option Shares ("**Exercise Price**") (which is equivalent to approximately S$52,573,997 based on the Exchange Rate).

The funding of the acquisition of the Call Option Shares will be satisfied by the Group's internal resources. The Company will be considering external bank borrowings and fund-raising means for this purpose.

3.2.5 Key Undertakings, Representations and Warranties

The Proposed Acquisition and Call Option are subject to such undertakings, representations and warranties from each of the Company and the Vendor as are customary for transactions of similar nature.

The obligations of the Vendor under the SPA are guaranteed by its parent company, Shenzhen Manfu Industrial Co., Limited. As security for the obligations of the Guarantor under the SPA, the Vendor will procure that its subsidiary, Full Winner Industrial Co., Limited ("**Full Winner**")grants the Company a share charge over Full Winner's 65% shareholding in General Nice (S.A.) Resources Company Limited ("**GNSA**"), a company incorporated in British Virgin Islands. GNSA and its subsidiaries owns (i) prospecting rights for manganese ore in South Africa; (ii) lands on which such prospecting rights are located;

and (iii) lands and buildings located in Johannesburg, Gauteng Province, South Africa. Full Winner had given a share charge over its 65% shareholding in GNSA to the Company pursuant to the terms of the Deed of Termination. Please refer to the announcements released by the Company on 31 December 2013, 2 March 2014, 9 May 2014 and 1 October 2014 for more information and details.

### 3.3 The Proposed Acquisition as a Major Transaction

The Proposed Acquisition constitutes a "Major Transaction" as defined under Chapter 10 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Ltd ("**SGX-ST**") and will be subject to approval of the shareholders of the Company ("**Shareholders**") pursuant to Rule 1014 of the Listing Manual.

*The capitalised term "**Group**" as used in this Announcement means the Company and its subsidiaries collectively as at the date of this Announcement.*

**Relative figures**

The relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual are set out in Column (1) below. The relative figures of the Proposed Acquisition assuming the exercise of the Call Option are computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual are set out in Column (2) below.

| | **Proposed Acquisition Column (1)** | **Proposed Acquisition assuming the exercise of the Call Option Column (2)** |
|---|---|---|
| Rule 1006(a):<br>Net asset value of assets to be disposed of, compared with the Group's net asset value | Not applicable to an acquisition | Not applicable to an acquisition |
| Rule 1006(b):<br>Net profit attributable to the assets acquired, compared with the Group's net loss | -2.80%[(1)] | -4.66%[(2)] |
| Rule 1006(c):<br>Aggregate value of the Consideration and the sum of the Consideration compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares | 48.37%[(3)] | - |
| Aggregate value of the Consideration including the consideration for the exercise of the Call Option, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares | - | 80.62%[(4)] |
| Rule 1006(d):<br>Number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue | Not applicable | Not applicable |

| | Proposed Acquisition Column (1) | Proposed Acquisition assuming the exercise of the Call Option Column (2) |
|---|---|---|
| Rule 1006(e):<br>Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. | Not applicable to an acquisition | Not applicable to an acquisition |

**Notes:**

(1) Based on 60% of the unaudited Target Group's net profit of RMB13,736,473, that is RMB8,241,884, which is equivalent to S$1,700,713 based on the exchange rate of RMB1:S$0.20635 for the year ended 31 December 2014 compared to the Group's net loss position of S$60,787,924 for the same period.

(2) Based on the unaudited Target Group's net profit of RMB13,736,473 which is equivalent to S$2,834,521 based on the exchange rate of RMB1:S$0.20635 for the year ended 31 December 2014 compared to the Group's net loss position of S$60,787,924for the same period.

(3) The relative figure in Rule 1006(c) is computed by dividing the Consideration of RMB352,372,634 which is equivalent approximately to S$78,860,995 based on the Exchange Rate, by the market capitalisation of the Company of approximately S$163,026,125, which is determined by multiplying the total issued share capital of the Company of 244,274,150 shares and the volume weighted average price of the shares of S$0.66739as at 27July 2015, being the market day immediately preceding the date of the SPA.

(4) The relative figure in Rule 1006(c) is computed by dividing the sum of the Consideration and the Exercise Price, namely RMB587,287,723 (which is equivalent approximately to S$131,434,992 based on the Exchange Rate), by the market capitalisation of the Company of approximately S$163,026,125.

As the relative figure under Rule 1006(c) exceeds 20%, the Proposed Acquisition constitutes a "Major Transaction" as defined in Rule 1014 of the Listing Manual. The Proposed Acquisition, assuming the exercise of the Call Option, would also constitute a "Major Transaction" as defined in Rule 1014 of the Listing Manual.

Accordingly, the Proposed Acquisition and the Call Option shall be conditional upon, *inter alia*, the approval of the Shareholders at the EGM being obtained pursuant to Rule 1014 of the Listing Manual.

## 4. FINANCIAL INFORMATION OF THE TARGET GROUP

A summary of the unaudited consolidated profit and loss statement of the Target Group for each of the last three financial years ended 31 December 2012, 2013 and 2014, and a summary of the unaudited consolidated balance sheet of the Target Group as at 31 December 2014, is set out below:-

| **(RMB'000)** | ← **Unaudited** → | | |
|---|---|---|---|
| **Income Statements** | **2012** | **2013** | **2014** |
| Revenue | 0 | 19,502 | 19,650 |
| Gross profit | NA | NA | NA |
| (Loss)/profit from operations | (2,384) | 15,750 | 13,668 |
| Fair value gain on investment properties | 0 | 0 | 0 |
| (Loss)/profit before tax | (2,384) | 15,750 | 13,736 |
| Income tax expense | 0 | 0 | 0 |
| Net (loss)/profit | (2,384) | 15,750 | 13,736 |

| (RMB'000) | Unaudited |
|---|---|
| **Balance Sheet** | **As at 31 December 2014** |
| Non-current assets | 600,000 |
| Current assets | 30,422 |
| Current liabilities | (8,616) |
| Net current assets | 21,806 |
| Non-current liabilities | (40,000) |
| Shareholders' equity | 581,806 |

## 5. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED ACQUISITIONAND CALL OPTION

The pro forma financial effects of the Proposed Acquisition and the exercise of the Call Option are set out below.

### 5.1 Bases and assumptions

The pro forma financial effects of the Proposed Acquisition and the exercise of the Call Option on the Company set out below are for illustrative purposes only. The pro forma financial effects have been prepared based on the audited financial statements of the Company for the financial year ended 31 December 2014, the unaudited consolidated financial information of the Target Group for the financial year ended 31 December 2014,based on an agreed property value of RMB600,000,000.The pro forma financial effects of the Proposed Acquisition and the exercise of the Call Option are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Company and the Target Group (collectively, the "**Enlarged Group**") immediately following the completion of the Proposed Acquisition and the completion of the Call Option (for the purpose of this Announcement as if such group structure has been in existence since 1 January 2014).

For the purposes of illustrating the financial effects of the Proposed Acquisition and the Call Option, the financial effects have been prepared based on, *inter alia*, the following assumptions:-

(i) the financial effects of the Proposed Acquisition and the exercise of the Call Option on the loss and loss per share ("**LPS**") of the Enlarged Group are computed assuming that the Proposed Acquisition and the Call Option was completed on 1 January 2014;

(ii) the financial effects of the Proposed Acquisition and the exercise of the Call Option on Net Tangible Assets ("**NTA**") of the Enlarged Group are computed assuming that the Proposed Acquisition and the exercise of the Call Option was completed on 31 December 2014;

(iii) the fair value adjustments on the net assets of the Target Group (except the Property) and positive or negative goodwill arising from the Proposed Acquisition and the Call Option, if any, have not been considered for the purpose of computing the financial effects of the Proposed Acquisition and the Call Option and will be determined on the date of completion of the Proposed Acquisition or Call Option (as the case may be). As the final goodwill will have to be determined at Completion and upon the full completion of a purchase price allocation exercise, the actual goodwill could be materially different from the aforementioned assumption. Any goodwill arising thereon from the Proposed Acquisition and the

Call Option will be accounted for in accordance with the accounting policies of the Company;

(iv) expenses in connection with the Proposed Acquisition and the Call Option are disregarded for the purpose of calculating the financial effects; and

(v) the translation rates where relevant are using the average exchange rate of RMB1:S$0.20635 and closing exchange rate of RMB1:S$0.215 on 31 December 2014 *(Source: Oanda*).

**5.2 LPS**

| | **Before the Proposed Acquisition** | **After the Proposed Acquisition** | **After completion of the Proposed Acquisition and Call Option** |
|---|---|---|---|
| Loss attributable to shareholders (RMB'000) | (243,129) | (243,129) | (243,129) |
| Add: Profit of the Target (RMB'000) | - | 8,242 | 13,736 |
| **Adjusted net loss (RMB'000)** | (243,129) | (234,887) | (229,393) |
| Number of issued Shares (excluding treasury shares) | 244,274,150 | 244,274,150 | 244,274,150 |
| Loss per Share (RMB cents) | (99.53) | (96.16) | (93.91) |
| Loss per Share (S$ cents) | (20.54) | (19.84) | (19.38) |

**5.3 NTA**

| | **Before the Proposed Acquisition** | **After the Proposed Acquisition** | **After completion of the Proposed Acquisition and the Call Option** |
|---|---|---|---|
| NTA of the Company as at 31 December 2014 (RMB'000) | 652,342 | 652,342 | 652,342 |
| Add: NTA of the Target (RMB'000) | - | 581,806[(1)] | 581,806[(1)] |
| Less: Consideration paid (RMB'000) | | | |
| Outstanding amount owing by the Vendor | - | (352,373) | (369,761) |
| Reversal of allowance for doubtful debts | - | 169,960 | 169,960 |
| Other payable due to Vendor | - | - | (217,527) |
| **Adjusted NTA of the Group (RMB'000)** | 652,342 | 1,051,735 | 816,820 |
| Number of issued Shares (excluding treasury shares) | 244,274,150 | 244,274,150 | 244,274,150 |
| NTA per Share (RMB cents) | 267.05 | 430.56 | 334.39 |
| NTA per Share (S$ cents) | 57.42 | 92.57 | 71.89 |

Note:

(1) The NTA of the Target takes into account the agreed value of the Property of RMB600,000,000.

### 5.4 Gearing ratio[(1)]

| | Before the Proposed Acquisition | After the Proposed Acquisition | After completion of the Proposed Acquisition and the Call Option |
|---|---|---|---|
| Net debts as at 31 December 2014 (RMB'000) | 135,600 | 181,891 | 181,891 |
| Total equity as at 31 December 2014 (RMB'000) | 670,877 | 1,252,683 | 1,252,683 |
| Total capital as at 31 December 2014 (RMB'000) | 806,477 | 1,434,574 | 1,434,574 |
| Gearing ratio[(1)] | 17% | 13% | 13% |

Note:

(1) Gearing ratio is determined based on net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalent.

## 6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors of the Company ("**Directors**") or, as far as the Company is aware, controlling Shareholders have any interest, direct or indirect, in the Proposed Acquisition.

## 7. FURTHER INFORMATION

### 7.1 Circular

Subject to SGX-ST's approval, a circular containing further information on the Proposed Acquisition as contemplated in the SPA, together with a notice of the EGM ("**Circular**"), will be despatched by the Company to the Shareholders in due course.

### 7.2 Service Contracts

As at the date hereof, the parties have not agreed to any service contract being entered into in connection with the Proposed Acquisition.

### 7.3 Documents for Inspection

A copy of the SPA will be made available for inspection during normal business hours at the registered office of the Company for three months from the date of this Announcement.

## 8. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares as the Proposed Acquisition is subject to numerous conditions and there is no certainty or assurance as at the date of this Announcement that the Proposed Acquisition will be completed. The Company will make the necessary announcements when there are further developments on the Proposed Acquisition.

Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

## 9. RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this Announcement) collectively and individually accept full responsibility for the accuracy of the information given in this Announcement (except in respect of the Vendor and the Target Group) and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed herein (except in respect of the Vendor, the Target and the Target Group) are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make this Announcement misleading.

The directors of the Vendor (including those who may have delegated detailed supervision of the preparation of this Announcement) collectively and individually accept full responsibility for the accuracy of the information given in this Announcement (in respect of the Vendor, the Target and the Target Group) and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed herein (in respect of the Vendor, the Target and the Target Group) are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make this Announcement misleading.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors and the directors of the Vendor respectively has been to ensure, through reasonable enquiries, that such information is accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Announcement.

**BY ORDER OF THE BOARD**

Lau Yu
Chief Executive Officer
27 July 2015