ABTERRA LTD.
(Company Registration No.: 199903007C)

PROPOSED ACQUISITION OF LEAD CHINA DEVELOPMENT LIMITED IN CONNECTION WITH THE ACQUISITION OF 51% OF THE EQUITY INTEREST IN TIANJIN BELONG FAITH ENERGY MINERALS CO., LTD

1. INTRODUCTION

The board of directors (the **"Board"**) of Abterra Ltd. (the **"Company"**) refers to its announcement dated 13 February 2017 in relation to the non-binding memorandum of understanding ("**MOU**") entered into in respect of the proposed acquisition of a 51% equity interest in Tianjin Belong Faith Energy Minerals Co., Ltd (天津博朗信国际贸易有限公司) ("**BLX**").

The Board wishes to announce that the Company has on 21 June 2017 entered into a sale and purchase agreement (the **"SPA"**) with Li Ya Nan (李雅楠) and Lu Du Wei (鹿笃薇) (the **"Vendors"**) to acquire 50,000 shares in Lead China Development Limited (the **"Target"**), which comprises 100% of the entire issued and paid-up share capital of the Target (the "**Sale Shares**") on the terms and conditions of the SPA (the **"Proposed Acquisition"**). The Target indirectly holds 51% of the equity interest in BLX.

2. INFORMATION ON THE TARGET GROUP AND THE VENDORS

2.1 Information on the Target Group

The Target is an investment holding company incorporated in the British Virgin Islands ("**BVI**") in January 2017. As at the date of this announcement, the Target has an issued and paid-up share capital of US$50,000 comprising 50,000 ordinary shares. The shareholders of the Target are Li Ya Nan and Lu Du Wei, who hold 90% and 10% respectively of the share capital of the Target (the "**Shareholding Proportion**").

The Target has a wholly-owned subsidiary, Lead Bright International Limited (領暉國際發展有限公司) ("**Lead Bright Hong Kong**"), which was incorporated in Hong Kong in March 2017. Lead Bright Hong Kong owns 100% of the equity interest of Lead Bright (Tianjin) International Trading Co., Ltd (领晖（天津）国际贸易有限公司), a company incorporated in the People's Republic of China ("**PRC**") in March 2017 ("**Lead Bright Tianjin**").

Lead Bright Tianjin in turn owns 51% of the equity interest in BLX. BLX was established in January 2015, has a registered share capital of RMB 100 million, and is primarily engaged in the business of coal imports for sale within the PRC.

As at the date of this announcement, the Target, Lead Bright Hong Kong and Lead Bright Tianjin are investment holding companies.

The Target together with Lead Bright Hong Kong, Lead Bright Tianjin and BLX are referred to as the "**Target Group**".

2.2 Information on the Vendors

The Vendors, Li Ya Nan and Lu Du Wei, are PRC citizens. Each Vendor is an independent third party unrelated to any of the directors and controlling shareholders (as defined in the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) of the Company and its subsidiaries (the "**Group**"). As at the date of this announcement, the Vendors do not have any interest, direct or indirect, in the shares of the Company.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Board is of the view that the Proposed Acquisition is in the best interests of the Group. The Target Group is profitable, and the Board believes that the Proposed Acquisition will be beneficial to the Group's trading business as the Target Group is in the same core business, thus able to provide to the Group access to a greater network of customers, and traders. This will enhance the Group's trading capabilities and allow it to achieve greater market presence, as well as enlarge its revenue stream.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Sale and Purchase

Pursuant to the SPA, the Vendors shall sell and the Company shall purchase the Sale Shares, free from all encumbrances and together with all rights, interests, benefits and advantages attaching thereto as at completion of the SPA (**"Completion"**). Following Completion, the Target will become a wholly-owned subsidiary of the Company.

4.2 Salient Terms of the SPA

4.2.1 Consideration

(a) The total purchase consideration for the Proposed Acquisition is RMB 74,205,000 (equivalent to approximately S$15,051,724 based on an exchange rate of S$1:RMB4.93 as at 21 June 2017) (the "**Consideration**"), which shall be satisfied in full by the allotment and issuance of 48,553,949 new issued and fully paid-up ordinary shares in the capital of the Company (the "**Consideration Shares**"), at an issue price of S$0.31 per Consideration Share (the "**Issue Price**"), by the Company to the Vendors according to the Shareholding Proportion.

(b) The Issue Price represents a premium of 10.71% to the volume weighted average price of the ordinary shares in the capital of the Company traded on the SGX-ST for a 30-day period prior to the date of the SPA.

(c) The Consideration Shares, when allotted and issued to the Vendors, shall be fully paid, free from all claims and encumbrances and shall rank *pari passu* in all respects with the issued ordinary shares in the share capital of the Company as at the date of issue of the Consideration Shares.

(d) The Consideration was arrived at on a willing-buyer, willing-seller basis, after arm's length negotiations and after taking into consideration the value of BLX based on a preliminary valuation report issued by Asset Appraisal Limited (the "**Valuer**"), an independent valuer appointed by the Company, and taking into account that the Properties will be transferred out effective from Completion. Please refer to section 4.2.5 below for further details.

4.2.2 Conditions Precedent

The obligations of the parties relating to the Proposed Acquisition will be subject to the fulfillment of, *inter alia*, the following conditions precedent set out in the SPA:-

(a) the Company obtaining the approval of its shareholders at an extraordinary general meeting to be convened, to approve the purchase of the Sale Shares by the Company and the transactions contemplated under the SPA, if required;

(b) the approval in-principle of the SGX-ST being obtained for the listing and quotation of the Consideration Shares on the Main Board of the SGX-ST;

(c) all consents and approvals necessary (whether governmental, regulatory, corporate or otherwise) for the consummation of the transactions contemplated under the SPA, including but not limited to, the registration of the Company or its nominee(s) as holder of the Sale Shares; and having been obtained, such consents and approvals being in full force and effect and all conditions applicable to any such consents and approvals having been and are being complied with;

(d) the Company being satisfied in its absolute discretion with the results of the legal and financial due diligence investigations on the Target Group and the properties held by BLX;

(e) all consents required by any bank with whom the Target Group has existing facilities that requires the bank's consent for a change of ownership, control or transfer of any part of the Target's issued capital having been obtained and such consents and approvals remaining in full force and effect; and

(f) the issue of a formal valuation report stating that the valuation of 100% share equity of BLX as of 31 March 2017 is not less than RMB166,000,000 (or such other amount as may be acceptable to the Company in writing).

4.2.3 Warranties, Covenants and Undertakings

The Proposed Acquisition is subject to such warranties, covenants and undertakings, from the Vendors as are customary for transactions of similar nature.

4.2.4 Completion Date

Completion of the Proposed Acquisition ("**Completion**") shall take place five (5) days after the satisfaction of the conditions precedent or such other date as the parties may mutually agree in writing (the "**Completion Date**"), in any event not later than the Long-Stop Date.

Under the terms of the SPA, the "Long-Stop Date" is defined to mean 31 December 2017, or such other date as the parties may mutually agree in writing. In the event that Completion does not take place by the Long-Stop Date, then save as expressly provided in the SPA, the SPA shall terminate and neither party shall have any claim against the other under the SPA save in respect of any antecedent breach of the SPA.

4.2.5 Post Completion Undertaking

On 12 June 2017, Li Ya Nan and BLX entered into an agreement for the transfer of 2 residential properties located in the PRC and held by BLX (the "**Properties**"), to Li Ya Nan (the "**Property Transfer**"). As soon as practicable after Completion and in any event within 12 months from Completion, the parties shall use their best endeavours to procure that BLX and Li Ya Nan shall effect and complete the Property Transfer.

5. VALUATION

5.1 Book Value, Net Tangible Asset Value and Open Market Value

Based on the latest unaudited financial statements of BLX for the financial year ended 31 December 2016, the book value and the net tangible asset value attributable to the 51% equity interest of BLX (less the value of the Properties) was RMB 54,661,604 (equivalent to approximately S$11,375,080 based on an exchange rate of S$1:RMB 4.8054).

As the Target, Lead Bright Hong Kong and Lead Bright Tianjin were incorporated recently in January 2017, March 2017 and March 2017 respectively, there are no available financial statements of the Target Group. As at the date of this announcement, the Target, Lead Bright Hong Kong and Lead Bright Tianjin are investment holding companies. There is no open market value for the Sale Shares as they are not publicly traded.

The Valuer has been appointed by the Company as an independent valuer to prepare the valuation report. The Valuer has in its preliminary valuation stated that the fair value of 100% equity interest of BLX is RMB 166,000,000 as at 31 March 2017. The Valuer had conducted its valuation based on the income approach, specifically the Discounted Cash Flow Method.

5.2 Net Profit

Based on the latest unaudited financial statements of BLX for the first quarter ended 31 March 2017, the net profit before tax attributable to the 51% equity interest of BLX is RMB 1,703,704 (equivalent to approximately S$348,578 based on an exchange rate of S$1:RMB 4.8876).

6. RELATIVE FIGURES BASED ON RULE 1006 OF THE LISTING MANUAL

The relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 (a) to (e) of the Listing Manual of the SGX-ST, based on the latest unaudited financial statements of the Group for the first quarter ended 31 March 2017, are as follows:

Rule 1006	Bases	%
(a)	The net asset value of the assets disposed of, compared with the Group's net asset value	Not applicable
(b)	The net profits attributable to the assets acquired, compared with the Group's net losses	-8.53%(1)
(c)	The aggregate value of the consideration to be paid, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	19.88%(2)
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	19.88%(3)
(e)	The aggregate volume or amount proven and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

(1) The relative figure of -8.53% in Rule 1006(b) is computed by dividing the unaudited net profit attributable to 51% of the equity interest of BLX of RMB 1,277,778 (which is approximately S$261,433 based on an exchange rate of S$1:RMB 4.8876) for the first quarter ended 31 March 2017, by the Group's unaudited net loss of S$3,065,000 for the first quarter ended 31 March 2017.

(2) The relative figure of 19.88% in Rule 1006(c) is computed by dividing the Consideration of RMB 74,205,000 (which is approximately S$15,051,724 based on an exchange rate of S$1:RMB 4.93 as at 21 June 2017) by the market capitalisation of the Company of approximately S$75,724,987 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$0.31 as at 21 June 2017.

(3) The relative figure of 19.88% in Rule 1006(d) is computed by dividing the number of Consideration Shares to be issued of 48,553,949 by the number of equity securities in issue which is 244,274,150 shares.

As the relative figures under Rule 1006(c) and (d) exceed 5% but do not exceed 20%, the Proposed Acquisition constitutes a "Discloseable Transaction" as defined in Chapter 10 of the Listing Manual. Accordingly, shareholders' approval for the Proposed Acquisition is not required.

In relation to the relative figure under Rule 1006(b) of -8.53%, pursuant to Rule 1007, the Company has obtained confirmation from the SGX-ST that the Proposed Acquisition would not require shareholders' approval as it is an acquisition of profitable assets under Rule 1014(2).

7. SOURCES OF FUNDS FOR THE PROPOSED ACQUISITION

The Company intends to satisfy the Consideration for the Proposed Acquisition by way of allotment and issuance of the Consideration Shares to the Vendors.

8. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

For illustrative purposes only, the financial effects of the Proposed Acquisition on the net tangible assets per share and earnings per share of the Group based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2016 are as follows: -

Effects on net tangible assets

Assuming that the Proposed Acquisition had been completed on 31 December 2016, the financial effect on the net tangible assets ("**NTA**") per share of the Group for the financial year ended 31 December 2016 is as follows:

	Before Proposed Acquisition	**After Proposed Acquisition**
Consolidated NTA attributable to the shareholders of the Company (S$'000)	56,223	67,598
Number of issued shares (excluding treasury shares)	244,274,150	292,828,099
NTA per share (Singapore cents)	23.02	23.08

Effects on earnings

Assuming that the Proposed Acquisition been completed on 1 January 2016, the financial effect on the earnings per share ("**EPS**") of the Group for the financial year ended 31 December 2016 is as follows:

	Before Proposed Acquisition	**After Proposed Acquisition**
Net profit/(loss) attributable to shareholders after tax (S$'000)	(23,129)	(22,488)
Weighted average number of issued shares (excluding treasury shares)	244,274,150	292,828,099
Earnings/(Loss) per share (Singapore cents)	(9.47)	(7.34)

Please note that the above financial figures are for illustrative purposes only and do not necessarily reflect the actual results and financial performance and position of the Group after the Proposed Acquisition. No representation is made as to the actual financial position and/or results of the Company after completion of the Proposed Acquisition.

Share Capital

The Proposed Acquisition involves the allotment and issuance of the Consideration Shares. The Consideration Shares represent approximately 19.88% of the existing number of ordinary shares in the issued and paid-up share capital of the Company of 244,274,150 shares as at the date of this announcement (excluding treasury shares). Immediately after completion of the Proposed Acquisition and assuming that no further shares are issued prior thereto, the number of ordinary shares in the issued and paid up capital of the Company will be increased to 292,828,099 shares and the Consideration Shares will represent approximately 16.58% of the enlarged number of ordinary shares in the issued and paid-up share capital of the Company (excluding treasury shares).

General Share Issue Mandate

The Consideration Shares will be allotted and issued pursuant to the general share issue mandate approved by the shareholders of the Company at the annual general meeting of the Company held on 26 May 2017 for the Company to issue shares. As such, no specific shareholders' approval will be sought by the Company in connection with the issue of the Consideration Shares.

9. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the SPA or the Proposed Acquisition, other than through their respective shareholdings in the Company (if any).

10. SERVICE AGREEMENTS

As at the date of this announcement, no person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition.

11. RESPONSIBILITY STATEMENT

The directors of the Company (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and the directors of the Company jointly and severally accept full responsibility accordingly.

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

12. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA and the preliminary valuation report issued by the Valuer will be made available for inspection during normal business hours at the registered office of the Company at 7 Temasek Boulevard, #11-01, Suntec Tower 1, Singapore 038987, for a period of three (3) months from the date of this announcement.

13. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed Acquisition and other matters contemplated by this announcement. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Lau Yu
Director and Chief Executive Officer
21 June 2017