

TERRATECH GROUP LIMITED
Company Registration No. CT-276295
(Incorporated in the Cayman Islands)

PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN 宜兴市美联常弛石业有限公司, 宜兴市新弛石业有限公司 and 上海美联常弛国际贸易有限公司

1. INTRODUCTION

- 1.1 The Board of Directors of (the “**Board**”) Terratech Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 18 January 2015 entered into a framework agreement (“**Framework Agreement**”) to acquire 100% of the equity interest in 宜兴市美联常弛石业有限公司 (“**Meilian Changchi**”), 宜兴市新弛石业有限公司 (“**Xinchi**”) and 上海美联常弛国际贸易有限公司 (“**Shanghai Meilian Changchi**”) (collectively referred to as “**Meilian Changchi**”). Meilian Changchi are companies incorporated in the People’s Republic of China (“**PRC**”) and based in YiXing, Jiangsu Province, PRC and Shanghai, PRC (the “**Proposed Acquisition**”).
- 1.2 The Proposed Acquisition is subject to, *inter alia*, satisfactory due diligence to confirm that the financial position and financial results of Meilian Changchi are not materially different from what is contemplated under the Framework Agreement, and all relevant approvals being obtained for the Proposed Acquisition, including the approval of shareholders of the Company (“**Shareholders**”).
- 1.3 The Framework Agreement is non-binding and is expected to be superceded by a formal sales and purchase agreement to be entered into upon completion of due diligence as aforesaid, for which Shareholders would be updated in due course.

2. TERMS OF PROPOSED ACQUISITION

- 2.1 Pursuant to the aforesaid framework agreement (the “**Framework Agreement**”), the Company had agreed to acquire 100% of the equity interests in Meilian Changchi from 汤立新 and 王增强 (collectively, the “**Vendors**”, each a “**Vendor**”), by way of their respective beneficial equity interest of 80% and 20% each in Meilian Changchi.
- 2.2 The consideration for the Proposed Acquisition (“**Purchase Consideration**”) is in the form of 186,034,000 new ordinary shares in the Company (“**Shares**”) (the “**Consideration Shares**”) to be issued and allotted by the Company to the Vendors, credited as fully paid, upon completion of the Proposed Acquisition.

The value of the Consideration Shares is approximately S\$15.44 million (the “**Purchase Consideration**”) as at 16 January 2015, based on the number of Consideration Shares multiplied by the weighted average price of S\$0.083 per Share, being the full market day immediately preceding the date of the signing of the Framework Agreement.

The Consideration Shares, when issued, will be approximately 23.22% of the enlarged share capital of the Company after taking into account of the existing issued share capital of 615,042,003 Shares as at the date of this announcement.

- 2.3 Under the terms of the Framework Agreement, the Vendors have agreed to a moratorium whereby they undertake not to sell or transfer any of the Consideration Shares for a period of one year after the completion of the Proposed Acquisition and not to sell or transfer Consideration Shares exceeding 50% of their shareholding for a period of three years after the completion of the Proposed Acquisition.
- 2.4 Under the terms of the Framework Agreement, the Purchase Consideration will be finalized and determined after completion of the due diligence. The Purchase Consideration was arrived at on a willing-buyer, willing-seller basis, taking into consideration, *inter alia*, the value of its fixed assets and inventories as at 18 December 2014, the business track record of Meilian Changchi, its customer base, the profitability of its business and the rationale for the Proposed Acquisition as further elaborated below.

The fixed assets of Meilian Changchi comprise, *inter alia*, the land, plant and equipment at the two factories owned and operated by Meilian Changchi and Xinchu while inventories consist of, *inter alia*, raw materials and finished goods. As stated in the Framework Agreement, the aggregate value of such fixed assets and inventories has been represented to be valued at RMB198,964,000 (equivalent to approximately S\$43.44 million based on exchange rate of RMB4.58 : S\$1.00 as at 28 January 2015).

3. INFORMATION ON MEILIAN CHANGCHI AND VENDORS

Information on Meilian Changchi

Meilian Changchi's main office is located at No. 7, Nanxing Road, Zhangzhu Town, Yixing City, Jiangsu Province, PRC. Its main sales office is located at Room 605, No. 333 Weining Road, Shanghai, PRC. The core business of Meilian Changchi involves the production and sale of marble tiles and marble mosaic tiles. The tiles that it produces are sold to overseas markets including North and South America, Canada, Europe, Japan, Korea and Middle East. Since 2000, Meilian Changchi has been selling the tiles that it produces in well-known building materials supermarkets. Meilian Changchi's sales for the 11-month period ended November 2014 is approximately RMB99,000,000 (equivalent to approximately S\$21.62 million based on an exchange rate of RMB4.58 : S\$1.00 as at 28 January 2015) and Meilian Changchi's profit after tax during the aforesaid period is approximately RMB9,900,000 (equivalent to approximately S\$2.16 million based on an exchange rate of RMB4.58 : S\$1.00 as at 28 January 2015).

Meilian Changchi, through the companies Meilian Changchi and Xinchu, owns and operates two factories located at YiXing for the production of marble tiles and marble mosaic tiles. The factories have an estimated area of 120,000 m² and estimated annual production capacity of 1,500,000 m². Shanghai Meilian Changchi rents and operates the sales and marketing office located at Shanghai.

Information on Vendors

汤立新 has been the Managing Director and General Manager of Meilian Changchi since 2001. He has been in the marble tiles industry since he started working in 1986. 汤立新 oversees the production of marble tiles and marble mosaic in the two factories.

王增强 has been an Executive Director of Meilian Changchi in March 2001. Prior to joining Meilian Changchi, he was the Assistant General Manager of 浙江省湖州市天明进出口有限公司 from June 1998 to February 2001 where he had been in charge of export sales. Since joining Meilian Changchi, 王增强 has helped to develop the overseas customer base of Meilian Changchi and is in charge of all its export sales,

Other than being shareholders and directors in Meilian Changchi, 汤立新 and 王增强 are not related to each other. The Vendors are not related to any of the Directors or substantial shareholders of the Company.

Under the Framework Agreement, it is stipulated that all the existing shareholders and directors of Meilian Changchi, including the Vendors, will assume full-time employment with the Group upon completion of the Proposed Acquisition and it is currently contemplated that there will be no change to their current terms of employment.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The purpose of the Proposed Acquisition is primarily to enable the Group to acquire the marble tile production capabilities of Meilian Changchi. Currently, the Group does not own any facilities in the PRC to process the marble slabs that the Group produces into tiles, and has to outsource or sub-contract such production to third parties. Through the two factories that Meilian Changchi and Xinchu currently owns and operates, the Group will be able to undertake in-house processing of the marble slabs that the Group produces into marble tiles and marble mosaic tiles within the PRC. This will enable the Group to speed up production of its marble slabs into tiles in the PRC, and lead to greater efficiencies and costs-saving.

Currently, the Group's marketing focus is on the market in PRC. Through the established customer base and sales network of Meilian Changchi, the Group will be able to expand the sales and marketing of its products to other overseas markets including the Americas and Middle East markets. Accordingly, the Company views the Proposed Acquisition as being of strategic benefit to the Group.

As the aggregate value of Meilian Changchi's fixed assets and inventories as currently contemplated may be higher (subject however, to the due diligence, to be conducted) than the value of the Consideration Shares based on the prevailing traded Share price, , the Company is of the view that the terms of the Proposed Acquisition are in the interests of the Company.

5. RELATIVE FIGURES FOR THE PROPOSED ACQUISITION

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Section B: Rules of Catalyst of the Singapore Exchange Securities Trading Limited Listing Manual (the "**Catalist Listing Rules**") are shown in the table below:

Rule 1006	Bases of calculation	Size of relative figures (%) (to the nearest 2 decimal places)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of compared with the Group's net profits.	60.99
(c)	The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	30.25 ¹
(d)	The number of equity securities issued by the Company as consideration for the Proposed	30.25

	Acquisition, compared with the number of equity securities previously in issue.	
(e)	The 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

¹ Assuming the Purchase Consideration is equivalent to approximately S\$15.44 million, based on the number of Consideration Shares multiplied by the weighted average price of S\$0.083 per Share on 16 January 2015, being the full market day immediately preceding the date of the signing of the Framework Agreement.

As the Purchase Consideration exceeds 5% of the Company's market capitalization of S\$ 51,048,486.25 based on the weighted average price of S\$0.083 per Share on 16 January 2015, being the full market day immediately preceding the date of the signing of the Framework Agreement, the Proposed Acquisition is a discloseable transaction. However, the Company will be seeking Shareholders' approval as further elaborated in Section 6 below.

6. **SHAREHOLDERS' APPROVAL TO BE SOUGHT**

- 6.1 The Company notes that the Proposed Acquisition would add marble tiles and marble mosaic tiles production capabilities and significantly expand the sales capability and reach of the Group. The revenue and net profits of Meilian Changchi is also significant when viewed against the Group's revenue and net loss of S\$12.6 million for FY2014. Accordingly, the Company will be seeking approval for the additional business diversification arising from the Proposed Acquisition from Shareholders at an extraordinary general meeting ("EGM") to be convened.
- 6.2 The Company will also seek specific Shareholders' approval for the issue of the Consideration Shares at the aforesaid EGM.

7. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition, save for their shareholdings in the Company.

8. **DIRECTORS' SERVICE CONTRACTS**

The Company has not entered into any service contracts with the Vendors in connection with the Proposed Acquisition.

9. **DOCUMENT FOR INSPECTION**

A copy of the Framework Agreement is available for inspection during normal business hours at the registered office of the Company located at 2 Kaki Bukit Place, #07-00 Eunos Techpark, Singapore 416180 for three (3) months from the date of this announcement.

By Order of the Board
Loh Chang Kaan
Executive Director cum Chief Executive Officer
28 January 2015

Terratech Group Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 30 July 2014. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 20 Cecil Street, #21-02 Equity Plaza, Singapore 049705, telephone (65) 6229 8088.