



TERRATECH GROUP LIMITED

(Company Registration No: CT-276295)

(Incorporated in the Cayman Islands on 15 March 2013)

PROPOSED ISSUANCE OF UP TO S\$30 MILLION 4.0% CONVERTIBLE NOTES DUE 2018

1. INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of Terratech Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a subscription agreement (the “**Subscription Agreement**”) with Advanced Strategy Holdings Limited (the “**Subscriber**”) and Sai Yi Hong Pte. Ltd. (“**SYH**”), the arranger, (each a “**Party**” and collectively the “**Parties**”) on 3 August 2015, pursuant to which the Company has agreed to issue to the Subscriber (the “**Issue**”) 4.0% convertible notes due 2018 in aggregate principal amount of up to S\$30 million (the “**Notes**”) comprising up to three tranches, of a principal amount of S\$5 million for the first tranche (the “**Tranche 1 Notes**”), S\$10 million for the second tranche (the “**Tranche 2 Notes**”) and S\$15 million for the third tranche (the “**Tranche 3 Notes**”).

The Notes will not be listed on Catalist and are convertible into new ordinary shares in the capital of the Company (“**Conversion Shares**”), for which listing and quotation on the Catalist shall be sought, on the terms and conditions of the Subscription Agreement. The Company will make an application through the Sponsor (as defined herein) to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the dealing in, listing of and quotation for the Conversion Shares to be issued pursuant to the conversion of the Notes on Catalist. The Company will make the necessary announcement upon the receipt of the Listing and Quotation Notice from the SGX-ST

The Notes are to be issued to the Subscriber pursuant to Section 272B of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”). Hence, no prospectus or offer information statement will be lodged with the SGX-ST acting as agent on behalf of the Monetary Authority of Singapore.

There is no placement agent appointed for the Issue. The Company was introduced to the Subscriber by SYH. The Company decided to enter into the Subscription Agreement so as to strengthen its balance sheet as well as to broaden its shareholder base.

The Subscriber has represented and warranted to the Company in the Subscription Agreement that (i) it will comply with Section 272B of the SFA, and it will not transfer the Notes to more than 49 persons within any period of 12 months (ii) it is subscribing for the Notes as an investor for the purposes of investment and (iii) it will comply with all applicable laws and regulations in each jurisdiction in which it may offer or sell the Notes.

2. INFORMATION ON SUBSCRIBER AND ARRANGER

The Subscriber is a private company incorporated in the British Virgin Islands. It is wholly-owned by Mr Tan Choon Wee who is also the sole director. The Subscriber has no business or other relationships with or interests in the Company other than the Issue. Mr Tan Choon Wee is not related to any of the Directors and/or substantial shareholders of the Company and their respective associates. As at the date of this announcement, Mr Tan Choon Wee does not hold any Shares of the Company.

The arranger, SYH is a private company incorporated in Singapore. The shareholders of SYH are Tan Hong Huat, Kok Sai Ngoh and Tan Chade Phang (Chen YiFan). SYH has no business or other relationships with or interests in the Company other than being the arranger to the Issue. The directors and shareholders of SYH are not related to any of the Directors and/or substantial shareholders of the Company and their respective associates. As at the date of this announcement, SYH does not hold any Shares of the Company.

The Company will be remunerating SYH with a fee of up to S\$1,500,000 based on 5% of the principal amount of S\$30 million for the arranging services provided by SYH with regards to the Issue.

3. PRINCIPAL TERMS OF THE NOTES

The principal terms and conditions of the Notes (the “**Conditions**”) are summarised as follows:

Issue Size : Up to S\$30 million in principal amount of the Notes, comprising up to three tranches, of a principal amount of S\$5 million for the Tranche 1 Notes, S\$10 million for the Tranche 2 Notes and S\$15 million for the Tranche 3 Notes.

Tranche 1 Notes shall comprise 25 equal sub-tranches of S\$200,000 each, Tranche 2 Notes shall comprise 40 equal sub-tranches of S\$250,000 each, and Tranche 3 Notes shall comprise 50 equal sub-tranches of S\$300,000 each.

Subject to the terms and conditions of the Subscription Agreement, the Company agrees to issue and the Subscriber agrees to subscribe for the Tranche 1 Notes at

the Issue Price (as defined below):

- (a) in respect of the first sub-tranche of Tranche 1 Notes, on the fifth business day immediately after the last of the Conditions Precedents (as defined below) is fulfilled or waived by the Subscriber or such other date as the Parties may agree in writing, such date being the closing date of the first sub-tranche of Tranche 1 Notes; and
- (b) in respect of each of the subsequent sub-tranches of Tranche 1 Notes, the fifth business day after the date on the Conversion Date (as defined below) of the last of the Notes comprised in the immediately preceding sub-tranche of Tranche 1 Notes or such other date as the Parties may agree in writing, such date being the closing date of such subsequent sub-tranche of Tranche 1 Notes.

The Company has the option (the “**Option**”) in respect of the Tranche 2 Notes and the Tranche 3 Notes to call upon the Subscriber to subscribe for such Notes at the Issue Price (as defined below) in the period commencing from and including the date on when the conversion notice, in relation to the last sub-tranche of the immediately preceding relevant tranche, is received by the Company (the “**Conversion Date**”) to and including the tenth business day thereafter or such other period as the Parties may agree in writing (the “**Option Period**”).

To exercise the Option, the Company shall notify the Subscriber in writing of the relevant closing date (the “**Closing Date**”) in the form agreed in the Subscription Agreement at any time during the Option Period for the relevant Option. Upon receipt of the exercise notice, the Subscriber shall be obliged to subscribe, and the Company shall be obliged to issue, at the Issue Price:

- (a) in respect of the first sub-tranche of the relevant Tranche 2 Notes or Tranche 3 Notes, on the fifth business day following the date of the Exercise Notice, or such other date as the Parties may agree in writing, such date being the Closing Date of the first sub-tranche of the relevant Tranche 2 Notes or Tranche 3 Notes; and
- (b) in respect of each subsequent sub-tranche of the relevant Tranche 2 Notes or Tranche 3 Notes, on the fifth Business Day after the relevant Conversion Date of the last of the Notes comprised in the immediately preceding sub-tranche of the relevant Tranche 2 Notes or Tranche 3 Notes

or such other date as the Parties may agree in writing, such date being the Closing Date of such subsequent sub-tranche of the relevant Tranche 2 Notes or Tranche 3 Notes.

Notwithstanding the above, in respect of each subsequent sub-tranche of the Tranche 1 Notes, Tranche 2 Notes or Tranche 3 Notes other than the respective first sub-tranches, the Subscriber is entitled to subscribe for such subsequent sub-tranche notwithstanding that the last Note comprised in the immediately preceding sub-tranche has yet to be converted into Conversion Shares and the Company shall be obliged to issue such sub-tranche on the fifth business day from the date of such written request delivered to the Company or such other date as the Parties may agree in writing, such date being the Closing Date of such subsequent sub-tranche.

- Issue Price : 100% of the principal amount of the Notes.
- Interest : The Notes shall bear interest from the respective dates on which they are issued at the rate of 4.0% per annum, payable semi-annually in arrears on 30 June and 31 December in each year.
- Conversion Price : The price at which each Conversion Share shall be issued upon conversion (the “**Conversion Price**”) shall be, at the option of the holder of the Notes (the “**Noteholder**”), either:
- (a) 145% of the average of the daily traded volume weighted average price per Share (as defined below) for the 45 business days on which the shares in the capital of the Company (the “**Shares**”) were traded on the SGX-ST, immediately preceding:
 - (i) in respect of Tranche 1 Notes, the date of the Subscription Agreement;
 - (ii) in respect of Tranche 2 Notes, the Closing Date of the first sub-tranche of Tranche 2 Notes; and
 - (iii) in respect of Tranche 3 Notes, the Closing Date of the first sub-tranche of Tranche 3 Notes,
- (the “**Fixed Conversion Price**”) subject to adjustment in the manner

provided in the Conditions; or

- (b) 80% of the average of the closing price per Share on any three consecutive business days as selected by the Noteholder during the 45 business days immediately preceding the relevant Conversion Date on which Shares were traded on the SGX-ST (the “**Floating Conversion Price**”).

- Conversion Period : The period from and including the respective dates on which the Notes are issued and registered in accordance with the Subscription Agreement up to the close of business on the day falling one week prior to the Maturity Date (as defined below).
- Conversion Price Adjustment : The Conversion Price shall be subject to adjustments in certain circumstances, including but not limited to stock splits, rights issues, cash or shares dividend distributions, bonus issues or the occurrence of certain other dilutive events.
- Status of the Notes : The Notes will constitute direct, unconditional, unsubordinated and (subject to the negative pledge conditions) unsecured obligations of the Company, ranking *pari passu* and rateably without preference or priority among themselves, and will, save for such exceptions as may be provided by mandatory provisions of applicable laws and subject to the Conditions, rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.
- Status of the Conversion Shares : The Conversion Shares arising from the conversion of the Notes will, when issued, be unencumbered and free from any security interests, claims (including pre-emptive rights) or liens and will be freely transferable and shall rank *pari passu* in all respects with all other existing Shares, except that such Conversion Shares shall not be entitled to any dividends, rights, allotments or other distributions, the record date of which is before the relevant Conversion Date of the Notes.
- Maturity Date : The maturity date (“**Maturity Date**”) is the date falling 36 months from the date of the issue of the first sub-tranche of the Tranche 1 Notes.
- Redemption at the Option of the Company : The Company may redeem the Notes presented for conversion in cash if the Conversion Price is less than or equal to 65% of the average of the closing price per Share for the 45 consecutive business days prior to the issue of that sub-tranche of the Notes which the relevant Notes are comprised in, according to the following formula:

$$R = N \times \{P + [8\% \times P \times (D/365)] + I\}$$

where:

"R" = the conversion redemption amount

"D" = the number of days elapsed since the relevant Closing Date in respect of each sub-tranche of the Notes.

"N" = the number of Notes presented for conversion.

"P" = the face value of the Notes presented for conversion.

"I" = the remaining unpaid interest accrued on the Notes presented for conversion.

Right of First Refusal : The Company or any of its subsidiaries may only offer and sell any (a) Shares, (b)(i) securities convertible into securities of the same class as the Shares or (ii) securities substantially similar to the Notes (together, "**New Convertible Notes**") provided that, it shall first, offer and, if subscribed, sell such investment instruments to Noteholders prior to offering such investment instruments to any other person (except for rights issues or any issues in respect of which the Company is restricted from so doing by law, the Section B: Rules of Catalist of the SGX-ST Listing Manual (the "**Listing Rules**") or any other applicable regulations) (the "**Right of First Refusal**").

The Right of First Refusal is exercisable only by Noteholders holding in aggregate not less than 50% of the aggregate principal amount of the Notes outstanding for a period of 14 business days from the time the relevant Noteholder receives written notice from the Company in relation to the Right of First Refusal. In the event that the Right of First Refusal is not exercised, subject to certain conditions, Noteholders are also entitled to participate in the placement of the investment instruments (the "**Participation Rights**").

Replacement of Notes : In addition to the Right of First Refusal and the Participation Rights, in the event that the Company or its subsidiaries shall offer and sell New Convertible Notes, Noteholders are also entitled to elect to exchange their outstanding Notes for the New Convertible Notes, on the terms and conditions of the New Convertible Notes.

Termination : The Subscriber may, by notice in writing to the Company, terminate the Subscription Agreement under certain circumstances, including (a) a material breach of any of the Company's representations, warranties, undertakings and covenants (b) there shall have been a change in the condition, or in the earnings, business or operations of the Group which would materially and adversely affects the ability of the Group to perform its obligations under the Subscription Agreement (c) if in the reasonable opinion of the Subscriber, there (i) there shall have been any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations, or affecting the properties, which materially and adversely affects the ability of the Group and/or its subsidiaries to perform its obligations under this Agreement and the Conditions or an imposition of a new legal or regulatory restriction, or any change in the interpretation of existing legal or regulatory restrictions, that adversely affects the ability of the Group and/or its subsidiaries to perform its obligations under this Agreement, or the offering, sale or delivery of the Notes or the Conversion Shares (d) an event of default having occurred in respect of any notes, bonds or other similar debt-to-equity securities of the Group (e) a suspension, or material limitation, of trading of any shares of the Company by the SGX-ST for five consecutive business days (f) a delisting or an order for delisting or a threatened delisting of the Company from the SGX-ST (g) the occurrence of any of the events of default specified in the Conditions or (h) any of the approvals, consents or waivers obtained by the Company as required under the Subscription Agreement having been revoked, rescinded or cancelled, or where conditions which were required to be fulfilled have not been fulfilled where such approvals were obtained subject to any conditions.

Consequence of Termination : Where the Subscription Agreement is terminated by the Subscriber, the Subscriber may, by notice in writing given to the Company, declare all outstanding Notes to be immediately due and payable at 125% of its principal amount together with accrued interest.

Cancellation : A cancellation fee of S\$100,000 to be paid to the Subscriber in the event that the Agreement is terminated for any reason whatsoever prior to the Closing Date of the first sub tranche of Tranche 1 Notes.

Governing Law : Singapore Law

4. CONDITIONS PRECEDENT

The Issue is conditional upon, among others, the approval of the shareholders of the Company (the “**Shareholders**”) for the issue of the Notes being obtained at the extraordinary general meeting to be convened and the allotment and issuance of the Conversion Shares and all other approvals for the Issue having been obtained and not amended, withdrawn, revoked or cancelled (collectively, the “**Conditions Precedents**”).

5. CONVERSION SHARES

As of the date of this announcement (“**Announcement**”), the Company has an issued share capital of 615,042,003 Shares and has no treasury shares.

It is assumed, for the purposes of this Announcement and for illustration purpose only, the Fixed Conversion Price, is S\$0.093 per Conversion Share, computed based on 145% of the average of the daily traded volume weighted average price per Share for the 45 business days on which the Shares were traded on the SGX-ST immediately preceding 3 August 2015 and the Floating Conversion Price is S\$0.053 per Conversion Share, computed based on 80% of the average of the closing price per Share on any three consecutive business days during the 45 business days immediately preceding 3 August 2015 (assumed for the purposes of this Announcement and for illustration purpose only to be the three consecutive business days immediately preceding 3 August 2015), assuming the Conversion Date to be 3 August 2015.

An aggregate of 566,037,735 Conversion Shares will be allotted and issued, assuming that there is full conversion of the Notes at S\$0.053 per Conversion Share, being the lower of the (a) Fixed Conversion Price (assumed, for illustrative purposes only, to be at S\$0.093 per Conversion Share) and (b) Floating Conversion Price (assumed, for illustrative purposes only, to be at S\$0.053 per Conversion Share). The Company will have an enlarged issued share capital comprising 1,181,079,738 Shares. The 566,037,735 Conversion Shares represent approximately 92.03% and 47.92% of the existing and enlarged issued share capital of the Company, respectively.

Shareholders should note that as at the date of this Announcement, the Conversion Price, and accordingly, the number of Conversion Shares to be allotted and issued are not ascertainable as they are dependent on the future market prices of the Shares during the relevant Conversion Period. Moreover, the Company has the absolute discretion to not exercise the Option in respect of the Tranche 2 Notes and the Tranche 3 Notes. Accordingly, the total principal amount of the Notes to be issued is also not determinable as at the date of this Announcement.

Therefore, it is not possible at the date of this Announcement to conclusively determine the actual number of tranches of Notes to be issued or the actual number of Conversion Shares to be allotted and issued by the Company, from the Issue.

Based on the terms and conditions of the Notes, the principal terms of which are set out in paragraph 3 above, it is possible that the Subscriber may become a controlling shareholder of the Company. As such, pursuant to Rule 803 and Rule 812 of the Listing Rules, the Company will seek the prior approval of the Shareholders in a general meeting for the Issue.

6. USE OF PROCEEDS

Under the Conditions of the Notes, save for the first sub-tranche of Tranche 1 Notes, the Subscriber's obligation to subscribe for each subsequent sub-tranche of the Tranche 1 Notes is subject to the conversion (at the discretion of the Subscriber) of the last of the Notes comprised in the immediately preceding sub-tranche of the Tranche 1 Notes. Similarly, the Company's Option to call upon the Subscriber to subscribe for the Tranche 2 Notes and the Tranche 3 Notes is subject to the conversion (at the discretion of the Subscriber) of the last sub-tranche of the immediately preceding relevant tranche of the Notes, and the Subscriber's obligation to subscribe for each subsequent sub-tranche of the Tranche 2 Notes or Tranche 3 Notes (as the case may be) is subject to the conversion (at the discretion of the Subscriber) of the last of the Notes comprised in the immediately preceding sub-tranche of the Tranche 2 Notes or Tranche 3 Notes (as the case may be).

Accordingly, there is no certainty as to the subscription for or issue of all or any of the subsequent sub-tranches of the Tranche 1 Notes (other than the first sub-tranche) or all or any of the sub-tranches of the Tranche 2 Notes and Tranche 3 Notes and the total amount of proceeds which would be raised from the Issue.

Assuming that the Company has issued the Notes in the principal amount of S\$30 million to the Subscriber, the total gross proceeds of S\$30 million from the Issue will be used in the following manner:

- (a) approximately 0.5% to be used for estimated expenses relating to the Issue;
- (b) approximately 5.0% payable to SYH as arranger's fees; and
- (c) the balance for the working capital purposes of the Group and to fund potential acquisition expenses.

Pending the deployment of the net proceeds, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable

securities and/or used for any other purposes on a short-term basis, as the Directors may, in their absolute discretion, deem appropriate in the interests of the Company.

The Company shall announce the use of the proceeds as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated in this Announcement. Where there is any material deviation from the stated use of proceeds, the Company shall announce the reasons for such deviation. The Company shall also provide a status report on the use of proceeds in its annual report.

7. CONFIRMATION BY THE DIRECTORS

The Directors are of the opinion that, after taking into consideration:

- (a) the Group's present bank facilities, internal resources and operating cash flow, the working capital available to the Group is sufficient to meet its present requirements; and
- (b) the Group's present bank facilities, internal resources, operating cash flow and the net proceeds of the Issue, the working capital available to the Group is sufficient to meet its present requirements.

Notwithstanding the above, the net proceeds from the Issue will enable the Company to augment its working capital and give it the flexibility to apply the net proceeds to its existing projects now and in the future as the Company may deem necessary and to take advantage of any business opportunities that may arise in future.

8. FINANCIAL EFFECTS OF THE ISSUE

The proforma financial effects of the Issue are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company after the completion of the Issue. Such proforma financial effects have been computed based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2015 ("FY2015") as well as the following assumptions:

- (i) the Company has fully issued the Notes in the principal amount of S\$30 million;
- (ii) there is full conversion of the Notes at the end of FY2015, at a Conversion Price based on the lower of the (a) Fixed Conversion Price (assumed, for illustrative purposes only, to be S\$0.093 per Conversion Share) and (b) Floating Conversion Price (assumed, for illustrative purposes

only, to be S\$0.053 per Conversion Share), resulting in the issue of 566,037,735 Conversion Shares at the end of FY2015;

(iii) expenses relating to the Issue are approximately S\$150,000; and

(iv) arranger's fees amounting to S\$1,500,000 payable to SYH.

Share Capital		
	<u>Before the Issue</u>	<u>After the Issue</u>
Number of Shares	615,042,003	1,181,079,738
Share Capital (S\$'000)	6,150	11,810

Net Asset Value ("NAV")	
	<u>31 March 2015</u>
	<u>(S\$'000)</u>
NAV	14,478
Estimated Issue expenses	(1,650)
Adjusted NAV after the Issue but before any conversion of the	12,828
Notes	
NAV per Share (Singapore cents)	
Before the Issue	2.35
After the Issue but before any conversion of the Notes	2.09

Assuming full conversion of the Notes, the effects on the Group's NAV and NAV per

Share of the Group will be as follows:

	<u>31 March 2015</u>
Adjusted NAV (S\$ '000)	42,828
Adjusted NAV per Share (Singapore cents)	3.63

Loss per Share

Based on the assumptions that the maximum interest and arranger's fees payable, in connection with the Notes since the beginning of FY2015, shall not exceed S\$1.2 million and S\$1.5 million, being 4% and 5% respectively on the principal amount of S\$30 million.

	<u>31 March 2015</u>
Loss per Share (Singapore cents)	(2.19)
Adjusted loss per Share after interest expenses of S\$1.2 million and arranger's fees of S\$1.5 million and before any conversion of the Notes (Singapore cents) ⁽¹⁾	(2.67)
Adjusted loss per Share after interest expenses of S\$1.2 million and arranger's fees of S\$1.5 million and after full conversion of the Notes (Singapore cents) ⁽²⁾	(1.33)

Notes:-

(1) The calculation of adjusted loss per share is based on the weighted average number of ordinary shares of 560,023,071

(2) The calculation of adjusted loss per share is based on the weighted average number of ordinary shares of 1,126,060,806

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Other than interests held through the Company as Shareholders, none of the Directors or controlling Shareholders and their respective associates has any interest, direct or indirect, in the Issue.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission

of which would make any statement in this Announcement misleading. Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

11. DOCUMENT FOR INSPECTION

A copy of the Subscription Agreement is available for inspection by Shareholders during normal business hours at the address of the Company at 2 Kaki Bukit Place Tritech Building Singapore 416180 for three months from the date of this Announcement.

12. CIRCULAR TO SHAREHOLDERS

The Issue is conditional upon, among others, the approval from the Shareholders for the issue of the Notes and the allotment and issuance of the Conversion Shares being obtained at an extraordinary general meeting to be convened. Further details of the terms of the Subscription Agreement will be set out in the circular to be issued by the Company and to be despatched to Shareholders in due course for the purposes of obtaining Shareholders' approval in respect of the Issue at an extraordinary general meeting of the Company to be convened.

13. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the Shares in relation to this Announcement as there is no certainty that the Issue will be completed as it is subject to the fulfillment of terms and conditions set out in the Subscription Agreement as well as Shareholders' approval. When in doubt as to the action they should take, shareholders and potential investors should consult their financial, tax or other advisers.

By Order of the Board

Dr Loh Chang Kaan

Executive Director cum Chief Executive Officer

4 August 2015

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

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. 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 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.