

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

ACQUISITION OF 80% EQUITY INTEREST IN 陕西恒宇建筑装饰工程有限公司

1. INTRODUCTION

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, through its wholly-owned subsidiary, Terratech Resources Pte. Ltd., had on 10 October 2014 entered into a sale and purchase agreement to acquire an 80% shareholding interest in 陕西恒宇建筑装饰工程有限公司 (“**Hengyu**”), a company incorporated in the People’s Republic of China (“**PRC**”) and based in Xi’an, Shanxi Province, PRC (the “**Proposed Acquisition**”).

2. TERMS OF PROPOSED ACQUISITION

- 2.1 Pursuant to the aforesaid sale and purchase agreement (“**SPA**”), the Company had agreed to acquire a combined 80% equity interests in Hengyu from 姚伍利 and 鞠鹏 (collectively, the “**Vendors**”), by way of their respective equity interest of 48% and 32% each in Hengyu. The aggregate consideration for the Proposed Acquisition, payable in cash, is approximately RMB9,600,000 (equivalent to approximately S\$2.08 million based on an exchange rate of RMB4.61 : S\$1.00 as at 5 January 2015) (the “**Purchase Consideration**”) subject to, *inter alia*, obtaining all relevant approvals for the Proposed Acquisition. On 16 December 2014, the Company had received the approval of the Proposed Acquisition from the relevant authorities in the PRC.
- 2.2 The Purchase Consideration was arrived at on a willing-buyer, willing-seller basis, taking into consideration, *inter alia*, the business track record of Hengyu, the audited profit and NTA for the financial year ended 31 December 2013, the licences which it currently possesses and the rationale for the Proposed Acquisition as further elaborated below.
- 2.3 The Company had reallocated the net placement proceeds raised from the initial public offering of the Company’s shares (the “**IPO**”) to fund the Proposed Acquisition. Further information on the variation and utilization of the IPO proceeds is further described in Section 7 below.
- 2.4 Apart from the Purchase Consideration, the Company intends to fund any other capital and/or investment amount(s) which may be required for Hengyu from time to time with its existing funds, loans (including hire-purchase) from financial institutions and/or investments from third parties (as applicable or appropriate).

3. INFORMATION ON HENGYU

Hengyu was founded in 2002 with its registered office located at Floor F, Bashuishangzhu Building, No. 111-1, Weiyang Road, Xi’an, Shanxi Province, PRC. The core business of Hengyu involves providing design and construction services for interior and exterior architectural structures and decorations including curtain walls, in the PRC. Since its establishment, Hengyu has been appointed as a lead architectural designer and contractor for several famous landmark development projects in the PRC.

Hengyu currently holds a range of licences in the PRC for its business and operations, including:

- 1) Class A Design License for interior decoration work issued by the Ministry of Housing and Urban-Rural Development, PRC;
- 2) Class A Design License for exterior curtain wall work issued by the Ministry of Housing and Urban-Rural Development, PRC;
- 3) Class A Construction License for interior decoration work issued by the Ministry of Construction, PRC;
- 4) Class A Construction License for exterior curtain wall work issued by the Ministry of Construction, PRC; and
- 5) Class B Installation license for steel structure work, metal door/window, mechanical and electrical work issued by the Ministry of Housing and Urban-Rural Development, PRC.

Hengyu has an existing registered capital of RMB15 million, all of which is fully paid up as at the date of this announcement. Based on Hengyu's latest audited accounts for the financial year ended 31 December 2013, Hengyu recorded a profit of approximately RMB3.19 million (equivalent to approximately S\$0.69 million based on an exchange rate of RMB4.61 : S\$1.00 as at 5 January 2015). Based on its unaudited management accounts for the 9 months period ended 30 September 2014, Hengyu recorded a loss of approximately RMB0.33 million (equivalent to approximately S\$0.07 million based on an exchange rate of RMB 4.61 : S\$1.00 as at 5 January 2015). The Company deems that the quantum of the losses, which came about after the Company had commenced discussions with the Vendors on the Proposed Acquisition, is not material and is largely due to, *inter alia*, the slowdown in the PRC property market. Hengyu is confident of securing new contracts after the Proposed Acquisition which will improve its financial performance in the near future. The NTA of Hengyu as at 30 September 2014 was RMB 13.2 million (equivalent to approximately S\$2.86 million based on an exchange rate of RMB4.61 : S\$1.00 as at 5 January 2015).

4. RATIONALE FOR THE PROPOSED ACQUISITION

The purpose of the Proposed Acquisition is primarily to enable the Group to obtain the Class A licences possessed by Hengyu as mentioned in Section 3 of this announcement. Such licences are required for the sale and installation of marble products to the PRC property developers and local governments. The Group currently partners with intermediaries with the necessary licences such as Hengyu in reaching out to such potential clients. With the Proposed Acquisition, the Group would possess the relevant licences and resources to better facilitate its current sales and marketing efforts for its marble products. The licenses held by Hengyu will be primarily used to promote marble products from within the Group. The Company views the Proposed Acquisition as more viable than the Company seeking to obtain such licences in its own capacity.

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 Catalist 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.	(1.7%) ⁽¹⁾
(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.	2.6 ⁽²⁾

(d)	The 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 ⁽³⁾
(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

Note:

- (1) Based on the attributable losses of RMB 267,000 or approximately S\$0.05 million (based on an exchange rate of RMB4.61 : S\$1.00 as at 5 January 2015) of Hengyu for the financial period ended 30 September 2014 as compared to the Groups' net profit attributable to shareholders of approximately S\$2.9 million for the financial period ended 30 September 2014. The Company has through its Sponsor sought confirmation from the Exchange in accordance with Catalyst Rule 1007 that the Proposed Acquisition would be treated as a discloseable transaction under Chapter 10 of the Catalyst Rules.
- (2) Based on the Purchase Consideration of RMB9.6 million or approximately S\$2.08 million (based on an exchange rate of RMB4.61 : S\$1.00 as at 5 January 2015), and a market capitalisation of approximately S\$80.45 million which is determined by multiplying the issued share capital of the Company of 615,042,003 shares with the weighted average price of such shares transacted on 9 October 2014 of S\$0.1308 per share.
- (3) Not applicable, as the Purchase Consideration is in the form of cash.

The Company is of the view that the Proposed Acquisition will not change the Company's risk profile as the business operations of Hengyu will primarily to facilitate and enhance the sales and marketing efforts of the Group in promoting and selling its marble products from within the Group. The Company would seek shareholders' approval in the event that there are material changes to the risk profile of the Company post-acquisition.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition on the Group as set out below are for illustrative purposes only and do not reflect the actual financial performance or position of the Group after completion of the Proposed Acquisition. The financial effects set out below have been prepared based on the latest audited consolidated financial statements of the Group for the financial year ended 31 March 2014 ("**FY2014**") and on the following key assumptions:

- (i) the effect of the Proposed Acquisition on the earnings per share ("**EPS**") of the Company shown below is based on the assumption that the Proposed Acquisition had been effected at the beginning of FY2014;
- (ii) the effect of the Proposed Acquisition on the net tangible assets ("**NTA**") per share of the Company shown below is based on the assumption that the Proposed Acquisition had been effected at the end of FY2014.

6.1 EPS

The effects of the Proposed Acquisition on the EPS of the Group for FY2014 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Loss attributable to shareholders (S\$'000)	(12,582)	(12,636)
Weighted average number of shares ('000)	430	430

EPS (cents)	(29.26)	(29.39)
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6.2 NTA

The effects of the Proposed Acquisition on the NTA per share of the Group for FY2014 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	(18,269)	(15,536)
Number of shares ('000)	430	430
NTA per share (cents)	(42.49)	(36.13)

7. VARIATION IN USE OF IPO PROCEEDS

- 7.1 In the Company's offer document dated 21 July 2014, it was stated that of the net proceeds raised from the IPO, approximately S\$1 million will be allocated to the expansion of production capacity and processing facilities, S\$6 million will be allocated to working capital and the balance to listing expenses.
- 7.2 As mentioned in Section 2.3 above, the Company had reallocated part of the IPO proceeds originally for working capital to pay for the Purchase Consideration due for the Proposed Acquisition.
- 7.3 As mentioned in Section 4 above, the main purpose of the Group in acquiring an interest in Hengyu is to facilitate and enhance the sales and marketing efforts of the Group in promoting and selling its marble products to target customers such as property developers and local governments, and the Company is of the view that a re-allocation of the use of IPO proceeds in the manner as aforesaid is beneficial in developing the Group's business, and in the best interests of the Company and its shareholders.
- 7.4 The status on the variation and use of net IPO proceeds, after taking into account of the funding of the Proposed Acquisition, is as follows:

Use of IPO Proceeds	Amount Before Reallocation (S\$'000)	Amount Reallocated (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
Expansion of production capacity and processing facilities	1,000	1,000	318	682
Working capital	5,996	3,916	2,837	1,079
Business expansion	-	2,080	2,080	-
Total	6,996	6,996	5,235	1,761

As at the date of this announcement, the breakdown of the utilisation of IPO proceeds for working capital is as follows:

Working Capital	S\$'000
Salary and Wages	1,591
Material	601
Subcontractor	181
Office Rental	130

Others	334
Total	2,837

8. 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.

9. DIRECTORS' SERVICE CONTRACTS

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

10. DOCUMENT FOR INSPECTION

A copy of the SPA 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
5 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.