



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

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## **PROPOSED ACQUISITION OF 49.9% EQUITY INTEREST IN SHANXI LOUDONG GENERAL NICE COKING & GAS CO., LTD (山西楼东俊安煤气化有限公司)**

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### **1. Sale and Purchase Agreement**

The Board of Directors (the “**Board**”) of Abterra Ltd. (the “**Company**”) wishes to announce that the Company has on 26 March 2008 entered into a conditional sale and purchase agreement (the “**Agreement**”) for the proposed acquisition of 49.9% equity interest in Shanxi Loudong General Nice Coking & Gas Co., Ltd (山西楼东俊安煤气化有限公司) (“**Loudong**”) (the “**Equity Interest**”), a company established under the laws of the People’s Republic of China (the “**PRC**”) (the “**Proposed Acquisition**”).

The Agreement is entered into with General Nice Resources (Hong Kong) Limited (the “**Vendor**”), a company incorporated under the laws of Hong Kong. The Proposed Acquisition is conditional upon certain conditions precedent summarised in paragraph 5 below.

The aggregate purchase consideration payable by the Company under the Agreement is up to S\$180,922,063 (“**Purchase Consideration**”). The Purchase Consideration was arrived at on a willing buyer and willing seller basis.

The Company shall, in due course, issue a circular to its shareholders (the “**Shareholders**”) explaining the rationale for the Proposed Acquisition (“**Circular**”) and shall convene an extraordinary general meeting (“**EGM**”) to seek the approval of its Shareholders for the Proposed Acquisition. The Proposed Acquisition is conditional, *inter alia*, upon the Company obtaining the approval of the Shareholders at the EGM to be convened.

### **2. Information on Shanxi Loudong General Nice Coking & Gas Co., Ltd**

Loudong is a sino-foreign equity joint venture enterprise established in the PRC in 1994. According to its business licence, the business scope of Loudong includes the production and sale of clean coal, coke, coal gas, chemical by-products (other than dangerous chemicals), coal residue, environmental building materials and activated coal, thermoelectric generation of electricity from coal gas, and transportation of coal.

At the date of the Agreement, Loudong has a registered capital of RMB246 million, 50.1% of which is held by a wholly-owned subsidiary of the Vendor, 39.9% of which is held by the Xiaoyi Loudong Group (孝义市楼东工贸企业集团公司) (“**Xiaoyi Group**”) and 10% of which is held by Shanxi Dajin International Group Co., Ltd (山西大晋国际(集团)股份有限公司) (“**Dajin Group**”).

Pursuant to a series of transactions (the “**Transactions**”) to be undertaken by Xiaoyi Group, Dajin Group, the Vendor and an unrelated company incorporated in the British Virgin Islands, Bestwell Pacific Limited (“**Bestwell**”), Dajin Group will sell its 10% shareholding interest to Xiaoyi Group, resulting in Xiaoyi Group holding the Equity Interest. Xiaoyi Group will then sell the Equity Interest to Super Energy Limited, a company established under the laws of the Hong Kong Special Administrative Region (the “**SPV**”). The SPV, an investment holding company, is a wholly-owned

subsidiary of Bestwell. Thereafter, Bestwell will sell 100% of the issued share capital of the SPV (the **"Sale Shares"**) to the Vendor for a consideration value of S\$180,922,063, pursuant to a sale and purchase agreement entered into between Bestwell and the Vendor (the **"Bestwell SPA"**). Upon completion of the Proposed Acquisition, the Company will be the beneficial owner of the Equity Interest through its shareholdings in the entire share capital of the SPV.

### 3. Key Terms of the Agreement

The SPV is an investment holding company which after the completion of the Transactions, will own the Equity Interest and will be wholly-owned by the Vendor. Save for the Equity Interest, the SPV will have no other assets or be engaged in any business activities prior to the completion of the Agreement.

The Purchase Consideration of up to S\$180,922,063 will be satisfied by the issue of up to 1,945,398,531 new shares in the capital of the Company (**"Consideration Shares"**) to be issued to the Vendor at an issue price of S\$0.093 per Consideration Share (**"Issue Price"**), being the volume weighted average price of the Company's shares for the ten (10) consecutive market days immediately preceding the date of execution of the Agreement. The Purchase Consideration will be satisfied by:-

- (i) the issue by the Company of 1,750,916,868 Consideration Shares (**"First Tranche Shares"**) to the Vendor, at the Issue Price; and
- (ii) the issue by the Company of up to 194,481,663 Consideration Shares (**"Second Tranche Shares"**) to the Vendor at the Issue Price, subject to adjustments if the profit guarantee (see paragraph 6 below) is not met.

The Purchase Consideration was arrived at on a 'willing-buyer and willing-seller' basis, having regard to, *inter alia*, the following factors:-

- (a) Loudong's audited net profit after tax of approximately RMB185 million for the twelve months ending 31 March 2007;
- (b) Loudong's audited net tangible asset value (**"NTA"**) as at 31 March 2007 of approximately RMB774.5 million, and
- (c) the Board's view as to the future prospects of Loudong.

Save for a special audit that was undertaken by an international firm of auditors appointed by Loudong for the purposes of the Proposed Acquisition for the period commencing 1 April 2006 and ended on 31 March 2007 (**"FP2007"**), no independent valuation of Loudong was commissioned by the Company for the purposes of the Proposed Acquisition. As at 31 March 2007, the audited net asset value and net tangible assets of Loudong is RMB809.3 million and RMB774.5 million respectively. The audit report setting out the results of the special audit (the **"Audit Report"**) will be made available for inspection.

### 4. Details of Interested Persons

The Vendor is an international trading company incorporated in Hong Kong and is principally involved in the trading of coke and minerals, property investment and investment holding. The principal activities of its subsidiaries are the trading of coke and iron ore.

As at the date of this announcement, the Vendor is a controlling shareholder of the Company holding direct interests of 48.8% of the total number of issued shares of the Company.

Accordingly, the Vendor is considered an interested person for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") and the Proposed Acquisition constitutes an interested person transaction within the meaning of Chapter 9 of the Listing Manual.

Based on the latest audited accounts of the Company and its subsidiaries (the "**Group**") for the financial year ended 30 June 2007, the Group's latest audited NTA as at 30 June 2007 was approximately S\$24.75 million. Accordingly, the aggregate value of the Proposed Acquisition represents approximately 731% of the audited consolidated NTA of the Group for the financial year ended 30 June 2007.

As the value of the Proposed Acquisition is more than 5% of the latest audited consolidated NTA of the Group, for the purposes of Chapter 9 of the Listing Manual, Shareholders' approval is required for the Proposed Acquisition.

## **5. Material conditions of the Proposed Acquisition**

Completion of the Proposed Acquisition is expected to take place three business days following the fulfilment or waiver of all the conditions precedent pursuant to the Agreement or such other date as mutually agreed to between the Vendor and the Company in writing ("**Completion Date**").

The obligation of the Company to complete the sale and purchase of the Sale Shares is conditional upon the following conditions being fulfilled before 31 October 2008 (or such other date as may be agreed between the Company and the Vendor in writing):-

- (a) completion of the Bestwell SPA;
- (b) the receipt by the Company of a legal opinion in form and substance acceptable to the Company from the counsel to the Company as to matters of PRC law, confirming *inter alia* that :-
  - (i) the SPV is the legal and beneficial owner of 49.9% of the registered capital of Loudong free from encumbrances;
  - (ii) the Transactions and agreements and documents executed pursuant thereto are valid and enforceable and in compliance with all applicable PRC laws;
  - (iii) the completion of the Bestwell SPA is in compliance with all applicable PRC laws; and
  - (iv) there are no registrations, statutory, municipal and other licences, consents, authorisations, orders, warrants, confirmations, permissions, certificates, approvals and authorities ("**Consents**") which may be necessary to be obtained for the transfer of the Sale Shares from the Vendor to the Company;
- (c) the receipt by the Company of a legal opinion in form and substance acceptable to the Company from a law firm acceptable to the Company as to matters of Hong Kong law confirming, *inter alia*, that the Bestwell SPA is valid and enforceable and in compliance with all applicable Hong Kong law, and has been completed, the Vendor is the legal and beneficial owner of the Sale Shares and the Vendor has all necessary power and authority to enter into this Agreement and to transfer the Sale Shares to the Company free from Encumbrances;

- (d) if required by the Company, the receipt by the Company of all other applicable legal opinions in form and substance acceptable to the Company in respect of matters of other applicable laws in connection with the transactions contemplated by this Agreement;
- (e) the clearance by the SGX-ST of the circular to the Shareholders in relation to the acquisition of the Sale Shares in accordance with this Agreement;
- (f) the approval by the SGX-ST of the additional listing application in relation to the Consideration Shares;
- (g) the completion of the financial and legal due diligence investigations conducted by the Company and its professional advisers on Loudong and its assets on or before the Completion Date, and the results of such due diligence investigations being satisfactory to the Company;
- (h) the approval of the acquisition of the Sale Shares by the Shareholders in general meeting;
- (i) delivery of a disclosure letter (in form and substance acceptable to the Company) by the Vendor to the Company;
- (j) all Consents necessary or desirable for the carrying on of the businesses and operations of Loudong having been obtained, being in full force and effect and all conditions applicable to any such Consents having been and are being complied with;
- (k) the receipt by the Company of a valuation report on the fixed assets of Loudong addressed to the Company from an independent professional valuer acceptable to the Company, and the Company being satisfied with the results of the said valuation report;
- (l) the approval by a majority of holders of voting rights of the Company at a general meeting for the issue of the Consideration Shares by way of a poll to waive their rights to receive a general offer from the Vendor and its concert parties; and
- (m) there shall not be in effect on the Completion Date any order, regulation or law restraining, enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated by the Agreement.

## 6. Profit Guarantee

The Vendor has given the Company a guarantee (the “**Profit Guarantee**”) that the net profit after tax of Loudong in respect of the financial period started 1 April 2007 and ending on 31 March 2008 (“**FP2008**”) (the “**Actual Profit**”) shall not be less than RMB185,000,000 (S\$36,246,082 based on S\$1.00 : RMB5.104) (the “**Profit Target**”). In the event that the Profit Target is achieved, a maximum number of 194,481,663 Second Tranche Shares (“**Maximum Second Tranche Shares**”) will be issued to the Vendor within 15 Business Days from the date of issue of the certificate by Loudong’s auditors, certifying that the net profit after tax of Loudong for FP2008 is equal to or greater than the Profit Target. In the event that Loudong does not achieve the Profit Target, the Vendor will compensate the Company 10 times the 49.9% of the amount of shortfall from the Profit Target (the “**Guaranteed Amount**”) using the Second Tranche Shares and in cash if the Second Tranche Shares is insufficient to satisfy the Guaranteed Amount. Accordingly, the number of Maximum Second Tranche Shares to be issued to the Vendor will be reduced by such number of Shares whose aggregate value is equal to the Guaranteed Amount, provided that where the Second Tranche Shares are insufficient to satisfy the Guaranteed Amount, no Second Tranche Shares will be issued to the Vendor and the Vendor shall pay the Company in cash an

amount equivalent to the portion of the Guaranteed Amount not satisfied by the aggregate value of the Second Tranche Shares.

## **7. Rationale for the Proposed Acquisition**

The Group is primarily engaged in the businesses of trading iron ore, coal and coke in countries including India, Indonesia and the PRC, including the international purchase of iron ore and the sale of Chinese steel and iron products to India and South East Asian countries. It is also involved in the trading of coke and coking coal with South East Asian countries and the PRC. The Company's business involves the supply chain management of high quality iron ore from international mines in Brazil and India. It also sources for coking coal from various countries and imports them into the PRC. Coke is exported from the PRC to other countries. The Group operates globally and links the producers of raw materials with their consumers on a worldwide basis. Ensuring that supplies of such commodities are readily available for trading purposes is an important component in the business of coal, coke and iron ore trading. Hence, the Group is keen to strengthen its hard commodities trading business by developing its own supply capabilities.

Loudong possesses capabilities that are complementary to the Group's business as Loudong is in the business of processing coking coal into coke. The Proposed Acquisition will provide the Group with a steady supply of coke. Having identified Loudong as a significant and viable company, the Group has taken the opportunity to adopt a stake in this synergistic business and intends to make Loudong one of the major links in the Group's natural resources business chain.

## **8. Whitewash Waiver**

The Company has issued S\$76 million principal amount of zero coupon conditional unsecured convertible notes with a maturity of three years from the date of issue (the "**Notes**"). Please refer to the announcements dated 2 May 2007 and 28 June 2007 released by the Company on the SGXNet for more information on the Notes. The Company is entitled to issue a further tranche of up to S\$24 million principal amount of Notes.

The Notes are convertible into shares in the capital of the Company (the "**Conversion Shares**") at the option of the holders of the Notes in accordance with the Conditions of the Notes. As at the date of this Announcement, an aggregate principal amount of S\$22 million of the Notes have been converted into 407,230,766 Shares of the Company. The Vendor has a direct interest of approximately 48.8% of the issued share capital of the Company. In the event that the remaining S\$54 million principal amount of Notes currently issued are fully converted into shares of the Company prior to the Completion Date (the "**Full Notes Conversion**"), the issue of the Conversion Shares will cause the Vendor's shareholding interest in the Company to be further diluted to 39.68%.

Pursuant to Rule 14.1 of the Singapore Code on Take-overs and Mergers (the "**Code**"), where any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights of the Company and such person, or any person acting in concert with him, acquires in any period of 6 months additional shares carrying more than 1% of the voting rights of the Company, such person must make a general offer immediately, on the basis set out in the Code, to the holders of any class of share capital of the company which carries votes.

In the event that the Proposed Acquisition is completed after the Full Notes Conversion and 1,945,398,531 Shares (being the maximum number of Consideration Shares) are issued to the Vendor for the Proposed Acquisition, the Vendor's shareholding in the Company will increase from approximately 39.68% (after adjusting for the Full Notes Conversion) to approximately 56.13% of the enlarged share capital of the Company (after adjusting for the Full Notes

Conversion and the Consideration Shares). Accordingly, the Vendor and its concert parties would be obliged to make a mandatory general offer for the remaining Shares not owned or controlled by the Vendor and its concert parties pursuant to Rule 14.1 of the Code.

An application was made to the Securities Industry Council (the “**SIC**”) for a waiver of the obligation of the Vendor and its respective concert parties to make a mandatory general offer for the Shares under Rule 14.1 of the Code as a result of the issue of the maximum number of Consideration Shares to the Vendor pursuant to the Proposed Acquisition. The SIC had, on 19 March 2008, waived the requirement of the Vendor to make a general offer for the Company under Rule 14 of the Code if the Vendor’s voting rights in the Company increase by more than 1% in any 6-month period as a result of the acquisition of the Consideration Shares pursuant to the Proposed Acquisition, subject to the following conditions:-

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Consideration Shares to the Vendor, a resolution (the “**Whitewash Resolution**”) by way of a poll to waive their rights to receive a general offer from the Vendor and its concert parties;
- (b) the Whitewash Resolution is separate from other resolutions;
- (c) the Vendor, parties acting in concert with it and parties not independent of it abstain from voting on the Whitewash Resolution;
- (d) the Vendor and its concert parties did not acquire or are not to acquire any shares or instruments convertible into and options in respect of the shares of the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares of the company which have been disclosed in the Circular):-
  - (i) during the period between the date of this Announcement and the date Shareholders’ approval is obtained for the Whitewash Resolution; and
  - (ii) in the six months prior to the date of this Announcement, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of the Company in relation to such issue;
- (e) the Company appoints an independent financial adviser to advise its independent Shareholders on the Whitewash Resolution.
- (f) the Company sets out clearly in its circular to Shareholders:-
  - (i) details of the proposed issue of new Consideration Shares;
  - (ii) the dilution effect of issuing the new Consideration Shares pursuant to the Proposed Acquisition to existing holders of voting rights;
  - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and option in respect of shares in the Company held by the Vendor and its concert parties as at the latest practicable date;
  - (iv) the number and percentage of voting rights to be issued to the Vendor under the Proposed Acquisition;
  - (v) a specific and prominent reference to the fact that the Proposed Acquisition would result in the Vendor holding shares carrying over 49% of the voting rights of the Company based on its enlarged share capital and the Vendor will be free to

acquire further shares in the Company without incurring any obligation under Rule 14 to make a general offer;

- (vi) that Shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from the Vendor at the highest price paid by the Vendor and its concert parties for the Company shares in the past six months preceding the commencement;
- (g) the circular by the Company to its Shareholders states that the waiver granted by the SIC to the Vendor and its concert parties from the requirement to make a general offer under Rule 14 is subject to the conditions stated at (a) to (f) above;
- (h) the Vendor obtains the SIC's approval in advance for those parts of the circular that refers to the Whitewash Resolution; and
- (i) to rely on the Whitewash Resolution, the acquisition of new Consideration Shares by the Vendor pursuant to the Proposed Acquisition must be completed within three months of the approval of the Whitewash Resolution.

## 9. Financial Effects of the Proposed Acquisition

The financial effects of the Proposed Acquisition on the Company would be as follows:-

- (i) the effect of the Proposed Acquisition on the net tangible assets per share at Group level for the financial year ended 30 June 2007 assuming that the transaction had been effected at the end of that financial year is as follows:

<b>Net tangible assets per share</b>	<b>Per Audited Accounts As at 30 June 2007</b>
Before adjusting for Proposed Acquisition	0.89 cents
After adjusting for Proposed Acquisition (based on Loudong's actual net tangible assets as at 31 March 2007 of approximately RMB774.5 million)	2.13 cents

- (ii) the effect of the Proposed Acquisition on the earnings per share of at Group level for the financial year ended 30 June 2007 assuming that the transaction had been effected at the beginning of that financial year is as follows:

<b>Basic and diluted earnings per share</b>	<b>For the financial year ended 30 June 2007</b>
Before adjusting for Proposed Acquisition	
- Basic earnings per share	0.04 cents
- Diluted earnings per share *	-
After adjusting for Proposed Acquisition	
- Basic earnings per share	0.44 cents
- Diluted earnings per share *	-

\* Diluted earnings per share has not been disclosed as it is anti-dilutive.

## Relative Figures computed pursuant to Rule 1006 of the Listing Manual

### **Rule 1006(a)**

The basis of comparison set out in Rule 1006(a) of the Listing Manual is not applicable as Rule 1006(a) only applies to disposal of assets.

### **Rule 1006(b)**

Based on the audited financial statements of the Group for the financial year ended 30 June 2007, the net profit on a consolidated basis (after taxation) was approximately S\$1,022,000. Accordingly the net profits attributable to the assets acquired, amounting to S\$18,092,206, compared with the Group's net profits, is approximately 1,770%.

### **Rule 1006(c)**

As at the date of this Announcement, the aggregate value of the Proposed Acquisition amounts to approximately 51.57% of the Company's market capitalization of S\$350.85 million as at 25 March 2007. The market capitalization of the Company is derived by multiplying the number of ordinary shares in the share capital of the Company in issue of 4,216,942,999 by the weighted average price of the shares of S\$0.0832 transacted on the date of the market day preceding the date of the Agreement.

### **Rule 1006(d)**

Pursuant to the Agreement, the Company is to issue up to 1,945,398,531 new ordinary shares in the capital of the Company as Consideration Shares to the Vendor at the Issue Price. The number of Consideration Shares would be approximately 46.13% of the number of shares of the Company previously in issue.

Based on the computation under Rules 1006(b), 1006(c) and 1006(d), the relative figures of the Proposed Acquisition exceeds 20% and will fall within the definition of major transactions under Rule 1013 of the Listing Manual. Therefore, the Proposed Acquisition is subject to Shareholders' approval at the EGM to be convened.

## **10. Interests of Directors and controlling Shareholders**

Cai Sui Xin, the Executive Chairman and Executive Director of the Company, is also a director of and controlling shareholder of the Vendor, holding 80.00% indirect interest in the Vendor. Cai Sui Xin has declared his interests as described above to the Board and to the board of directors of the Vendor respectively and has abstained from voting in respect of the resolutions of the Board and the board of directors of the Vendor to recommend the approval of the Proposed Acquisition.

Lau Yu, the Company's Chief Executive Officer is a director and shareholder of the Vendor holding approximately 19.99% direct interest in the Vendor. Lau Yu has declared his interests as described above to the Board and has abstained from voting in respect of the resolutions of the Board and the board of directors of the Vendor to recommend the approval of the Proposed Acquisition.

The Vendor, Cai Sui Xin, Lau Yu and their associates will abstain from recommending or voting on the resolution in relation to the Proposed Acquisition at the EGM to be convened.

Save as disclosed herein, none of the Directors of the Company, nor any of their associates, has any interest, direct or indirect, in the Proposed Acquisition. Save as disclosed herein, as far as the Directors are aware, no substantial shareholder of the Company, or any of their associates,

has an interest, direct or indirect, in the Proposed Acquisition and the directors of the Company have not received any notification of any interest in the Proposed Acquisition from any substantial shareholder of the Company or any of their associates.

#### 11. Appointment of IFA

Hong Leong Finance Limited has been appointed as the independent financial advisor (“IFA”) in accordance with Rule 921(4) of the Listing Manual to advise the Board in relation to the Proposed Acquisition. The opinion of the IFA will be enclosed in the Circular to be dispatched by the Company in due course.

#### 12. Audit Committee Statement

In relation to the Proposed Acquisition, the Audit Committee, comprising Gersom G. Vetuz, Lim Hui Min John and Chew Ban Chuan Victor Mark will form its view as to whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders after considering the IFA’s opinion referred to in paragraph 11 above. The Audit Committee’s view on the Proposed Acquisition will be set out in the Circular.

#### 13. Circular to Shareholders

The Circular to the Shareholders containing information on the Proposed Acquisition, together with the notice of the EGM, will be despatched by the Company in due course.

#### 14. Current Total Interested Person Transactions

The aggregate value of the Proposed Acquisition is approximately S\$180.9 million, representing approximately 731% of the audited consolidated NTA of the Group as at 30 June 2007. Save for the Proposed Acquisition and as previously announced (see table below), the Company has not entered into any interested person transactions in the current financial year to-date.

Name of interested person	Aggregate value of all interested person transactions for the current financial year ending 30 June 2008 as at the date of this Announcement (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S\$100,000)_
Cai Sui Xin and his associates, General Nice Development Limited and General Nice Resources (Hong Kong) Limited <sup>(1)</sup>	S\$6,300,000	NIL

**Note:**

1. Please refer to the announcements dated 2 February 2007, 13 April 2007, 6 August 2007, 22 August 2007, 12 February 2008 and 25 February 2008 in relation to the acquisition of 45% of the registered capital of Tianjin Lant Development Co., Ltd. (天津蓝塔发展有限公司).

**15. Documents for inspection**

A copy of each of the Agreement and the Audit Report is available for inspection during normal business hours at the registered office of the Company at 8 Shenton Way #31-02 Singapore 068811 for three months from the date of this Announcement.

**16. Directors' Responsibility Statement**

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

Issued by Abterra Ltd.

Lau Yu  
Director and Chief Executive Officer  
26 March 2008