



天益有限公司

ABTERRA LTD.

(Company Registration No. 199903007C)

PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID UP CAPITAL OF ABTERRA FU YUAN COAL COMPANY LIMITED (“PROPOSED ACQUISITION”)

1. Introduction

The Board of Directors of Abterra Ltd. (“**Company**”) is pleased to announce that the Company has on 17 August 2009 (“**Execution Date**”) entered into a conditional sale and purchase agreement (“**SPA**”) with Shenzhen Manfu Industrial Company Limited (深圳市满孚实业有限公司) (“**Vendor**”) for the acquisition of the entire issued and paid up share capital of Abterra Fu Yuan Coal Company Limited, a company established in Hong Kong (“**Target Company**”), comprising 10,000 ordinary shares with a par value of HK\$1.00 each (“**Sale Shares**”).

Under the terms of the SPA, prior to the completion of the SPA (“**Completion**”), the Target Company will be involved in a restructuring exercise (“**Restructuring Exercise**”). Upon the completion of the Restructuring Exercise, the Target Company will hold the entire registered capital of a foreign investment enterprise (“**PRC SPV2**”) to be established in the People’s Republic of China (“**PRC**”). PRC SPV2 will hold 60% of the total registered capital of a domestic company to be established in the PRC (“**PRC SPV1**”). The remaining 40% of the total registered capital of PRC SPV1 will be held by the Vendor or its nominee.

Upon the completion of the Restructuring Exercise, PRC SPV1 will hold 51% of Shanxi Lingshi Fuyuan Coal Co., Ltd. (山西灵石富源煤业有限公司) (“**Fuyuan**”), a domestic company established in the PRC which has a registered capital of RMB 3 million. Fuyuan’s main asset is a coal mine with an area of approximately 5.434 square kilometres located in Jinzhong city, Lingshi county (“**Lingshi Mine**”). The other shareholders of Fuyuan are Xiaoyi Zhongtian Trading Co., Ltd. (孝义市中田工贸有限公司) (20%), and the Vendor (29%). The Target Company, PRC SPV1 and PRC SPV2 are investment holding companies established for the purpose of the Restructuring Exercise.

As a result of the Proposed Acquisition, the Company will also acquire a beneficial equity interest in the Target Company’s subsidiaries, namely PRC SPV2 (100%), PRC SPV1 (60%) and Fuyuan (51%).

2. Consideration

Under the terms of the SPA, the cash consideration payable by the Company for the Sale Shares (“**Consideration**”) is RMB234,787,680, which was arrived on a “willing buyer and

willing seller” basis after arm’s length negotiations between the Company and the Vendor with reference to a reserve report issued by Shanxi Zhongjin Coal Geological Survey Unit (山西省中晋市煤田地质勘探队) in September 2006 (“**Reserve Report**”) confirming that the Lingshi Mine has a total reserve of 33.36 million tons of coal. No valuation of the Sale Shares was undertaken for purposes of the Proposed Acquisition.

The Consideration is payable as follows:

- (a) on the Execution Date, the first tranche of the Consideration of RMB117,393,840 (“**First Tranche**”) is payable to the Vendor; and
- (b) on Completion, the balance RMB117,393,840 (“**Second Tranche**”) is payable to the Vendor.

On the Execution Date, the First Tranche was satisfied by the assignment by the Company of RMB117,393,840 of trade receivables which were due and owing by a major customer (“**Major Customer**”) to the Company pursuant to the terms of a deed of assignment dated the Execution Date between the Vendor, the Company and the Major Customer (“**Deed of Assignment**”). The Major Customer owes the Company and its subsidiaries a debt and has substantial RMB currency reserves that would be used to pay the Consideration.

On the date of Completion, subject to the fulfilment of the Vendor’s obligations under the SPA (or the waiver thereof by the Company), the Company shall assign RMB117,393,840 of the trade receivables due and owing by the Major Customer to the Company for the purpose of meeting the Second Tranche payment obligations pursuant to the terms of the Deed of Assignment.

No known relationship between the Vendor and the Major Customer has been declared to the Company.

3. **Details of the Vendor, Fuyuan and the Lingshi Mine**

Vendor

The Vendor is a company incorporated under the laws of the PRC and registered in Shenzhen, and is mainly engaged in the development of mines and the trading of coal, coke and iron ore. The Vendor currently owns two coal mines in Shanxi, one iron mine in Shandong, one iron mine in Liaoning and one iron mine in Shanxi.

Fuyuan

The registered capital of Fuyuan is RMB 3 million and its main asset is the Lingshi Mine which is located in Jinzhong city, Lingshi county and produces high-quality coking coal. Fuyuan has a mining licence to extract coking coal from the Lingshi Mine which is valid until January 2012 and an annual production capacity of 210,000 tons. According to the Reserve Report, the total reserve of the Lingshi Mine is approximately 33.36 million tons of coal.

4. Conditions Precedent to the Proposed Acquisition

Completion is expected to take place three (3) business days after the fulfilment or waiver of all the conditions precedent set out below or such other date as the parties to the SPA may mutually agree in writing ("**Completion Date**").

The obligation of the Company to complete the Proposed Acquisition is conditional upon the following conditions being fulfilled:-

- (a) the representations and warranties of the Vendor in the SPA being true and correct in all material respects as of the date of the SPA and as of the Completion Date so as to not result in a material adverse effect on (a) the business and assets of the Target Company, PRC SPV1, PRC SPV2 and Fuyuan (collectively, "**Target Group**") and each, a "**Target Group Company**"; or (b) the ability of the Vendor to consummate the transactions contemplated hereby in any material respect;
- (b) there being no Material Adverse Effect (as defined in the SPA) on or prior to Completion;
- (c) the completion of the financial and legal due diligence investigations conducted by the Company and its professional advisers on the Target Group, its business and assets on or before the Completion Date, and the results of such due diligence investigations being satisfactory to the Company;
- (d) the delivery to the Company of a certified true copy of the resolutions of the directors of the Target Company approving the sale of the Sale Shares to the Company in accordance with the SPA;
- (e) the delivery of a disclosure letter in form and substance acceptable to the Company;
- (f) the completion of the Restructuring Exercise;
- (g) the delivery to the Company of the audited accounts of Fuyuan for the financial year ended 31 December 2008, and the management accounts of each Target Group Company up to a cut-off date determined by the Company;
- (h) if necessary, the confirmation from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") that acquisition of the Sale Shares is not classified as a major transaction under Rule 1014 of the Listing Manual;
- (i) if required, the approval of the acquisition of the Sale Shares by the shareholders of the Company in general meeting;
- (j) all relevant consents for the transactions contemplated in the SPA (including the Restructuring Exercise) and for the carrying on of the business of Fuyuan, including consents from all relevant regulatory authorities (where applicable), having been obtained and if granted subject to conditions, such conditions are acceptable to the Company;

- (k) the receipt by the Company of a legal opinion in form and substance acceptable to the Company from a law firm qualified to practice PRC law acting as counsel to the Company as to matters of PRC law pertaining to the Proposed Acquisition; and
- (l) the receipt by the Company of a legal opinion in form and substance acceptable to the Company from a law firm qualified to practice Hong Kong law acting as counsel to the Company as to matters of Hong Kong law pertaining to the Proposed Acquisition.

5. Other Salient Terms of the SPA

If any Condition Precedent is not satisfied or waived by the Company on or before 31 December 2009, or such other date determined by the Company at its sole and absolute discretion, the Company shall not be bound to proceed with the purchase of the Sale Shares and the SPA will be terminated. In the event that the SPA is terminated in such manner, the Vendor shall refund the First Tranche (including all interest earned thereon) without any deduction.

6. Rationale for the Proposed Acquisition

The Proposed Acquisition is in line with the Company's plans to expand the scope of its business activities, vertically and horizontally, into the production of coal and coke, and other synergistic businesses.

7. Financial Effects of the Proposed Acquisition

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

- (i) the effect of the Proposed Acquisition on the net tangible asset ("NTA") per share of the Company ("**Share**") for the six month financial period ended 31 December 2008 assuming that the Proposed Transaction had been effected at the end of that financial period is as follows:-

NTA per Share ⁽¹⁾	Per Audited Financial Statements as at 31 December 2008
Before adjusting for Proposed Acquisition	3.97 cents
After adjusting for Proposed Acquisition ⁽²⁾	3.86 cents

Notes:

- (1) Computed based on the issued share capital of 5,084,755,824 Shares as at 31 December 2008.
- (2) Based on Fuyuan's unaudited negative NTA as at 31 December 2008 of approximately RMB27,387,202.

- (ii) the effect of the Proposed Acquisition on the earnings per Share at Group level for the six month financial period ended 31 December 2008 assuming that the Proposed Acquisition had been effected at the beginning of that financial period is as follows:-

Earnings/(loss) per Share	For the six month financial period ended 31 December 2008
Before adjusting for Proposed Acquisition	
- Earnings/(loss) per Share	(0.31) cents
After adjusting for Proposed Acquisition	
- Earnings/(loss) per Share	(0.31) cents

8. 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 unaudited financial statements of the Company for the six month period ended 30 June 2009, the net profit on a consolidated basis was approximately S\$1.728 million. Accordingly, the net profit attributable to the assets acquired for the same period based on its unaudited management accounts, amounting to approximately RMB104,872, compared with the Company's net profit is approximately 1.28% (based on the exchange rate of RMB4.74:S\$1.00).

Rule 1006(c)

The aggregate value of the Proposed Acquisition amounts to 17.50% of the Company's market capitalization of approximately S\$283,344,720 as at 17 August 2009. The market capitalization of the Company is derived by multiplying the number of Shares in issue of 5,133,986,593 by the weighted average price of the Shares being S\$0.05519 on the date preceding the signing of the SPA.

Rule 1006(d)

The basis of comparison set out in Rule 1006(d) of the Listing Manual is not applicable as Rule 1006(d) only applies where the purchase consideration is in the form of shares issued by the Company.

9. Interest 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.

10. Documents for inspection

A copy of the SPA and the Reserve Report will be available for inspection during normal business hours at the registered office of the Company at 7 Temasek Boulevard, #11-05 Suntec Tower 1, Singapore 038987 for three months from the date of this announcement.

Issued by Abterra Ltd.

Lau Yu
Director and Chief Executive Officer
17 August 2009