

Unaudited financial statements and dividend announcement for the quarter ended 30 September 2014
PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS
1QFY2015 Quarterly Results

The Board of Directors of Hankore Environment Tech Group Limited wishes to announce the unaudited results of the Group for the quarter ended 30 September 2014.

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial period.

	← Group →		
	1QFY2015 RMB'000	1QFY2014 RMB'000 (Restated)	Increase/ -Decrease %
Revenue	130,336	143,608	-9%
Cost of sales	(78,789)	(84,064)	-6%
Gross profit	51,547	59,544	-13%
Other income	17,287	3,135	451%
Administrative expenses	(33,370)	(13,576)	146%
Other operating expenses	(786)	(36,039)	-98%
Operating profit	34,678	13,064	n.m.
Finance income	653	533	23%
Finance expenses	(19,294)	(16,615)	16%
Profit/(loss) before tax	16,037	(3,018)	n.m.
Tax expense	(3,148)	(4,783)	-34%
Net profit/(loss) for the financial period	12,889	(7,801)	n.m.
Other comprehensive income	-	-	
Total comprehensive income for the financial period	12,889	(7,801)	n.m.
Net profit/(loss) attributable to:			
Owners of the Company	12,889	(7,801)	n.m.
Non-controlling interests	-	-	
	12,889	(7,801)	n.m.
Total comprehensive income attributable to:			
Owners of the Company	12,889	(7,801)	n.m.
Non-controlling interests	-	-	
	12,889	(7,801)	n.m.

"n.m." denotes "not meaningful"

Note 1

Profit/(loss) from operating activities is derived after (charging)/crediting the following items:

Depreciation	(1,205)	(487)	148%
Amortisation of intangible assets	(3,459)	(3,668)	-6%
Equity-settled share-based expense	(13,041)	-	n.m.
Foreign exchange gain	6,890	4,348	58%
Fair value loss on warrants	-	(10,040)	n.m.
Fair value loss on contingent consideration payable	-	(23,438)	n.m.

1(b)(i) Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	30 Sep 14 RMB'000	30 Jun 14 RMB'000	30 Sep 14 RMB'000	30 Jun 14 RMB'000
Current Assets				
Cash and cash equivalents	234,243	380,831	15,877	29,305
Trade and other receivables	141,178	131,499	409	409
Financial receivables	174,367	174,184	-	-
Inventories	11,012	10,534	-	-
	<u>560,800</u>	<u>697,048</u>	<u>16,286</u>	<u>29,714</u>
Non-current Assets				
Property, plant and equipment	13,675	54,863	10	11
Financial receivables	1,961,145	1,917,250	-	-
Intangible assets	253,951	239,525	-	-
Land use rights	43,212	43,717	-	-
Investment in subsidiaries	-	-	2,459,552	2,450,214
Other receivables	12,688	14,105	-	-
	<u>2,284,671</u>	<u>2,269,460</u>	<u>2,459,562</u>	<u>2,450,225</u>
Current Liabilities				
Borrowings	419,364	183,372	235,992	-
Trade and other payables	199,660	207,346	31,896	35,064
Other financial liabilities	2,200	795	2,200	795
Provision for income tax	5	271	-	-
	<u>621,229</u>	<u>391,784</u>	<u>270,088</u>	<u>35,859</u>
Net current assets/(liabilities)	(60,429)	305,264	(253,802)	(6,145)
Non-current Liabilities				
Borrowings	505,966	884,016	-	242,398
Deferred tax liabilities	248,789	245,746	-	-
Other financial liabilities	-	1,405	-	1,405
	<u>754,755</u>	<u>1,131,167</u>	<u>-</u>	<u>243,803</u>
Net assets	<u>1,469,487</u>	<u>1,443,557</u>	<u>2,205,760</u>	<u>2,200,277</u>
Capital and Reserve				
Share capital	455,157	455,157	455,157	455,157
Reserves	1,014,559	988,629	1,750,603	1,745,120
Equity attributable to owners of the Company	<u>1,469,716</u>	<u>1,443,786</u>	<u>2,205,760</u>	<u>2,200,277</u>
Non-controlling interests	(229)	(229)	-	-
	<u>1,469,487</u>	<u>1,443,557</u>	<u>2,205,760</u>	<u>2,200,277</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

(i) Amount repayable in one year or less, or on demand

30 September 2014		30 June 2014	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
106,776	312,588	-	183,372

(ii) Amount payable after one year

30 September 2014		30 June 2014	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
409,776	96,190	593,350	278,666

Details of Collateral

The secured bank borrowings of the Group as at 30 June 2014 and 30 September 2014 were secured by wastewater treatment plants with service concession receivable and guaranteed by a former subsidiary of the Group and a shareholder of the Company.

1(c) Consolidated statement of cash flow (for the group), together with a comparative statement for the corresponding year of the immediately preceding financial year.

	1QFY2015 RMB'000	1QFY2014 RMB'000 (Restated)
Cash flows from operating activities		
(Loss)/Profit before income tax	16,037	(3,018)
Adjustments for:-		
Depreciation of property, plant and equipment	1,205	487
Amortisation of intangible assets	3,459	3,668
Amortisation of land use rights	505	505
Impairment loss on other receivables	-	2
(Gain)/Loss on disposal of property, plant and equipment	22	-
Loss arising from change in fair value	-	35,776
Equity-settled share based transaction	13,041	-
Unrealised exchange (gain)/loss	(6,890)	(4,348)
Net finance costs	18,641	16,082
Operating cash flow before working capital changes	46,020	49,154
Changes in working capital		
Financial receivables	(12,597)	(65,496)
Inventories	(478)	(4,515)
Trade and other receivables	(1,957)	(22,970)
Other current assets	(6,305)	(5,330)
Trade and other payables	(9,124)	21,976
Cash generated / (used in) from operations	15,559	(27,181)
Interest received	653	-
Income tax refund/(paid)	(369)	(1,400)
Net cash generated / (used in) from operating activities	15,843	(28,581)
Cash flow from investing activities		
Purchase of property, plant and equipment	(2,689)	(234)
Proceeds from disposal of property, plant and equipment	2,950	-
Acquisition of intangible assets	(8,232)	(189)
Net cash used in investing activities	(7,971)	(423)
Cash flow from financing activities		
Proceeds from issue of shares	-	70,518
Proceeds from bank borrowings	39,000	15,000
Repayment of bank borrowings	(173,493)	(70,014)
Repayment of other loans	-	(7,491)
Proceeds from issue of notes	-	231,964
Interest paid	(19,234)	(11,876)
Increase in bank balances pledged	(888)	(21,203)
Net cash (used in) / generated from financing activities	(154,615)	206,899
Net (decrease) / increase in cash and cash equivalents	(146,743)	177,895
Cash and cash equivalents at the beginning of the year	271,976	102,111
Effect of exchange rate changes on cash and cash equivalents	(733)	3,264
Cash and cash equivalents at the end of the year	124,500	283,269

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issued and distributions to shareholders, together with a comparative statement for the corresponding financial period.**

Group	Share Capital RMB'000	Share Premium RMB'000	Foreign Currency Translation Reserve RMB'000	Statutory Reserve RMB'000	Share Option Reserve RMB'000	Accumulated losses RMB'000	Non-controlling Interests RMB'000	Total RMB'000
Balance at 30 Jun 2014	455,157	1,419,312	22	77	32,892	(463,674)	(229)	1,443,557
Net profit for the period	-	-	-	-	-	12,889	-	12,889
Equity-settled share-based transaction	-	-	-	-	13,041	-	-	13,041
Balance at 30 Sep 2014	455,157	1,419,312	22	77	45,933	(450,785)	(229)	1,469,487
Balance at 1 Jul 2013, (restated)	409,242	1,218,352	22	-	-	(348,854)	(229)	1,278,533
Net profit for the year	-	-	-	-	-	(7,801)	-	(7,801)
Balance at 30 Sep 2013 (restated)	409,242	1,218,352	22	-	-	(356,655)	(229)	1,270,732
Company								
Balance at 30 Jun 2014	455,157	1,419,312	-	-	32,892	292,916	-	2,200,277
Net loss for the period	-	-	-	-	-	(7,558)	-	(7,558)
Equity-settled share-based transaction	-	-	-	-	13,041	-	-	13,041
Balance at 30 Sep 2014	455,157	1,419,312	-	-	45,933	285,358	-	2,205,760
Balance at 1 Jul 2013, (restated)	409,242	1,218,352	-	-	-	493,645	-	2,121,239
Net loss for the period	-	-	-	-	-	(2,625)	-	(2,625)
Balance at 30 Sep 2013 (restated)	409,242	1,218,352	-	-	-	491,020	-	2,118,614

- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial year reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Change in the Company's share capital

There was no movement in the Company's issued and fully paid-up share capital during the quarter ended 30 September 2014.

Issued share capital

Ordinary share capital

At 30 June and September 2014

No. of shares

510,482,894

As at 30 June 2014 and 30 September 2014, total number of outstanding warrants and outstanding share options under employee share option scheme are 263,462 and 36,508,617 respectively. The proceeds from issue of warrants will be used for working capital of the Group.

The Company does not have any outstanding convertibles and treasury shares for the financial quarter ended 30 September 2013 and 30 September 2014.

- 1(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial year and as at the end of the immediately preceding financial year.**

The total number of issued shares excluding treasury shares, after share consolidation, were as follows:

	1QFY2015 Quarter ended 30 September 2014	FY2014 Financial year ended 30 June 2014
Total number of issued shares excluding treasury shares	510,482,894	510,482,894

- 2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3. Whether the figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Yes. The same accounting policies and methods of computations as most recently audited financial statements have been applied.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted International Financial Reporting Standards ("IFRS") since financial year ended 30 June 2014. The change in accounting policy was applied retrospectively and the effects of the Group's comparative information arising from the adoption of IFRSs are as follows:

Quarter ended 30 September 2013

Statement of comprehensive income

	As previously reported RMB'000	Increase / (Decrease) RMB'000	Restated RMB'000
Revenue ¹	134,148	9,460	143,608
Cost of sales ^{1,2,4}	(72,448)	(11,616)	(84,064)
Administrative expense ⁴	(13,431)	(145)	(13,576)
Other operating expense ⁴	(3,735)	(32,303)	(36,038)
Finance expense ⁴	(15,321)	(1,294)	(16,615)
Profit/(loss) before tax	32,881	(35,899)	(3,018)
Tax expense ³	(2,513)	(2,271)	(4,784)
Profit/(loss) after tax ⁵	30,368	(38,169)	(7,801)

The material adjustments to comparative information are set out below:

1. Revenue, financial receivables and intangible assets

Previously, the fair value of the construction services relating to service concession arrangements was determined based on cost plus method. The Group recognised construction revenue based on the costs of providing such services plus certain profit margin.

The Group elected to adopt the replacement cost method in determining the fair value of the construction services provided to better reflect the economic substance of the service concession arrangement in accordance with IFRS Interpretations Committee ("IFRIC") 12 *Service Concession Arrangements*.

The fair value of the financial receivables and intangible assets relating to the service concession arrangements and related construction revenue, finance income and operation income were appraised by American Appraisal China Limited, an independent valuer engaged in connection with the Proposed Acquisition.

The adjustments to financial receivables and intangible assets and related construction revenue, finance income and operation income, based on the valuation report, is set out as above.

2. Cost of sales and Trade and other payables

The construction costs for certain projects were recognised in accordance with the percentage of completion ("POC") (based on surveys of work agreed with customers) in accordance with IAS 11 *Construction Contracts*. Previously, the POC of the projects were determined by reference to the proportion that contract costs incurred to date to the estimated total contract costs.

The adjustments to trade and other payables and corresponding cost of sales are set out as above.

3. Deferred tax liabilities

The deferred tax liabilities arising from service concession arrangements and corresponding deferred tax expenses were recognised based on the "balance sheet liability method" in accordance with IAS 12 *Income Taxes*.

The adjustments to deferred tax liabilities and deferred tax expenses are set out as above.

4. Certain comparatives in the financial statements have been revised from the previous year to appropriately reflect the balances of the Group.

5. The effect of above adjustments have been reflected into profit for the year and accumulated losses of the Group.

6. Earnings per share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial period, after deducting any provision for preference dividends

Basic earnings per share

	1QFY2015	1QFY2014 (Restated)
Profit/(loss) attributable to owners of the Company (RMB'000)	12,889	(7,801)
Weighted average number of ordinary shares in issue('000)	510,483	457,313
Basic (loss)/earnings per share (RMB cents)	2.5	(1.7)

Diluted earnings per share

	1QFY2015 RMB'000	1QFY2014 RMB'000 (Restated)
Profit/(loss) attributable to owners of the Company (RMB'000)	12,889	(7,801)
Weighted average number of ordinary shares in issue ('000)	510,483	457,313
Diluted earnings/(loss) per share (RMB cents)	2.5	(1.7)

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current year reported on; and (b) immediately preceding financial year

	Group		Company	
	30 September 2014 RMB	30 June 2014 RMB	30 September 2014 RMB	30 June 2014 RMB
Net asset value per ordinary share based on the existing issued share capital as at the respective period	2.88	2.83	4.32	4.31

Net asset value per ordinary share was computed based on the share capital of 510,482,894 shares of HK\$1 each (30 June 2014: 510,482,894 shares of HK\$1 each)

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of any significant factors that effected the turnover, costs, and earnings of the group for the current financial period report on, including (where applicable) seasonal or cyclical factors; and any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial year reported on.

Overview

As most of the ongoing projects during FY2014 have been completed or were near completion as at 30 June 2014, the Group has recognised less revenue in the first quarter of FY2015 than the first quarter of FY2014. However, the Group has entered preliminary stage and begun preparation work for scheduled pipeline projects, such as Beijing Tiantanghe Phase 2 and Suzhou Phase 2, in FY2015. Construction progress for pipeline projects are expected to be in full swing from 2nd quarter of the year.

As the Group has successfully negotiated a higher water tariff with local municipals for various projects, income from wastewater treatment service has increased by RMB5.0 million compared with the first quarter of FY2014.

Statement of Comprehensive Income

Revenue

Revenue has decreased by approximately RMB13.3 million or 9% from RMB143.6 million in 1QFY2014 to RMB130.3 million in 1QFY2015, attributable mainly to a decrease of RMB14.1 million in revenue from construction services from service concession arrangements from RMB70.7 million in 1QFY2014 to RMB56.6 million in 1QFY2015 as a few of our construction projects were near completion in the last financial year. Contract revenue from external customers generated by Jiangsu Tongyong also decreased by RMB4.2 million from RMB16.9 million in 1QFY2014 to RMB12.7 million in 1QFY2015 as Jiangsu Tongyong has been placing more focus on the Group's internal projects. However, the decrease in construction revenue is offset by an increase of RMB5.0 million in revenue from operation income, finance income and discharge fees from provision of wastewater treatment service.

The revenue from construction service is mainly contributed by construction work from Xianyang Phase 2, Suzhou Phase 2 and Nanjing Pukou projects during this quarter.

Cost of sales

The cost of sales has decreased by RMB5.3 million or 6% from RMB84.1 million in 1QFY2014 to RMB78.8 million. The decrease in cost of sales is mainly due to decrease in construction revenue. Overall gross profit margin has decreased from 41.5% in 1QFY2014 to 39.5%. The slightly decrease in gross profit margin is due to less revenue being recognised from EPC service as EPC service usually has a higher gross profit margin than revenue from service concession arrangement.

Other income

Other income has increased by 451% to RMB17.3 million as compared with RMB3.1 million in 1QFY2014. The increase of other income is mainly due to below items:

- a debt recovery of RMB10.0 million which were previously written off in earlier years;
- an exchange gain of RMB6.9 million recognised from revaluation of notes payable denominated in Singapore dollar due to favourable RMB exchange rate during the financial period.

There is no such other income in 1QFY2014.

Administrative expenses

The administrative expenses have increased by 146% to RMB33.4 million in 1QFY2015 as compared with RMB13.6 million in 1QFY2014. The increase in administrative expense of RMB19.8 million is mainly attributable to recognition of employee benefit expense of RMB13.0 million arising from issue of employee share option in November 2013. The remaining increases comprise of professional fees incurred in relation to the proposed transaction of RMB4.6 million and rental expenses of RMB2.0 million.

Other operating expenses

The Group has incurred other operating expense amounting to RMB0.8 million during the financial period, which has decreased by 98% compared with the amount of RMB36.0 million incurred in 1QFY2014. The expenses incurred in 1QFY2014 were mainly due to change in fair value of the following financial instruments:

- (1) Fair value loss on warrants amounting to RMB10.0 million;
- (2) Fair value loss on contingent consideration payable amounting to RMB23.4 million;
- (3) Fair value loss on cross-currency swap amounting to RMB2.3 million.

There was no such fair value loss in 1QFY2015.

Net finance cost

The net finance cost has increased by RMB2.5 million from RMB16.1 million in 1QFY2014 to RMB18.6 million in 1QFY2015. The increase in net finance cost is mainly due to additional finance cost of RMB2.5 million incurred on the fixed rate Medium Term Notes, which was issued on 1 August 2013.

Tax expense

The tax expense mainly consists of current tax expenses amounting to RMB0.1 million (1QFY2014: RMB2.5 million) and deferred tax expense of RMB3.0 million (1QFY2014: RMB2.3 million). The reduction in current tax expense is mostly due to decrease of current tax expense attributable to Jiangsu Tongyong.

Statement of Financial Position

Assets

The total assets of the Group has decreased from RMB2.97 billion as at 30 June 2014 to RMB2.85 billion as at 30 September 2014. The decrease of RMB121.0 million in total assets is mainly attributable to decrease in cash and cash equivalents of RMB146.6 million, decrease in inventory of RMB0.4 million and transfer of work in progress from property, plant and equipment to financial receivables amounting to RMB41.2 million. The decrease in total assets was offset by an increase in trade and other receivable of RMB9.7 million, an increase in financial receivable of RMB44.1 million and an increase in intangible assets of RMB14.4 million.

Financial receivables (including current and non-current) increased by RMB44.1 million to RMB2.14 billion as at 30 September 2014. The increase is mainly attributable to the addition of financial receivables recognised from Xianyang Phase 2, Suzhou Phase 2 and Nanjing Pukou projects.

Trade and other receivables included trade receivables of RMB87.7 million and other receivables of RMB53.5 million (30 June 2014: RMB84.1 million and RMB57.2 million respectively). Trade and other receivables did not fluctuate significantly in the current financial period. The turnover days of the trade receivable of the Group is 61 days, maintained at the same level for FY2014.

Liabilities

Current and non-current borrowings decreased by RMB142.1 million. This is mainly attributable to the repayment of bank loan of RMB173.5 million, offset by the additional bank borrowings of RMB39 million. The Group also recognised a foreign exchange gain of RMB6.9 million arising from the revaluation of notes dominated in Singapore Dollar.

Decrease of RMB7.7 million in trade and other payables were mainly due to progress payments made exceeding progress billing from contractors as most of the ongoing projects during FY2014 have been completed and new projects are still at preliminary stage.

Movement in other financial liabilities is due to the financial liability arising from fair value of cross currency swap has been reclassified from non-current liability.

Cash Flow Statement

The cash at bank and on hand balance decreased by RMB146.6 million or 38.5% to RMB234.2 million as at 30 September 2014 compared to the balance of RMB380.8 million as at 30 June 2014. Cash and cash equivalents included in consolidated statement of cash flow comprise of the following:

	30 September 2014	30 September 2013
Cash and cash equivalents per statement of financial position	234,243	320,471
Less: Deposits pledged	(109,743)	(45,202)
Cash and cash equivalents per statement of cash flow	124,500	283,269

Net cash flow from operating activities

The Group has a cash inflow of RMB46.0 million before changes in working capital. Changes in working capital and payment of income tax has caused a cash outflow of RMB30.5 million and RMB0.4 million respectively. After offsetting interest received amounted to RMB0.7 million, the Group has recorded a net cash inflow of RMB15.6 million from operating activities. The changes in working capital arose mainly from:

- (1) Increase in financial receivable of RMB12.6 million
- (2) Increase in inventory and work in progress of RMB0.5 million
- (3) Increase in trade and other receivables of RMB8.3 million
- (4) Decrease in trade and other payables of RMB9.1 million

Net cash from investing activities

For the financial period ended 30 September 2014, the Group has recorded a net cash outflow of RMB8.0 million from investing activities. The cash inflow is mainly resulted from proceeds from disposal of property, plant and equipment amounting to RMB3.0 million, which is offset by purchase of plant and equipment amounting to RMB2.7 million and acquisition of intangible assets of RMB8.2 million.

Net cash from financing activities

The Group has recorded a net cash outflow from financing activities of RMB154.6 million for the financial period ended 30 September 2014. The cash outflow from financing activities is mainly due to repayment of bank borrowing of RMB173.5 million and interest payment of RMB19.2 million. The cash outflow is partially offset by proceed from bank borrowings of RMB39.0 million.

Subsequent events

On 10 November 2014, Singapore Exchange has approved-in-principal of the application for the listing and quotation of 1,940,269,305 new shares in the capital of the Company as consideration for the proposed acquisition by the company of the entire issued and paid-up share capital of China Everbright Water Investments Limited on the official list of SGXST mainboard.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

None.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting year and the next 12 months.

For the purpose of facilitating sound development of the environmental protection industry, the Ministry of Finance issued the Notice on Several Issues Concerning the Extended Application of the Public-Private-Partnership Mode on 24 September 2014. According to the Notice, in order to implement the State's spirit in respect of "allowing social capital to, by means of concession, involve in the investment and the operation of urban infrastructure" and expand the financing channels for urbanization construction, a system for facilitating 3P (Public-Private Partnership) model will be developed within the shortest time. It is expected that this model will become a mainstream model in the environmental protection industry in the future.

On 1 September 2014, the National Development and Reform Commission (NDRC), the Ministry of Finance and the Ministry of Environmental Protection jointly issued the Notice on Several Issues Concerning the Adjustment of Pollutant Charge Collecting Standard, demanding that by the end of June 2015, each province (district, municipality) should adjust the charges levied standard for sulfur dioxide and oxynitride in the exhaust gas to no lower than RMB1.20 per pollutional equivalent and for chemical oxygen demand, ammonia nitrogen and five major heavy metal pollutants (lead, mercury, chromium, cadmium and metalloid arsenic) in the waste water to no lower than RMB1.40 per pollutional equivalent. In this way, price leverage will bring its role into full play, thereby facilitating pollution control, emission reduction and environmental protection.

On 18 August 2014, the Ministry of Housing and Urban-Rural Development and the NDRC jointly issued the Notice on Further Strengthening Urban Water Conservation, clearly demanding that greater effort be devoted to controlling the leakage in the water supply pipe network. Official statistics show that the average leakage rate in the water supply pipe networks exceeds 15%, even to a maximum of over 70%. , while Japan's national average leakage rate in 1997 was as low as 9.1%. Given the unsatisfactory leakage rate in China's urban water supply pipe network, it is demanded that old pipe networks be renewed with a service life of over 50 years. The investment scale of the supporting pipe networks generally should surpass that of sewage treatment plants, even to multiple times that of the latter. The pipe network market has a promising future.

This quarter has seen a market featuring merger and acquisition of water assets and business. In August alone, the number of mergers and acquisitions reached 14, a record high in this year, with the total transaction amount approaching RMB 2 billion. H2O-china.com predicts that merger and acquisition in the environmental protection industry will go on in the coming several months and have the potential to explode. Currently, in terms of merger and acquisition, energy conservation and environmental protection listed companies follow three directions, i.e. horizontal integration, vertical integration and diversification. Additionally, the phenomenon of conglomerate merger and acquisition also exists in the market and the industrial concentration ratio is rapidly improving.

11. Dividend

(a) Current financial period reported on

Nil

(b) Corresponding Period of the immediately Preceding financial year

Not applicable

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect

Not applicable

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

No IPT general mandate has been obtained from the shareholders for the quarter ended 30 September 2014 and 2013.

14. Status on the use of net proceeds raised from share placement and issue of MTN.

The Company raised approximately SGD44.39 million from the SGD 300 million Multicurrency Medium Term Note Programme established on 24 July 2013 (the "MTN") and approximately SGD14.68 million from the placement of 293,617,000 ordinary shares in the capital of the Company in August 2013 (the "Placement").

Following the announcements made on 11 August 2014 via SGXNet, the status on the use of net proceeds is summarized as follow:-

a) Use of proceeds from the MTN

Balance of MTN Net Proceeds as at date of the Company's announcement released on 11 August 2014 in relation to the "Use of Net Proceeds"	SGD11,416,542.35
MTN Net Proceeds utilised for payment of borrowing costs	SGD1,830,000
Balance of MTN Net Proceeds as at date of this announcement	SGD9,586,542.35

b) Use of proceeds from the Placement

Balance of Net proceeds from the Placement of Ordinary Shares as at date of the Company's announcement released on 11 August 2014 in relation to the "Use of Net Proceeds"	SGD4,473,382
Amount utilised as at date of this announcement for daily working capital of the Group	SGD4,260,458
Balance of Placement net proceeds as at date of this announcement	SGD212,924

The above-mentioned utilisations are in accordance with the use of the MTN Net Proceeds provided in the Company's announcements dated 26 July 2013 and 1 August 2013, use of the Placement Net Proceeds provided in the Company's announcements dated 18 July 2013 and 7 August 2013 and estimated percentage allocation of the Placement Net Proceeds provided in the Company's announcement dated 7 August 2013.

The Company will continue to make periodic announcements on the use of the Net Proceeds from MTN and the Placement of Ordinary Shares as and when the funds are materially disbursed and provide a status report on the use in the Company's annual report.

CONFIRMATION BY THE BOARD

PURSUANT TO THE RULE 705(4) OF THE LISTING MANUAL

We, Chen Da Wei and Yau Wing-Yiu, do hereby confirm on behalf of the Board of Directors of HanKore Environment Tech Group Limited (the "Company"), that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the quarter ended 30 September 2014 to be false and misleading.

BY ORDER OF THE BOARD

Chen Da Wei
Executive Chairman
11 November 2014

Yau Wing-Yiu
Executive Director and Chief Financial Officer