

Press Release – For Immediate Release

Hankore returns to profitability with a net profit of RMB12.9 million for 1QFY2015

- Recurring wastewater treatment revenue increased 8.9% yoy to RMB61.0 million due to higher water tariff from local municipals
- Construction revenue decreased 20% yoy to RMB56.6 million due to time lag between completion of ongoing projects and preparation work for pipeline projects
- Pipeline upgrading and expansion projects with a planned investment of approximately RMB721 million expected to begin in 2QFY2015
- SGX granted Approval-in-principal (“AIP”) for the proposed acquisition of CEI’s water business

Singapore, 11 November 2014 – HanKore Environment Tech Group Limited (“HanKore” or “the Group”) (汉科环境科技集团), an international group investing and operating in the water environment sector and a leader in the water environment market in China, returned to the black with a net profit attributable to shareholders of RMB12.9 million for the three months ended 30 September 2014 (“1QFY2015”).

Financial Highlights

RMB'Million	1QFY2015	1QFY2014	Change
Revenue	130.3	143.6	(9.2%)
Gross Profit	51.5	59.5	(13.4%)
Gross Profit Margin	39.5%	41.4%	(1.9pp)
Other Income	17.3	3.1	451.4%
Administration Expenses	(33.4)	(13.6)	145.8%
Other Operating Expenses	(0.8)	(36.0)	(97.8%)
Net Profit	12.9	(7.8)	n.m.

pp: percentage point

n.m.: not meaningful

The Group's revenue slipped 9.2% year-on-year ("yoy") to RMB130.3 million for 1QFY2015, mainly attributable to a decrease of RMB14.1 million in construction services revenue, as several construction projects were nearing completion during the last fiscal year. However, the decrease from construction services was partially offset by a RMB5.0 million increase in revenue from its recurring water treatment income, which comprises operation income, finance income and discharge fees from provision of wastewater treatment service.

Other income for 1QFY2015 surged 451.4% yoy to RMB17.3 million as compared to RMB3.1 million for 1QFY2014, largely due to a debt recovery of RMB10.0 million and an exchange gain of RMB6.9 million arising from revaluation of medium term notes payable, which is denominated in Singapore dollar.

The administrative expenses increased 145.8% yoy to RMB33.4 million for 1QFY2015, mainly attributable to the one-off recognition of employee benefit expense of RMB13.0 million arising from the issuance of employee share option in November 2013. In addition, professional fees in relation to the proposed acquisition of CEI's water business and rental expenses increased during the period under review as well.

Other operating expenses decreased 97.8% yoy to RMB0.8 million for 1QFY2015, mainly due to the absence of fair value loss on warrants, contingent consideration payable and cross-currency swap as compared to 1QFY2014.

Outlook

In order to meet the government's higher water standards, many water plants under the Group have been undergoing a series of upgrading and expansion projects, which will be positively translated into higher water treatment income. Nanjing Liuhe upgrading and expansion project has completed construction and is currently undergoing inspection and approval for commercial operations. Meanwhile, Henan Sanmenxia and Shaanxi Xianyang upgrading and expansion projects have passed acceptance, the Group is looking forward to a further increase in its recurring treatment income once these plants begin commercial operation.

During 1QFY2015, the Group has entered preliminary stage and begun work for scheduled pipeline projects such as Beijing Tiantanghe Phase 2 and Suzhou Phase 2 and upgrade. The Group is expecting other pipeline projects, such as Binzhou and Lianyungang Dapu and Xugou projects, to kick start in 2QFY2015. The total planned investment of these pipeline projects is estimated at RMB721 million.

On 10 November 2014, the Group has obtained the approval in-principle (“AIP”) from the Singapore Stock Exchange Securities Trading Limited (“SGX”) for the proposed acquisition of China Everbright International’s (“CEI”) water business.

“With the approval from SGX, we are one step closer to completing our acquisition of CEI’s water assets and business. Upon completion, our total designed wastewater treatment capacity will increase tremendously to 3.4 million tons per day and we will emerge as one of the largest water treatment companies in China. We believe that CEI’s SOE backing will bring us a huge advantage amidst the consolidation in the Chinese water treatment market. The upcoming deal with CEI will render us headroom to tap on their extensive network across China and access to lower capital cost, which is crucial in this capital intensive industry. ”

Chen Dawei, David
Executive Chairman

The Group will convene a Special General Meeting (“SGM”) to seek shareholders’ approval for the Proposed Acquisition. A circular containing further details of the transaction will be despatched to shareholders.

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About HanKore Environment Tech Group Ltd

HanKore Environment Tech Group Limited (汉科环境科技集团) is an international group investing and operating in the water environment sector. Headquartered in Beijing, HanKore is a leader in the water environment market in China.

Leveraging on its well defined strategic planning and responsive operational philosophy, HanKore has expanded throughout China rapidly with its competitive strengths in technology and capital funding. Following the successful project executions in Xianyang, Kunshan, Lianyungang, Nanjing, Suzhou, Beijing, Binzhou and Jiangdu, the Group has built a wealth of experience in the project funding, construction and operation in the municipal public utilities segment.

Presently, HanKore has invested in 11 large scale municipal water/wastewater projects in Beijing, Jiangsu, Shandong, Shaanxi and Henan. The Group is now a large scale integrated water environment group in the financing, engineering & construction, operation, equipment and engineering contracting in municipal public utilities. The Group's operations extend over water supply, waste water treatment, treated water recycling businesses.

HanKore was listed on the Mainboard of the Singapore Exchange in February 2004.

For more information, please visit <http://www.hankore.com/>.

**Issued for and on behalf of HanKore Environment Tech. Group Limited
By Financial PR Pte Ltd**

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