

Press Release – For Immediate Release

HanKore FY2014 revenue increased 63.3% to RMB522.2 million and gross profit increased 30.5% to RMB209.3 million。

- **Net income heavily affected by non-cash fair value losses and one-off expenses of RMB168.4 million**
- **Post-acquisition of CEIL’s water business and assets, the Group is poised to become one of the largest players in China’s water treatment industry with a total designed capacity of over 3.4 million tons per day**
- **Group to expand through organic growth and M&A activities going forward**

Singapore, 25 August 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, reports a 63.3% year-on-year (“yoy”) increase in revenue to RMB522.2 million and a 30.5% yoy increase in gross profit to RMB209.3 million for its full year ended 30 June 2014 (“FY2014”) compared with its restated financial statement for FY2013. However, the Group’s profitability is affected by non-cash fair value loss and non-recurring expenses, resulting in a net loss of RMB114.7 million for the year. Excluding these anomalies, the Group would have recorded a 35.1% yoy increase in its restated normalised profit before tax from RMB62.2 million for FY2013 to RMB84.0 million for FY2014. A comparison between the normalised income statement for FY2013 and FY2014 is presented in Appendix I.

Following the announcement of the signing of conditional sales and purchase agreement with China Everbright Water Holdings Limited (“CEWHL”), the Group has adopted the International Financial Reporting Standards (“IFRSs”) for the preparation of financial statements. The change is to align the accounting standard applied by the Group with the accounting standards adopted by China Everbright Water Investment Limited (“CEWIL”) and its subsidiaries. Upon the adoption of IFRSs, material adjustments would be made to the financial statements of the Group. The Group has prepared proforma financial information using IFRSs for financial year ended 31 December 2013 and included it in the Appendix C of the announcement made on 2 June 2014. Same principal has been applied for the preparation of financial

statement for the financial year ended 30 June 2014 and restated financial statements for financial year ended 30 June 2013.

The overall gross profit margin decreased from 50.2% for FY2013 to 40.1% for FY2014 mainly due to larger portion of construction revenue was recognised for FY2014. The construction revenue usually has a lower gross margin than revenue from operation of water treatment plants. And the profitability of the Group was affected by a 16.3% increase in interest expense and a 282.6% increase in transaction cost relating to borrowings. Upon the completion of the acquisition, the Group would expect an increase in gross profit margin as well as a lower financing cost as most of the water plants of CEWIL and its subsidiaries had been completed and generating sustainable operating revenue and the Group can leverage on China Everbright International Limited's ("CEIL") and CEWIL's access to a larger pool of debt capital at lower cost.

Outlook

In May 2014, the State Council of China issued *Several Opinions on Further Promoting the Healthy Development of the Capital Market* ("关于进一步促进资本市场健康发展的若干意见" or "Opinion"), which encourages further development of its capital market. The Opinion made several propositions in specific relations to China's environmental sector: 1) encourage merger and acquisition activities to improve industry concentration, 2) actively develop the bond market to expand financial channels for the environmental industry.

Mr. Chen Dawei, HanKore's Executive Chairman commented, **"China's water treatment industry is entering an era of massive change and development. Currently, the industry is still highly fragmented with more than 4000 water treatment plants in operation. In order to meet higher environmental governance requirements, the government has established new directives to build more water treatment plants. Thus, we foresee that the next 10 years will be the golden era of this industry."**

We believe the fastest and most effective growth strategy in this fragmented industry is through merger and acquisition. We will continue to focus on acquiring quality water treatment projects, which enable us quicker recurring revenue growth at a lower risk. However, this will be very capital intensive. Thus, we are entering into a strategic deal with CEIL, which will allow us tap to on their vast financial capital, low borrowing rates, as well as extensive network across China for future growth.

Once the deal is completed, the greater group will emerge as one of the largest water players in China's water treatment industry with a total daily designed capacity of over 3.4 million tons. With the government encouraging consolidation in the industry, we are confident of becoming a leader in the industry."

In July 2014, CEWIL has acquired 78% stake in Qingdao Veolia Water Operating Company Limited, and 40% stake in EB-VW HK Holding Company from Veolia Water S.A., becoming the controlling shareholder of Qingdao Waste Water Treatment Project ("Qingdao Project"), with a daily waste water treatment capacity of 300,000 tons. The total consideration payable by the Group for the purchase of CEWIL remains unchanged although the acquisition will increase the profitability and asset value of CEWIL.

The Group has completed Henan Sanmenxia Phase 1 and the upgrading and expansion of Shaanxi Xianyang, Jiangsu Yangzhou and Nanjing Liuhe projects, which are now at their project commissioning stage. The Group expects these plants to commence commercial operations soon. Nanjing Pukou's upgrade and expansion project is expected to be completed before the end of this year. The Group has entered preliminary stage of Beijing Daxing and Jiangsu Suzhou Wuzhong's upgrading and Phase 2 expansion, as well as Shandong Binzhou, Lianyungang Dapu and Lianyungang Xugou's upgrading projects. All these are scheduled to be completed before the end of 2015. Upon completion, the Group's daily treatment capacity will increase by 290,000 tons, waste water treatment capacity of 760,000 tons will be upgraded to Grade 1A, with an additional odour treatment capacity of 300,000 tons per day. By then, the Group's water tariff will increase in tandem with the increase in total water treatment capacity.

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About HanKore Environment Tech Group Ltd

HanKore Environment Tech Group (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 17 large scale municipal water/wastewater projects in Beijing, Jiangsu, Shandong, Shanxi 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 www.hankore.com.

Issued for and on behalf of HanKore Environment Tech Group Limited
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Appendix I

RMB'million	FY2014	FY2013 (Restated)	% Change
Revenue	522.2	319.8	63.3%
Gross Profit	209.3	160.4	30.5%
Gross Profit Margin	40.1%	50.2%	-10.1 pp
Other income	6.6	8.8¹	-25.0%
Administrative expense	(55.1)²	(58.1)	-5.2%
Other operating expense	(8.7)³	(2.0)⁴	>100%
Operating profit	152.1	109.1	39.4%
Finance income	2.1	0.4	>100%
Interest expense	(61.3)	(45.0)	36.2%
Transaction costs relating to borrowings	(8.8)	(2.3)	>100%
Profit before tax	84.0	62.2	35.1%
Current income tax	(10.4)	(2.3)	>100%
Deferred tax	(19.9)	(13.3)	49.6%
Profit after tax	53.7	47.2	13.8%

1. Adjusted for gain on disposal of Suqian of RMB21.8 million and gain on fair value gain on contingent consideration payable of RMB3.9 million.
2. Adjusted for employee share option expense of RMB32.9 million and profession fee relating to the proposed acquisition of RMB15 million.
3. Adjusted for fair value loss on warrant of RMB34.3 million, fair value loss on contingent consideration payable of RMB84.9 million, fair value loss on cross-currency swap of RMB 1.4 million.
4. Adjusted for fair value loss on warrant of RMB0.5 million.