



CNA GROUP LTD.  
(Company Registration No. 199000449K)

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## THE TRANSFER OF THE WASTE WATER TREATMENT PLANT BY CNA CHINA CO. LTD. TO UNITED ENVIROTECH LTD (“TRANSFER”)

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### 1. INTRODUCTION

The Board of Directors (the “**Board**”) of CNA Group Ltd. (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) refers to the announcement of the Company made on 10 April 2015 (“**10 April Announcement**”). All capitalized terms used and not defined herein have the same meanings as ascribed to them in the 10 April Announcement, unless expressly stated or the context otherwise requires.

Pursuant to the negotiations between the Company and the DMC, the Company and DMC have agreed to transfer the Waste Water Treatment Plant to United Envirotech Ltd. (“**UEL**”) (the Company, DMC and UEL are each a “**Party**” and collectively the “**Parties**”). DMC is confident of UEL’s capability to continue the operations of the Waste Water Treatment Plant under the current specifications and tariff.

The Board wishes to announce that CNA China Co. Ltd. (“**CNA China**”), a wholly owned subsidiary of the Company which owns the Waste Water Treatment Plant, has, pursuant to negotiations between the Company, DMC and United Envirotech Ltd. (“**UEL**”), completed the Transfer.

The Company is making this announcement (the “**Announcement**”) pursuant to Rule 704(19) and Rule 1014 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (hereinafter the “**Listing Manual**”).

### 2. BACKGROUND INFORMATION

#### 2.1 Information on the assets

Pursuant to the service concession contract (“**SCC**”) between DMC and CNA China, DMC granted CNA China the right to, *inter alia*, construct, operate and maintain the Waste Water Treatment Plant. Pursuant to the SCC, as a result of providing the abovementioned services, CNA was also granted the right to obtain wastewater treatment fees from DMC.

#### 2.2 Information on UEL

UEL is a company incorporated in Singapore and has been listed on the Mainboard of the SGX-ST since 2004. Its primary business is in water treatment. To date, UEL has invested in, constructed and operated more than 40 wastewater treatment plants in China, with a focus on the treatment of industrial wastewater. As a result of its extensive experience in operating Waste Water Treatment Plant, DMC has confidence in UEL’s ability to continue the operation of the Waste Water Treatment Plant.

### 3. RATIONALE FOR THE TRANSFER

In view of the sustained losses over the past three years, the Board has been reorganising its business. The Company has many ongoing projects, and the Waste Water Treatment Plant is just one of the many projects that the Company has. As the Transfer does not relate to the core business of the Company, the Company is of the view that the Transfer, which is the disposal of a non-core asset of the Company, is in line with the Company's ongoing strategic review and objective of streamlining activities and businesses across the Group. In particular, the Group intends to refocus its resources on its core businesses, i.e. a master systems integrator for integrated buildings and facilities management as well as a mechanical engineering solutions provider. The Company intends to use the proceeds of the Transfer to re-invest in its core business, and the Transfer will provide liquidity for business expansion through acquisition, joint ventures and collaborations as and when opportunities arise. The Board is of the view that the Transfer will not affect the nature of its main business and that there is no material change in the risk profile of the Company arising from the transaction.

Further, the Board believes that the Transfer is a good opportunity for the Group to adopt a strategic shift in focus towards dividends based investment income in the PRC. Moreover, the Transfer will allow the Company to avoid the uncertainty in obtaining a higher tariff for its upgraded Waste Water Treatment Plant in the PRC, which will not be in the best interests of the Company.

#### 4. PRINCIPAL TERMS OF THE TRANSFER

The terms of the Transfer are set out in the Agreement. A summary of the principal terms of the Transfer is set out in this section.

##### 4.1 Payment

The aggregate amount to be paid by UEL in connection with the Transfer is S\$15 million.

The amount was negotiated at arms-length based on other concessions and assets of a similar purpose and capacity, and taking into account the book value of the assets, which has been impaired down to its estimated market value. The amount will be paid in full in cash.

##### 4.2 Conditions Precedent under the Agreement

Pursuant to the terms of the Agreement, the Transfer is conditional upon all applicable governmental, regulatory or other approvals being obtained including, *inter alia*, the relevant approvals for the transfer of the right of franchise management and right to assets prior to completion. As of the date of this announcement, the relevant governmental and regulatory approvals have been obtained.

#### 5. FINANCIAL EFFECTS

5.1 The financial effects of the Transfer on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Transfer. The financial effects of the Transfer set out below have been prepared based on the Group's audited consolidated financial statements for the financial year ended 31 December 2014 ("FY2014").

##### Net tangible assets ("NTA")

The effects of the Transfer on the audited consolidated NTA of the Group as at 31 December 2014, assuming that the Transfer had been effected on 31 December 2014, are summarized below:

	Before the Transfer	After the Transfer
Consolidated NTA (S\$'000)	9,204	9,204

Number of shares (excluding Treasury shares)	481,901,128	481,901,128
Consolidated NTA per share (cents)	1.91	1.91

#### Losses per share ("LPS")

The effects of the Transfer on the audited consolidated LPS of the Group for FY2014, assuming that the Transfer had been effected on 1 January 2014, are summarized below:

	Before the Transfer	After the Transfer
Loss attributable to equity holders of the Company (S\$'000)	29,498	29,498
Weighted average number of shares	397,589,532	397,589,532
Consolidated LPS (cents)	7.42	7.42

#### 5.2 Value of the assets being disposed of

Book value	15,000,000
Net tangible asset value	15,000,000

The value of the Waste Water Treatment Plant, i.e. the asset being transferred is S\$15 million. The book value of the asset has been impaired down to its estimated market value.

#### 5.3 Excess or deficit of the proceeds over the book value

There is no excess or deficit of the proceeds over the book value.

#### 5.4 Intended use of the sale proceeds

The sale proceeds will be applied to reduce the borrowings and liabilities of CNA China and will also be used for the working capital for the Group.

#### 5.5 Net profits attributable to the assets being disposed of

There are no net profits attributable to the assets being disposed of.

There is no gain or loss on the Transfer.

### **6. RULE 1006 OF THE LISTING MANUAL**

6.1 The relative figures in relation to the Transfer computed on the applicable bases set out in Rule 1006 of the Listing Manual, based on the Group's consolidated financial statements for the financial year ended 31 December 2014, being the latest announced unaudited consolidated financial statements of the Group as at the date of the Agreement, are as follows:

Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	141.7%
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Rule 1006(b)	Net profit attributable to the assets disposed of, compared with the Group's net losses	Not meaningful *
Rule 1006(c)	Aggregate value of the consideration received, compared with the issuer's market capitalization based on the total number of issued shares excluding treasury shares	103.9%
Rule 1006(d)	Number of equity securities issued by the issuer as consideration for the acquisition, compared with the number of equity securities previously in issue	Not applicable
Rule 1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable

6.2 As the relative figures under Rules 1006(a), Rules 1006(b) and Rule 1006(c) exceed 20.0%, the Transfer may constitute a major transaction as defined in Rule 1014 of the Listing Manual. Pursuant to Rule 1014(2) of the Listing Manual, the Company is required to seek shareholders' approval for the Transfer. The Company applied to the SGX-ST for a waiver from compliance with Rule 1014(2) of the Listing Manual (the "Waiver") on 30 April 2015 and is pleased to announce that SGX-ST had on 5 June 2015 advised that it has no objection to the application for Waiver, subject to the following:

- (a) The Company announcing the Waiver granted, the reasons for seeking the Waiver and the conditions as required under Rule 107 of the Listing Manual;
- (b) Submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company;
- (c) Announcement of the Board's opinion that (i) there will not be any material change in the risk profile of the Company arising from the Transfer; and (ii) the Transfer is in the best interests of the Company and the shareholders and the bases for such an opinion; and
- (d) Confirmation that none of the Company's directions and/or controlling shareholders have any interest in the Transfer.

The Company applied for the Waiver for, *inter alia*, the following reasons:

- (A) **The Transfer is a disposal of a non-core business.** In an effort to further progress the business and enhance the profitability of the Group, the Company has been endeavoring to reorganize the Group's business by focusing on its core business. The Company's core business is in the area of providing information communication technology expertise and services, providing mechanical, electrical and plumbing expertise and services, and providing sustainable solutions to its clients. In contrast, the Waste Water Treatment Plant is a non-core asset of the Company which does not contribute significantly to the revenue of the Company. As the Transfer is in line with the reorganization strategy of the Company, and as the revenue received from the operation and daily maintenance of the Waste Water Treatment Plant does not justify the expenditure incurred in operating and maintaining it, it makes strategic and economic sense to transfer the asset to a third party so that the resources can be refocused towards other more profitable business ventures.

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\* Not meaningful because the net profits attributable to the assets disposed of is S\$ Nil, and the Group is in a net loss position.

- (B) **No change in risk profile.** The Waste Water Treatment Plant project involved, amongst other things, the Company's investment into and the construction, maintenance and operation of the Waste Water Treatment Plant, which is not entirely ancillary or related to the core business of the Company. After the Transfer, the Company will continue to engage in its existing core business. Hence, the Board is of the view that the Transfer will not affect the nature of its core business and that there will not be any material change in the risk profile of the Company arising from the transaction.
- (C) **No operational profit attributable to the Waste Water Treatment Plant.** For FY2014, the Waste Water Treatment Plant contributed first time revenue of S\$106,357 to the Company and an operational loss of S\$600,943. In addition, the net book value of the assets has been impaired down to its estimated market value as at 31 December 2014. With the impairment of the asset and expected loss from the plant operations, this financial income will no longer be recognized for the financial year ending 2015. In addition to the poor financial performance of the Waste Water Treatment Plant, the upgrading of the Waste Water Treatment Plant to Emission Standard 1A (to comply with DMC's request of so doing), coupled with the continuing inflow of waste water which is above the regulation specifications for treatment, has caused the operating costs of running the Waste Water Treatment Plant to increase significantly. Further, despite the Company's multiple rounds of negotiation with the DMC for a higher tariff, it is still inconclusive as to whether a higher tariff for the upgraded Waste Water Treatment Plant will be procured. The uncertainty of obtaining a higher tariff within a predictable time frame will affect the market value of the Plant, making the market value of the Plant correspondingly uncertain. Accordingly, the Transfer is not expected to have a material impact on the financial performance of the Company.
- (D) **Proceeds from the Transfer.** The proceeds from the Transfer will provide liquidity for business expansion of the Group through acquisitions, joint ventures, collaborations and other corporate actions as and when the opportunities arise, and will hence prevent the Company from losing out on various opportunities due to a lack of readily available cash.
- (E) **The Transfer is in line with the Company's reorganization strategy.** In addition to enabling the Company to refocus its resources on its core business through the disposal of a non-core asset, the Transfer would also afford the Group a good opportunity to adopt a strategic shift in focus towards dividends based investment income in the PRC, which would also be in line with the Company's reorganization strategy.

The Board is of the opinion that (i) there will not be any material change in the risk profile of the Company arising from the Transfer; and that (ii) the Transfer is in the best interests of the Company and the shareholders and the bases for such an opinion.

## 7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

UEL is a public listed company on the Singapore Stock Exchange. The Company confirms that as far as they are aware, there are no relationships, whether direct or indirect, between UEL, its shareholders and/or directors, and the Company, its shareholders and/or directors. Mr Yeung Koon Sang @ David Yeung is a director UEL and the Company and has not participated in any decisions relating to the Transfer. None of the Directors and the controlling shareholders of the Company have any interest or are deemed to be interested in the Transfer.

## 8. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Transfer. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

## 9. MISCELLANEOUS

Copies of the Agreement are available for inspection at the registered office of the Company at 28 Kaki Bukit Crescent, Kaki Bukit Techpark 1, Singapore 416259 during normal business hours for three (3) months from the date of this Announcement.

**By Order of the Board**

Lun Chee Leong  
Company Secretary  
8 June 2015

**CNA GROUP LTD**

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