



# TRITECH GROUP LIMITED

(Company Registration No.: 200809330R)

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## MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED ACQUISITION OF A 49% EQUITY INTEREST IN JINING ZHONGSHAN PUBLIC UTILITY WATER COMPANY LIMITED AND PROPOSED FUNDING

### A. INTRODUCTION

The Board of Directors (the "**Board**") of Trittech Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company had on 10 April 2014 entered into a non-binding memorandum of understanding ("**MOU**") with Shandong Jining Water Supply Group Company Limited (山东济宁供水有限公司) ("**Shandong Jining**") relating to the Company's proposed acquisition ("**Proposed Acquisition**") of a 49% equity interest in the share capital of Jining Zhongshan Public Utility Water Company Limited (济宁中山公用水务有限公司) ("**Target**") currently owned by Zhongshan Public Utility Company Limited (中山公用事业集团股份有限公司) ("**Vendor**").

### B. PROPOSED ACQUISITION

#### 1. INFORMATION ON THE TARGET

The Target is currently a joint venture company owned by Shandong Jining and the Vendor in the shareholding proportion of 51% and 49% respectively.

The Target was incorporated in 2009 in the People's Republic of China (the "**PRC**") and is in the business of treating and supplying drinking water and treatment of waste water. The Target was granted a special 30 year operating license commencing from 2009 by the Government of Jining City to treat and supply drinking water and waste water-treatment activities in Jining City. The Target is responsible for meeting the domestic and industrial water treatment and water supply needs of Jining City.

Since its establishment, the Target has participated and completed a wide range of environment protection projects, water safety and water pollution control research and development projects and was awarded several industry qualifications by the government of the PRC.

As at 30 June 2013, the Target has total unaudited assets of approximately RMB 0.99 billion and unaudited net assets of approximately RMB 0.64 billion, with more than 700 staff. It holds four (4) water supply plants and one (1) water treatment plant, with daily water supply volume of approximately 300,000 m<sup>3</sup>, daily water treatment output of approximately 200,000 m<sup>3</sup> (achieving Grade A water quality) and water supply pipelines extending more than 700km.

Jining City (济宁市) is located in southwest Shandong province of China, with an administrative area covering approximately 110,000 m<sup>2</sup> and a population of approximately 8.43 million. In 2013, Jining City's Gross Domestic Product ("**GDP**") was approximately RMB 350 billion, which grew approximately 10% as compared to 2012. Jining City is a prominent historical city of the PRC, with the birthplace of Confucius located within Jining City.



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## 2. PRINCIPAL TERMS OF THE MOU

The principal terms of the MOU are set out as below:-

- 2.1 **Support for Proposed Acquisition.** Representatives of Shandong Jining, the Target as well as the Jining City State Owned Assets Supervision and Administration Committee (济宁市国有资产监督管理委员会) welcome the Proposed Acquisition.
- 2.2 **Co-ordination and provision of information.** Upon the provision of a formal proposal by the Company for the Proposed Acquisition and the acceptance of its terms by all parties, Shandong Jining shall co-ordinate and provide support to the Company in its due diligence works by providing the relevant supporting documents, financial data and also the relevant production information in respect of the business operations of the Target.
- 2.3 **Registration of share transfer and administrative approvals.** In the event that the Proposed Acquisition takes place, Shandong Jining shall facilitate the transfer of shares in the Target by coordinating with and assisting the Company in carrying out the relevant procedures relating to the change in the registration of the shares in the Target and administrative approvals.
- 2.4 **Future Development of Target.** Following completion of the Proposed Acquisition, Shandong Jining expresses support for the Company to make business proposals to further enhance the performance of the Target.

## 3. CONSIDERATION

The purchase consideration for the Proposed Acquisition (“**Purchase Consideration**”) will be arrived at after arm’s length negotiations between the Company and the Vendor, on a willing buyer willing seller basis, after taking into account, *inter alia*, the Target’s unaudited net asset value of RMB 0.64 billion as at 30 June 2013, the Vendor’s cost of investment in the Target of approximately RMB 0.35 billion, the capital investments made by the Vendor and the business prospects of the Target.

The Group intends to satisfy the Purchase Consideration through a combination of the Convertible Loan (as defined below), loans from financial institutions and/or investments from third parties.

## 4. RATIONALE FOR THE PROPOSED ACQUISITION

The Directors are of the view that there is significant growth potential in the water-related business in the PRC and the Proposed Acquisition is expected to generate new revenue streams and profits for the Group and enhance the Group’s business and financial performance in the near future. Further, the Proposed Acquisition will enable the Group to further venture into the water and waste water business in the PRC by tapping on the Target’s existing operating licenses, management, track record and clientele. Specifically, Jining City has a GDP of RMB350 billion in 2013, covers an area of 110,000 m<sup>2</sup> and has a population of 8.43 million which will provide the Target with good prospects of growing its water supply and waste water treatment capacity in Jining City.



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Following the completion of the Proposed Acquisition, the Group will have immediate access to the emerging market of water supply, waste water treatment, water reclamation and recycling in Jining City in the PRC. Accordingly, the Group will be able to rapidly develop its water-related business by harnessing on the businesses and capabilities of the Group's two other wholly-owned subsidiaries namely Trittech (Qingdao) Membrane Industry Co. Ltd and Anhui Clean Environment Biotechnology Co. Ltd. to work with the Target's businesses and projects.

The Proposed Acquisition is also expected to provide synergies to the Group's current expertise in industrial waste water treatment, membrane and membrane-related business and further strengthen the Group's position as one of the leading water-related services providers in Singapore and the region.

## 5. FURTHER ANNOUNCEMENTS

Further announcements on the Proposed Acquisition, including the terms, Purchase Consideration, financial effects and other information as may be required under Chapter 10 of the Listing Manual (Section B: Rules of Catalyst) of the Singapore Stock Exchange Securities Trading Limited (the "SGX-ST"), will be made in due course when the definitive agreement(s) is signed, or as and when appropriate.

## 6. CAUTIONARY STATEMENT

The Board wishes to emphasise that there is no certainty or assurance that any definitive agreement(s) will be entered into between the Company and the Vendor, or that the Proposed Acquisition will be proceeded with. There is also no assurance that the funding arrangements contemplated as set out in Section C below will materialise. As such, Shareholders of the Company and potential investors are advised to exercise caution when dealing or trading in the shares of the Company ("**Shares**"). Shareholders of the Company and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

## C. PROPOSED FUNDING

In connection with the foregoing, the Company is currently considering funding options and had on 14 April 2014 entered into a non-binding term sheet ("**Term Sheet**") with Successive Investments Limited ("**Introducer**") and a group of proposed investors (collectively, the "**Proposed Lenders**") pursuant to which the Company, the Introducer and the Proposed Lenders (collectively, the "**Parties**") are contemplating the possibility of a grant by the Proposed Lenders to the Company of a convertible loan ("**Convertible Loan**") of an aggregate principal amount of approximately S\$42 million which shall at the option of the Proposed Lenders be convertible into new fully-paid ordinary Shares ("**Conversion Shares**").

The principal indicative terms of the Convertible Loan which the Parties have in-principle agreed on under the Term Sheet are set out below:



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- 1.1 **Principal Amount.** The aggregate principal amount of the Convertible Loan is likely to be approximately S\$42 million ("**Principal Amount**").
- 1.2 **Interest.** Repayment of interest (at indicative rate of 12% per annum) shall be satisfied by way of the allotment and issue of new fully-paid ordinary Shares ("**Interest Shares**") at an issue price which is the lower of (a) S\$0.28; or (b) at a price which is at a 10% discount to the weighted average share price for trades done on the SGX-ST over the last seven (7) trading days prior to the end of every six calendar months after the drawdown of the Convertible Loan, until it is fully repaid.
- 1.3 **Conversion price.** In the event a Proposed Lender elects to convert his loan commitments prior to the maturity date, the issue price of each Conversion Share shall be priced at a 10% discount to the weighted average share price for trades done on the SGX-ST over the last seven (7) trading days prior to the relevant conversion date, subject to a minimum conversion price of S\$0.20 and a maximum conversion price of S\$0.28.
- 1.4 **Use of proceeds.** The proceeds of approximately S\$42 million from the Convertible Loan shall only be used for financing waste water treatment projects in the PRC and/or the Proposed Acquisition.
- 1.5 **Introducer commission and option.** Subject to the successful drawdown of the Convertible Loan, the Company will grant to the Introducer (a) a commission of approximately S\$2.1 million, representing 5% of the Principal Amount to be paid by way of the allotment and issue of approximately 9,098,787 new fully-paid Shares ("**Introducer Shares**") at an issue price of S\$0.2308 each ("**Commission Issue Price**"); and (ii) an option to subscribe for 30 million new Shares ("**Option Shares**") at an exercise price of S\$0.2308 ("**Option Exercise Price**"). The Commission Issue Price and the Option Exercise Price represent a 10% discount to the weighted average share price of the Company of S\$0.2564 over the last seven (7) trading days prior to the date of execution of the Term Sheet.

## 2. INFORMATION ON THE PROPOSED LENDERS

The Proposed Lenders were introduced to the Company by the Introducer, a company incorporated in the British Virgin Islands and which is in the business of investment holding. The Proposed Lenders are mainly individual persons and are long term business associates of the Introducer.

The Company was introduced to the Introducer by business associates.

## 3. CAUTIONARY STATEMENT

The Company intends to make an offer of the Convertible Loan for grant by the Proposed Lenders to the Company only upon the finalisation of the terms of a definitive convertible loan agreement ("**Definitive Convertible Loan Agreement**") and the lodgement of an offer information statement ("**Offer Information Statement**") with the SGX-ST, acting on behalf of Monetary Authority of Singapore, in connection therewith. Accordingly, the Convertible Loan to the Company will be subject to, and conditional upon the execution and delivery of the Definitive Convertible Loan Agreement by, *inter alia*, the Company and the Proposed Lenders, the lodgement of the Offer Information Statement in connection therewith, and the Company's shareholders' ("**Shareholders**")



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approval being obtained at an general meeting to be convened for the issue and allotment of Conversion Shares, Interest Shares, Introducer Shares and Option Shares required in connection with the Convertible Loan.

#### **4. FURTHER ANNOUNCEMENTS**

Further announcements on the Convertible Loan, the Offer Information Statement, the circular to seek Shareholders' approval and other information will be made and/or despatched to Shareholders in due course by the Company.

#### **C. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or controlling shareholders of the Company have any direct or indirect interest in the MOU for the Proposed Acquisition or the proposed Convertible Loan contemplated above, other than through their respective shareholdings in the Company.

#### **D. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the MOU for the Proposed Acquisition and the proposed Convertible Loan, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD

Wang Xiaoning  
Managing Director

14 April 2014

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*



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*The contact person for the Sponsor is Mr Mark Liew, Managing Director, Corporate Finance, at 20 Cecil Street, #21-02 Equity Plaza, Singapore 049705, telephone (65) 6229 8088.*