

HANKORE ENVIRONMENT TECH GROUP LIMITED
(Company Registration Number 34074)
(Incorporated in Bermuda)

**PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF
CHINA EVERBRIGHT WATER INVESTMENTS LIMITED**

1. INTRODUCTION

- 1.1 The board of Directors ("**Board**") of Hankore Environment Tech Group Limited ("**Company**") refers to the announcement dated 30 December 2013 in relation to the Framework Agreement ("**Framework Agreement**") entered into between the Company and China Everbright Water Investments Limited ("**Target**") in respect of the proposed acquisition of all the investments of China Everbright International Limited ("**CEIL**") in the environmental water sector.
- 1.2 The Board is pleased to announce that the Company has on 2 June 2014 entered into a conditional sale and purchase agreement ("**Acquisition Agreement**") with China Everbright Water Holdings Limited as the vendor (the "**Vendor**") in respect of the proposed acquisition by the Company of the entire issued and paid-up share capital of the Target comprising one (1) issued and paid-up ordinary share of par value US\$1.00 ("**Sale Shares**") on the terms of the Acquisition Agreement ("**Proposed Acquisition**").
- 1.3 The Proposed Acquisition, if it proceeds to completion, will constitute a "Very Substantial Acquisition" or a "Reverse Takeover" as defined under Chapter 10 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and will be subject to, *inter alia*, the approval of the shareholders of the Company ("**Shareholders**") at an extraordinary general meeting of the Company to be convened ("**EGM**").

2. INFORMATION ON THE TARGET AND THE VENDOR

The Vendor is an investment holding company incorporated in the British Virgin Islands and wholly-owned by CEIL. CEIL is an investment holding company incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**HKSE**") (SEHK: 257). CEIL and its subsidiaries are primarily engaged in the investment, construction, operation and management of environment protection projects in the People's Republic of China (the "**PRC**").

The Target is a company incorporated in the British Virgin Islands and together with its subsidiaries (collectively, the "**Target Group**" and individually, a "**Target Group Company**") are principally engaged in the environmental water sector in the PRC.

The Target Group operates a portfolio of large scale and diversified waste-water treatment projects. As at 31 December 2013, the Target Group had 21 waste-water treatment projects, 4 reusable water projects and 1 waste-water source heat pump project. The projects are designed with an annual waste-water treatment capacity of approximately 667,950,000m³ and provide annual reusable water of 22,484,000m³, and its waste-water source heat pump project covers a service area of 125,000m². 14 of the waste-water treatment projects achieved Grade 1 Class A water discharge standard, the highest standard imposed in the PRC, enabling the Target Group to command higher waste-water treatment fees compared to projects with lower discharge grades. The Target Group also

consists of 2 completed water Build-Transfer projects and has successfully locked in the future profits arising from these 2 projects.

The waste-water treatment projects operated by the Target Group are concentrated in the provinces of Shandong and Jiangsu which offer strong local economies. The waste-water treatment fees increased steadily across the waste-water treatment projects over the years. Furthermore, strong demand has resulted in waste-water treatment volume growth outstripping the initial forecasts. The utilization rate of the Target Group remained high in 2013, and the Target Group is making plans to expand several plants which are nearing or exceeding the design capacities.

The Target Group's revenue and net profit attributable to equity shareholders grew at a CAGR of 22.9% and 14.6% respectively for the past 2 years, and achieved a revenue and net profit of HK\$1,291 million and HK\$266 million in 2013 respectively.

Please refer to **Appendix A** for details on the waste-water treatment plants. Further details of the Target Group and the Vendor will be included in the circular to be despatched to the Shareholders in due course.

3. KEY TERMS OF THE PROPOSED ACQUISITION

3.1 Consideration

The consideration for the purchase of the Sale Shares ("**Consideration**") shall be RMB5,811,267,353 (being equivalent to S\$1,212,230,370¹), being the sum agreed between the Company and the Vendor.

The Consideration shall be satisfied by the allotment and issue by the Company to the Vendor of such number of new shares in the share capital of the Company ("**Consideration Shares**") as determined in accordance with the following formula:

$$CS = C \div (I \times A)$$

where:

CS is the aggregate number of Consideration Shares (fractions to be disregarded);

C is the Consideration;

A is a fraction, the numerator of which is 4,863,334,075 (being the total number of shares in the share capital of the Company as at 31 December 2013) and the denominator of which is 5,472,254,430 (being the total number of shares in the share capital of the Company on the date of the Acquisition Agreement on a fully diluted basis and taking into account the share consolidation of the Company after 31 December 2013); and

I is the issue price for each Consideration Share equivalent to S\$0.703,

accordingly, $CS = 1,940,269,305$.

The Consideration Shares, when allotted and issued to the Vendor, will be free from encumbrances and will rank *pari passu* in all respects with the existing ordinary shares in

¹ Based on an agreed foreign exchange rate of RMB1 : S\$0.2086.

the issued share capital of the Company as at the date of issuance of the Consideration Shares.

American Appraisal China Limited ("**American Appraisal**") and Grant Sherman Appraisal Limited ("**Grant Sherman**" and collectively with American Appraisal, the "**Valuers**") were commissioned respectively by the Company and the Vendor to undertake a valuation of the Target on a stand-alone basis (i.e. it does not factor in any benefits that the Company may derive as a result of the Proposed Acquisition). The stand-alone valuations performed separately by American Appraisal and Grant Sherman indicate that the equity value of the Target is approximately RMB5.4 billion (being approximately S\$1.1 billion) and RMB5.6 billion (being approximately S\$1.2 billion) respectively.

The Consideration was agreed on a willing-buyer and willing-seller basis after arms length negotiations. In arriving at the Consideration, the Company has considered, *inter alia*, (i) the respective and combined market positions of the Company and the Target; (ii) the quality of the respective assets and business conditions of the Company and the Target; (iii) the respective financial positions of the Company and the Target; (iv) the future benefits and synergies expected to be created as a result of the Proposed Acquisition as set out in paragraph 4 (Rationale for the Proposed Acquisition) below; and (v) current prevailing industry and market conditions, and also with reference to the valuations of the Target by the Valuers.

3.2 **Conditions Precedent**

Completion of the Proposed Acquisition ("**Completion**") under the Acquisition Agreement shall, unless waived, be conditional upon, *inter alia*:

- (a) **Company Shareholders' Approval.** The approval of the Shareholders at an EGM having been obtained for:
 - (i) the Proposed Acquisition;
 - (ii) the allotment and issue of the Consideration Shares by the Company to the Vendor;
 - (iii) the change of name of the Company to "China Everbright Water Limited (中国光大水务有限公司)" subject to and with effect from Completion;
 - (iv) the appointment of not less than four (4) directors nominated by the Vendor (the "**Vendor's Nominees**") on the Board of the Company with effect from Completion; and
 - (v) the whitewash resolution (the "**Whitewash Resolution**"), being a resolution approved by a majority of the Shareholders in a general meeting in accordance with the requirements set out in Appendix 1 of the Singapore Code on Take-Overs and Mergers ("**Code**") in respect of the waiver of their rights to receive a mandatory takeover offer from the Vendor who would incur an obligation to make a mandatory takeover offer under Rule 14 of the Code for all of the shares of the Company not already owned by the Vendor and persons acting in concert with the Vendor as a result of the Proposed Acquisition, provided that the Vendor and any persons who are not independent of the Vendor abstain from voting on such whitewash resolution.
- (b) **PN 15 Submission.** In the event Practice Note 15 of the listing rules of HKSE applies to the Proposed Acquisition (as determined by HKSE), HKSE's approval on the Practice Note 15 submission to be made by CEIL in connection with the Proposed

Acquisition and HKSE's waiver of the requirement to provide assured entitlement under Practice Note 15 (or confirmation of its acceptance of other alternative proposal acceptable to CEIL) having been obtained.

- (c) **SIC Waiver.** The grant by the Securities Industry Council ("**SIC**") of a waiver to the Vendor and parties acting in concert with the Vendor, of their obligation to make a mandatory offer under Rule 14 of the Code for the shares in the Company not held by the Vendor and its concert parties, and from having to comply with the requirements of Rule 14 of the Code upon Completion and the allotment and issue of the Consideration Shares to the Vendor and if such waiver is subject to any condition or restriction imposed by the SIC, such condition and/or restriction being reasonably acceptable to the Vendor and the Company.
- (d) **SGX-ST Approval for the Proposed Acquisition.** The approval of the SGX-ST for the Proposed Acquisition having been obtained where necessary, and if such approval is subject to any condition or restriction imposed by the SGX-ST, such condition and/or restriction being reasonably acceptable to the Vendor and the Company.
- (e) **SGX-ST Approval for Listing and Quotation.** The approval of the SGX-ST and the issuance of a listing and quotation notice from the SGX-ST for the admission of the Consideration Shares to the Official List of the SGX-ST, and the dealing and quotation of such shares on the Main Board of the SGX-ST upon the allotment and issue of such shares, and if such approval is subject to any condition or restriction imposed by the SGX-ST, such condition and/or restriction being reasonably acceptable to the Vendor and the Company.
- (f) **Governmental Approvals for the Acquisition.** The licences, authorisations, orders, grants, confirmations, permissions, registrations, waivers, exemptions and other approvals necessary or desirable for or in respect of the Proposed Acquisition having been obtained by the Target Group Companies and the Company and its subsidiaries (collectively, the "**Hankore Group**" and individually, a "**Hankore Group Company**") from the appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms reasonably satisfactory to the Company and the Vendor (as the case may be), and if such approval is subject to any condition or restriction, such condition and/or restriction being reasonably acceptable to the Company and the Vendor (as the case may be).
- (g) **All Other Consents and Approvals.** Hankore Group Companies and the Target Group Companies having obtained all other necessary consents, approvals and written waivers (including for change of control) from all relevant third parties for the Proposed Acquisition (including in relation to the Company's cross currency swap contract with DBS Bank Ltd.).
- (h) **CEIL Shareholders' Approval.** The approval of the shareholders of CEIL at an extraordinary general meeting for the Proposed Acquisition (if required).
- (i) **No Breach.** The Proposed Acquisition not being prohibited by and will not result in a breach of, any statute, order, rule, regulation, directive, guideline or request promulgated by, or any judgement or decree of, any legislative, executive, judicial or regulatory body or authority in Singapore, Hong Kong, the PRC or any other jurisdiction affecting any Hankore Group Company, Target Group Company or the Vendor.
- (j) **No Adverse Change.** There being no changes to the business, financial conditions or operations of any Hankore Group Company or Target Group Company (as the case

may be) since the date of the Acquisition Agreement that would in the reasonable opinion of the Vendor or the Company (as the case may be) be likely to have an adverse effect on the turnover, profitability, financial position or prospects of Hankore Group Company or Target Group Company (as the case may be).

- (k) **Financial Statements.** The Vendor being satisfied with the presentation of, and the financial condition of Hankore Group as represented by the consolidated balance sheet and consolidated profit and loss account of Hankore Group for the period ended 30 June 2014 to be prepared for purposes of inclusion in the shareholder circular in respect of the Proposed Acquisition and to be delivered to the Vendor prior to Completion and the audited version of the restated consolidated balance sheet, restated consolidated profit and loss account and restated consolidated cashflow statement of Hankore Group for the period ended 31 December 2013.
- (l) **Discharge of Encumbrance.** The charge over the Sale Shares in favour of the International Finance Corporation being discharged in full.
- (m) **Consent from Bondholders.** The approval of the bondholders under the bonds issued by the Company to the Proposed Acquisition on terms satisfactory to the Vendor.
- (n) **No outstanding rights.** There being no outstanding options, warrants (save for those in issue as of the date of the Acquisition Agreement), rights (including conversion or pre-emptive rights) or agreements for the subscription or purchase of any equity security of any Hankore Group Company or any securities convertible into or ultimately exchangeable or exercisable for any equity securities of any Hankore Group Company.
- (o) **Warranties.** The representations, warranties and undertakings made by the Vendor and the Company respectively under the Acquisition Agreement remaining true, accurate and correct in all respects.
- (p) **Restructuring.** China Everbright Environmental Protection Holdings Limited shall transfer the Shares to the Vendor and the register of members of the Target has been updated on or before 30 June 2014 (or such other date as may be mutually agreed by the Company and the Vendor in writing) to reflect the transfer of the Shares to the Vendor.

3.3 Long Stop Date

If any of the conditions precedent is not satisfied or is not waived by the Company and/or the Vendor (as the case may be) on or before 12 December 2014 or such other date as may be mutually agreed by the Company and the Vendor in writing, the Acquisition Agreement shall terminate, save for certain surviving clauses which relate to, *inter alia*, confidentiality and costs.

3.4 Completion Date

The completion date for the Proposed Acquisition shall be a date falling 10 business days after the date on which the last of the outstanding conditions precedent set out in paragraph 3.2 above have been fulfilled or waived by the Company and/or the Vendor (as the case may be), or such other date as the Vendor and the Company may mutually agree in writing ("**Completion Date**").

3.5 **Moratorium**

The Vendor and Chen Dawei, David (Executive Chairman and indirect controlling shareholder of the Company) and their respective associates have undertaken to comply with any applicable moratorium requirements imposed by the SGX-ST (including without limitation, such undertakings not to sell, transfer, dispose, realise, deal and/or create any encumbrance over shares held directly or indirectly by each of them in the Company for such periods as may be required by Chapter 2 Part VIII of the Listing Manual) unless such applicable moratorium requirements have been waived by the SGX-ST.

3.6 **Whitewash Waiver**

Upon completion of the allotment and issue of the Consideration Shares pursuant to the Proposed Acquisition, the Vendor will hold 1,940,269,305 shares in the Company, representing approximately 78% of the enlarged issued share capital of the Company on a fully diluted basis.

Pursuant to Rule 14 of the Code, the Vendor and their respective concert parties will be required to make a mandatory general offer for all the remaining issued shares in the Company not already owned, controlled or agreed to be acquired by them except where the SIC grants them a waiver of their obligation to make a mandatory general offer under Rule 14 of the Code.

As at the date of this announcement, the SIC has conditionally granted a waiver to the Vendor from the requirement to make a mandatory offer under Rule 14.1 of the Code in the event the Vendor and its concert parties increase their shareholdings in the Company to 78% of the enlarged issued share capital of the Company on a fully diluted basis as a result of the Vendor acquiring the Consideration Shares.

3.7 **Undertaking Letters**

Each of Giant Delight Holdings Limited and Ancient Jade International Holdings Limited, holding approximately 16.33% and 4.59% of the total issued and paid-up share capital of the Company respectively, has on 6 January 2014 executed an undertaking letter in favour of the Target undertaking not to dispose of or otherwise deal with all or any of its shares in the Company on or before the Completion and the allotment and issue of the Consideration Shares; provided that it may acquire any shares in the Company at any time whether in the open market or by other means.

4. **RATIONALE FOR THE PROPOSED ACQUISITION**

The Company and the Target share a common vision to become one of the largest water treatment companies in PRC. The Proposed Acquisition represents a major step towards achieving this shared vision. The Board believes that the Proposed Acquisition will be beneficial to and is in the best interests of the Company and its Shareholders for the following reasons:

(a) **Upon Completion, the Company will become one of the largest water treatment companies in the PRC**

Following the Proposed Acquisition, CEIL intends to utilise the Company as its sole platform for its water treatment business. Upon Completion, the Company will own a total of 32 waste-water treatment plants (with a designed capacity of 3,400,000 tons per day), 4 reusable water projects (with a designed capacity of 62,000 tons per day), 1 waste-water source heat pump project which services an area covering

125,000m², 2 completed Build-Transfer projects (with a designed capacity of 110,000 tons per day), 56km pipeline network and 10 pump stations (investment scale equivalent to 250,000 tons per day), and will emerge as one of the largest and most established water treatment companies in the PRC.

Asset	Company	Target Group	Total
Waste-water treatment and reusable water projects			
Number of plants	11	25	36
Designed capacity ('000 tons/day)	1,570	1,892	3,462
Waste-water source heat pump project			
Service area ('000 m ²)	-	125	125
Others			
Completed Build-Transfer projects ('000 tons/day)	-	110 (2 projects)	110 (2 projects)
56km pipeline network and 10 pump stations (equivalent of '000 tons/day)	250	-	250

- (b) **The Proposed Acquisition would enhance the financial strength of the Company and would allow the Company to leverage on CEIL's and the Target's access to a larger pool of debt capital at lower cost**

CEIL and the Target have access to a lower cost of debt funding vis-à-vis the Company. Post the Proposed Acquisition, the Vendor will become the major shareholder of the Company. The Board believes that this will allow the Company to gain access to a larger pool of debt capital at lower cost and therefore enhance returns on future projects.

- (c) **The Proposed Acquisition would increase investor confidence and institutional investor interest, boosting the Company's ability to tap the equity capital markets for capital (if required)**

The Proposed Acquisition is expected to boost investor confidence in the Company and attract greater interest from institutional investors, as (i) it would increase the market capitalisation of the Company as it would result in a significant increase in terms of its scale of operations, earnings and assets; and (ii) the Proposed Acquisition would cause the Vendor, a PRC State Owned Enterprise ("SOE"), to emerge as the Company's major shareholder. With greater investor confidence and stronger institutional interest, the Company's ability to tap the equity capital markets for capital (if required) is expected to be enhanced.

- (d) **The Proposed Acquisition would strengthen the track record and financial strength of the Company which would consequently raise the competitiveness of the Company vis-à-vis other waste-water players when bidding for public tenders**

As the output of waste-water treatment projects directly impacts the living standards of the local population, local governments must have strong assurance that the selected bidder has the requisites to execute the project successfully. One of the most tangible and concrete ways of providing such assurance is through a strong track record and robust financial strength. The Proposed Acquisition would strengthen the track record and financial strength of the Company, which would consequently raise the competitiveness of the Company during public tenders for future projects vis-à-vis other waste-water players.

- (e) **The Proposed Acquisition would place the Company in a better position to pursue attractive business growth opportunities**

Taking into account the factors listed above - a stronger combined track record, enhanced financial strength and better access to debt / equity capital - the Proposed Acquisition would place the Company in a better position to participate in the consolidation of small to medium size water treatment companies in the PRC, to take on larger projects, and attract more strategic partners in new deals and/or joint ventures.

5. VERY SUBSTANTIAL ACQUISITION OR REVERSE TAKEOVER

5.1 Relative Figures

For the purposes of Chapter 10 of the Listing Manual, the relative figures of the Proposed Acquisition computed on the bases set out in Rules 1006(a) to (e) of the Listing Manual are as follows:

<u>Listing Rule</u>	<u>Bases</u>	<u>Target Group (million)</u>	<u>Hankore Group (million)</u>	<u>Relative Figures</u>
1006(a)	The net asset value of the assets to be disposed of, compared with Hankore Group's net asset value	Not applicable to an acquisition of assets.		
1006(b)	The net profits attributable to the Sale Shares, compared with Hankore Group's net profits	RMB320.7 ⁽ⁱ⁾	RMB105.9 ⁽ⁱⁱ⁾	303%
1006(c)	The Consideration, compared with the Company's market capitalisation	S\$1,212.2 ⁽ⁱⁱⁱ⁾	S\$626.2 ^(iv)	194%
1006(d)	The number of Consideration Shares to be issued by the Company as consideration for the Proposed Acquisition, compared with the number of shares of the Company previously in issue	1,940.3 ^(v)	509.1 ^(vi)	381%
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of Hankore Group's proved and probable reserves	This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not applicable to an acquisition of assets.		

Notes:

- (i) Based on an assumed foreign exchange rate of RMB1 : HK\$1.2534 and the net profit before income tax, minority interests and extraordinary items of the Target Group of HK\$402.0 million for the financial year ended 31 December 2013.
- (ii) Based on the audited net profit before income tax, minority interests and extraordinary items of Hankore Group for the financial year ended 30 June 2013.
- (iii) Based on an agreed foreign exchange rate of S\$1 : RMB4.7939.
- (iv) Hankore Group's market capitalisation is based on the volume weighted average price per share in the Company of S\$1.230 (rounded to 3 decimal places) transacted on 30 May 2014, being the market day preceding the date of the Acquisition Agreement, and a total number of 509,102,647 shares of the Company being in issue as at the date of this announcement (Source: Bloomberg L.P.).
- (v) Based on the formula set out in paragraph 3.1 of this announcement.
- (vi) Based on the total number of 509,102,647 shares of the Company being in issue as at the date of this announcement.

Based on the relative figures set out above, and that control of the Company will change upon issuance of the Consideration Shares, the Proposed Acquisition is considered a "Very Substantial Acquisition or Reverse Takeover" under Rule 1015 of the Listing Manual.

6. FINANCIAL INFORMATION ON THE TARGET GROUP

Please refer to **Appendix B** of this announcement for certain financial information on the Target Group.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Please refer to **Appendix C** of this announcement for certain financial effects of the Proposed Acquisition.

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement:

- (a) none of the Directors has any interest, direct or indirect, in the Proposed Acquisition, save through his shareholding in the Company (if any); and
- (b) to the best of the knowledge of the Directors, none of the controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition, save through such Shareholders' shareholding in the Company.

9. SHAREHOLDING EFFECTS

It is envisaged that upon the Completion, the shareholding structure of the Company shall be as follows:⁽¹⁾

Shareholder	Before the Proposed Acquisition %	After the Proposed Acquisition (as-is basis) ⁽²⁾ %	After the Proposed Acquisition (fully-diluted basis) ⁽³⁾ %
Existing Shareholders	100.0	20.8	22.0
Vendor	-	79.2	78.0
Total	100.0	100.0	100.0

Notes:

- (1) The computations in this paragraph are based on the Consideration of S\$1,212,230,370 and 1,940,269,305 Consideration Shares.
- (2) Based on a total number of 509,102,647 shares of the Company being in issue as at the date of this announcement.
- (3) Based on a total number of 547,225,443 shares of the Company being in issue on a fully diluted basis.

10. FINANCIAL ADVISER

The Company has appointed DBS Bank Ltd. as its financial adviser in relation to the Proposed Acquisition.

11. INDEPENDENT FINANCIAL ADVISER

The Company will appoint an independent financial adviser to advise the independent Directors in respect of the proposed Whitewash Resolution in due course. The advice of the independent financial adviser will be set out in the circular to be despatched to Shareholders in due course.

12. DIRECTORS' SERVICE CONTRACTS

As at the date of this announcement, the Company has not entered into any service contract with any person proposed to be appointed as Director in connection with the Proposed Acquisition.

Pursuant to the Acquisition Agreement, the Company shall, subject to the requisite approvals (including the approval of the Shareholders, the Board and the Nominating Committee of the Company) being obtained, appoint the Vendor's Nominees on the Board with effect from the Completion Date. The details of such appointments and service contracts (if any) will be set out in the circular to be despatched to Shareholders in due course.

13. CIRCULAR

A circular containing, *inter alia*, the notice of the EGM in relation to the Proposed Acquisition will be despatched to Shareholders in due course (the "**Circular**").

14. DOCUMENTS FOR INSPECTION

Copies of the Acquisition Agreement and the valuation reports of the Valuers on the Target Group are available for inspection during normal business hours at the Company's office at 9 Battery Road, Straits Trading Building, #20-02, Singapore 049910 for a period of three (3) months from the date of this announcement.

15. CAUTION

Shareholders and potential investors are advised to exercise caution in the trading of their shares in the Company. The Proposed Acquisition is subject to, *inter alia*, the fulfillment of the conditions of the Acquisition Agreement. There is no certainty and assurance as at the date of this announcement that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof.

The Company will make the necessary announcements when there are further developments on the Proposed Acquisition and other matters contemplated by this announcement. Shareholders and potential investors should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Chen Dawei, David
Executive Chairman
2 June 2014
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Appendix A

Target Group Waste-Water Treatment Plants

The information in this Appendix A was extracted from CEIL's 2013 annual report. The information stated in this Appendix A may be subject to change and is qualified in its entirety by, and is subject to, the more detailed information to be set out in the Circular.

Operating Projects

BOT Projects				
Project	Type of Investment	Total Investment (RMB)	Date of Commercial Operation	Daily Waste-water Treatment / Water Supply Capacity (m³)
Dezhou Nanyunhe Wastewater Treatment Project Phase 1	BOT for 25 years	150,270,000	September 2013	75,000
Jinan Licheng Wastewater Treatment Project (Plant 3) Phase 1	BOT for 28 years	138,000,000	October 2009	100,000
Jinan Licheng Wastewater Project (Plant 3) Phase 2	BOT for 28 years	195,000,000	November 2013	100,000
Ling County Wastewater Treatment Project (Plant 2)	BOT for 30 years	58,000,000	June 2010	30,000
Jinan Xike Wastewater Treatment Project (Plant 4)	BOT for 26 years	72,680,000	June 2010	30,000
Zibo High-tech Zone Wastewater Treatment Project	BOT for 25 years	150,000,000	September 2007	100,000
Zibo Zhoucun Wastewater Treatment Project	BOT for 25 years	70,000,000	November 2009	40,000

TOT Projects				
Project	Type of Investment	Total Investment (RMB)	Date of Commercial Operation	Daily Waste-water Treatment / Water Supply Capacity (m ³)
Jiangyin Wastewater Treatment Project (Acquisition and upgrade)	TOT for 30 years	530,266,000	January 2008	190,000
Ling County Wastewater Treatment Project (Plant 1)	TOT for 30 years	33,720,000	June 2010	30,000
Jinan Wastewater Treatment Project (Plant 1 and Plant 2)	TOT for 30 years	707,000,000 (including investment of RMB287,000,000 for upgrading and extension work for Plant 1 and Plant 2)	November 2006	500,000 (increased from 420,000 tonnes to 500,000 tonnes upon completion of extension work in May 2009)
Zibo Wastewater Treatment Project (Southern and Northern Plants)	TOT for 25 years	354,276,000 (including investment of RMB130,221,000 for upgrading work)	November 2005	250,000 (upgrading work completed in May 2008)
BOT/TOT Projects				
Project	Type of Investment	Total Investment (RMB)	Date of Commercial Operation	Daily Waste-water Treatment / Water Supply Capacity (m ³)
Binzhou Boxing Wastewater Treatment Project	BOT/TOT for 25 years	85,000,000 (including investment of RMB65,500,000 for upgrading work of Phase 1 and construction of Phase 2)	Phase 1 – April 2008 Upgrading work – December 2008 Phase 2 – June 2009	60,000 (increased from 30,000m ³ to 60,000m ³ upon completion of Phase 2 in June 2009)
Qingdao Wastewater Treatment Project (Haibohe & Maidao Plants)	BOT/TOT for 25 years	356,000,000	January 2005	220,000 (Maidao Extension Project completed in July 2007)

BOO Projects				
Project	Type of Investment	Total Investment (RMB)	Date of Commercial Operation	Daily Waste-water Treatment / Water Supply Capacity (m³)
Jinan Licheng Reusable Water Project	BOO for 24 years	31,061,000	September 2011	42,000
Jiangyin Reusable Water Project	BOO for 25 years	73,067,000	January 2013	10,000
Zibo Reusable Water Project Phase 1	BOO for 20 years	44,000,000	September 2011	4,800
Zibo Heat Pump Project Phase I	BOO for 30 years	57,887,000	December 2011	N.A.

Transferred Projects

Project	Type of Investment	Total Investment (RMB)	Date of Transfer	Daily Waste-water Treatment / Water Supply Capacity (m³)
Xinyi BT Wastewater Treatment Project Phase 1	BT for 4 years	62,150,000	October 2010	10,000
Xinyi BT Surface Water Project	BT for 8 years	385,110,000	June 2013	100,000

Projects under Construction or in Preparatory Stage

Project	Type of Investment	Total Investment (RMB)	Date of Commercial Operation	Daily Waste-water Treatment / Water Supply Capacity (m³)
Dezhou Nanyunhe Wastewater Treatment Project Phase 2	BOT for 25 years	79,977,000	2014 (expected)	75,000

Project	Type of Investment	Total Investment (RMB)	Date of Commercial Operation	Daily Waste-water Treatment / Water Supply Capacity (m³)
Zhangqiu Wastewater Treatment Project	BOT for 30 years	60,700,000	2014 (expected)	30,000
Ling County Wastewater Treatment Project Plant 1 (upgrade)	TOT for 30 years	14,314,000	2014 (expected)	30,000
Zibo Reusable Water Project Phase 2	BOO for 20 years	11,000,000	2014 (expected)	4,800

Appendix B

Financial Information

The audited consolidated financial statements of the Target Group for the financial years ended 31 December 2011, 2012 and 2013, have been prepared in accordance with the International Financial Reporting Standards.

A summary of the audited consolidated financial information of the Target Group for the financial years ended 31 December 2011, 2012 and 2013 is set out below:

Consolidated Income Statements

	← Audited → Financial years ended		
	31 December 2011	31 December 2012	31 December 2013
	HK\$'000	HK\$'000	HK\$'000
Revenue	854,532	1,391,027	1,290,740
Gross profit	455,035	484,722	529,262
Profit before tax	303,029	366,381	401,995
Income tax expense	(72,228)	(98,149)	(111,553)
Profit attributable to equity shareholders of the Target	203,026	246,676	266,486

Consolidated Balance Sheets

	← Audited →		
	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013
	HK\$'000	HK\$'000	HK\$'000
Current assets	1,000,938	801,452	1,021,743
Non-current assets	3,489,014	4,034,152	4,368,743
Total assets	4,489,952	4,835,604	5,390,486
Current liabilities	559,054	786,173	920,041
Non-current liabilities	2,516,176	2,431,626	2,479,050
Total liabilities	3,075,230	3,217,799	3,399,091
Equity attributable to equity shareholders of the Target	1,037,334	1,308,190	1,648,887
Non-controlling interests	377,388	309,615	342,508
Total equity	1,414,722	1,617,805	1,991,395

Appendix C

Financial Effects of the Proposed Acquisition

1. Proforma financial information of the Enlarged Group

The unaudited proforma financial information of Hankore Group and the Target Group (the "**Enlarged Group**") has been prepared, for illustrative purposes only and, because of its nature, may not give a true picture of the Enlarged Group's actual results and financial position, following the completion of the Proposed Acquisition.

Unaudited Proforma Income Statement of the Enlarged Group

	Financial year ended 31 December 2013 RMB'000
Revenue	1,605,480
Gross profit	665,223
Profit before tax	374,022
Income tax expense	(115,852)
Profit attributable to owners of the Company	258,170

Unaudited Proforma Balance Sheet of the Enlarged Group

	As at 31 December 2013 RMB'000
Current assets	1,577,149
Non-current assets	5,780,490
Total assets	<u>7,357,639</u>
Current liabilities	1,241,808
Non-current liabilities	1,959,929
Total liabilities	<u>3,201,737</u>
Equity attributable to owners of the Company	3,886,843
Non-controlling interests	269,059
Total equity	<u><u>4,155,902</u></u>

Hankore Group prepares its financial statements based on a financial year end of 30 June. The statutory financial year end adopted by the Target Group is 31 December which is different from that (30 June) adopted by Hankore Group.

The latest audited consolidated financial statements of Hankore Group are for the financial year ended 30 June 2013 while the latest available consolidated financial statements of the Target Group are for the financial year ended 31 December 2013.

Shareholders should note that the figures set out above may vary from the final unaudited proforma financial information of the Enlarged Group due to changes in the basis of preparation, assumptions and adjustments that may arise. The proforma financial information of the Enlarged Group will be reviewed by the Company's Reporting Accountants, and will be set out in a circular to be sent to the shareholders.

2. Bases and Assumptions for the preparation of unaudited proforma financial information of the Enlarged Group

For the preparation of the unaudited proforma financial information of the Enlarged Group, the Company has drawn up an unaudited financial information of Hankore Group (see paragraph 4) for the financial year ended 31 December 2013 for combination with the consolidated financial statements of the Target Group for the financial year ended 31 December 2013.

The proforma financial effects of the Proposed Acquisition are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Enlarged Group immediately following the completion of the Proposed Acquisition.

For the purpose of illustrating the financial effects of the Proposed Acquisition, the financial effects have been prepared based on, *inter alia*, the following assumptions:-

- (a) the financial effects of the Proposed Acquisition on the earnings and earnings per share (“EPS”) of the Enlarged Group are computed assuming the Proposed Acquisition were completed on 1 January 2013;
- (b) the financial effects of the Proposed Acquisition on the net tangible assets (“NTA”) and net assets value (“NAV”) of the Enlarged Group are computed assuming the Proposed Acquisition were completed on 31 December 2013;
- (c) capitalisation of amounts due to immediate holding company of the Target of HK\$1,210,050,000;
- (d) the share consolidation exercise of every ten ordinary shares of par value HK\$0.10 each into one ordinary share of par value HK\$1.00 each took place immediately prior to the completion of the Proposed Acquisition;
- (e) the calculation of NTA and NAV per share, and EPS assumed an aggregate of 1,940,269,305 new shares were issued on 31 December 2013 and on 1 December 2013, respectively;
- (f) the warrants and share options outstanding of the Company as at 31 December 2013 have been exercised immediately prior to the completion of the Proposed Acquisition;
- (g) expenses in connection with the Proposed Acquisition are disregarded for the purposes of calculating the financial effects;
- (h) the fair value adjustments on the net assets of Hankore Group and the goodwill arising from the Proposed Acquisition have been determined on a preliminary basis in accordance with International Financial Reporting Standards (“IFRS”) 3 *Business Combinations* for the purpose of computing the financial effects of the Proposed Acquisition. The final goodwill will be determined on the Completion Date when the Vendor has effectively obtained control of the Company. As the final goodwill will have to be determined at completion of the Proposed Acquisition, the actual goodwill could be materially different from the aforementioned assumption. Any goodwill arising thereon from the Proposed Acquisition will be accounted for in accordance with the accounting policies of Hankore Group.

2.1 Alignment of accounting year-end and basis of accounting

The unaudited proforma financial information of the Enlarged Group were compiled based on the audited consolidated financial statements of Hankore Group for the financial year ended 30 June 2013 adjusted for transactions to align the financial year end from 30 June 2013 to 31 December 2013 and those material adjustments which are considered necessary as set out in the unaudited financial information of Hankore Group (see paragraph 4). Hankore Group’s audited financial statements were prepared in accordance with Singapore Financial Reporting Standards. As the consolidated financial statements of the Target Group for the financial year ended 31 December 2013, have been prepared in accordance with IFRS, Hankore Group has also prepared its financial statements for the year ended 31 December 2013 in accordance with IFRS for the preparation of the unaudited proforma financial information of the Enlarged Group.

3. Proforma financial effects of the Proposed Acquisition

The proforma financial effects of the Proposed Acquisition are set out below.

3.1 Share capital

	Number of shares	Amount RMB'000
As at 31 December 2013	4,863,334,075	435,898
Increase in share capital	227,692,402	18,149
As at the date of announcement after share consolidation exercise	509,102,647	454,047
Add: Exercise of warrants and share options outstanding as at 31 December 2013	38,152,797	30,682
Add: Consideration shares	1,940,269,305	1,560,365
After completion of Proposed Acquisition	2,487,524,749	2,045,094

3.2 EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to shareholders (RMB'000)	26,447	239,057
Number of issued shares	509,102,647	2,487,524,749
Earnings per share (RMB)	0.05	0.10

3.3 NTA

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA ⁽¹⁾ of Hankore Group as at 31 December 2013 (RMB'000)	1,179,715	3,593,054
Number of issued shares	509,102,647	2,487,524,749
NTA per share (RMB)	2.32	1.44

⁽¹⁾ NTA is calculated as net assets less goodwill and intangible assets but including intangible assets arising from concession rights.

3.4 NAV

	Before the Proposed Acquisition	After the Proposed Acquisition
NAV of Hankore Group as at 31 December 2013 (RMB'000)	1,298,167	3,886,843
Number of issued shares	509,102,647	2,487,524,749
NAV per share (RMB)	2.55	1.56

3.5 Gearing

	Before the Proposed Acquisition	After the Proposed Acquisition
Net debts as at 31 December 2013 (RMB'000)	634,292	1,119,380
Shareholders' equity as at 31 December 2013 (RMB'000)	1,298,167	3,886,843
Gearing (times)	0.49	0.29

⁽¹⁾ Gearing is determined based on the net debt divided by shareholders' equity. Net debt is calculated as borrowings less cash and cash equivalent.

4. Unaudited Financial Information of Hankore Group

4.1 Proforma income statement of Hankore Group

	Financial year ended 30 June 2013 RMB'000	Proforma adjustments RMB'000	Financial year ended 31 December 2013 RMB'000
Revenue	369,131	206,558	575,689
Gross profit	165,859	77,103	242,962
Profit before tax	105,943	(52,645)	53,298
Income tax expense	(6,478)	(20,373)	(26,851)
Profit for the year	99,465	(73,018)	26,447

Audited profit for the financial year ended 30 June 2013
Less: Profit for the period based on announcement for the period
from 1 July 2012 to 31 December 2012
Add: Profit for the period based on announcement for the period
from 1 July 2013 to 31 December 2013

RMB'000

99,465

(36,800)

59,810

122,475

Adjustments

1. Adjustment of financial receivables and intangible assets based on the valuation report in accordance with the replacement cost method by American Appraisal, an independent valuer engaged in connection with the Proposed Acquisition
2. Recognition of deferred tax is based on the "balance sheet liability method" in accordance with IAS 12 *Income Taxes*
3. Increase in fair value of contingent consideration payable in relation to the acquisition of Jiangsu Tongyong Environment Engineering Co., Ltd in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*
4. Recognition of change in fair value of outstanding warrants issued to warrant holders in accordance with IAS 39 *Financial Instruments*
5. Recognition of construction costs for certain projects in accordance with the percentage of completion as at 31 December 2013 in accordance with IAS 11 *Construction Contracts*
6. Recognition of change in fair value on cross-currency swap contract in accordance with IAS 39 *Financial Instruments*
7. Expensing off of professional and legal expenses
8. Others

16,146

(11,347)

(54,180)

(22,638)

(15,197)

(4,597)

(2,274)

(1,941)

(96,028)

Adjusted profit for the year ended 31 December 2013 (unaudited)

26,447

4.2 Proforma balance sheet of Hankore Group

	As at 30 June 2013 RMB'000	Proforma adjustments RMB'000	As at 31 December 2013 RMB'000
Current assets	316,529	327,120	643,649
Non-current assets	2,381,794	(203,958)	2,177,836
Total assets	2,698,323		2,821,485
Current liabilities	495,846	65,492	561,338
Non-current liabilities	492,322	469,887	962,209
Total liabilities	988,168		1,523,547
Equity attributable to owners of the Company	1,710,384	(412,217)	1,298,167
Non-controlling interests	(229)		(229)
Total equity	1,710,155		1,297,938
Net assets as at 30 June 2013 (audited)			RMB'000 1,710,155
Increase in net assets based on announcement from 1 July 2013 to 31 December 2013			146,179
			1,856,334
<u>Adjustments</u>			
1. Adjustment of financial receivables and intangible assets based on the valuation report in accordance with the replacement cost method by American Appraisal, an independent valuer, engaged in connection with the Proposed Acquisition			(254,820)
2. Recognition of deferred tax is based on the "balance sheet liability method" in accordance with IAS 12 <i>Income Taxes</i>			(203,492)
3. Increase in fair value of contingent consideration payable in relation to the acquisition of Jiangsu Tongyong Environment Engineering Co., Ltd in accordance with IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>			(54,180)
4. Recognition of change in fair value of outstanding warrants issued to warrant holders in accordance with IAS 39 <i>Financial Instruments</i>			(19,610)
5. Recognition of construction costs for certain projects in accordance with the percentage of completion as at 31 December 2013 in accordance with IAS 11 <i>Construction Contracts</i>			(15,197)
6. Recognition of change in fair value on cross-currency swap contract in accordance with IAS 39 <i>Financial Instruments</i>			(4,597)
7. Expensing off of professional and legal expenses			(4,966)
8. Others			(1,534)
			(558,396)
Adjusted net assets as at 31 December 2013 (unaudited)			1,297,938