

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

(Incorporated in Bermuda on 24 September 2004)

(Company Registration Number: 35842)

NON-BINDING TERM SHEET IN RELATION TO THE PROPOSED TRANSACTION OF A NEW BUSINESS

1. INTRODUCTION

The Board of Directors (the “**Board**”) of C&G Environmental Protection Holdings Limited (the “**Company**”) wishes to announce that the Company has on 28 December 2017 entered into a non-binding term sheet (the “**Term Sheet**”) in relation to the Proposed Transaction by the Company of all of the issued and paid-up share capital in 1) Param Mitra Coal Resources One Pte. Limited (“**PMCR1**”), (2) Param Mitra Coal Resources Two Pte. Limited. (“**PMCR2**”), and (3) Dragon Power Investments Limited. (“**DPIL**”) and 76% of the issued and paid-up share capital in (4) Unity Holding Business Singapore Pte. Ltd. (“**UHBS**”) (collectively, the “**Target Companies**” and each a “**Target Company**”) together with its subsidiaries, (collectively, the “**Target Group**”) from Param Mitra Coal Resources Pte. Limited. (the “**Vendor**” and together with the Target Companies and the Company, the “**Parties**”) (hereinafter referred to as the “**Proposed Transaction**”).

The Proposed Transaction, if undertaken and completed, is expected to result in a reverse takeover of the Company under Rule 1015 of the Listing Manual (the “**Listing Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

The Term Sheet is subject to the Parties entering into a definitive sale and purchase agreement (the “**Definitive Agreement**”), which is targeted to be on or before 29 January 2018, subject to any extension of time agreed by the Parties.

2. INFORMATION RELATING TO THE VENDOR AND THE TARGET GROUP

2.1 The Vendor

As at the date of this announcement, the Vendor holds 100% of the issued and paid-up share capital of PMCR1, PMCR2, and DPIL and holds 76% of the total issued and paid-up share capital of UBHS.

2.2 The Target Group

The Target Group is primarily focused on mining and trading of thermal coals sourced from various coal mines in Indonesia. The Target Group is promoted by the Sindhu Family, being promoters of the Sainik-Aryan group of companies in India. The Sainik-Aryan Group is an established and vertically integrated coal energy group majority owned and managed by the Sindhu family. On or before completion of the Proposed Transaction, the Target Group shall own beneficially the coal mine assets, details of which are set out below:

	Mine A	Mine B	Mine C
Area	3993 Ha	545 Ha	2,705 Ha
Location	Kembang Janggut, East Kalimantan	Samarinda, East Kalimantan	Kembang Janggut, East Kalimantan
Effective	93.80%	99%	99%

shareholding			
Status	Operating	Operating	Under development
Coal Resources (Million Tons)	468.00	28.73	250.00
Coal Reserves (Million Tons)	317.00	14.37	213.00
Stripping Ratio (Life of Mine)	4.10	5.11	3.89
Calorific value kcal/kg (GAR)	3400-3600	3400-3600	3800-4000
TM	40-42%	38-40%	36-38%
Sulphur	.2%	.5%	.2
Ash	5-7%	8-10%	6-8%

3. RATIONALE FOR THE PROPOSED TRANSACTION

As announced by the Company on 30 December 2016, following the disposal of the entire issued and paid up capital of C&G Environmental Protection (Thailand) Company Limited and the disposal of the entire issued and paid up capital of C&G Environmental Protection International Limited, the Company has no ongoing business operations and shall be considered a cash company as defined by Listing Rule 1018 as the Company's assets currently consist substantially of cash.

Accordingly, the Proposed Transaction would allow the Company to apply to the SGX-ST for an extension of time and removal of its cash company status pursuant to Listing Rule 1018(2). The Board therefore believes that the Proposed Transaction will provide an opportunity for the Company to remain listed and to acquire a new business that has potential for growth.

The Board is hence of the view that the Proposed Transaction is likely to enhance the long term interests of the Company and its shareholders ("**Shareholders**").

4. PRINCIPAL TERMS OF THE PROPOSED TRANSACTION

Based on the Term Sheet, the principal terms of the Proposed Transaction are as follows:

4.1 Valuation of Target Assets

Pursuant to Rule 1015(3) of the Listing Rules, the Target Group will be subject to independent valuation by a competent independent professional valuer appointed by the Company ("**Independent Valuation**"). For the purpose of the Proposed Transaction, the appraised value of the Target Group is expected to be at least SGD 400 million ("**Target Value**").

4.2 Purchase Consideration and Consideration Shares

The purchase consideration for the Target Companies ("**Purchase Consideration**") shall be based on a Target Value of at least SGD 400 million.

The Purchase Consideration shall be satisfied by the issue and allotment of new ordinary shares in the share capital of the Company (the "**Consideration Shares**") to the Vendor. Prior to the above issuance, the Issue Price would be adjusted to not less than SGD 0.50 (based on SGX-ST Listing Rule 1015(3)(d)), via a prorated consolidation of shares prior to the issuance of the new shares to the Vendor.

4.3 Introducers Fee

Each of the Parties understands that subject to Completion, the Vendor has agreed to pay the introducer, Camberland International Ltd ("**Introducer**"), a fee equivalent to 3.15% of the Consideration ("**Introducer Fee**") for the introductory services provided by the Introducer relating to the Proposed Transaction. The Parties agree that the Introducer Fee shall be satisfied by way of the allotment and issuance of new shares ("**Introducer Shares**") to the Introducer upon Completion.

4.4 Compliance Placement

Post-Completion, the Company shall ensure that the shareholding spread of the public shareholders meet the public float requirements of the SGX Listing Rules. In the event that Completion results in the minimum distribution and shareholder spread requirements not being met, the Company shall carry out a compliance placement within such time frame as within such time frame as may be specified by the SGX-ST and/or applicable Listing Rules (the "**Compliance Placement**").

4.5 Conditions Precedent to Completion

The Proposed Transaction shall be conditional upon, *inter alia*, the following:

- (a) the Target Group having furnished evidence of clear and undisputed concessions/permits in respect of the mining assets ;
- (b) the Target Group having secured and at all times materially complied with, all relevant rights, approvals, permits and licences under any applicable environmental laws and as required to undertake the business activities and operations in respect of the Target Group, and such rights, approvals, permits and licences not having been revoked, expired, amended or withdrawn or subject to conditions which are in the reasonable opinion of the Company, unduly burdensome or onerous;
- (c) the Target Group being valued at not less than the Purchase Consideration as confirmed in the valuation report by the Independent Valuer;
- (d) reasonably satisfactory due diligence having been conducted and completed by the Company on the Target Group (including but not limited to financial, business operational, tax and legal aspects as would be required for transactions of such nature);

- (e) The Company having obtained legal opinion(s) reasonably satisfactory to the Company from Indonesian legal counsel in respect of the fulfilment of items (a) and (b) above;
- (f) An opinion from an independent financial adviser acceptable to the SGX-ST issued to the Company recommending the Directors of the Company to recommend to the shareholders to vote in support of the resolution relating to the whitewash waiver;
- (g) No material adverse changes to the Target Group's financial condition, existing operations, business, assets of the Target Group;
- (h) The Securities Industry Council of Singapore granting the Vendor, and parties acting in concert with the Vendor, a waiver from having to make a mandatory general offer under the Singapore Code on Take-overs and Mergers following completion of the Proposed Transaction;
- (i) A whitewash resolution being passed by the Company's shareholders waiving their rights to receive a general offer from the Vendor;
- (j) Duly executed contractual undertakings shall be obtained from promoters and such persons who are required by SGX-ST and/or applicable Listing Rules to observe a moratorium on the transfer or disposal of all their interests in the securities of the Company post Completion;
- (k) Delivery of undertakings from key major shareholders of the Company (including Mr Lam Chik Tsan) to vote in favour of the Proposed Transaction in the special general meeting ("**SGM**");
- (l) Approvals from shareholders in the SGM in respect of amongst others, (i) the Proposed Transaction; (ii) the allotment and issuance of the Consideration Shares to the Vendor and the Introducer Shares to the Introducer; (iii) the whitewash resolution; (iv) share consolidation of the Company, if required; (v) appointment of new directors to the Company; (vi) the issuance of new shares pursuant to the Compliance Placement, and such other corporate actions which shall be required for the Proposed Transaction;
- (m) Each of the following requirements are duly met:
 - i. immediately prior to and as at Completion, save for the Costs (as defined below), the Company has no liabilities, whether actual, deferred or contingent, and there are no off-balance sheet liabilities in the Company;
 - ii. immediately prior to and as at Completion, the Company does not hold or own, and has not agreed to acquire, any securities of any corporation (save for the shares in the Target Companies); and
 - iii. immediately prior to and as at Completion, the Company has a cash balance of not less than the sum of SGD 0.1 million (less any working expenses, including payment of salaries, incurred in the ordinary course of business) and cash raised from any Shares or securities convertible into Shares issued by the Company following execution of the Definitive Agreement for the purposes of fund-raising, assuming the costs paid for by the Company for the Proposed Transaction are included for this determination;

- (n) Regulatory approvals, including from SGX-ST, in respect of the Proposed Transaction (including the listing of, and quotation for, the Consideration Shares);
- (o) The shares of the Company not having been suspended, delisted or subject to any suspension and/or delisting procedures by SGX-ST;
- (p) The Company not having been added to the SGX-ST's watch-list pursuant to the Listing Rules; and
- (q) Reasonably satisfactory due diligence having been conducted and completed by the Vendor on the Company (including but not limited to financial, business operational, tax and legal aspects as would be required for transactions of such nature).

If any of the conditions precedent above are not satisfied or waived (by the Vendor, Target Companies, Target Group, Company, SGX-ST or such other regulatory authority as the case may be) on or before the expiry of 6 months (unless mutually extended in writing by the Parties) from the date of the Definitive Agreement to be entered into, the Definitive Agreement shall lapse and cease to have further effect and no Party shall have any claim against the other Parties, save for (a) those clauses specified in the Definitive Agreement that will survive the termination of the Definitive Agreement; and (b) antecedent breaches, where applicable

4.6 Voting Undertaking

The Vendor shall procure a written undertaking from the substantial shareholders of the Company, including Mr Lam Chik Tsan who owns approximately 79.22% of the outstanding issued and paid-up share capital of the Company, to vote in favour of the Proposed Transaction at the SGM.

4.7 Exclusivity

The Parties have agreed to enter into discussions on an exclusive basis during the term of the Term Sheet (the "**Exclusivity Period**"). During the Exclusivity Period, the Parties and their agents and representatives, or any other person acting on their behalf, shall not, for the duration of the Term Sheet, directly or indirectly, solicit, encourage, initiate, discuss, negotiate with respect to, or facilitate or enter into any agreement in respect of, any transaction or arrangement relating to the transactions or arrangements which are similar in nature to the transactions or arrangements contemplated in the Term Sheet.

4.8 Costs and Expenses

The Parties agree that in the event that Completion takes place, all professional costs and expenses ("**Costs**") incurred in connection with the Proposed Transaction shall be borne by the Vendor and/or Target Group.

The transactional costs (including the aforementioned professional costs) of the Vendor and/or Target Companies shall be borne by the Company if:

- (i) Completion does not take place principally as a result of the Company's breach(es) of the terms and conditions of the Definitive Agreement; or

- (ii) the SGX-ST does not grant its approval of the Proposed Transaction (“**SGX-ST Disapproval**”) as a result of any breach on the part of the Company, and/or any of its controlling shareholders and/or directors of any applicable law, including the provisions of the Listing Manual.

The transactional costs (including the aforementioned professional costs) of the Company shall be borne by the Vendor if:

- (i) Completion does not take place principally as a result of the Vendor's breach(es) and/or the Target Companies' breach(es) of the terms and conditions of the Definitive Agreement; or
- (ii) SGX-ST Disapproval occurs by reason of circumstances as a result of any breach on the part of the Vendor and/or Target Companies, and/or any of its controlling shareholders and/or directors of any applicable law, including the provisions of the Listing Manual.

For the avoidance of doubt, upon Completion, the Vendor and/or Target Companies shall bear all relevant taxes and stamp duties (including penalties, if any) payable under or in connection with the Proposed Transaction, including but not limited to stamp duty payable on the transfer of shares in the Target Companies (and if required, other members of the Target Group) to the Company.

All engagements of professional parties in connection with the Proposed Transaction shall only be made with the prior approval of the Vendor. For the avoidance of doubt, the Company shall not require any approval from the Vendor when the Company incurs any cost in the ordinary course of business.

4.9 Due Diligence Assistance

The Parties have agreed to use its best endeavours, give reasonable access and make available to each Party, all information and documents in relation to itself which the other Party may reasonably require to facilitate the Proposed Transaction and the preparation and execution of the Definitive Agreement.

5. FINANCIAL ADVISER

The Company will appoint a financial adviser in respect of the Proposed Transaction in due course.

6. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with requirements of Chapter 9 and 10 of the Listing Rules, upon the execution of the Definitive Agreement and/or when there are material developments in respect of the Proposed Transaction.

7. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading the shares in the Company as there is no certainty or assurance as at the date of this announcement that the Definitive Agreement will be entered into, the terms and conditions of the Proposed Transaction will not differ from that set out in the Term Sheet, or the Proposed Transaction will be undertaken at all.

The Board wishes to remind Shareholders that there is no assurance that the SGX-ST will grant the extension of time that the Company shall apply for pursuant to Rule 1018(2) of the Listing Rules and the SGX-ST may proceed to remove the Company from the Official List if such extension of time is not given.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

BY ORDER OF THE BOARD

Lam Chik Tsan
Executive Chairman and Group Chief Executive Officer
28 December 2017