

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED
(Incorporated in Bermuda on 24 September 2004)
(Registration Number 35842)

PROPOSED ISSUE OF UNLISTED WARRANTS

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Directors**”) of C&G Environmental Protection Holdings Limited (the “**Company**”) wishes to announce that the Company had on 5 March 2012 entered into a conditional subscription letter agreement (the “**Subscription Letter Agreement**”) with International Finance Corporation (the “**Subscriber**”) pursuant to which the Company shall create and issue 34,008,108 warrants (the “**Warrants**”) to the Subscriber for a nominal consideration of US\$10.00 on the terms and subject to the conditions as set out in the warrant instrument (the “**Warrant Instrument**”) to be constituted by a deed (the “**Proposed Issue of Unlisted Warrants**”).
- 1.2 The Warrants shall not be listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) or any stock exchange and shall not be transferable.
- 1.3 Each Warrant carries the right to subscribe for one (1) new ordinary share in the capital of the Company (each a “**Warrant Share**” and collectively, the “**Warrant Shares**”) at an initial exercise price of S\$0.185 per Warrant Share (the “**Initial Exercise Price**”) or such adjusted price as may for the time being be applicable (collectively, the “**Exercise Price**”) in accordance with the terms and conditions as set out in the Warrant Instrument (the “**Conditions**”) during the Exercise Period (as defined below). For further details of the applicable adjustment events as set out in the Warrant Instrument, please refer to Section 3.9 of this announcement. The “**Exercise Period**” means the period commencing on, and including, the date of issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the 18th month anniversary thereof.
- The Initial Exercise Price of S\$0.185 represents a 32.1% premium over the volume weighted average price for trades done on the Company’s Shares (as defined below) on the SGX-ST for the full market day immediately preceding the date of the Subscription Letter Agreement. The Exercise Price was determined after arm’s length negotiation between the Company and the Subscriber with reference to the prevailing market price and the historical price performance of the Shares.
- 1.4 Based on the Initial Exercise Price, 34,008,108 Warrant Shares will be allotted and issued upon full exercise of the Warrants, representing approximately 3.5% of the issued share capital of the Company of 973,023,354 shares (the “**Shares**”) as at the date of this announcement and approximately 3.38% of the issued share capital of the Company of 1,007,031,462 Shares as enlarged by the issue of the Warrant Shares.
- 1.5 The Proposed Issue of Unlisted Warrants shall be based on the general share issue mandate obtained from the shareholders of the Company (the “**Shareholders**”) at the Company’s annual general meeting held on 25 April 2011 (the “**General Share Issue Mandate**”). Specific approval of Shareholders is not required for the Proposed Issue of Unlisted Warrants.
- 1.6 In connection with the Proposed Issue of Unlisted Warrants, the Subscriber had requested for the Company, and the Company had agreed, to adhere to certain operational policy requirements as stipulated by the Subscriber. Accordingly, the Company and the Subscriber, had on the even date, entered into a policy agreement (the “**Policy Agreement**”) which sets out such operational

policy requirements which the Company is required to comply with until such time the Subscriber no longer holds any IFC Shares (as defined below) (or any equivalent interest in any successor company or successor Person (as defined therein) (if applicable)).

- 1.7 In addition, the Subscriber had requested for C&G Holdings (Hong Kong) Limited (the “**Grantor**”), the controlling shareholder of the Company, and the Grantor had agreed, to grant a put option (the “**Put Option**”) to the Subscriber to sell all the Put Shares (as defined below) to the Grantor, on the terms and subject to the conditions of the put option agreement (the “**Put Option Agreement**”) on the occurrence of certain trigger events. For further details of the trigger events as set out in the Put Option Agreement, please refer to Section 4.4 of this announcement.

As the Proposed Issue of Unlisted Warrants may or may not complete pursuant to the terms of the Subscription Letter Agreement, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

2. PRINCIPAL TERMS OF THE SUBSCRIPTION LETTER AGREEMENT

2.1 Subscription

Pursuant to the Subscription Letter Agreement, the Company had agreed to create and issue, and the Subscriber had agreed to subscribe for, 34,008,108 Warrants for a nominal consideration of US\$10.

2.2 Conditions Precedent

The obligations of the Subscriber to subscribe for the Warrants under the Subscription Letter Agreement are conditional upon the satisfaction of each of the following conditions precedent prior to 5.00 p.m. (Singapore time) on 4 September 2012 (or such later date extended at the mutual agreement of the Company and the Subscriber in writing) unless waived by the Subscriber (if such conditions are capable of being waived):

- (a) the Company obtaining all necessary approvals for the issue of the Warrants and the Warrant Shares and the listing of the Warrant Shares on the SGX-ST (as applicable), on and subject to the terms of the Warrant Instrument, including without limitation, the SGX-ST's in-principle approval for the dealing in, listing of and quotation for the Warrant Shares on the SGX-ST, and where such approval is subject to conditions, to the extent that any such condition is required to be satisfied on or before the date of issue of the Warrants (the “**Warrant Issue Date**”), the satisfaction of such conditions;
- (b) the approvals set out in paragraph (a) above not being revoked or withdrawn prior to the Warrant Issue Date; and
- (c) the Company issuing a certificate to the Subscriber immediately prior to Completion confirming that all warranties as set out in the Warrant Instrument have been complied with and are true, correct and not misleading in all respects as at the Warrant Issue Date and that all the undertakings of the Company contained in the Warrant Instrument have been fully performed and observed by the Company.

If any of the aforesaid conditions precedent are not fulfilled or waived before 5.00 p.m. (Singapore time) on 4 September 2012 and the time for the fulfilment thereof is not, extended at the mutual agreement of the Company and the Subscriber in writing, the Subscription Letter Agreement shall *ipso facto* cease to have any force and effect whatsoever and neither party shall have any claim

or demand against the other party for costs, damages, compensations or otherwise (other than any antecedent breach by the Company of its obligations under the Subscription Letter Agreement).

2.3 **Completion**

The subscription by the Subscriber for, and the allotment and issue by the Company of, the Warrants shall take place at the registered office of the Company (or at such other place as the parties may agree in writing) at 5.00 p.m. (Singapore time) on the Warrant Issue Date (the "**Completion**").

2.4 **Termination Rights**

If any of the obligations of the Company and the Subscriber are not fully complied with on Completion, the Subscriber shall in the event of non-compliance by the Company, or the Company shall in the event of non-compliance by the Subscriber, be entitled (in addition to and without prejudice to all other rights or remedies available to it including the right to claim damages):

- (a) to terminate the Subscription Letter Agreement;
- (b) to effect Completion so far as practicable having regard to the defaults which have occurred; or
- (c) to fix a new date for Completion (not being more than fourteen Business Days after the Warrant Issue Date).

3. PRINCIPAL TERMS OF THE WARRANTS INSTRUMENT

3.1 **Number of Warrants to be issued**

Pursuant to the Subscription Letter Agreement, the Company had agreed to create and issue 34,008,108 Warrants to the holder of the Warrants on the Warrant Issue Date and such additional Warrants as may be required to be issued after Warrant Issue Date pursuant to the Conditions.

3.2 **Number of Warrant Shares issuable upon exercise of Warrants**

Each Warrant carries the right to subscribe for one (1) Warrant Share at the Exercise Price during the Exercise Period. Based on the Initial Exercise Price of S\$0.185, 34,008,108 Warrant Shares will be allotted and issued upon full exercise of the Warrants.

3.3 **Exercise Price**

The Exercise Price at which the Warrant Shares will be issued upon exercise of the Warrants will be at the Initial Exercise Price of S\$0.185 per Warrant Share or such adjusted price as may for the time being be applicable in accordance with the Conditions during the Exercise Period.

3.4 **Exercise Period**

The Warrants may be exercised at any time commencing on and including the Warrant Issue Date and expiring at 5:00 p.m. on the date immediately preceding the 18th month anniversary thereof.

At the expiry of the Exercise Period, any Warrant which has not been exercised shall lapse and cease to be valid for all purposes.

3.5 **Register and Warrant Certificates**

The Warrants will be issued in registered form and governed by the Conditions contained in the warrant certificate to be issued to the holder of the Warrants.

3.6 **Listing and Transferability of Warrants**

The Warrants will not be listed on SGX-ST or any stock exchange and shall not be transferable.

3.7 **Status of Warrant Shares**

Warrant Shares, when issued and allotted upon exercise of the Warrants, shall rank for any dividend or other distribution which has previously been announced or declared provided that the relevant record date for such dividend or other distribution is on or after the date on which the Warrant Shares are allotted and issued and (subject as aforesaid) shall rank *pari passu* in all respects with the then existing Shares.

3.8 **Listing of Warrant Shares**

Application will be made by the Company to the SGX-ST for the dealing in, listing of and quotation for the Warrant Shares on the Official List of the SGX-ST.

3.9 **Adjustments to Exercise Price and/or Numbers of Warrants**

(a) Events for adjustments

The Exercise Price and/or the numbers of Warrants held by the holder of the Warrants shall from time to time be adjusted by the Directors, such adjustment to be certified to be in accordance with the Conditions by the auditors and approved by the holder of the Warrants. The Company shall announce any such adjustment to the SGX-ST. The Exercise Price and/or the number of Warrants held by the holder of the Warrants shall from time to time be adjusted as provided in the Conditions and in the Warrant Instrument in all or any of the following events:

(i) *Consolidation, Subdivision or Conversion*

whenever consolidation or subdivision or conversion of the Shares occurs; or

(ii) *Capitalisation Issues*

an issue by the Company of Shares to Shareholders credited as fully paid, whether by way of capitalisation of profits or reserves or otherwise (whether of a capital or income nature but excluding any issue of Shares made where the Shareholders had an option to take cash or other dividend in lieu of the relevant Shares); or

(iii) *Capital Distribution*

a capital distribution made by the Company to Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or

(iv) *Rights Issues*

an offer or invitation made by the Company to Shareholders whereunder they may acquire or subscribe for Shares by way of rights; or

(v) *Issues at Discount other than by way of Rights*

an issue (otherwise than pursuant to (A) a rights issue available to all Shareholders and requiring an adjustment under paragraph (a)(iv) above; and (B) an issue of Shares made where the Shareholders had an option to take cash or other dividend in lieu of the relevant Shares) by the Company of Shares, if the total effective consideration per Share is less than (90) per cent. of the current market price per Share.

(b) Extension to the holder of the Warrants of offers to Shareholders

If an offer or invitation for the acquisition of all or a portion of Shares is made to the Shareholders by a person other than the Company, then the Company shall, use its best endeavours to procure that an offer or invitation is made to the holder of the Warrants simultaneously, provided always that the failure by the Company to procure that an offer or invitation shall not constitute a breach by the Company of its obligations under the Conditions and the Warrant Instrument.

(c) Exclusions

Notwithstanding any of the provisions contained herein, no adjustment to the Exercise Price or the number of Warrants will be required in respect of:

(i) Issue of Shares pursuant to Options

any issue by the Company of Shares pursuant to any purchase, option or option scheme approved by the Shareholders in general meeting, among other things, to officers, including Directors, or employees of the Company or any of its subsidiaries, related corporations and associated companies; or

(ii) Issue of Shares in Connection with an Acquisition

any issue by the Company of Shares in consideration or part consideration for or in connection with the acquisition of any other security, asset or business, provided, in each case, such acquisition is on arm's length terms; or

(iii) Issue of Shares pursuant to Warrants

any issue of Shares by the Company arising from the exercise of any of the Warrants.

(d) Rules of Adjustments

An extract of the specific rules governing adjustments to the Exercise Price and/or numbers of Warrants as applicable to each of the adjustment events as set out in Section 3.9(a) above is set out in the Appendix to this announcement.

(e) Basic Rules for Making Adjustments to Exercise Price

Any adjustment to the Exercise Price will be rounded upwards to the nearest half (1/2) cent and in no event shall any adjustment (otherwise than upon a consolidation of Shares) involve an increase in the Exercise Price. No adjustment to the Exercise Price shall be made unless it has been certified to be in accordance with this Condition by the auditors and approved by the holder of the Warrants. No adjustment will be made to the Exercise Price in any case in which the amount by which the same would be reduced would be less than half (1/2) cent and any adjustment which would otherwise then be required will be carried forward and taken into account appropriately in any subsequent adjustment.

(f) Basic Rules for Making Adjustments to Number of Warrants

Any adjustment to the number of Warrants held by the holder of the Warrants will be rounded downwards to the nearest whole Warrant. No adjustment to the number of Warrants shall be made unless it has been certified to be in accordance with this Condition by the auditors and approved by the holder of the Warrants.

(g) Dispute as to Adjustment

If the holder of the Warrants does not agree with any adjustment proposed under these provisions, the Directors shall refer the adjustment to the decision of an approved person acting as expert and not arbitrator and whose decision as to such adjustment, upon certification by the auditors, shall be final and conclusive.

(h) Status of Warrants issued as a result of Adjustments

Any Warrant issued as a result of an adjustment made under this Condition shall be part of the series of Warrants constituted by the Warrant Instrument and shall be issued subject to and with the benefit of the Warrant Instrument and on such other terms and conditions as the Directors and the holder of the Warrants may agree in writing.

(i) Modification of Rights attached to any Share or Loan Capital

If the Company shall in any way modify the rights attached to any Share or loan capital so as to convert or make convertible such loan capital into or attach thereto any right to acquire or subscribe for Shares, the Company shall appoint an approved person to consider whether any adjustment to the Exercise Price and/or the number of Warrants held by the holder of the Warrants is appropriate and if such approved person and the Directors shall determine that any adjustment is appropriate, the Exercise Price and/or the number of Warrants held by the holder of the Warrants shall be adjusted accordingly.

(j) SGX-ST Approval

Notwithstanding anything herein contained, any adjustment to the Exercise Price and/or the number of Warrants held by the holder of the Warrants other than in accordance with the provisions of this Condition shall be subject to the approval of the SGX-ST and agreed to by the Company, the approved person (if any) and the holder of the Warrants in writing.

In particular, if the Company is contemplating a transaction (the "**Adjustment Transaction**") which will trigger an adjustment under the terms and conditions of the Warrants, resulting in an increase in the number of Warrants to be held by the holder of the Warrants, and the increase in the number of Warrants requires the approval of the Shareholders, the SGX-ST and/or any other regulatory authority, the Company shall use its best endeavours to obtain such approvals (including without limitation, the SGX-ST's approval in-principle for the dealing in, listing of and quotation for the additional Warrant Shares arising from the exercise of such additional Warrants to be issued pursuant to such adjustments on the SGX-ST) (the "**Required Approvals**"). Before the Required Approvals are obtained, the Company shall not undertake the Adjustment Transaction.

(k) Share Buy-Back by the Company

Nothing herein shall prevent or restrict the buy-back of any class of shares pursuant to applicable law and the requirements of the SGX-ST and no approval or consent of the holder of the Warrants shall be required for such buy-back of any class of shares. There shall be no adjustment to the Exercise Price and the number of Warrants by reason of a buy-back of any class of shares, provided that the weighted average price (before expenses) on any day in respect of such buy-back does not exceed the current market price by more than 5% either (A) on that day or (B) where an announcement has been made of the intention to purchase shares at some future date at a specified price, on the trading day immediately preceding the date of such announcement and, if in the case of either (A) or (B) the relevant day is not a trading day, the immediately preceding trading day.

3.10 Limitation on the Company's liabilities

The aggregate liability of the Company in respect of all claims for breach of any of the statements contained in Section 13 or Schedule 5 of the Warrant Instrument (the "**Warranty**") under or in connection with the Warrant Instrument shall not exceed the sum of US\$5,000,000.

No claim shall be brought by the holder of the Warrants against the Company in respect of all claims for breach of any Warranty under or in connection with the Warrant Instrument, unless notice in writing of any such claim (specifying in reasonably sufficient detail the nature of the breach and so far as practicable the amount claimed in respect thereof) has been given to the Company: (a) in the event that the Warrants have expired, within two months after the Expiry Date; or (b) in the event that the Warrants have been exercised, within 14 months from the date on which the holder of the Warrants exercised such Warrants, as applicable.

No liability shall in any event arise in respect of all claims for breach of any Warranty under or in connection with the Warrant Instrument unless the amount of the claim shall exceed US\$25,000.

3.11 Compliance

In compliance of Rules 829 and 830 of the listing manual of the SGX-ST, for the Company will:

- (a) announce any adjustment made to the Exercise Price and number of the Warrants;

- (b) announce the expiry of the Warrants and a notice of expiry will be sent to the holder of the Warrants at least one (1) month before the expiration date; and
- (c) obtain Shareholders' approval for any material alteration to the terms of the Warrants which is for the benefits of the holder of the Warrants, unless such alteration is made pursuant to the Conditions.

3.12 **Rights of holder of the Warrants**

The Warrants shall not, pending valid exercise, entitle the holder of the Warrants to any of the rights of holder of the Warrant Shares.

3.13 **Liquidation**

In a winding-up of the Company, the following shall apply:

- (a) Scheme accepted by the holder of the Warrants

If such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the holder of the Warrants, or some person(s) designated by the holder of the Warrants for such purpose, shall be a party and shall have approved or assented to, the terms of such scheme of arrangement shall be binding on the holder of the Warrants and all persons having an interest in the Warrants; and

- (b) Deemed exercise subject to submission within 6 weeks

In any other case the holder of the Warrants shall be entitled upon and subject to the Conditions at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company by irrevocable surrender of its warrant certificate to the Company with the Exercise Notice duly completed, together with payment of the relevant Exercise Price and other items required under the Condition, to elect to be treated as if it had, immediately prior to the commencement of such winding-up, exercised the Warrants to the extent specified in the Exercise Notice and had on such date been the holder of the Shares to which it would have become entitled pursuant to such exercise, and the liquidator of the Company shall give effect to such election accordingly.

The Company shall give notice to the holder of the Warrants in accordance with the Condition of the passing of any such resolution within seven (7) business days after the passing thereof.

Subject to the foregoing, if the Company is wound up for any other reason, all Warrants which have not been exercised at the date of the passing of such resolution shall lapse and the Warrants shall cease to be valid for any purpose.

4. PRINCIPAL TERMS OF THE PUT OPTION AGREEMENT

4.1 **Put Option**

In consideration of the payment of US\$1.00 by the Subscriber to the Grantor, the Grantor grants to the Subscriber the Put Option to sell to the Grantor, and the Grantor is obligated to purchase from the Subscriber upon exercise of such Put Option, all (and not part) the Put Shares at the Put Price (both definitions as defined below) which the Subscriber may hold from time to time, on the terms and subject to the conditions of the Put Option Agreement.

“Put Shares” means such number of IFC Shares as the Subscriber may specify in a Put Notice and **“IFC Shares”** means all of (i) the Warrant Shares, (ii) the Shares which the Subscriber acquires pursuant to the exercise of any rights, options, warrants accruing to the Subscriber, in relation to any Warrant Shares referred to in subparagraph (i) above, (iii) the Shares which the Subscriber receives as a result of share splits or share dividends (including without limitation, bonus shares) on any Warrant Shares or any Shares acquired as referred to in subparagraph (ii) above, and (iv) the Shares which the Subscriber receives in exchange, replacement or substitution for any Warrant Shares or any Shares acquired by the Subscriber pursuant to subparagraphs (ii) or (iii) above or this subparagraph (iv), held by the Subscriber from time to time.

4.2 **Put Price**

The Put Price means the amount obtained by multiplying: (a) the higher of (i) the Market Value Put Price Per Share; and (ii) the Exercise Price Per Share, by (b) the number of applicable Warrant Shares, provided that in the event that the Put Price would be less than zero, the Put Price shall be zero.

For the purpose of this Section 4.2:

- (a) **“Closing Price”** means in relation to a Share on any Trading Day, the closing market price quoted on the SGX-ST or, as the case may be, the equivalent quotation sheet of an such other approved stock exchange on which the Shares are publicly traded for such Trading Day;
- (b) **“Exercise Price Per Share”** means the sum payable in respect of each Warrant Share to which the Subscriber will be entitled to subscribe upon exercise of the Subscriber’s subscription rights, which shall be S\$0.185 per Share or such adjusted price as may for the time being be applicable in accordance with the terms and conditions as set out in Warrant Instrument;
- (c) **“Group”** means the Company and its Subsidiaries from time to time;
- (d) **“Market Price”** means arithmetic average of the Closing Price per Share (being a Share carrying full entitlement to dividends) for the five consecutive Trading Days ending on the Trading Day immediate preceding such day;
- (e) **“Market Value Put Price Per Share”** means the amount in dollars equal to:
 - (i) if the Shares, at the time of determination, are publicly traded, the Market Price;
or
 - (ii) if the Shares, at the time of determination, are not publicly traded:
 - (aa) the amount which the Subscriber and the Grantor (each acting reasonably) shall agree as being the fair market value of the Company (or other entity represented by the Shares);
 - (bb) in the absence of such agreement, the amount which the valuer states in writing to be in its opinion the fair market value of the Company (or other entity represented by the Shares), on the basis of a sale as between a willing seller and a willing buyer at arms’ length (as relevant) and, in determining such fair market value, the valuer shall be instructed that if the Company or the Group is then carrying on business as a going concern, to assume that it will continue to do so, divided by the number of fully paid issued Shares as at the date of determination;

- (f) “**Subsidiaries**” means the companies in which the Company (a) holds a majority of the voting rights in it, (b) is a member of it and has the right to appoint or remove a majority of its board of directors, or (c) is a member of it and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in it (but excluding C&G Environmental Protection (Cantho) Company Limited); and
- (g) “**Trading Day**” means a day on which the SGX-ST or, as the case may be, an alternative stock exchange, is open for trading of securities, provided that if no closing price is reported for one (1) or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of Trading Days.

4.3 **Put Period**

The Put Option may be exercised by the Subscriber from the period beginning on the date upon which the Warrants Shares are allotted and issued to the Subscriber, and ending on the date on which the Subscriber no longer owns any IFC Shares (the “**Put Period**”).

4.4 **Put Trigger Events**

The Put Option may be exercised by the Subscriber any time during the Put Period following the occurrence of any of the following events:

- (a) the failure of the Company to perform its obligations in a material respect under or in respect of Article II (*Covenants*) of the Policy Agreement and such failure is incapable of remedy or, where such failure is capable of remedy (in the sole opinion of the Subscriber which shall be exercised reasonably), it has not been remedied within thirty (30) days following notification of such failure by the Subscriber to the Company;
- (b) any liquidation event of the Company;
- (c) any change to, or the cessation of, the primary business of the Company; or
- (d) any disposal of all or substantially all of the assets of the Company,

(each a “**Put Trigger Event**” and collectively, the “**Put Trigger Events**”).

5. **PRINCIPAL TERMS OF THE POLICY AGREEMENT**

5.1 **Term of the Agreement**

In connection with the Proposed Issue of the Unlisted Warrants, the Subscriber had requested for the Company, and the Company had agreed, to adhere to certain operational policy requirements of the Subscriber set out in the Policy Agreement. The Company is required to comply with such operational policy requirements until such time the Subscriber no longer holds any IFC Shares (as defined below) (or any equivalent interest in any successor company or successor Person (as defined therein) (if applicable)).

5.2 **Liquidated Damages**

In the event that (a) the Company fails to comply with its obligations under Section 5.02 (*Compliance with Covenants*) of the Policy Agreement (save where the Company provides evidence to the Subscriber's satisfaction that the sole reason that the Company failed to comply with its obligations under Section 2.02(g) of the Policy Agreement is because (i) no reputable

insurer is able to provide the insurance required, or (ii) the terms on which a reputable insurer is willing to provide the insurance required are not commercially viable), or (b) the Subscriber exercise its Warrants on the First Exercise Date but subsequently revokes or retracts its Exercise Notice at any time before (i) the register of members of the Company is updated as a result of the issue of the Warrant Shares, (ii) the issue of the physical share certificates in respect of the Warrant Shares to IFC, or (iii) the Warrant Shares are credited to the securities account of IFC, whichever is the earliest, due to the Company's breach of any of the terms of this Agreement, the Company shall pay to the Subscriber, within five (5) business days of the occurrence of either of the events, liquidated damages of US\$500,000.

6. INFORMATION ON SUBSCRIBER

International Finance Corporation is a member of the World Bank Group and is established by its Articles of Agreement among over 180 member countries, including the People's Republic of China. IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilising capital in the international financial markets, and providing advisory services to businesses and governments. Since 1985, IFC has financed about 200 projects in the People's Republic of China to support sustainable private sector development in a wide range of industry including manufacturing and services sector, banking and financial market, infrastructure, agriculture, health & education, and private equity funds.

7. PURPOSE OF THE PROPOSED ISSUE OF UNLISTED WARRANTS AND USE OF PROCEEDS

The Directors consider the Proposed Issue of Unlisted Warrants as an appropriate means of fund raising for the Company at this juncture as it does not have any immediate dilution effect on the shareholding of the existing Shareholders. The Directors also consider that the presence of IFC as a strategic investor will be beneficial to the Group with respect to (i) oversea project development and financing and (ii) enhancement of corporate governance and risk management.

The issue of the Warrants and the Warrant Shares will provide opportunities for the Group to strengthen the Group's capital base and financial position to better equip the Group with financial flexibility for development of the business of the Group.

Assuming the full exercise of the Warrants at the Initial Exercise Price, it is expected that a gross proceeds of US\$5 million would be raised.

After deducting expenses to be incurred in connection with the Proposed Issue of Unlisted Warrants, the net proceeds are estimated at approximately US\$4.8 million. It is intended that such net proceeds be utilised as additional working capital.

Pending the deployment of the proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may, in their absolute discretion, deem appropriate in the interests of the Group.

8. FINANCIAL EFFECTS OF THE PROPOSED ISSUE OF UNLISTED WARRANTS

The Proposed Issue of Unlisted Warrants is not expected to have a material impact on the Company's financial position.

The financial effects on the allotment and issue of the Warrant Shares upon exercise of the Warrants are not quantifiable at this juncture as the Warrants may or may not be exercised and the Exercise Price applicable is not certain.

For illustrative purposes only, the financial effects of the allotment and issue of Warrant Shares set out below were prepared based on the audited consolidated accounts of the Group for FY2010 (being the latest available audited consolidated accounts of the Group) and subject to the following main assumptions:-

- (a) 34,008,108 Warrants were allotted and issued;
- (b) the applicable Exercise Price is S\$0.185 per Warrant Share;
- (c) the computations are purely for illustrative purposes only and do not reflect the actual financial result and financial position of the Group after the Proposed Issue of Unlisted Warrants;
- (d) for the purposes of computing the effect of the Proposed Issue of Unlisted Warrants on the net asset value (“NAV”) per Share, it is assumed that the allotment and issue of the Warrant Share had been completed on 31 December 2010;
- (e) for the purposes of computing the effect of the Proposed Issue of Unlisted Warrants on the earnings per Share (“EPS”), it is assumed that the allotment and issue of the Warrant Share had been completed on 31 December 2010; and
- (f) an estimated amount of USD200,000 is provided for costs and expenses including professional fees in respect of the Proposed Issue of Unlisted Warrants.

8.1 Issued Share Capital

	<u>Number of Shares in the capital of the Company</u>	<u>Amount (RMB)</u>
Immediately before the allotment and issue of Warrant Shares	973,023,354	92,386,000
Number of Warrant Shares allotted and issued	34,008,108	2,888,805
Immediately after the Allotment and Issue of Warrant Shares	1,007,031,462	95,274,805

8.2 NAV per Share of the Group

	<u>NAV of the Group (RMB)</u>	<u>Number of Shares in the capital of the Company</u>	<u>NAV per Share of the Group (RMB/share)</u>
Immediately before the allotment and issue of Warrant Shares	1,437,830,000	973,023,354	1.48
Immediately after the allotment and issue of Warrant Shares	1,469,521,088	1,007,031,462	1.46

8.3 EPS of the Group

	<u>Earnings of the Group (RMB)</u>	<u>Number of Shares in the capital of the Company</u>	<u>EPS of the Group (RMB/share)</u>
Immediately before the allotment and issue of Warrant Shares	123,384,000	973,023,354	0.127
Immediately after the allotment and issue of Warrant Shares	122,063,538	1,007,031,462	0.121

9. CHANGES IN DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS UPON EXERCISE OF THE WARRANTS

9.1 Directors' Shareholdings

According to the Register of Directors' Shareholdings, the Directors' interest in the Shares as at the date of this announcement and upon exercise of the Warrants are as follows:-

	<u>As at date of this announcement</u>				<u>Upon exercise of the Warrants</u>			
	<u>Direct Number of Shares</u>	<u>(%)</u>	<u>Deemed Number of Shares</u>	<u>(%)</u>	<u>Direct Number of Shares</u>	<u>(%)</u>	<u>Deemed Number of Shares</u>	<u>(%)</u>
Director Lin Yan ⁽¹⁾			694,891,355	71.42			694,891,355	69.00

Note:-

⁽¹⁾ Deemed interested in all Shares held by C&G Holdings (Hong Kong) Limited as Lin Yan holds 27.3% of its issued and paid share capital.

9.2 Substantial Shareholders' Shareholdings

According to the Register of Substantial Shareholders' Shareholdings, the substantial shareholders' (the "**Substantial Shareholders**") interest in the Shares as at the date of this announcement and upon exercise of the Warrants are as follows:-

	<u>As at date of this announcement</u>				<u>Upon exercise of the Warrants</u>			
	<u>Direct Number of Shares</u>	<u>(%)</u>	<u>Deemed Number of Shares</u>	<u>(%)</u>	<u>Direct Number of Shares</u>	<u>(%)</u>	<u>Deemed Number of Shares</u>	<u>(%)</u>
C&G Holdings (Hong Kong) Limited ⁽¹⁾	694,891,355	71.42			694,891,355	69.00		
Lin Yan ⁽²⁾			694,891,355	71.42			694,891,355	69.00
Lam Chik Tsan ⁽³⁾			694,891,355	71.42			694,891,355	69.00

Notes:-

- (1) As at the date of this announcement, C&G Holdings (Hong Kong) Limited held 694,891,355 Shares, representing approximately 71.42% of the issued share capital of 973,023,354 Shares. C&G Holdings (Hong Kong) Limited is held as to 27.3% by Lin Yan, Chairman & Chief Executive Officer and 72.7% by Lam Chik Tsan. Accordingly, each of Lin Yan and Lam Chik Tsan is deemed interested in all the Shares held by C&G Holdings (Hong Kong) Limited.
- (2) Lin Yan, Executive Chairman & Chief Executive Officer is deemed interested in all the Shares held by C&G Holdings (Hong Kong) Limited.
- (3) Lam Chik Tsan is deemed interested in all the Shares held by C&G Holdings (Hong Kong) Limited.

10. APPROVALS

10.1 Shareholders' Approval

The issue of the Warrants shall be based on the General Share Issue Mandate obtained from the Shareholders at the Company's annual general meeting held on 25 April 2011. No specific approval of Shareholders is required for the Proposed Issue of Unlisted Warrants.

The General Share Issue Mandate authorises the Directors to, *inter alia*, allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) provided that the aggregate number of shares and convertible securities to be issued does not exceed fifty per cent. (50%) of the issued share capital of the Company at the time the General Share Issue Mandate was obtained, subject to a sub-limit of twenty per cent. (20%) if such issue is other than on a pro-rata basis to Shareholders.

10.2 SGX-ST's approval

The Proposed Issue of the Unlisted Warrants is subject to, *inter alia*, the receipt of the approval in-principle of the SGX-ST for the dealing in, listing of and quotation for the Warrant Shares on the SGX-ST.

Accordingly, an application will be made by the Company to the SGX-ST for permission to deal in, listing of and quotation for the Warrant Shares on the Official List of the SGX-ST. The Company will make the relevant announcement to inform Shareholders and the investors when it receives the approval in-principle of the SGX-ST.

11. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

C&G Holdings (Hong Kong) Limited, the controlling shareholder of the Company had agreed, pursuant to the Put Option Agreement, to grant a Put Option to the Subscriber to sell all the Put Shares to C&G Holdings (Hong Kong) Limited on the occurrence of certain trigger events. For more details on the trigger events, please refer to Section 3.9 of this announcement.

C&G Holdings (Hong Kong) Limited held 694,891,355 Shares in the issued share capital of the Company as at the date of this announcement. C&G Holdings (Hong Kong) Limited is held as to 27.3% by Lin Yan, Chairman & Chief Executive Officer and 72.7% by Lam Chik Tsan. Accordingly, each of Lin Yan and Lam Chik Tsan is deemed interested in all the Shares held by C&G Holdings (Hong Kong) Limited.

Save as disclosed above, none of the Directors, Substantial Shareholders or their associates has any interest, direct, indirect, in the Proposed Issue of Unlisted Warrants.

Save as disclosed in this announcement, the Directors are not aware of any Director or Substantial Shareholder of the Company having any interest, direct or indirect, in the Proposed Issue of Unlisted Warrants and has not received any notification of any interest in this transaction from any Director or Substantial Shareholder.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have been delegated detailed supervision for the preparation of this announcement) have taken all reasonable care to ensure that the facts stated and the opinions expressed are fair and accurate and that no material facts have been omitted, and they jointly and severally accept responsibility accordingly.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Bermuda Tricor Barbinder Share Registration Services, 80 Robinson Road, #02-00 Singapore 068898 during normal office hours for three months from the date of this Announcement:-

- (i) the Warrant Instrument;
- (ii) the Subscription Letter Agreement;
- (iii) the Put Option Agreement; and
- (iv) the Policy Agreement.

BY ORDER OF THE BOARD

Lin Yan
Executive Director

5 March 2012

APPENDIX

AN EXTRACT OF THE WARRANT INSTRUMENT – SPECIFIC RULES GOVERNING ADJUSTMENTS TO THE EXERCISE PRICE AND/OR NUMBERS OF WARRANTS

Subject to these Conditions and the Warrant Instrument, the Exercise Price and the number of Warrants held by a Warrantholder shall from time to time be adjusted in accordance with the following provisions (but so that if the event giving rise to any such adjustment shall be capable of falling within any two (2) or more of the sub-paragraphs (i) to (v) of Condition 5(a) or if such event shall be capable of giving rise to more than one (1) adjustment, the adjustment shall be made in such manner as the Directors shall determine (provided that any such adjustment to be certified to be in accordance with this Condition 5 by the Auditors and approved by the Warrantholders):

(i) Consolidation, Subdivision or Conversion

If and whenever consolidation or subdivision or conversion of the Shares occurs, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{A}{B} \times X$$

and the number of Warrants and New Shares to be issued in respect of each Warrant shall be adjusted in the following manner:

$$\text{Adjusted number of Warrants/Adjusted number of New Shares in respect of such adjusted number of Warrants} = \frac{B}{A} \times W$$

where:

A = the aggregate number of issued and fully paid-up Shares immediately before such consolidation or subdivision or conversion;

B = the aggregate number of issued and fully paid-up Shares immediately after such consolidation or subdivision or conversion;

X = existing Exercise Price; and

W = existing number of Warrants held.

Such adjustments will be effective on the date on which the consolidation or subdivision or conversion becomes effective.

(ii) Capitalisation Issues

If and whenever the Company shall make any issue of Shares to its Shareholders for which no consideration is payable (but excluding any issue of Shares made where the Shareholders had an option to take cash or other dividend in lieu of the relevant Shares) credited as fully paid, whether by way of capitalisation of profits or reserves or otherwise (whether of a capital or income nature), the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{A}{A+B} \times X$$

and the number of Warrants and New Shares to be issued in respect of each Warrant shall be adjusted in the following manner:

$$\text{Adjusted number of Warrants/Adjusted number of New Shares in respect of such adjusted number of Warrants} = \frac{A+B}{A} \times W$$

where:

A = the aggregate number of issued and fully paid-up Shares immediately before such capitalisation issue;

B = the aggregate number of Shares to be issued pursuant to any allotment to Shareholders (but excluding any issue of Shares made where the Shareholders had an option to take cash or other dividend in lieu of the relevant Shares) credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature);

X = as in X above; and

W = as in W above.

Such adjustments will be effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(iii) Capital Distribution

If and whenever the Company shall make a Capital Distribution (as defined below) to Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets), then the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{C-D}{C} \times X$$

where:

C = the Current Market Price on the date on which the Capital Distribution is publicly announced or (failing any such announcement) immediately preceding the date of the Capital Distribution;

D = the fair market value, as determined by an Approved Person, of that portion of the Capital Distribution attributable to one (1) Share; and

X = as in X above.

For the purposes of Condition 5(a)(iii) and this Condition 5(d)(iii), "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of Shares (not falling under Condition 5(d)(ii)) or other securities (but excluding any issue of Shares made where the Shareholders had an option to take

cash or other dividend in lieu of the relevant Shares) credited as fully or partly paid-up by way of capitalisation of profits or reserves or otherwise (whether of a capital or income nature). Any distribution out of profits or reserves shall not be deemed to be a Capital Distribution unless the profits or reserves are attributable to profits or gains arising from the sale or other disposal of assets owned by the Company or any of its subsidiaries on or before that date and any cancellation of capital which is lost or unrepresented by available assets shall not be deemed to be a Capital Distribution.

Such adjustment will be effective on the date that such Capital Distribution is actually made or if a record date is fixed therefor, immediately after such record date.

(iv) Rights Issue

If and whenever the Company shall make any offer or invitation to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights, then the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{E - F}{E} \times X$$

and the number of Warrants and New Shares to be issued in respect of each Warrant shall be adjusted in the following manner:

$$\text{Adjusted number of Warrants/Adjusted number of New Shares in respect of such adjusted number of Warrants} = \frac{E}{E - F} \times W$$

where:

E = the Current Market Price on the date on which the offer or invitation referred to in this Condition 5(d)(iv) is publicly announced or (failing any such announcement) immediately preceding the date of the offer or invitation;

X = as in X above;

W = as in W above; and

F = the value of rights attributable to one (1) Share which shall be calculated in accordance with the formula:

$$\frac{E - G}{H + 1}$$

where:

E = as in E above;

G = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares by way of rights;

H = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share by way of rights; and

1 = one (1).

Such adjustments will be effective on the closing date for such offer or invitation.

For the purpose of Condition 5(d)(v) and this Condition 5(d)(iv), "closing date" shall mean the date by which acceptance of and payment for the Shares is to be made under the terms of such offer or invitation.

(v) Concurrent Capitalisation Issue and Rights Issue

If and whenever the Company makes any allotment to its Shareholders as provided in Condition 5(d)(ii) and also makes any offer or invitation to its Shareholders as provided in Condition 5(d)(iv) and the record date for the purpose of the allotment is also the record date for the purpose of the offer or invitation, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{(I \times E) + (J \times G)}{(I + J + B) \times E} \times X$$

and the number of Warrants and New Shares to be issued in respect of each Warrant shall be adjusted in the following manner:

$$\text{Adjusted number of Warrants/Adjusted number of New Shares in respect of such adjusted number of Warrants} = \frac{(I + J + B) \times E}{(I \times E) + (J \times G)} \times W$$

I = the aggregate number of issued and fully paid-up Shares on the record date;

E = as in E above;

J = the aggregate number of new Shares to be issued under an offer or invitation to acquire or subscribe for Shares by way of rights;

G = as in G above;

B = as in B above;

X = as in X above; and

W = as in W above.

Such adjustment will be effective on the closing date for such offer or invitation.

(vi) Issues at Discount other than by way of Rights

If and whenever (otherwise than pursuant to a rights issue available to all Shareholders alike and requiring an adjustment under Conditions 5(d)(iv) or 5(d)(v) but excluding any issue of Shares made where the Shareholders had an option to take cash or other dividend in lieu of the relevant Shares) the Company shall issue any Share and the Total Effective Consideration for each Share (as defined below) is less than ninety (90) per cent. of the Current Market Price on the date on which the terms of the issue is publicly announced or (failing any such announcement) the date of the issue, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{K + L}{K + M} \times X$$

where:

- K = the aggregate number of Shares in issue immediately preceding the issue of such additional Shares;
- L = the number of Shares which the Total Effective Consideration (as defined below) would have purchased at such Current Market Price (exclusive of expenses);
- M = the aggregate number of additional Shares so issued; and
- X = as in X above.

Each such adjustment will be effective on the date on which the issue is announced, or (failing any such announcement) immediately preceding the date on which the Company determines the offer price of such Shares.

For the purposes of Condition 5(a)(v) and Condition 5(d)(vi), "Total Effective Consideration" shall be the aggregate consideration receivable by the Company on payment in full for such Shares without any deduction of any commission, discount or expenses paid, allowed or incurred in connection with the issue thereof, and "Total Effective Consideration for each Share" shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid.