

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

(Incorporated in Bermuda on 24 September 2004)

(Company Registration Number: 35842)

PROPOSED SALE OF THE WASTE-TO-ENERGY BUSINESS, ASSETS (INCLUDING CONCESSIONS RIGHTS) AND PRINCIPAL OPERATING SUBSIDIARIES OF C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED IN THE PEOPLE'S REPUBLIC OF CHINA – ENTRY INTO THE ACQUISITION AGREEMENT

Unless otherwise defined herein, all capitalised terms and references used herein shall bear the same meanings ascribed to them in the Company's announcement dated 24 December 2013.

For the purpose of this announcement, unless otherwise stated, the exchange rates of S\$1 to RMB4.7477 (as published on Bloomberg as at 28 January 2014) will be applied throughout this announcement for illustrative purposes only.

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of C&G Environmental Protection Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) had announced on 23 October 2013 that the Company had entered into a letter of intent (the “**LOI**”) with a potential buyer in respect of a proposed sale of the Group's waste-to-energy (“**WTE**”) business and assets (including concession rights) and the principal operating subsidiaries of the Company (collectively, the “**WTE Business and Assets**”) in the People's Republic of China (“**PRC**”). On 24 November 2013, the Company had announced that the potential buyer is 瀚蓝环境股份有限公司 (Grandblue Environment Co. Ltd) (formerly known as 南海发展股份有限公司 (Nanhai Development Co. Ltd)) (the “**Purchaser**”), a public company listed on the Shanghai Stock Exchange (the “**SSE**”) in the PRC.
- 1.2 On 23 December 2013, the Company had, through its wholly-owned subsidiary, C&G Environmental Protection (Hong Kong) Company Limited (“**C&G (HK)**”), entered into a framework acquisition agreement (the “**Framework Agreement**”) with the Purchaser for the proposed sale of the entire shareholdings (the “**Sale Shares**”) in 创冠环保(中国)有限公司 (C&G Environmental Protection (China) Company Limited) (“**C&G (China)**”), a wholly-owned subsidiary of C&G (HK) to the Purchaser (the “**Proposed Sale**”).
- 1.3 C&G (China), together with its PRC subsidiaries, owns and operates the Group's PRC WTE Business and Assets. A list of C&G (China)'s PRC subsidiaries comprised in the Proposed Sale together with brief details of their respective WTE build-operate-transfer (“**WTE BOT**”) projects is set out in paragraph 2 of this announcement. C&G (China) together with these subsidiaries is referred to as the “**Target Group**”).
- 1.4 The Board is pleased to announce that C&G (HK) and the Purchaser had today entered into a conditional acquisition agreement in relation to the Proposed Sale (the “**Acquisition Agreement**”).
- 1.5 The aggregate purchase consideration for the Sale Shares is the sum of RMB1.85 billion (equivalent to approximately S\$389.7 million). Of which, a sum of RMB1.1 billion (equivalent to approximately S\$231.7 million) shall be satisfied in cash and the balance RMB0.75 billion (equivalent to approximately S\$158.0 million) shall be satisfied by way of

an allotment and issue of 89,928,057 new shares of par value RMB1 in the share capital of the Purchaser as listed and quoted on the SSE at an issue price of RMB8.34 per share. Further details of the purchase consideration for the Sale Shares may be found in paragraphs 4.3 to 4.6 of this announcement.

- 1.6 The issue price of RMB8.34 per share as set out in paragraph 1.5 above represents a discount of approximately 55.6% to the closing price of the Purchaser's shares of RMB12.98 on 28 January 2014 (the day preceding the signing of the Acquisition Agreement) as traded on the SSE.
- 1.7 In connection with the Acquisition Agreement, C&G (HK) had also entered into a compensation agreement with the Purchaser (the "**Claw-Back Agreement**") to provide, *inter alia*, compensation to the Purchaser in the event that the Target Group fails to meet the Profit Targets (as defined in paragraph 5 of this announcement). Further details of the Profit Targets and the Claw-Back Agreement are set out in paragraph 5 of this announcement.
- 1.8 The Proposed Sale constitutes a "major transaction" under Chapter 10 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and is therefore, subject to the provisions of the Listing Manual governing the same including but not limited to obtaining the Company's shareholders' ("**Shareholders**") approval.

2. INFORMATION ON C&G (CHINA)

C&G (China) is a wholly-owned subsidiary of C&G (HK). It is a wholly-owned foreign enterprise registered in the PRC. C&G (China) was established as a holding company of the Group's PRC subsidiaries engaging in the WTE business in the PRC. C&G (China) and each of its subsidiaries are engaged in the investment, the construction of, the operation and management of waste incineration power plants under the build-operate-transfer ("**BOT**") schemes in the PRC.

Under the BOT schemes, WTE contractors are awarded the concession rights for the construction, operation and management of waste incineration power plants. The municipal government shall supply a minimum capacity of municipal solid wastes to the WTE contractors for treatment at the waste incineration power plants. Electricity is generated by harnessing thermal power from the incineration of waste and sold back to the municipal government at preferential rates.

A list of C&G (China)'s PRC subsidiaries which are to be disposed under the Proposed Sale together with brief details of their respective WTE BOT projects is set out as follows:-

Name of Subsidiary	Brief Description of WTE BOT Project	Effective interest owned by C&G (China)
创冠环保(晋江)有限公司 (C&G Environmental Protection (Jinjiang) Co., Ltd.)	WTE BOT project is located in Jinjiang City, Fujian Province, PRC BOT Period: Phase 1 - 30 years; Phase 2 - 26 years Daily waste processing capacity: 1800 tonnes	100%

	BOT agreement signed in 2003 ("Jinjiang Project")	
创冠环保(惠安)有限公司 (C&G Environmental Protection (Hui'an) Co., Ltd.)	WTE BOT project is located in Hui'an County, Fujian Province, PRC BOT Period: 27 years Daily waste processing capacity: 800 tonnes BOT agreement signed in 2009 ("Hui'an Project")	100%
创冠环保(安溪)有限公司(C&G Environmental Protection (Anxi) Co., Ltd.)	WTE BOT project is located in Anxi County, Fujian Province, PRC BOT Period: Phase 1 - 30 years; Phase 2 - 28 years Daily waste processing capacity: 600 tonnes BOT agreement signed in 2009 ("Anxi Project")	100%
创冠环保(福清)有限公司(C&G Environmental Protection (Fuqing) Co., Ltd.)	WTE BOT project is located in Fuqing City, Fujian Province, PRC BOT Period: 27 years Daily waste processing capacity: Phase 1 - 800 tonnes BOT agreement in 2009 ("Fuqing Project")	100%
创冠环保(建阳)有限公司(C&G Environmental Protection (Jianyang) Co., Ltd.)	WTE BOT project is located in Jianyang City, Fujian Province, PRC BOT Period: 27 years Daily waste processing capacity: 600 tonnes BOT agreement signed in 2009 ("Jianyang Project")	100%
创冠环保(廊坊)有限公司(C&G Environmental Protection (Langfang) Co., Ltd)	WTE BOT project is located in Langfang City, Hebei Province, PRC BOT Period: 27 years Daily waste processing capacity: 1000 tonnes BOT agreement signed in 2009 ("Langfang Project")	100%
创冠环保(黄石)有限公司(C&G Environmental Protection (Huangshi) Co., Ltd)	WTE BOT project is located in Huangshi City, Hubei Province, PRC BOT Period: 27 years Daily waste processing capacity: 800 tonnes BOT agreement signed in 2009 ("Huangshi Project")	100%
创冠环保(孝感)有限公司(C&G Environmental Protection (Xiaogan) Co., Ltd)	WTE BOT project is located in Xiaogan City, Hubei Province, PRC BOT Period: 27 years Daily waste processing capacity: 700 tonnes BOT agreement signed in 2010 ("Xiaogan Project")	100%
创冠环保(大连)有限公司(C&G Environmental Protection (Dalian) Co., Ltd.)	WTE BOT project is located in Dalian City, Liaoning Province, PRC BOT Period: 27 years Daily Capacity: 1000 tonnes BOT agreement signed in 2012 ("Dalian Project")	100%
创冠环保(贵阳)有限公司(C&G Environmental Protection	WTE BOT project is located in Guiyang City, Guizhou Province, PRC	100%

(Guiyang) Co., Ltd.) ¹	BOT Period: 30 years Daily waste processing capacity: 2000 tonnes BOT agreement signed in 2013 ("Guiyang Project")	
创冠环保(营口)有限公司(C&G Environmental Protection (Yingkou) Co., Ltd.)	Project terminated and the subsidiary is in the process of being deregistered ("Yingkou Project")	100%

Note:-

1. 创冠环保(贵阳)有限公司 (C&G Environmental Protection (Guiyang) Co., Ltd.) has not been incorporated as at the date of the Acquisition Agreement.

3. INFORMATION ON THE PURCHASER

The Purchaser is a state-owned company listed on the SSE and based in Nanhai District, Foshan City, Guangdong Province, PRC. The Purchaser, together with its subsidiaries engages in the tap water supply, sewage treatment, solid waste treatment and disposal, gas service and waste incineration power-generation businesses in the PRC.

4. PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

4.1 Sale and transfer of the Sale Shares

- 4.1.1 Pursuant to the terms and subject to the conditions of the Acquisition Agreement, C&G (HK) shall sell and transfer to the Purchaser, and the Purchaser shall purchase the Sale Shares, free from all encumbrances, and with all rights and advantages attaching thereto as at the date of completion (the "**Completion Date**") of the Acquisition Agreement (the "**Completion**").
- 4.1.2 The parties have agreed that all accumulated undistributed profits accrued in C&G (China) before 30 September 2013 shall form part of the Proposed Sale. Following Completion, the Purchaser shall procure C&G (China) to declare and distribute such accumulated undistributed profits as dividend to the Purchaser and the Purchaser shall in turn declare and distribute such dividend to its shareholders then, which shall include C&G (HK).
- 4.1.3 The parties have further agreed that the trademark, logo and the name "创冠" shall not form part of the Proposed Sale. C&G (HK) has further agreed to allow the Target Group the use of such trademark, logo and name for a period of three (3) years following the completion of the Sale Shares in accordance with the Acquisition Agreement.

4.2 Status of the Target Group's WTE BOT projects

- 4.2.1 The following is a list of WTE BOT projects which the Target Group has procured as at the date of the Acquisition Agreement:-

WTE BOT Project	Status
Hui'an Project	Phase 1 construction completed Phase 2 under construction
Anxi Project	Project completed

Jiayang Project	Project completed
Fuqing Project	Phase 1 construction completed
Huangshi Project	Phase 1 construction completed
Xiaogan Project	Project under construction
Langfang Project	Project completed
Jinjiang Project	Project completed
Dalian Project	Project under construction
Guiyang Project	Project under construction
Anxi Project	Project completed
Yingkou Project	Project terminated and the subsidiary is in the process of being deregistered

- 4.2.2 C&G (HK) has warranted to the Purchaser that save for the Yingkou Project which has been terminated, the BOT contracts in respect of the rest of the WTE BOT projects set out in the table above are legal and valid as at the date of the Acquisition Agreement.
- 4.2.3 In addition, C&G (HK) has undertaken to the Purchaser (i) not to cause the termination of any of the contracts in respect of the WTE BOT projects set out in the table above (other than the Yingkou Project) resulting from a breach of the contract on the part of the Target Group; and (ii) to procure that the contracts in respect of the WTE BOT projects set out in the table above (other than the Yingkou Project) are in compliance with their respective terms and conditions as at the Completion Date.

4.3 Purchase Consideration

- 4.3.1 Pursuant to the terms and subject to the conditions of the Acquisition Agreement, the Purchaser shall be entitled to appoint a firm of qualified valuers to conduct a valuation of the Sale Shares based on the Present Earnings Value method taking into account the earnings and profits of the WTE BOT projects of the Target Group and, the Purchaser and C&G (HK) shall use the valuation as a basis to negotiate and agree on the purchase consideration for the Sale Shares.

Accordingly, the Purchaser had appointed 北京中天衡平国际资产评估有限公司 (China Valuer International Co., Ltd.) (the “**Appointed Valuers**”) as the firm of expert valuers to conduct the valuation.

- 4.3.2 Based on the valuation report dated 22 January 2014 (“the **Valuation Report**”) issued by the Appointed Valuers and registered with 国有资产管理部 (State-owned Assets and Administration Commission) (the “**SASAC**”), the valuation of the Sale Shares as at 30 September 2013 (the “**Valuation Date**”) amounted to the sum of RMB1,854,315,800 (equivalent to approximately S\$390.6 million).
- 4.3.3 On the basis of the valuation as determined by the Appointed Valuers, C&G (HK) and the Purchaser have further negotiated and agreed that the aggregate Consideration for the Sale Shares shall be the sum of RMB1.85 billion (equivalent to approximately S\$389.7 million).
- 4.3.4 The Consideration shall be satisfied in part by cash and in part by the issue and allotment of the Consideration Shares.
- 4.3.5 The sum of RMB1.1 billion (equivalent to approximately S\$231.7 million) shall be the Cash Consideration, and the balance RMB0.75 billion (equivalent to

approximately S\$158.0 million) shall be satisfied by way of an allotment and issue of 89,928,057 Consideration Shares to C&G (HK) at an issue price of RMB8.34 per Consideration Share by the Purchaser.

4.4 **Advance Payment**

- 4.4.1 The Purchaser has paid C&G (HK) a sum of RMB250 million (equivalent to approximately S\$52.7 million) within five (5) working days from the completion of the pledge of 100% of the equity interest of 创冠环保(晋江)有限公司 (C&G Environmental Protection (Jinjiang) Co., Ltd.) ("**C&G Jinjiang**") to the Purchaser (as set out below in paragraph 4.4.2), being advance payment of part of the Cash Consideration (the "**Advance Payment**").
- 4.4.2 As security for the Advance Payment, C&G (China) has pledged 100% of the equity interest of C&G Jinjiang to the Purchaser.
- 4.4.3 The Advance Payment together with all accrued interests calculated based on the People's Bank of China's prime lending interest rate for the same period per annum (the "**Agreed Bank Interest Rate**") shall be applied as part payment towards the Cash Consideration.
- 4.4.4 In the event that the Proposed Sale is aborted or terminated, C&G (HK) shall be required to repay the Advance Payment together with all accrued interests to the Purchaser within ninety (90) days (the "**Refund Period**") from the date of such termination or abortion.
- 4.4.5 In the event that C&G (HK) shall be unable to repay the Advance Payment together with all accrued interests within the Refund Period, C&G (HK) shall within thirty (30) days from the last day of the Refund Period transfer 100% of the equity interest of C&G Jinjiang to the Purchaser at a purchase consideration based on a valuation to be conducted by a firm of expert valuers as appointed jointly by the Purchaser and C&G (HK). If the valuation of C&G Jinjiang shall be higher than the sum of the Advance Payment together with accrued interests, the Purchaser shall pay the difference to C&G (HK) within fifteen (15) days.

4.5 **Payment Terms for the Cash Consideration**

Pursuant to the Acquisition Agreement, the Purchaser shall pay the Cash Consideration in the following manner:-

- 4.5.1 **Tranche 1 Payment:** within fifteen (15) days from the Completion Date, the sum of RMB800 million (equivalent to approximately S\$168.5 million). The Advance Payment with all accrued interests shall be applied towards the payment of the Tranche 1 Payment.
- 4.5.2 **Tranche 2 Payment ("Tranche 2 Payment"):** the balance Cash Consideration of RMB300 million (equivalent to approximately S\$63.2 million) shall be paid in three (3) separate sub-tranches (the "**Sub-tranches**", each a "**Sub-tranche**") of RMB100 million each (equivalent to approximately S\$21.1 million).

Each Sub-tranche shall be paid within thirty (30) days from the fulfillment of the conditions set out below for the completion of each of the Xiaogan Project, the Guiyang Project and the Dalian Project. The conditions are:-

- i. each of the projects having obtained the requisite approvals from the environmental protection authorities in the PRC;
- ii. each of the projects having obtained the requisite approvals from the national development and reform commission of the PRC;
- iii. each of the projects having obtained the requisite land pre-qualifications approvals from the relevant PRC authorities; and
- iv. each of the projects having obtained the requisite construction, land-use and planning permits from the relevant PRC authorities.

4.5.3 In the event that construction of any of the aforesaid three (3) projects does not commence within three (3) years from the receipt of the respective Sub-tranche payment, C&G (HK) shall repay the sum of RMB100 million (equivalent to approximately S\$21.1 million) with all accrued interests from the date of the payment of that Sub-tranche at the Agreed Bank Interest Rate in respect of the respective project to the Purchaser, within sixty (60) days from the expiry of the said three (3) year period.

4.5.4 In addition, C&G (HK) shall pledge thirty (30) million Consideration Shares to the Purchaser for a period of thirty-six (36) months from the Completion Date as security for C&G (HK)'s performance of the terms and conditions of the Acquisition Agreement.

4.6 Allotment and Issue of Consideration Shares

4.6.1 The sum of RMB0.75 billion (equivalent to approximately S\$158.0 million) being the balance of the Consideration shall be satisfied by way of an allotment and issue of 89,928,057 Consideration Shares at an issue price of RMB8.34 per Consideration Share by the Purchaser to C&G (HK) within thirty (30) days from the Completion Date.

4.6.2 The issue price of RMB8.34 per Consideration Shares was arrived at based on the volume weighted average price of the Purchaser's shares as quoted on the SSE for a period of twenty (20) trading days prior to 23 October 2013, being the date on which the Purchaser released an announcement on its board of directors' intention to pursue the Proposed Sale.

4.6.3 The determination of the issue price of the Consideration Shares is in accordance with the rules of the 上市公司重大资产重组管理办法 (Review Schedule for the Administrative Permission of Mergers and Acquisition and Restructuring of Listed Companies) issued by the 中国证券监督管理委员会 (China Securities Regulatory Commission) (the "CSRC") which are applicable to the Purchaser and the Proposed Sale.

4.7 Moratorium

4.7.1 C&G (HK) has undertaken to the Purchaser not to sell, assign, transfer or otherwise dispose of any of the Consideration Shares (other than the thirty (30) million Consideration Shares pledged to the Purchaser in accordance with the Acquisition Agreement, details of which are set out in paragraph 4.5.4 of this announcement), for a period of thirty-six (36) months (the "Moratorium Period") commencing from the Completion Date.

4.7.2 C&G (HK) shall be entitled to freely sell, assign, transfer or otherwise dispose of the Consideration Shares on the SSE according to the relevant rules and regulations of SSE and the CSRC on the expiry of the Moratorium Period.

4.8 **Conditions Precedent**

4.8.1 The Acquisition Agreement contains such customary conditions precedent for transaction of this nature which include the following:-

- i. the entry by the Purchaser and C&G (HK) into all requisite agreements in connection with the Proposed Sale;
- ii. approval being granted by the SASAC for the restructuring of the Purchaser undertaken for the Proposed Sale;
- iii. approval being granted by the 中华人民共和国商务部 Ministry of Commerce for the PRC for the proposed strategic investment in the Purchaser by C&G (HK);
- iv. the approval of the shareholders of the Company and C&G (HK) for the Proposed Sale upon the terms and conditions set out in the Acquisition Agreement, having been obtained; and
- v. the approval of the shareholders of the Purchaser for the transactions contemplated under the Acquisition Agreement, upon the terms and conditions set out in the Acquisition Agreement, having been obtained; and
- vi. all licenses, consents, approvals, waivers, authorisations or other orders of and all notices, registrations, submissions or filings as may be necessary with any governmental or regulatory body or relevant competent authority, including, but not limited to, the SGX-ST, CSRC and SSE having jurisdiction over the Proposed Sale or to the entry into the Proposed Sale, being granted or obtained.

4.8.2 If the approval of the CSRC shall not have been obtained for the Proposed Sale within eighteen (18) months from the date of the Acquisition Agreement, C&G (HK) and the Purchaser may within ten (10) days thereafter negotiate with each other with a view to agree on another date for the Purchaser to obtain the approval of the CSRC. In the event that the parties are unable to agree to a date, either party may by written notice to the other terminate the Acquisition Agreement.

4.9 **Completion**

Completion of the Acquisition Agreement is subject to the satisfaction of the following conditions:-

- 4.9.1 the approval of the CSRC having been obtained in respect of the Proposed Sale and the transactions contemplated thereunder;
- 4.9.2 C&G (HK) shall co-ordinate with the relevant PRC government authorities having jurisdiction over the WTE BOT projects of the Target Group to obtain the

necessary approvals and consents and liaise with the relevant government authorities for the execution of any supplemental agreements for the transfer of the WTE BOT contracts if necessary;

- 4.9.3 the procedure of the handover and transfer of all relevant assets in respect of the Proposed Sale having been completed; and
- 4.9.4 the commencement of operations and collection of waste handling fees for each of the Hui'an Project (Phase 1), Anxi Project, Jianyang Project, Fuqing Project (Phase 1), Huangshi Project (Phase 1), Jinjiang Project and the Langfang Project.

4.10 Appointment of a Director to the Board of Directors of the Purchaser

It is agreed that a representative nominated by the Company shall be appointed to the board of directors of the Purchaser within thirty (30) days from the Completion Date.

4.11 Default

- 4.11.1 In the event that either the Purchaser or C&G (HK) shall be in default of its obligations under the Acquisition Agreement, the defaulting party shall be liable to compensate the non-default party for any costs, expenses, losses, damages and liabilities of any kind arising from the default.
- 4.11.2 In the event that either the Purchaser or C&G (HK) shall terminate the Acquisition Agreement unilaterally (other than a mutual agreement to terminate or a termination due to the parties' inability to obtain the relevant consents and/or approvals from the relevant authorities having jurisdiction over the Proposed Sale), the party in breach shall compensate the other party liquidated damages amounting to thirty per cent. (30%) of the Consideration within thirty (30) days of such breach.

4.12 Representations, warranties and undertakings

Each of C&G (HK) and the Purchaser has furnished each other customary representations and warranties for transactions of this nature.

4.13 Non-Competition

C&G (HK) has undertaken to the Purchaser from the date of the Acquisition Agreement, other than the Group's shareholding interest in the Purchaser or as otherwise authorised by the Acquisition Agreement or as agreed to in writing by the Purchaser, none of C&G (HK) and its related parties shall directly or indirectly engage in any business in mainland China which is the same or similar to the business of the Purchaser or its subsidiaries so as to avoid competing with the Purchaser. In the event of a breach, C&G (HK)'s gains from the undertaking of such business shall belong to the Purchaser.

4.14 Governing Law

The Acquisition Agreement shall be governed by the law of the PRC.

5. COMPENSATION FOR PROFIT SHORTFALL

According to the rules of the 上市公司重大资产重组管理办法 (Review Schedule for the Administrative Permission of Mergers and Acquisition and Restructuring of Listed Companies) issued by the CSRC, the Purchaser is required to provide a three (3) year profit forecast report of the target of its acquisition as audited by a certified public accounting firm. In addition, the Purchaser is required to obtain compensation from the vendor of the target in the event that such forecast is not met.

In connection with the entry into the Acquisition Agreement, C&G (HK) has entered into the Claw-Back Agreement with the Purchaser to provide, *inter alia* an undertaking to compensate the Purchaser in the event that the Target Group fails to meet the Profit Targets (defined in paragraph 5.1.1 below).

The Profit Targets as set out in the table in paragraph 5.1.1 below are based on the profit forecast of the Target Group set out in the Valuation Report as determined by the Appointed Valuers, 北京中天衡平国际资产评估有限公司 (China Valuer International Co., Ltd.) in their conduct of the valuation of the Sale Shares.

5.1 Principal Terms of the Claw-Back Agreement

5.1.1 The Purchaser has imposed, and C&G (HK) has agreed, that the Target Group's consolidated net profits for each of 2014, 2015 and 2016 (the "Relevant Period") shall not fall below the Profit Target figures set out against each of these three (3) years in the table below (each referred to as a "Profit Target" and collectively, the "Profit Targets"):-

Year	2014 ('000)	2015 ('000)	2016 ('000)
Profit Target	RMB68,442.3	RMB105,046.9	RMB163,799.5

5.1.2 C&G (HK) and the Purchaser have agreed that in the event that the Completion Date falls after 31 December 2014, the applicable Profit Target for the first year of the Relevant Period shall be 2015 (and not 2014), the second year being 2016 and the third year 2017. The applicable Profit Target for each year of the Relevant Period is found in the Valuation Report prepared by the Appointed Valuers.

5.1.3 The bases for determination of the actual consolidated net profit after tax of the Target Group are as follows:-

- i. The consolidated financial statements of C&G (China) are prepared in accordance to the 企业会计准则 (Chinese Accounting Standards) and all applicable laws and regulations;
- ii. unless required by applicable laws and regulations, there shall be no change to the accounting standards adopted by C&G (China) during the period within which the Profit Target is given; and
- iii. the actual consolidated net profits after tax shall exclude extra-ordinary gains/losses attributable to the shareholder(s) of C&G (China).

5.1.4 Shortfall Claw-Back

- i. In the event that the actual consolidated net profits after tax of the Target Group in respect of any of the three years of the Relevant Period is less than the Profit Target of that year, C&G (HK) shall compensate the Purchaser the shortfall for that year (the “**Profit Claw-Back Amount**”), calculated as follows:-

Profit Claw-Back Amount for the relevant year = Profit Target(s) for that relevant year and the preceding year(s) within the Relevant Period, if any on a cumulative basis – Actual Consolidated Net Profit after Tax for that relevant year and the preceding year(s) within the Relevant Period, if any on a cumulative basis – Profit Claw-Back Amount paid to the Purchaser, if any on a cumulative basis

- ii. The Purchaser is required to notify C&G (HK) in writing in the event that a Profit Claw-Back Amount for any relevant year during the Relevant Period is payable by C&G (HK) within ten (10) days from the publication of the Purchaser’s annual report in respect of that year. C&G (HK) is then required to pay such Profit Claw-Back Amount within ninety (90) days (the “**Claw-Back Payment Period**”) from the receipt of the written notice from the Purchaser.
- iii. In the event that C&G (HK) shall be unable to pay the Profit Claw-Back Amount or any part thereof (the “**Claw-Back Shortfall Amount**”) in cash within the Claw-Back Payment Period, C&G (HK) shall within thirty (30) days from the last day of the Claw-Back Payment Period, transfer such number of the Consideration Shares to the Shareholders of the Purchaser (excluding C&G (HK)) based on their shareholdings on a *pro rata* basis, equivalent to the relevant Claw-Back Amount, calculated as follows:-

Number of Consideration Shares to be transferred = Claw-Back Shortfall Amount / RMB8.34 (being the issue price of the Consideration Shares)

5.1.5 Governing Law

The Claw-Back Agreement shall be governed by the law of the PRC.

6. RATIONALE FOR THE PROPOSED SALE

The Directors of the Company are of the view that the Proposed Sale is in the best interests of the Company for the following reasons:-

- 6.1 the Proposed Sale will enable the Company to realise its investment in the PRC. This presents an opportunity for Shareholders to receive the present value of the aggregated net earnings of not only the existing operating plants but also those under or due for construction (i.e. new concessions); and
- 6.2 the Group’s PRC WTE Business is capital intensive and dependent on long term financing for asset yield and growth. Any potential rise in financing cost in a tightening liquidity environment will affect the Group’s WTE assets from realising their optimal yields and constrain the Group’s growth in the PRC market.

7. REMAINING BUSINESS - FOCUS ON ITS WTE BUSINESS IN THE SOUTHEAST ASIA MARKETS

Numerous regulatory changes and financial incentives have been introduced in the Southeast Asia countries in the past few years aim to promote development of renewable energy technology. In addition, municipal solid waste in these Southeast Asia regions will continue to increase with the growing gross domestic product. Coupled with a declining landfill capacity in some key regions, the WTE plant market is expected to grow exponentially as WTE projects are proving to be an efficient way of handling municipal solid waste while producing alternative sources of energy.

Following the completion of the Proposed Sale, the Group intends to continue to focus on the development and growth of its WTE BOT business and expand its presence in the Southeast Asia markets. In addition, the Group intends to expand from its current BOT WTE business into other environmental related businesses such as the provision of technology advice, equipment and installation services for the treatment of industrial waste water and air pollution (PM2.5) by way of investment, acquisition or strategic alliance. The Company also seeks to capitalise on its expertise and experience as a WTE operator to supply and install WTE equipment in the Southeast Asia regions for WTE operators.

In addition, as the WTE and environmental related business is an emerging industry in the Southeast Asia markets, the Group believes WTE projects in these markets would yield a higher return relative to a more matured market such as the PRC.

The Company believes the opportunities presented in the Southeast Asia renewable energy markets are tremendous and it intends to focus on expanding its business in the Southeast Asia markets.

8. INTENDED USE OF THE PROPOSED SALE PROCEEDS

It is the intention of the Directors of the Company to deploy the proceeds from the Proposed Sale to fund the expansion of its WTE BOT business and other environmental related projects in the Southeast Asia markets. It is also intended that a portion of the proceeds will be utilised as working capital for the Groups' existing Southeast Asia WTE BOT projects.

In addition, it is further intended that a part of the proceeds will be distributed as special dividend to Shareholders.

9. FINANCIAL EFFECTS OF THE PROPOSED SALE

9.1 General

The proforma financial effects of the Proposed Sale on the net asset value (the "**NAV**") per share and the earnings per share (the "**EPS**") of the Group are set out below. The proforma financial effects have been prepared based on the audited consolidated financial results of the Group for the financial year ended 31 December 2012 and the unaudited consolidated financial results of the Company for the nine (9) months ended 30 September 2013 and are purely for illustration purposes only and are therefore not necessarily indicative of the actual financial position of the Group after Completion.

9.2 NAV

For illustrative purposes only, the proforma financial effects of the Proposed Sale on the Group's NAV per share, assuming that the Proposed Sale had been completed on 31 December 2012 and 30 September 2013, being the end of the most recently completed financial year and the end of the most recently completed nine (9) months ended 30 September 2013 respectively, are set out below:-

	As at 31 December 2012		As at 30 September 2013	
	Before the Proposed Sale	After the Proposed Sale	Before the Proposed Sale	After the Proposed Sale
NAV ('000)	HKD1,711,451	HKD2,032,753	HKD1,780,123	HKD2,101,425
Number of Shares	973,023,354	973,023,354	973,023,354	973,023,354
NAV per Share	HKD1.76	HKD2.09	HKD1.83	HKD2.16

9.3 EPS

For illustrative purposes only, the proforma financial effects of the Proposed Sale on the consolidated earnings of the Group, assuming that the Proposed Sale had been completed on 1 January 2012 and 1 January 2013, being the beginning of the most recently completed financial year and the beginning of the most recently completed nine (9) months ended 30 September 2013 respectively, are set out below:

	12 months ended 31 December 2012		9 months ended 30 September 2013	
	Before the Proposed Sale	After the Proposed Sale	Before the Proposed Sale	After the Proposed Sale
Profit/(Loss) attributable to Shareholders ('000)	(HKD49,409)	HKD271,893	HKD22,707	HKD344,009
Number of Shares	973,023,354	973,023,354	973,023,354	973,023,354
Earnings per Share	(HKD0.051)	HKD0.279	HKD0.023	HKD0.354

10. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Sale, and based on the latest announced unaudited financial statements of the Group for the period ended 30 September 2013 (“FY2013”) are as follows

Rule 1006		Relative Computation (%)
(a)	NAV of the Sale Shares, compared to the NAV of the Group	100.3% ¹
(b)	Net profit attributable to the Target Group, compared with the Group’s net profits	177.5% ¹
(c)	Aggregate value of the Consideration ² , compared with the Company’s market capitalization (based on the total number of issued Shares of the Company excluding treasury shares) of S\$0.224 as at 28 January 2014 (calculated based on volume weighted average price for the day), being the last market day preceding the date of the Acquisition Agreement	178.8%
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable

Note:-

1. The Group’s other remaining subsidiaries other than the Target Group are either under construction or have yet to commence operations and accordingly, have a negative NAV and are not generating profits.
2. The aggregate value of the Consideration shall be RMB1.85 billion, whereby RMB1.1 billion (equivalent to approximately S\$231.7 million) shall be paid in cash, and the balance RMB0.75 billion (equivalent to approximately S\$158.0 million) shall be satisfied by way of allotment and issue of 89,928,057 Consideration Shares at an issue price of RMB8.34 per Consideration Share by the Purchaser to C&G (HK).

As the relative figures under Rules 1006(a), (b) and (c) of the Listing Manual exceed twenty per cent. (20%), the Proposed Sale constitutes a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Sale is subject to the approval of Shareholders.

11. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and substantial Shareholders in the Shares as at the date of this announcement are set out as follows:-

	Direct Interest		Deemed Interest	
	Number of Shares	Percentage of issued share capital of the Company (%)	Number of Shares	Percentage of issued share capital of the Company (%)
<u>Directors</u>				
Lin Yan	-	-	774,537,355	79.60
Loo Cheng Guan	-	-	-	-

Alfred Cheong Keng Guan	-	-	-	-
Ng Li Yong	-	-	-	-

	Direct Interest		Deemed Interest	
	Number of Shares	Percentage of issued share capital of the Company (%) ¹	Number of Shares	Percentage of issued share capital of the Company (%) ¹
<u>Substantial Shareholder</u>				
C&G Holdings (Hong Kong) Limited	774,537,355	79.60	-	-
Lin Yan	-	-	774,537,355 ²	79.60
Lam Chik Tsan	-	-	774,537,355 ²	79.60
Design Time Limited	-	-	774,537,355 ³	79.60
Central Huijin Investment Ltd.	-	-	774,537,355 ³	79.60
China Construction Bank Corporation	-	-	774,537,355 ³	79.60
CCB International Group Holdings Limited	-	-	774,537,355 ³	79.60
CCB Financial Holdings Limited	-	-	774,537,355 ³	79.60
CCB International (Holdings) Limited	-	-	774,537,355 ³	79.60
CCBI Investments Limited	-	-	774,537,355 ³	79.60

Note:-

1. As a percentage of the issued share capital of the Company, comprising 973,023,354 Shares, as at the date of this announcement.
2. Deemed to be interested in all the shares held by C&G Holdings (Hong Kong) Limited.
3. The 774,537,355 shares beneficially owned by C&G Holdings (Hong Kong) Limited are charged in favour of Design Time Limited pursuant to an investment agreement dated 28 September 2012.

Central Huijin Investment Ltd. (“CHI”) holds 57.13% of the total equity interest of China Construction Bank Corporation (CCB). CCB indirectly wholly owns Design Time Limited (“DTL”) through its wholly owned subsidiaries, CCB International Group Holdings Limited, CCB Financial Holdings Limited, CCB International (Holdings) Limited and CCBI Investments Limited

12. SPECIAL GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

The Company will convene a special general meeting (the “SGM”) to seek the approval of Shareholders for the Proposed Sale, and a circular containing, *inter alia*, details thereof, together with the opinions and recommendations of the Board in relation thereto, and enclosing the notice of SGM in connection therewith, will be despatched to Shareholders in due course.

13. CAUTION

Shareholders should note that the Proposed Sale is subject to a number of conditions under the Acquisition Agreement including but not limited to the approval of Shareholders and the relevant PRC authorities having jurisdiction over the Purchaser and the Proposed Sale.

Shareholders are advised to exercise caution in dealing or trading in the shares of the Company as there is no certainty or assurance as at the date of this announcement that the Proposed Sale will be completed. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected by Shareholders at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda during normal business hours for 3 months from the date of the announcement:-

- 14.1 the LOI;
- 14.2 the Framework Agreement;
- 14.3 the Claw-Back Agreement; and
- 14.4 the Acquisition Agreement.

By Order of the Board

Lin Yan
Executive Chairman & Group Chief Executive Officer
29 January 2014