

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

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

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*Unless otherwise defined herein, all capitalised terms and references used herein shall bear the same meanings ascribed to them in the Company's announcements dated 23 October 2013 and 24 November 2013 respectively.*

*For the purpose of this announcement, unless otherwise stated, the exchange rates of S\$1 to RMB4.8 (as published on Bloomberg as at 23 December 2013) 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**") announced on 23 October 2013 that the Company had entered into a letter of intent ("**LOI**") with a potential buyer in respect of a proposed sale of the Group's waste-to-energy business and assets (including concession rights) and the principal operating subsidiaries of the Company in the People's Republic of China ("**PRC WTE Business and Assets**").

1.2 On 24 November 2013, the Board further 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 company listed on the Shanghai Stock Exchange ("**SSE**") in the People's Republic of China ("**PRC**").

1.3 The Board is pleased to announce that the Company had, through its wholly-owned subsidiary, C&G Environmental Protection (Hong Kong) Company Limited ("**C&G (HK)**") on 23 December 2013, entered into a framework acquisition agreement ("**Framework Agreement**") with the Purchaser.

Pursuant thereto, the Purchaser and C&G (HK) had agreed to the broad framework governing the proposed sale of the entire shareholdings (the "**Sales 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**").

C&G (China), together with its PRC subsidiaries (the "**Target Group**"), owns and operates the Group's PRC WTE Business and Assets. Further details of C&G (China) and its subsidiaries are set out in paragraph 3 of this announcement.

1.4 Following the entry into the Framework Agreement, the Purchaser and the Group shall use their best endeavours to finalise the valuation of the Sale Shares, the due diligence exercise and the review of the profit forecast by the auditor of the Target Group in order to negotiate and enter into a definitive sale and purchase agreement relating to the

Proposed Sale (the “SPA”) together with such other ancillary agreements. The final terms and conditions of the Proposed Sale are subject to the execution of the SPA.

- 1.5 The Proposed Sale constitutes a “major transaction” under Chapter 10 of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) listing manual (“Listing Manual”) and is therefore subject to the requirements of the Listing Manual governing the same.

## 2. PRINCIPAL TERMS OF FRAMEWORK AGREEMENT

### 2.1 Sale and Transfer of the Sale Shares

Pursuant to the terms and subject to the conditions of the Framework 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 (“Completion Date”) of the Framework Agreement (“Completion”).

### 2.2 Purchase Consideration

2.2.1 Pursuant to the terms and subject to the conditions of the Framework Agreement, the parties thereto had agreed that the Purchaser shall be entitled to appoint an expert firm of valuers as approved by the relevant PRC authorities (“Expert Valuers”) to conduct a valuation of the Sale Shares based on the discounted cash flow method.

2.2.2 Based on the Expert Valuers’ estimated valuation of the Sale Shares of RMB1.85 billion (equivalent to approximately S\$385.4 million) as at 30 September 2013, C&G (HK) and the Purchaser had agreed that the proposed aggregate purchase consideration (“Consideration”) for the Sale Shares shall not exceed the sum of RMB1.85 billion (equivalent to approximately S\$385.4 million). The parties had further agreed that the actual Consideration including the manner of payment shall be subject to further negotiations between the parties on the finalisation of the Expert Valuers’ report as approved by the relevant PRC authorities and set out in the SPA.

2.2.3 Based on the Framework Agreement (but subject to finalization in the SPA), the Consideration shall be satisfied in part by cash and in part by the issue and allotment of new shares of par value RMB1 in the share capital of the Purchaser listed and quoted on the SSE (“Consideration Shares”) to C&G (HK).

2.2.4 Based on the estimated Consideration of RMB1.85 billion, RMB1.1 billion (equivalent to approximately S\$231.25 million) shall be paid in cash (“Cash Consideration”), and the balance RMB7.5 billion (equivalent to approximately S\$156.25 million) shall be satisfied by way of allotment and issue of not more than 89,928,058 Consideration Shares at an issue price of RMB8.34 per Consideration Share by the Purchaser to C&G (HK). The issue price of RMB8.34 was based on the volume weighted average price of the Purchaser’s shares as quoted on SSE for a period of twenty (20) trading days prior to the signing of the LOI.

### 2.3 Advance Payment

2.3.1 Pursuant to the Framework Agreement, the Purchaser shall deposit RMB250 million (equivalent to approximately S\$52.08 million) into an account designated

by C&G (HK) within five (5) working days from the date of the Framework Agreement as advance payment to C&G (HK) ("**Advance Payment**").

- 2.3.2 The Advance Payment shall be applied as part payment towards the Cash Consideration in accordance with the terms and conditions of the Framework Agreement.
- 2.3.3 As a condition for the payment of the Advance Payment, C&G (China) shall pledge 100% of the equity interest of 创冠晋江 (C&G Environmental Protection (Jinjiang) Co., Ltd.) ("**C&G Jinjiang**") to the Purchaser as security within five (5) days of the signing of the Framework Agreement.
- 2.3.4 If the Framework Agreement is aborted or terminated, C&G (HK) shall repay the Advance Payment together with interest accrued calculated based on the People's Bank of China's prime lending interest rate (for the same period) per annum ("**Agreed Bank Interest Rate**") to the Purchaser within ninety (90) days ("**Refund Period**") from the date of such termination or abortion.
- 2.3.5 In the event that C&G (HK) is unable to repay the Advance Payment together with all accrued interest within the Refund Period, C&G (HK) shall 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 is higher than the sum of the Advance Payment together with interests accrued, the Purchaser shall pay the difference to C&G (HK).

#### 2.4 **Payment Terms for Cash Consideration**

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

- 2.4.1 **Tranche 1 Payment:** within fifteen (15) days of the Completion Date, the sum of RMB800 million (equivalent to approximately S\$166.67 million).
- 2.4.2 **Tranche 2 Payment ("Tranche 2 Payment"):** The balance Cash Consideration of RMB300 (equivalent to approximately S\$62.5 million) million shall be paid in three (3) separate sub-tranches ("**Sub-tranches**", each a "**Sub-tranche**") of RMB100 million each (equivalent to approximately S\$20.83 million). The fulfilment of certain agreed conditions for the completion of each of 贵阳 ("**Guiyang**") Build-Operate-Transfer ("**BOT**") project, 孝感 ("**Xiaogan**") BOT project and the 大连 ("**Dalian**") BOT project including the following:-
  - i. each of the BOT projects having obtained the project approvals from the relevant authorities;
  - ii. each of the BOT project having obtained the necessary approvals on the environmental impact appraisal report;
  - iii. each the BOT project having obtained the necessary land pre-qualifications approvals from the relevant authorities; and
  - iv. each of the BOT project having obtained the necessary construction land planning permits from the relevant department.

2.4.3 In the event that construction of any of the aforesaid BOT projects is not commenced 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\$20.83 million) for that respective BOT project to the Purchaser with all interests accrued from the date of the payment of that Sub-tranche at the Agreed Bank Interest Rate.

2.4.4 In addition, C&G (HK) shall pledge thirty (30) million Consideration Shares to the Purchaser's designated third party escrow agent 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 Framework Agreement.

## 2.5 Allotment and Issue of Consideration Shares

RMB7.5 billion (equivalent to approximately S\$156.25 million) of the Consideration shall be satisfied by way of allotment and issue of not more than 89,928,058 Consideration Shares at an issue price of RMB8.34 per Consideration Share by the Purchaser to C&G (HK) thirty (30) days from the Completion Date.

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 SSE for a period of twenty (20) trading days prior to the signing of the LOI. The determination of the issue price is based on 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 (China Securities Regulatory Commission) ("CSRC").

## 2.6 Moratorium

C&G (HK) undertakes to the Purchaser not to sell, assign, transfer or otherwise dispose of any of the Consideration Shares (other than the 30 million pledged to the Purchaser in accordance with the Framework Agreement) allotted and issued to it on Completion, for a period of thirty-six (36) months commencing from the Completion Date.

## 2.7 Conditions Precedent

2.7.1 The Framework 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. the completion of the due diligence by the Purchaser on C&G (China) and its subsidiaries and the results being satisfactory to the Purchaser;
- iii. approval being granted by the SASAC for the restructuring of the Purchaser undertaken for the Proposed Sale;
- iv. approval being granted by the 中华人民共和国商务部 Ministry of Commerce for the PRC (the "MOC") for the proposed strategic investment in the Purchaser by C&G (HK);
- v. 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 Framework Agreement, having been obtained; and

- vi. the approval of the shareholders of the Purchaser for the transactions contemplated under the Framework Agreement, upon the terms and conditions set out in the Framework Agreement, having been obtained; and
- vii. 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 and completion of the Framework Agreement, being granted or obtained.

## 2.8 **SPA and ancillary agreements in relation to and in connection with the Proposed Sale**

The Purchaser and C&G (HK) shall use their best endeavours to negotiate, finalise and enter into a conditional SPA together with such ancillary agreements relating to the Proposed Sale upon the finalisation of the Expert Valuers' report on the valuation of the Sale Shares, the due diligence exercise and the review of the profit forecast of the Target Group.

## 2.9 **Profit Guarantee and Profit Compensation**

- 2.9.1 The Purchaser is required to obtain a three (3) year profit guarantee (the first year being the year in which the Proposed Sale is completed and the subsequent two (2) years) (the "**Profit Guarantee**") from the Group according to Article 18 and 34 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 in respect of the Proposed Sale.
- 2.9.2 Accordingly, C&G (HK) shall provide the Profit Guarantee.
- 2.9.3 The bases for determination of the actual consolidated net profit after tax of the Target Group for each of the three (3) years in respect of which the profit guarantee is being given are as follows:-
  - i. The consolidated financial statements of C&G (China) are audited in accordance to the PRC Generally Accepted Accounting Principles ("**PRC GAAP**") 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 Profit Guarantee period; and
  - iii. the consolidated actual net profits after tax shall exclude extra-ordinary losses.
- 2.9.4 In the event that the Profit Guarantee is not achieved in any of the three years, the relevant profit shortfall compensation for that year ("**Profit Compensation**") calculated as follows shall be offset against the Consideration:-

**Profit Compensation for the year = Accumulated Profit Guarantee as at the end of the financial year – accumulated actual net profit after tax as at the end of the financial year – accumulated compensated net profit**

## 2.10 Transitional Period

2.10.1 C&G (HK) and the Purchaser had agreed to enter into an agreement to, inter alia, manage and operate C&G (China) and its subsidiaries operate jointly during the period from the date of the Framework Agreement to the Completion Date.

2.10.2 In connection therewith, the Purchaser and C&G (HK) had today entered in Transition Agreement to set out their respective roles and responsibilities in respect of the management and operation of the C&G (China) and its subsidiaries.

## 2.11 Completion

Completion of the Proposed Sale is subject to the satisfaction of the following conditions:

2.11.1 approval being granted by the CSRC for all necessary documents;

2.11.2 C&G (HK) having settled in full all applicable taxes owed by it or any of its subsidiaries and all the necessary approvals and consents (including any governmental, regulatory and/or corporate approvals and consents) required for the operation of Target Group have been obtained, and are and shall remain valid on Completion;

2.11.3 completion of the transfer of assets; and

2.11.4 commencement of operations and start collection of waste handling fees for the 惠安(“Hui’an”) BOT Phase 1 project, 安溪(“Anxi”) BOT project, 建阳(“Jianyang”) BOT project, 福清(“Fuqing”) BOT project, 黄石(“Huangshi”) BOT project, 廊坊(“Langfang”) BOT project and 晋江(“Jinjiang”) BOT project.

## 2.12 Appointment of a Director to Board of the Purchaser

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

## 2.13 Default

2.13.1 In the event that either the Purchaser or C&G (HK) is in default of its obligations under the Framework Agreement, the defaulting party shall compensate the non-default party for any costs, expenses, losses, damages and liabilities of any kind arising from the default.

2.13.2 In the event that either the Purchaser or C&G (HK) terminates the Framework Agreement unilaterally (other than a mutual agreement to terminate or a termination due to the parties’ inability to obtain the relevant consents, approvals from the relevant authorities having jurisdiction over the Proposed Sale), the party which is in breach shall compensate the other party liquidated damages amounting to 30% of the aggregate Consideration within thirty (30) days of the breach.

#### 2.14 Representations, warranties and undertakings

Pursuant to the Framework Agreement, the Parties have furnished representations and warranties to each other customary for transactions of this nature.

#### 2.15 Non-Competition

C&G (HK) undertakes to the Purchaser from the date of the Framework Agreement, other than the Group's shareholding interest in the Purchaser or as otherwise authorised by the Framework 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 the Purchaser or its subsidiaries so as not 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.

#### 2.16 Governing Law

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

### 3. INFORMATION ON C&G (CHINA)

C&G (China) is a wholly owned subsidiary of C&G (HK). It is a private company incorporated in the PRC. C&G (China) was established as a holding company of the Group's PRC subsidiaries engaging in the PRC WTE Business namely. C&G (China) invests in, constructs, operates and maintains waste incineration power plants under the BOT investments schemes in the PRC.

Under the BOT schemes, the municipal government is contracted to supply a minimum capacity of municipal solid wastes for treatment. Electricity is generated by harnessing thermal power from the incineration of waste and sold back to the power grid at preferential rates.

The list of the PRC Subsidiaries of C&G (China) that are to be disposed under the Sale Shares is set out as follows:

Name	Principal activities	Place of incorporation	Effective interest
创冠晋江 (C&G Environmental Protection (Jinjiang) Co., Ltd.)	Construction, operation and management of waste-to-energy plant	PRC	100%
创冠惠安 (C&G Environmental Protection (Hui'an) Co., Ltd.)	Construction, operation and management of waste-to-energy plant	PRC	100%
创冠安溪 (C&G Environmental Protection (Anxi) Co., Ltd.)	Construction, operation and management of waste-to-energy plant	PRC	100%
创冠福清 (C&G Environmental Protection (Fuqing) Co., Ltd.)	Construction, operation and management of waste-to-energy plant	PRC	100%
创冠建阳 (C&G Environmental Protection (Jianyang) Co., Ltd.)	Construction, operation and management of waste-to-energy plant	PRC	100%

创冠廊坊 (C&G Environmental Protection (Langfang) Co., Ltd)	Construction, operation and management of waste-to-energy plant	PRC	100%
创冠黄石 (C&G Environmental Protection (Huangshi) Co., Ltd)	Construction, operation and management of waste-to-energy plant	PRC	100%
创冠孝感 (C&G Environmental Protection (Xiaogan) Co., Ltd)	Construction, operation and management of waste-to-energy plant	PRC	100%
创冠大连 (C&G Environmental Protection (Dalian) Co., Ltd.)	Construction, operation and management of waste-to-energy plant	PRC	100%
创冠贵阳 (C&G Environmental Protection (Guiyang) Co., Ltd.) <sup>1</sup>	Construction, operation and management of waste-to-energy plant	PRC	100%

1. 创冠贵阳 (C&G Environmental Protection (Guiyang) Co., Ltd.) has not been incorporated as at the date of the Framework Agreement.

#### 4. 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 generational businesses in the PRC.

#### 5. 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:-

- 5.1 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);
- 5.2 the Company will use part of the proceeds to fund the development and growth of its WTE BOT business and explore other environmental related projects in the Southeast Asia markets. The WTE and environmental related business is rapidly growing in Southeast Asia and being an emerging industry in these markets, the Company believes the projects would yield a higher return; and
- 5.3 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.

#### 6. INTENDED USE OF THE PROPOSED SALE PROCEEDS

It is the intention of the Directors to deploy the proceeds from the Proposed Sale to fund its future WTE BOT business and other environmental related projects in the Southeast Asia markets. It is

also intended that a portion of the fund will be utilised as working capital for the Groups' existing Southeast Asia WTE BOT projects.

It is further intended that a part of the proceeds will be distributed as special dividend to Shareholders.

## **7. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

As at the date of this announcement, save for their shareholdings in the Company, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Sale.

## **8. FURTHER ANNOUNCEMENT**

As at the date of this announcement, the Company and the Purchaser are currently in the process of carrying out the necessary due diligence, finalizing the valuation of the Target Group and the review/audit of the Profit Guarantee. Following thereon, the Company and the Purchaser shall finalise the negotiations with a view to enter into the conditional SPA.

The Company will make an announcement disclosing further details of the Sale Shares upon execution of the SPA and will make appropriate update announcement(s) on the Sale Shares at the relevant time.

## **9. CAUTION**

**Shareholders should note that the Proposed Sale remains subject to the execution of the SPA, in addition the Proposed Sale is subject to numerous conditions.**

**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.**

## **10. 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:-

10.1 the LOI; and

10.2 Framework Agreement.

By Order of the Board

Lin Yan  
Executive Chairman & Group Chief Executive Officer  
24 December 2013