

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **CHINA EVERBRIGHT INTERNATIONAL LIMITED**

**中國光大國際有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 257)**

### **DISCLOSEABLE TRANSACTION SALE AND PURCHASE AGREEMENT WITH HANKORE**

**Financial advisor to China Everbright International Limited**

## **NOMURA**

**Nomura International (Hong Kong) Limited**

The Board is pleased to announce on 2 June 2014, CEWHL (a wholly-owned subsidiary of the Company) as vendor and HanKore as purchaser entered into the Sale and Purchase Agreement in respect of the proposed disposal by CEWHL of the entire issued share capital of CEWIL to HanKore. After completion of the Acquisition and the Disposal, CEWHL will hold approximately 79.21% of the enlarged issued capital of HanKore (assuming no conversion of options and warrants of HanKore).

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of each of the Disposal and the Acquisition under the Sale and Purchase Agreement is greater than 5% but all are below 25%, each of the Disposal and the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

References are made to the announcements of the Company dated 30 December 2013 and 30 April 2014 in relation to the Framework Agreement, pursuant to which the parties proposed to transfer all of the investments of CEWIL and the Company in the environmental water sector into HanKore in return for the Consideration Shares to be issued by HanKore.

The Board is pleased to announce on 2 June 2014, CEWHL (a wholly-owned subsidiary of the Company) as vendor and HanKore as purchaser entered into the Sale and Purchase Agreement in respect of the proposed disposal by CEWHL of the entire issued share capital of CEWIL to HanKore in return for issuance of Consideration Shares by HanKore.

## **SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are set out below:

### **Parties**

Purchaser: HanKore

Vendor: CEWHL

### **Subject matter**

HanKore has conditionally agreed to acquire, and CEWHL has conditionally agreed to transfer the entire equity interest in CEWIL in return for the issuance of Consideration Shares by HanKore to CEWHL.

### **Consideration and payment**

The consideration for the Disposal shall be the Singapore Dollar Equivalent of RMB5,811,267,353, which shall be satisfied by the allotment and issue by HanKore to CEWHL of such number of Consideration Shares as determined in accordance with the following formula:

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

where:

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

C is the consideration for the Disposal;

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

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

Accordingly, CS is equivalent to 1,940,269,305.

The Consideration Shares, when allotted and issued to CEWHL, will be free from encumbrances and will rank *pari passu* in all respects with the existing ordinary shares in the issued share capital of HanKore at the date of issuance of the Consideration Shares.

### **Conditions precedent**

Completion of the Disposal under the Sale and Purchase Agreement shall, unless waived, be conditional upon, *inter alia*:

- (a) The approval of the shareholders of HanKore at an extraordinary general meeting having been obtained for, amongst other matters: (i) the Disposal; (ii) the allotment and issue of the Consideration Shares by HanKore to CEWHL; (iii) the change of name of HanKore to “China Everbright Water Limited (中國光大水務有限公司)” subject to and with effect from Completion; and (iv) change of directors.
- (b) In the event Practice Note 15 of the Listing Rules applies to the Disposal (as determined by Stock Exchange), the Stock Exchange's approval on the Practice Note 15 submission to be made by the Company in connection with the Disposal and the Stock Exchange's waiver of the assured entitlement requirement (or confirmation of other alternative proposal acceptable to the Company) having been obtained.
- (c) The approval of the majority of the independent shareholders of HanKore being obtained at an extraordinary general meeting for a resolution to waive their rights to receive a mandatory takeover offer from CEWHL and parties acting in concert with it who would incur an obligation to make a mandatory takeover offer under Rule 14 of the Singapore Code for all of the shares of HanKore not already owned by CEWHL and persons acting in concert with it as a result of the Disposal and the transactions contemplated under the Sale and Purchase Agreement, provided that CEWHL and any persons who are not independent of HanKore abstain from voting on such resolution.
- (d) Grant by the Securities Industry Council of Singapore of a waiver to CEWHL and parties acting in concert with it, of their obligation to make a mandatory offer under Rule 14 of the Singapore Code for the shares in HanKore not held by CEWHL and its concert parties, and from having to comply with the requirements of Rule 14 of the Singapore Code upon Completion and the allotment and issue of the Consideration Shares to CEWHL and if such waiver is subject to any condition or restriction imposed by the Securities Industry Council of Singapore, such condition and/or restriction being reasonably acceptable to HanKore and CEWHL.

- (e) The approval of the SGX-ST for the Disposal having been obtained where necessary, and if such approval is subject to any condition or restriction imposed by the SGX-ST, such condition and/or restriction being reasonably acceptable to HanKore and CEWHL.
- (f) The approval of the SGX-ST and the issuance of a listing and quotation notice from the SGX-ST for the admission of the Consideration Shares to the Official List of the SGX-ST, and the dealing and quotation of such shares on the Main Board of the SGX-ST upon the allotment and issue of such shares, and if such approval is subject to any condition or restriction imposed by the SGX-ST, such condition and/or restriction being reasonably acceptable to HanKore and CEWHL.
- (g) The licences, authorisations, orders, grants, confirmations, permissions, registrations, waivers, exemptions and other approvals necessary or desirable for or in respect of the Disposal having been obtained by the companies in the CEWIL Group and the HanKore Group from the appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms reasonably satisfactory to HanKore and CEWHL (as the case may be), and if such approval is subject to any condition or restriction, such condition and/or restriction being reasonably acceptable to HanKore and CEWHL (as the case may be).
- (h) The HanKore Group and the CEWHL Group having obtained all other necessary consents, approvals and waivers (including for change of control) from all relevant third parties for the Disposal (including in relation to HanKore's cross currency swap contract with DBS Bank Ltd), and such consents, approvals and waivers not having been amended or revoked and remaining in full force and effect up to and including the date of Completion, and if such approval is subject to any condition or restriction, such condition and/or restriction being reasonably acceptable to HanKore or CEWHL (as the case may be).
- (i) The approval of the shareholders of the Company at an extraordinary general meeting for the Disposal, and such approval not having been withdrawn or revoked as at the date of Completion (if required).
- (j) The Disposal not being prohibited by and not resulting in a breach of, any statute, order, rule, regulation, directive, guideline or request promulgated by, or any judgement or decree of, any legislative, executive, judicial or regulatory body or authority in Singapore, Hong Kong, the PRC or any other jurisdiction affecting any company in the HanKore Group or the CEWIL Group or CEWHL.

- (k) There being no changes to the business, financial conditions or operations of any company in the HanKore Group or the CEWIL Group since the date of the Sale and Purchase Agreement that would in the reasonable opinion of CEWHL or HanKore (as the case may be) be likely to have an adverse effect on the turnover, profitability, financial position or prospects of the HanKore Group or the CEWIL Group (as the case may be).
- (l) CEWHL being satisfied with the accounting policies and presentation of, and the financial condition of HanKore Group as represented by the consolidated balance sheet and consolidated profit and loss account of HanKore and its subsidiaries for the period ended 30 June 2014 to be prepared for purposes of inclusion in the shareholder circular in respect of the Disposal and to be delivered to CEWIL prior to Completion and the audited version of the restated consolidated balance sheet, restated consolidated profit and loss account and restated consolidated cashflow statement of HanKore and its subsidiaries for the period ended 31 December 2013.
- (m) The charge over the Sale Shares in favour of the International Finance Corporation being discharged in full.
- (n) The approval of the bondholders under the bonds issued by HanKore for the Disposal on terms satisfactory to CEWHL.
- (o) There are no outstanding options, warrants (save for those in issue as of the date of the Sale and Purchase Agreement), rights (including conversion or pre-emptive rights) or agreements for the subscription or purchase of any equity security of any company in the HanKore Group or any securities convertible into or ultimately exchangeable or exercisable for any equity securities of any company in the HanKore Group.
- (p) China Everbright Environmental Protection Holdings Limited shall transfer the shares in CEWIL to CEWHL and the register of members of CEWIL has been updated on or before 30 June 2014 or such other date as may be mutually agreed by HanKore and CEWHL to reflect the transfer of the shares to CEWHL.

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

As of the date of this announcement, the Securities Industry Council of Singapore has conditionally granted a waiver to CEWHL from the requirement to make a mandatory offer under Rule 14.1 of the Singapore Code in the event CEWHL and its concert parties increase their shareholdings in HanKore to 79.21% of the enlarged issued capital of HanKore as a result of CEWHL acquiring the Consideration Shares.

### **Completion Date**

The completion date for the Disposal and the Acquisition shall be a date falling 10 business days after the date on which the last of the outstanding conditions precedent have been fulfilled or waived by HanKore and/or CEWHL (as the case may be), or such other date as HanKore and/or CEWHL may mutually agree in writing.

### **Board of directors of HanKore**

The parties agreed that not less than four of the current directors of HanKore (none of whom shall be an independent non-executive director) would resign from his office as a director to take effect on the Completion, with acknowledgements signed by each of them in a form satisfactory to CEWHL to the effect that they have no claim against HanKore.

The parties agreed that not less than four persons nominated by CEWHL shall be appointed as directors of HanKore with effect from Completion, subject to (i) the assessment and evaluation of the nominees by the nominating committee of HanKore and its recommendation to the board of directors of HanKore in respect of the nomination; and (ii) the approval of the shareholders of HanKore in respect of the appointment of such nominees at an extraordinary general meeting.

CEWHL shall be entitled to nominate the chairman of the board of HanKore and subject to the memorandum and articles of association of HanKore, in case of an equality of vote, the chairman shall have a casting vote.

### **UNDERTAKING LETTERS**

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

## INFORMATION ON CEWIL

CEWIL is a company incorporated in the British Virgin Islands and indirectly wholly-owned by the Company. CEWIL and its subsidiaries are principally engaged in the environmental water business in the PRC.

CEWIL Group operates a portfolio of large scale and diversified waste water treatment projects. As at 31 December 2013, CEWIL Group had 21 waste water treatment projects and 4 reusable water projects in provinces of Jiangsu and Shandong in the PRC. The projects are designed with an annual contracted waste water treatment capacity of approximately 667,950,000 m<sup>3</sup> and provide annual reusable water of 22,484,000 m<sup>3</sup>.

Set out below is a summary of certain financial information of CEWIL prepared in accordance with International Financial Reporting Standards for the two financial years ended 31 December 2012 and 2013:

	<b>For the financial year ended 31 December</b>	
	<b>2012</b>	<b>2013</b>
	(Audited)	(Audited)
<i>HK\$'000</i>		
Net profit after taxation	268,232	290,442
Net profit before taxation	366,381	401,995
Net asset value as at 31 December 2013		1,991,395

After completion of the Disposal and the Acquisition, CEWIL will continue to be an indirect subsidiary of the Company. Pursuant to the Sale and Purchase Agreement, prior to the date of Completion, CEWHL shall procure the relevant parties to waive or capitalize not less than HK\$1,210,050,000 of the loan owing by CEWIL to China Everbright Environmental Protection Holdings Limited, which would have the effect of enhancing the financial position and reducing the debt level of CEWIL.

## INFORMATION ON HANKORE

HanKore is a company incorporated in Bermuda with limited liability, the shares of which have been listed on the Main Board of the SGX-ST since 16 February 2004. HanKore Group invests and operates in the water environment sector, with investments in 11 large scale municipal water/waste water treatment projects in Beijing and in the provinces of Jiangsu, Shandong, Shaanxi and Henan in the PRC. Since its establishment, HanKore Group has become a large scale integrated water environment group involved in the financing, engineering and construction, operation, equipment and engineering contracting in municipal utilities.

Set out below is a summary of certain financial information of HanKore prepared in accordance with Singapore Financial Reporting Standards for the two financial years ended 30 June 2012 and 2013 and the nine months ended 31 March 2014:

	<b>For the financial year ended 30 June</b>		<b>For the nine months ended 31 March</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	(Audited)	(Audited)	(Unaudited)
<i>RMB'000</i>			
Net profit/(loss) after taxation	102,643	99,465	(52,088)
Net profit/(loss) before taxation	104,127	105,943	(41,424)
Net asset value as at 31 March 2014			1,910,721

HanKore has also prepared its financial statements for the year ended 31 December 2013 in accordance with International Financial Reporting Standards. Based on such unaudited financial statements, the net profit before tax for the year ended 31 December 2013 was RMB53,298,000, the net profit after tax for the year ended 31 December 2013 was RMB26,447,000, and the net asset value as at 31 December 2013 was RMB1,297,938,000.

To the best of the knowledge of the Directors and having made reasonable enquiries, HanKore and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

After completion of the Acquisition and the Disposal, CEWHL will hold approximately 79.21% of the enlarged issued capital of HanKore (assuming no conversion of options and warrants of HanKore), and HanKore will become an indirect subsidiary of the Company.



## **INFORMATION ON THE GROUP**

CEWHL is an investment holding company incorporated in the British Virgin Islands and indirectly wholly-owned by the Company. The Company is an investment holding company incorporated in Hong Kong. The Group is primarily engaged in the investment, construction, operation and management of environment protection projects in the PRC.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT**

CEWIL and HanKore share a common vision to become one of the largest waste water treatment companies in the PRC. The Disposal and the Acquisition is a major step towards achieving this shared vision.

HanKore Group currently operates a total of 11 waste water treatment plants with a total contracted designed treatment capacity of 1,570,000 m<sup>3</sup> per day. The Disposal and the Acquisition will allow the Group to increase its contracted designed capacity by 85.8% to 3,400,000 m<sup>3</sup> per day. Following the Disposal and the Acquisition, the Group will operate a total of 32 waste water treatment plants. HanKore's current waste water treatment projects are in Beijing and in provinces such as Shaanxi, Shandong, Jiangsu and Henan. The Acquisition and Disposal can create a great amount of synergies in similar regions that the Group operates, and also allows the Group to be exposed to new opportunities in regions such as Beijing, Shaanxi and Henan. Increase of economies of scales will help the Group in waste water treatment businesses. HanKore's profitability could be further lifted by leveraging on the Group's past successful operating experience. In addition, the Disposal and the Acquisition will preserve HanKore's Singapore listed position, which would offer the Group's waste water treatment business an independent platform for further equity financing and development.

The consideration under the Sale and Purchase Agreement was determined by reference to, amongst other things, (i) the respective and combined market positions of CEWIL and HanKore; (ii) the quality of the respective assets and business conditions of CEWIL and HanKore; (iii) the respective financial positions of CEWIL and HanKore; (iv) the future benefits and the synergies expected to be created as a result of the Acquisition; and (v) current prevailing industry and market conditions, and with reference to the valuations of CEWIL by two independent valuers appointed by CEWIL and HanKore, respectively.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereby are fair and reasonable and in the best interest of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of each of the Disposal and the Acquisition under the Sale and Purchase Agreement is greater than 5% but all are below 25%, each of the Disposal and the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the Consideration Shares as consideration for the Disposal
“Board”	the board of Directors
“CEWHL”	China Everbright Water Holdings Limited (中國光大水務控股有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“CEWIL”	China Everbright Water Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“CEWIL Group”	CEWIL and its subsidiaries
“Company”	China Everbright International Limited (中國光大國際有限公司), a company incorporated under the laws of Hong Kong, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal and the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement

“Consideration Shares”	such number of new shares in the share capital of HanKore to be allotted and issued to CEWHL or its nominee in satisfaction of the consideration for the Disposal pursuant to the terms and conditions of the Sale and Purchase Agreement
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares to HanKore pursuant to the Sale and Purchase Agreement
“Framework Agreement”	the framework agreement dated 30 December 2013 entered into between CEWIL and HanKore (as supplemented by the supplemental agreement dated 30 April 2014)
“Group”	the Company and its subsidiaries
“HanKore”	HanKore Environment Tech Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the SGX-ST
“HanKore Group”	HanKore and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nomura”	Nomura International (Hong Kong) Limited, an institution licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“S\$”	Singapore dollars, the lawful currency of the Republic of Singapore
“Sale and Purchase Agreement”	the sale and purchase agreement dated 2 June 2014 entered into between CEWHL as vendor and HanKore as purchaser in related to the Disposal and the Acquisition
“Sale Shares”	one share in CEWIL, representing its entire issued share capital as at the date of this announcement
“SFO”	Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Singapore Code”	Singapore Code on Take-overs and Mergers
“Singapore Dollar Equivalent”	such amount converted to S\$ based on the exchange rate of RMB1 to S\$0.2086 with respect to an amount denominated in RMB
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board  
**China Everbright International Limited**  
**Chen Xiaoping**  
*Chief Executive Officer*

Hong Kong, 2 June 2014

*As at the date of this announcement, the Board comprises: (i) six executive directors, namely Mr. Tang Shuangning (Chairman), Mr. Zang Qiutao (Vice-chairman), Mr. Chen Xiaoping (Chief Executive Officer), Mr. Wang Tianyi, Mr. Raymond Wong Kam Chung and Mr. Cai Shuguang; and (ii) four independent non-executive directors, namely Mr. Philip Fan Yan Hok, Mr. Selwyn Mar, Mr. Aubrey Li Kwok Sing and Mr. Zhai Haitao.*