



**CHINA JINJIANG ENVIRONMENT HOLDING COMPANY LIMITED**

中国锦江环境控股有限公司

(Company Registration Number: 245144)

(Incorporated in the Cayman Islands on 8 September 2010)

China International Capital Corporation (Singapore) Pte. Limited was the sole issue manager, global coordinator, bookrunner and underwriter (the “**Sole Issue Manager, Global Coordinator, Bookrunner and Underwriter**”) for the initial public offering of shares in, and listing of, China Jinjiang Environment Holding Company Limited on the Mainboard of the Singapore Exchange Securities Trading Limited. The Sole Issue Manager, Global Coordinator, Bookrunner and Underwriter assumes no responsibility for the contents of this announcement.

**DISPOSAL OF 42% INTEREST IN INNER MONGOLIA PULATE TRANSPORTATION ENERGY CO., LTD. (内蒙古普拉特交通能源有限公司)**

**1. INTRODUCTION**

The Board of Directors (the “**Board**”) of China Jinjiang Environment Holding Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiaries Gevin Limited (“**Gevin**”) and Lin’an Jiasheng Environment Co., Ltd. (临安嘉盛环保有限公司) (“**Lin’an Jiasheng**”) had on 30 September 2017 entered into a sale and purchase agreement (“**SPA**”) with Zhejiang Kangrui Investment Co., Ltd. (浙江康瑞投资有限公司) (“**Zhejiang Kangrui**”), in relation to the sale by Gevin and Lin’an Jiasheng of a 36.0% and 6.0% equity interest in Inner Mongolia Pulate Transportation Energy Co., Ltd. (内蒙古普拉特交通能源有限公司) (“**PLT Energy**”), respectively, to Zhejiang Kangrui for an aggregate consideration of RMB67.2 million (equivalent to approximately S\$13.8 million) (the “**Disposal Consideration**”) (the “**Disposal**”).

Zhejiang Kangrui is wholly-owned by Ms. Dou Baibing, the daughter of the controlling shareholder of the Company Mr. Dou Zhenggang. Accordingly, Zhejiang Kangrui is an associate (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”)) of Mr. Dou Zhenggang and an interested person of the Company for the purposes of Chapter 9 of the Listing Manual, and the Disposal would constitute an interested person transaction pursuant to Chapter 9 of the Listing Manual.

The Disposal is expected to be completed in early 2018 following full payment of the Disposal Consideration by Zhejiang Kangrui in accordance with the SPA. As the aforesaid equity interests sold by Gevin and Lin’an Jiasheng to Zhejiang Kangrui represent the entire equity interest held by the Group in PLT Energy as at the date of this Announcement, upon completion of the Disposal:

- (a) Zhejiang Kangrui will hold an 80.0% equity interest in PLT Energy; and
- (b) PLT Energy will cease to be an associated company of the Company.

Unless otherwise indicated, RMB amounts in this Announcement have been translated into Singapore dollars, based on the exchange rate of S\$1.00 : RMB4.8764 quoted by Bloomberg L.P. on the close of the market day preceding the date of this announcement.

## **2. DETAILS OF THE DISPOSAL**

### **2.1 Information on Zhejiang Kangrui and PLT Energy**

Zhejiang Kangrui is a company incorporated under the laws of the People's Republic of China ("PRC") on 3 July 2003 with limited liability, and is primarily engaged in investment holding and the sale of equipment, materials and aluminium products.

PLT Energy is a company incorporated under the laws of the PRC on 12 February 2004 with limited liability, and owns and operates a waste-to-energy ("WTE") facility in Baotou, Inner Mongolia Autonomous Region with a total installed waste treatment capacity of 1,200 tons per day. As at the date of this Announcement, the equity interest in PLT Energy is held as to 38.0% by Zhejiang Kangrui, 36.0% by Gevin, 6.0% by Lin'an Jiasheng and 20.0% by Mr. Bao Baizhi, an unrelated third party. The Group had acquired its 42.0% stake in PLT Energy in February 2011 from Mr. Bao Baozhi and Mr. Bao Bofu, who is also an unrelated third party.

### **2.2 Rationale for and Benefits of the Disposal**

As disclosed in the IPO prospectus of the Company dated 25 July 2016, there were several outstanding compliance issues which were historical in nature at the time of the Group's acquisition of its 42.0% stake in PLT Energy in February 2011, including the commencement of construction without having first obtained a construction permit, and having yet to complete the required completion inspection formalities. Whilst the Group had worked to rectify the outstanding compliance issues, such issues have taken considerable time to progress and have accordingly affected the financial and operational performance of PLT Energy. For example, the applicable electricity supply fee for PLT Energy is RMB0.377 per kWh instead of the national standard of RMB0.65 per kWh.

In addition, approximately RMB52.2 million of waste treatment fees payable to the Group in accordance with the concession agreement entered into by PLT Energy with the relevant local government are past due and remain outstanding. Due to the low population density of the Baotou region, its underdeveloped waste collection and transportation system and the convenience of landfilling as an alternative method of waste disposal, the amount of waste delivered to the WTE facility operated by PLT Energy averages only around 730 tons per day, despite the WTE facility having an installed waste treatment capacity of 1,200 tons per day.

As a result of its inability to achieve stable economic returns due to the aforesaid compliance and operational issues, PLT Energy has been operating at a loss since it commenced operations. PLT Energy experienced a net loss of RMB20.3 million, RMB35.6 million and RMB60.0 million in the financial years ended 31 December 2014, 2015 and 2016, respectively. As at 31 December 2016, PLT Energy had accumulated losses of RMB127.6 million. The management of the Company does not foresee any improvement in the operating performance and economic returns of PLT Energy in the near future. Through the disposal of its 42.0% equity interest in PLT Energy to Zhejiang Kangrui, the Group has made a gain on disposal of approximately RMB65.0 million, and would be able to rationalise its financial and capital resources and focus on its other profitable operations.

## 2.3 Disposal Consideration and Term of Payment

Zhejiang Kangrui, Gevin and Lin'an Jiasheng had jointly commissioned an independent valuer, Wanlong (Shanghai) Asset Valuation Co., Ltd. (万隆(上海)资产评估有限公司) (the "Independent Valuer"), to prepare a valuation report in respect of PLT Energy dated 9 August 2017 (the "Independent Valuation Report").

According to the Independent Valuation Report, the fair value of PLT Energy of RMB116,912,800 (equivalent to approximately S\$24.0 million) was appraised by using the income approach and asset approach. The Group's total investment cost in PLT Energy is RMB67.2 million (equivalent to approximately S\$13.8 million), being its proportionate share of the registered capital of PLT Energy, and the net book value of the Group's 42.0% equity interest in PLT Energy as at 31 December 2016 is approximately RMB2.2 million (equivalent to approximately S\$451,200).

The Disposal Consideration of RMB67.2 million was arrived at after arm's length negotiations between Gevin, Lin'an Jiasheng and Zhejiang Kangrui on a willing-buyer and willing-seller basis after taking into consideration the fair value of PLT Energy as appraised by the Independent Valuer in the Independent Valuation Report and the Group's investment cost in PLT Energy. In accordance with the terms of the SPA:

- (a) RMB57.6 million and RMB9.6 million is payable by Zhejiang Kangrui to Gevin and Lin'an Jiasheng, respectively, in accordance with their respective shareholding proportions in PLT Energy; and
- (b) 50% of the Disposal Consideration is payable prior to 30 November 2017, with the balance 50% payable prior to 30 December 2017.

## 2.4 Interested Person Transaction

### 2.4.1 *Relative Figures under Chapter 9 of the Listing Manual*

In respect of the Disposal:

- (a) each of Gevin and Lin'an Jiasheng, being a subsidiary of the Company which is not listed on any stock exchange, is an entity at risk for the purposes of Chapter 9 of the Listing Manual; and
- (b) Zhejiang Kangrui is wholly owned by the daughter of Mr. Dou Zhenggang, who is a controlling shareholder of the Company deemed interested in approximately 61.4% of the total issued and paid-up ordinary shares in the capital of the Company. Accordingly, Zhejiang Kangrui is an associate (as defined in the Listing Manual) of Mr. Dou Zhenggang and an interested person of the Company for the purposes of Chapter 9 of the Listing Manual.

Under Rule 905(2) of the Listing Manual, where the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the Group's latest audited net tangible assets ("NTA"), the Company must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.

The Disposal Consideration expressed as a percentage of the Group's latest audited consolidated NTA as at 31 December 2016 of RMB3,040.8 million is 2.0%.

#### 2.4.2 **Existing Interested Person Transactions**

The total value of all interested person transactions with (i) Mr. Dou Zhenggang and/or his associates and (ii) all interested persons of the Company, including the Disposal but excluding the transactions carried out pursuant to the general mandate for interested person transactions ("**IPT General Mandate**") and transactions below S\$100,000, for the current financial year up to the date of this Announcement is RMB134,051,000, which constitutes 4.0% of the Group's latest audited consolidated NTA as at 31 December 2016 of RMB3,040.8 million. Accordingly, the Company is making this Announcement in compliance with the requirements of Rule 905(2) of the Listing Manual.

### 3. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

Save as disclosed in paragraph 2.4 of this Announcement, none of the directors and controlling shareholders of the Company and their associates have any interests in the Disposal.

### 4. **AUDIT COMMITTEE'S STATEMENT**

The Audit Committee of the Company has reviewed the terms, rationale and benefits of the Disposal and is of the view that the Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

### 5. **DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the SPA may be inspected at 9 Battery Road, #15-01, Singapore 049910 during normal business hours from the date of this Announcement up to and including the date falling three months after the date of this Announcement.

### **BY ORDER OF THE BOARD**

Wang Yuanluo  
Executive Chairman

14 November 2017

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#### **For further information, please contact:**

**Wang Ruihong**  
Executive Director and  
Deputy General Manager  
Tel: (86) 153 5618 3219  
Email: [wrh@hzjj.cn](mailto:wrh@hzjj.cn)

**Choo Beng Lor**  
Company Secretary and  
Financial Controller  
Tel: (65) 9745 3502  
Email: [zhuminglu@hzjj.cn](mailto:zhuminglu@hzjj.cn)