

CIRCULAR DATED 14 DECEMBER 2018

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of China Jinjiang Environment Holding Company Limited, you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the accuracy or correctness of any statements or opinions made, or reports contained, in this Circular.



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)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) THE PROPOSED ENGINEERING, PROCUREMENT AND CONSTRUCTION AGREEMENT BETWEEN JE SYNERGY PTE. LTD. AND JE SYNERGY ENGINEERING PTE. LTD. AS AN INTERESTED PERSON TRANSACTION; AND**
- (2) THE PROPOSED MODIFICATIONS TO THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**

Independent Financial Adviser in relation to the Proposed EPC Agreement and the IPT General Mandate

PricewaterhouseCoopers Corporate Finance Pte Ltd

(Incorporated in the Republic of Singapore)

(Company Registration No.: 197501605H)

IMPORTANT DATES AND TIMES

- | | | |
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| Last date and time for lodgement of Proxy Form | : | 28 December 2018 at 10.00 a.m. |
| Date and time of Extraordinary General Meeting | : | 31 December 2018 at 10.00 a.m. |
| Place of Extraordinary General Meeting | : | 2 Venture Drive, Vision Exchange #15-16,
Singapore 608526 |

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DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires:

- “Audit Committee”** : The audit committee of the Company currently comprising of Mr. Tan Huay Lim, Mr. Ang Swee Tian and Mr. Hee Theng Fong.
- “Cayman Islands Companies Law”** : The Companies Law of the Cayman Islands, as amended, supplemented or otherwise modified from time to time.
- “CDP”** : The Central Depository (Pte) Limited.
- “China Green Energy”** : China Green Energy Limited, an exempted company incorporated on 5 May 2004 under the laws of the Cayman Islands, which is one of the Controlling Shareholders of the Company.
- “Company”** : China Jinjiang Environment Holding Company Limited 中国锦江环境控股有限公司.
- “Controlling Shareholder”** : A person who (a) holds directly or indirectly 15% or more of the total voting rights in a company (the SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder); or (b) in fact exercises control over a company.
- “Directors”** : The directors of the Company for the time being (collectively, the **“Board of Directors”**).
- “EAR Group”** : The Company, its subsidiaries and associated companies that are considered to be “entities at risk” within the meaning of Chapter 9 of the Listing Manual.
- “EGM”** : The extraordinary general meeting of the Company, notice of which is given on pages N-1 to N-2 of this Circular.
- “EGP”** : Eastern Green Power Pte. Ltd., a company incorporated under the laws of Singapore with limited liability, which is unrelated to the Directors and Controlling Shareholders.
- “EPC”** : Engineering, procurement and construction.
- “EPS”** : Earnings per Share.
- “Executive Directors”** : The executive directors of the Company for the time being.
- “FY”** : Financial year ended or, as the case may be, ending 31 December.
- “Group”** : The Company and its subsidiaries.
- “Hangzhou Zhengcai”** : Hangzhou Zhengcai Holding Group Co., Ltd. (杭州正才控股集团有限公司) (formerly known as Zhejiang Zhengcai Trading Co., Ltd. (浙江正才贸易有限公司)), a company incorporated under the laws of the PRC with limited liability, which is a wholly-owned subsidiary of Jinjiang Group and is one of the Controlling Shareholders of the Company.
- “Hangzhou Zhenghui”** : Hangzhou Zhenghui Construction Engineering Co., Ltd. (杭州正晖建设工程有限公司), a company incorporated under the laws of the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company.

DEFINITIONS

- “IFA Letter”** : The letter dated 14 December 2018 from the Independent Financial Adviser to the Independent Directors, a copy of which is reproduced in Appendix A to this Circular.
- “Independent Financial Adviser”** : PricewaterhouseCoopers Corporate Finance Pte Ltd, the independent financial adviser to the Independent Directors in respect of the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate.
- “Interested Person”** : A Director, chief executive officer or Controlling Shareholder of the Company or an associate of such Director, chief executive officer or Controlling Shareholder.
- “IPT General Mandate”** : The general mandate from Shareholders to enable the EAR Group to enter into certain recurrent interested person transactions which are of a revenue or trading nature or certain interested person transactions necessary for day-to-day operations such as the purchase and sale of supplies, services and materials, provided that all such transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.
- “JE Synergy”** : JE Synergy Pte. Ltd., a company incorporated under the laws of Singapore with limited liability, which is a subsidiary of Jinjiang Group, the Controlling Shareholder of the Company.
- “JE Synergy Engineering”** : JE Synergy Engineering Pte. Ltd., a company incorporated under the laws of Singapore with limited liability, which is an associated company of the Company.
- “Jinjiang Group”** : Hangzhou Jinjiang Group Co., Ltd. (杭州锦江集团有限公司), a company incorporated under the laws of the PRC with limited liability, which is owned as to 63.29% by Mr. Dou Zhenggang and 36.71% by Zhejiang Hengjia and is one of the Controlling Shareholders of the Company.
- “Latest Practicable Date”** : 30 November 2018, being the latest practicable date prior to the printing of this Circular.
- “Listing Manual”** : The Listing Manual of the SGX-ST, including any amendments made thereto up to the Latest Practicable Date.
- “Market Day”** : A day on which the SGX-ST is open for trading in securities.
- “MBT Project”** : The planned mechanical-biological waste treatment project in Singapore which has a service concession period of 20 years and a planned daily waste treatment capacity of 500 tons per day.
- “NTA”** : Net tangible assets.
- “PRC”** : People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purposes of this Circular and for geographical reference only.
- “Proposed EPC Agreement”** : The engineering, procurement and construction agreement proposed to be entered into between JE Synergy Pte. Ltd. and JE Synergy Engineering Pte. Ltd. for the provision of engineering, procurement and construction services by JE Synergy Engineering Pte. Ltd. in respect of the MBT Project.

DEFINITIONS

“Register of Members”	:	The Register of Members of the Company.
“ROE”	:	Return on equity.
“Securities Accounts”	:	Securities accounts maintained by Depositors with CDP, but not including securities sub-accounts maintained with a Depository Agent.
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended from time to time.
“SGX-ST”	:	Singapore Exchange Securities Trading Limited.
“Shareholders”	:	Registered holders of Shares in the Register of Members, except that where the registered holder is CDP, the term “ Shareholders ” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by the CDP and whose Securities Accounts maintained with CDP are credited with those Shares.
“Shares”	:	Ordinary shares in the capital of the Company.
“Substantial Shareholder”	:	A person who has an interest directly or indirectly in 5% or more of the total number of voting Shares of the Company.
“Win Charm”	:	Win Charm Limited (勝美有限公司), an exempted company incorporated on 18 August 2005 under the laws of the Cayman Islands, which is a wholly-owned subsidiary of Jinjiang Group and is one of the Controlling Shareholders of the Company.
“Zhejiang Hengjia”	:	Zhejiang Hengjia Holding Co., Ltd. (浙江恒嘉控股有限公司), a limited liability company incorporated under the laws of the PRC, which is wholly owned by Ms. Wei Xuefeng, who is one of the Controlling Shareholders of the Company and the spouse of Mr. Dou Zhenggang. Zhejiang Hengjia is one of the Controlling Shareholders of the Company.

Glossary of Technical Terms

“EMC”	:	energy management contracting; mainly includes services relating to equipment selection, construction planning, residual heat utilisation, and optimisation of operations and maintenance.
“mechanical-biological waste treatment”	:	a method of waste treatment that combines the mechanical separation and sorting of waste with a form of biological treatment such as composting or anaerobic digestion.
“municipal solid waste”	:	household waste, sanitary waste, commercial waste and other non-industrial waste generated from day-to-day activities in an urban centre, which primarily comprises food and other organic waste.
“WTE”	:	waste-to-energy; mainly includes waste incineration and power generation in which municipal solid waste is burned at high temperature where the heat energy generated during burning is transformed to high temperature steam to initiate the rotation of turbines for power generation.

DEFINITIONS

Currencies and Others

- “RMB” and “RMB cents” : PRC Renminbi and Renminbi cents, respectively.
- “S\$”, “\$” and “cents” : Singapore dollars and cents, respectively.
- “%” or “per cent.” : Per centum or percentage.

The term “**subsidiary**” shall have the meaning ascribed to it in Section 5 of the Companies Act, Chapter 50 of Singapore.

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively, in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore (“**SFA**”).

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

Unless otherwise indicated, RMB amounts in this Circular have been translated into Singapore dollars, based on the exchange rate of S\$1.00 : RMB5.0724 quoted by Bloomberg L.P. on the Latest Practicable Date.

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any word defined under the SFA, the Listing Manual, or any relevant laws of the Republic of Singapore or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the SFA, the Listing Manual, or any relevant laws of the Republic of Singapore or any modification thereof, as the case may be, unless otherwise provided.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference to a time of day and date in this Circular is a reference to Singapore time and date, respectively, unless otherwise stated.

Any discrepancies in figures included in this Circular between the amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

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)

Board of Directors:

Wang Yuanlu (王元璐) (Non-Executive, Non-Independent Chairman)
Zhang Chao (张超) (Executive Director and Chief Executive Officer)
Wang Ruihong (王瑞红) (Executive Director and Deputy General Manager)
Ang Swee Tian (Lead Independent Director)
Hee Theng Fong (Independent Director)
Tan Huay Lim (Independent Director)
Ni Mingjiang (倪明江) (Independent Director)

Registered Office:

Grand Pavilion, Hibiscus Way
802 West Bay Road
P.O. Box 31119
KY1-1205, Cayman Islands

14 December 2018

To: The Shareholders of China Jinjiang Environment Holding Company Limited
中国锦江环境控股有限公司

Dear Sir / Madam

(1) **THE PROPOSED ENGINEERING, PROCUREMENT AND CONSTRUCTION AGREEMENT BETWEEN JE SYNERGY PTE. LTD. AND JE SYNERGY ENGINEERING PTE. LTD. AS AN INTERESTED PERSON TRANSACTION; AND**

(2) **THE PROPOSED MODIFICATIONS TO THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**

1. INTRODUCTION

1.1 EGM

The Directors are convening an extraordinary general meeting to be held at 2 Venture Drive, Vision Exchange #15-16, Singapore 608526 on 31 December 2018 at 10.00 a.m. (“**EGM**”) to seek Shareholders’ approval for:

- (a) the engineering, procurement and construction agreement (“**Proposed EPC Agreement**”) proposed to be entered into between JE Synergy Pte. Ltd. (“**JE Synergy**”), which is an associate of a Controlling Shareholder, and JE Synergy Engineering Pte. Ltd. (“**JE Synergy Engineering**”), which is an associated company of the Company, as an interested person transaction; and
- (b) certain proposed modifications to the general mandate for interested person transactions (“**IPT General Mandate**”).

1.2 Circular

The purpose of this Circular is to provide Shareholders with information relating to the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate to be tabled at the EGM.

LETTER TO SHAREHOLDERS

2. THE PROPOSED EPC AGREEMENT AS AN INTERESTED PERSON TRANSACTION

2.1 Background

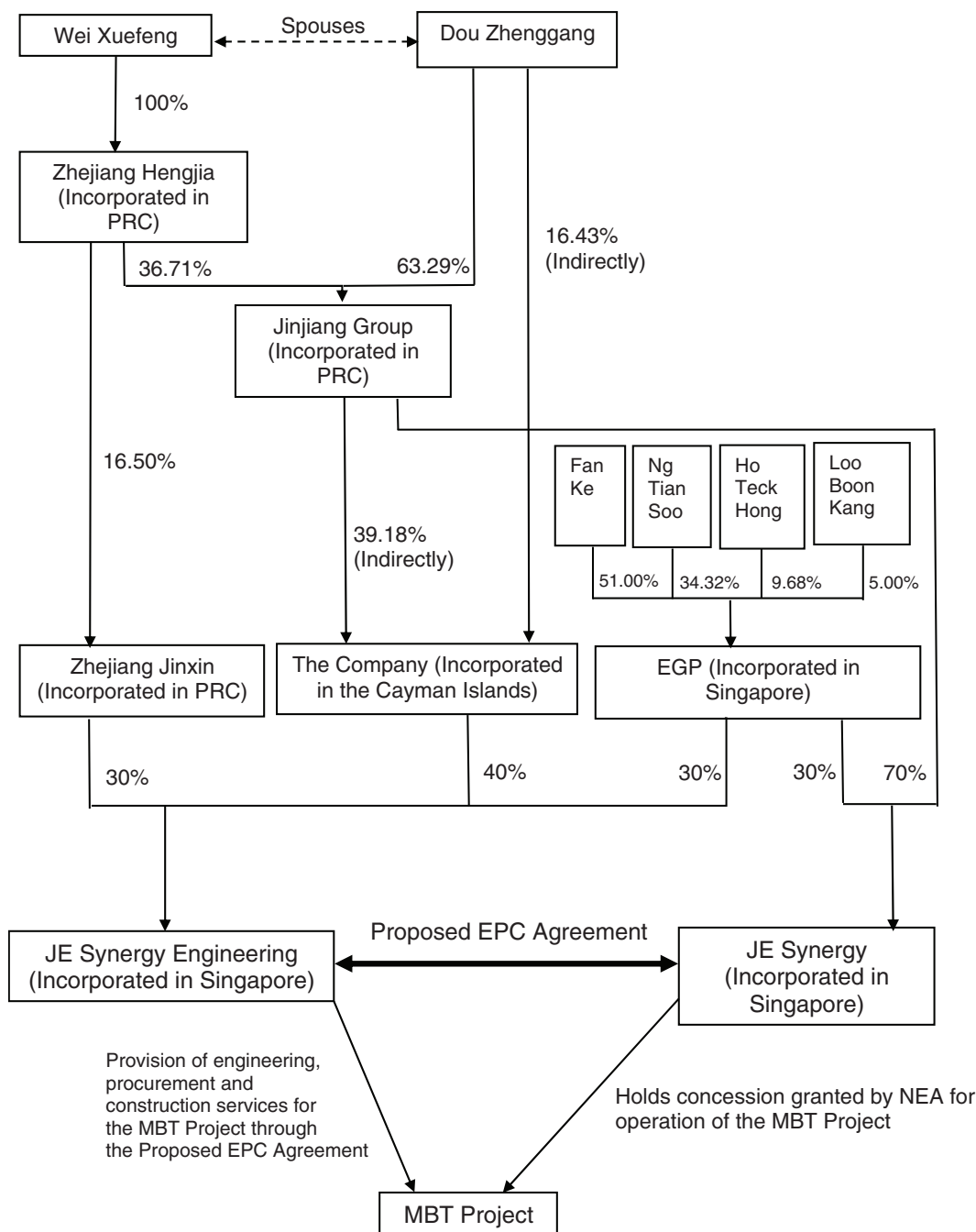
In November 2015, the National Environment Agency of Singapore (“**NEA**”) had called for local and international companies to submit concept proposals for a pilot mechanical-biological waste treatment facility to be constructed in Singapore (the “**MBT Project**”), which would be designed with a view to maximise recycling and resource recovery from municipal solid waste. As this was prior to the listing of the Company on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), given the established reputation and profile of the Controlling Shareholder of the Company Hangzhou Jinjiang Group Co., Ltd. (杭州锦江集团有限公司) (“**Jinjiang Group**”), Jinjiang Group, together with its local partner Eastern Green Power Pte. Ltd. (“**EGP**”) which is unrelated to the Directors and Controlling Shareholders of the Company, had in April 2016 submitted a proposal to the NEA to bolster the chances of securing the tender.

In August 2016, the Company was listed on the Main Board of the SGX-ST. In December 2016, the NEA awarded a tender to the consortium comprising Jinjiang Group and EGP to construct, own and operate the MBT Project, which has a service concession period of 20 years and a planned daily waste treatment capacity of 500 tons per day. While Jinjiang Group had intended for the newly-listed Group to undertake the MBT Project instead, this was not possible due to strict project rules which did not allow the transfer of the tender from the consortium to another entity. Accordingly, on 21 February 2017, Jinjiang Group and EGP incorporated JE Synergy specifically to own and operate the MBT Project.

Jinjiang Group intends for the Group to participate in the MBT Project and is desirous of leveraging on the Group’s capabilities in project design, construction and engineering. Accordingly, Jinjiang Group proposes to engage JE Synergy Engineering, an associated company of the Company, to provide engineering, procurement and construction (“**EPC**”) related services in respect of the MBT Project through the Proposed EPC Agreement. Following the completion of construction of the MBT Project, it is further envisaged that the Group may provide operations and maintenance services on an ongoing basis in respect of the MBT Project, including but not limited to technical, operation and maintenance services relating to operational processes and engineering, equipment operation, repair and maintenance services.

LETTER TO SHAREHOLDERS

The below diagram sets out the shareholding relationship between the aforementioned entities and the parties to the Proposed EPC Agreement, as at the Latest Practicable Date.



2.2 Interested Person Transaction

JE Synergy Engineering was incorporated on 9 May 2017 under the laws of Singapore as a private company limited by shares, and is principally engaged in infrastructure engineering, design and consultancy services. As at the Latest Practicable Date, the issued and paid-up share capital of JE Synergy Engineering is held as to (i) 40% by the Company, (ii) 30% by Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江锦鑫建设工程有限公司), which is owned as to 16.5% by the Company's Controlling Shareholder Zhejiang Hengjia Holding Co., Ltd. (浙江恒嘉控股有限公司) ("Zhejiang Hengjia") and undertakes construction-related work for the Group in relation to construction of waste-to-energy ("WTE") and other facilities in its ordinary course of business, and (iii) 30% by EGP. The directors of EGP are Mr. Ho Teck Hong, Mr. Fan Ke and Mr. Ng Tian Soo. The shareholders of EGP are Mr. Ho Teck Hong, Mr. Fan Ke, Mr. Ng Tian Soo and Mr. Loo Boon Kang, each of whom are not related to the Directors and Controlling Shareholders of the Company.

LETTER TO SHAREHOLDERS

The broad specialisations of the Company, Zhejiang Hengjia and EGP in relation to JE Synergy Engineering are in operations and maintenance, construction and project management, and as a local shareholder and investor, respectively.

JE Synergy was incorporated on 21 February 2017 under the laws of Singapore as a private company limited by shares specifically to own and operate the MBT Project. As at the Latest Practicable Date, the issued and paid-up share capital of JE Synergy is held as to 70.0% by Jinjiang Group and as to 30.0% by EGP. Accordingly, JE Synergy is an associate of a Controlling Shareholder and an interested person, and the Proposed EPC Agreement would constitute an interested person transaction pursuant to Chapter 9 of the Listing Manual of the SGX-ST ("**Listing Manual**").

Under the Proposed EPC Agreement, JE Synergy Engineering, as main contractor, will undertake EPC related services in respect of the MBT Project for JE Synergy. Please refer to paragraph 2.3.1 of this Circular for the scope of work of JE Synergy Engineering as main contractor under the Proposed EPC Agreement. JE Synergy will pay JE Synergy Engineering a contract sum of S\$66,563,000 ("**Contract Sum**") (excluding Goods and Services Tax), which was determined based on cost-plus pricing using bottom-up budgeting with reference to indicative quotations provided by sub-contractors in a pre-tender phase and historical cost estimates from similar past projects, with adjustments for local factors such as material and labour costs. In addition, as security for the performance of its obligations under the Proposed EPC Agreement, JE Synergy Engineering must provide the Corporate Guarantee (as defined in paragraph 2.3.6 of this Circular) of an amount equivalent to 10% of the Contract Sum in favour of JE Synergy.

The margin of JE Synergy Engineering under the Proposed EPC Agreement is within the range of the margins obtained by the Group for its other EPC projects. In addition, performance security is a common requirement for EPC contracts in Singapore. Accordingly, the Contract Sum and Corporate Guarantee are on normal commercial terms.

Under Rule 906(1)(a) of the Listing Manual, where the value of an interested person transaction is equal to or exceeds 5% of the Group's latest audited net tangible assets ("**NTA**"), Shareholders' approval must be obtained.

Under Rule 918 of the Listing Manual, Shareholders' approval is required to be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction, as the case may be.

The amount at risk to the Group under the Proposed EPC Agreement of S\$29,287,720, being the Group's effective 40.0% interest (based on its shareholding in JE Synergy Engineering) of the total value of the Proposed EPC Agreement of S\$73,219,300 comprising (i) the Contract Sum of S\$66,563,000 and (ii) the Corporate Guarantee, expressed as a percentage of the Group's latest audited consolidated NTA as at 31 December 2017 of RMB2,870.7 million (equivalent to approximately S\$565.9 million) is approximately 5.1%.

Accordingly, Shareholders' approval is required for the Proposed EPC Agreement under Rule 906(1)(a) of the Listing Manual.

For the current financial period from 1 January 2018 up to the Latest Practicable Date, save for the Proposed EPC Agreement and the transactions carried out pursuant to the IPT General Mandate, (i) the total value of all interested person transactions entered into by the Group with Jinjiang Group and its associates (excluding transactions below S\$100,000) and (ii) the total value of all interested person transactions entered into by the Group with its interested persons (including Jinjiang Group and its associates) is RMB56.8 million, which comprises approximately 1.98% of the Group's latest audited consolidated NTA as at 31 December 2017 of RMB2,870.7 million (equivalent to approximately S\$565.9 million).

LETTER TO SHAREHOLDERS

PricewaterhouseCoopers Corporate Finance Pte Ltd has been appointed as the Independent Financial Adviser in accordance with Chapter 9 of the Listing Manual to advise the Independent Directors on whether:

- (a) the Proposed EPC Agreement is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders; and
- (b) the methods and review procedures under the IPT General Mandate are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

2.3 Details of the Proposed EPC Agreement

2.3.1 *Obligations of JE Synergy Engineering*

Under the terms of the Proposed EPC Agreement, JE Synergy Engineering, as main contractor, is required to, *inter alia*:

- (a) undertake and complete all work and services required in connection with the design, engineering, construction, inspection, start-up, demonstration and testing of the MBT Project (the “**Work**”) on a turnkey basis for a contract sum, in accordance with the Proposed EPC Agreement and in compliance with all applicable health, safety, social and environmental laws and the standards and requirements of the NEA with respect to the MBT Project;
- (b) procure and pay for, in its own name as an independent contractor and not as agent for JE Synergy, all labour, materials, equipment, supplies, manufacturing, technology and related services which are required for completion of the Work, and to be used in the construction of and for incorporation into the MBT Project; and
- (c) provide, or cause its sub-contractors to provide, all labour and personnel required in connection with the Work, including without limitation licensed professional engineers, a project engineer and a construction manager.

2.3.2 *Contract Sum and Payment Schedule*

The Contract Sum payable by JE Synergy to JE Synergy Engineering in consideration of the Work carried out and completed under the Proposed EPC Agreement is S\$66,563,000, which excludes Goods and Services Tax. After taking into account Goods and Services Tax, a total of S\$71,222,410 will be received by JE Synergy Engineering from JE Synergy.

The Contract Sum was arrived at after arm’s length negotiations between the parties on a “willing buyer willing seller” basis based on cost-plus pricing with a certain margin, using bottom-up budgeting with reference to indicative quotations provided by eight sub-contractors in a pre-tender phase and historical cost estimates from similar past projects, with adjustments for local factors such as material and labour costs. If there are variations in the scope of the Work during the course of the Proposed EPC Agreement, this will be negotiated between the parties with a view to varying the Contract Sum if required.

As the MBT Project is the first of its kind in Singapore, the terms of the Proposed EPC Agreement were compared against the terms for similar EPC projects in China which the Group had recently undertaken and completed for unrelated third parties on an arm’s length basis. However, given that the MBT Project is the first of its kind in Singapore, such projects may not be directly comparable to the MBT Project in terms of the prevailing economic conditions, design, scale, complexity, method of construction and other relevant factors.

LETTER TO SHAREHOLDERS

The Contract Sum is payable in accordance with the progress of completion of the MBT Project. JE Synergy Engineering will submit monthly payment claims, which JE Synergy must respond to within 21 days and make payment on within 30 days thereafter, subject to the following maximum limits at each milestone:

- (a) 85% of the Contract Sum upon completion of installation of all major process equipment, which includes equipment provided by sub-contractors for bio-drying and mechanical sorting;
- (b) 90% of the Contract Sum (on a cumulative basis less all amounts previously paid) upon completion of commissioning for all major process equipment;
- (c) 95% of the Contract Sum (on a cumulative basis less all amounts previously paid and any Performance Damages (as defined below) which will be deducted from the Contract Sum if certain performance metrics stipulated in the Proposed EPC Agreement are not met for reasons attributable to JE Synergy Engineering) upon completion of performance tests and issuance of the final acceptance certificate; and
- (d) 100% of the Contract Sum (on a cumulative basis less all amounts previously paid and any Performance Damages), which includes the Retention Sum (as defined below) of 5% of the Contract Sum, being S\$3,328,150, upon issuance of the taking-over certificate.

The progress of completion of the MBT Project will be certified by site engineers for the purposes of the monthly payment claims. In the event that JE Synergy fails to make payment on the monthly payment claims within the timeline stipulated under the Proposed EPC Agreement, default interest shall be payable by JE Synergy on the unpaid amounts at the rate of 5.33% per annum.

2.3.3 **Work Schedule**

JE Synergy Engineering is required to complete the Work within 24 months from the date of commencement of the Work ("**Completion Deadline**") and in accordance with a work schedule to be prepared and delivered by JE Synergy Engineering to JE Synergy for review and approval prior to commencement of the Work.

Under the terms of the Proposed EPC Agreement, JE Synergy may extend the time within which the Work or any phase or part of the Work is to be completed (either prospectively or retrospectively and before or after such time) by such further period or periods of time as may reasonably reflect any delays in completion of the Work which arise notwithstanding due diligence and the taking of all reasonable steps by JE Synergy Engineering to avoid or reduce such delay. If there are variations in the Work arising from such extension, this will be negotiated between the parties with a view to varying the Contract Sum if required.

2.3.4 **Performance Damages and Defects Liability**

If any one or more of certain performance metrics stipulated in the Proposed EPC Agreement are not met based on the results of tests carried out following completion for reasons attributable to JE Synergy Engineering, JE Synergy Engineering will be required to pay JE Synergy liquidated damages ("**Performance Damages**") at rates ranging from S\$1,000 to S\$40,000 per unit of the relevant metrics, the aggregate amount of which is capped at 3% of the Contract Sum. While the Performance Damages will be deducted from the Contract Sum, JE Synergy Engineering can make a corresponding claim for performance damages from its sub-contractors, which are capped at 10% of the total sub-contract sum and amounts to approximately 3% of the Contract Sum.

LETTER TO SHAREHOLDERS

During the period of 24 months from the date of issuance of the final acceptance certificate, JE Synergy may, at the cost of JE Synergy Engineering, instruct JE Synergy Engineering or any other suitable party to rectify all defects of whatever nature, if such remedial work is due to any fault in design of the Work by JE Synergy Engineering or the neglect or failure on the part of JE Synergy Engineering to comply with any of its obligations under the Proposed EPC Agreement.

2.3.5 **Retention Sum**

The retention sum is 5% of the Contract Sum, being S\$3,328,150 (the “**Retention Sum**”). The Retention Sum is to be released by JE Synergy upon the issuance of a taking-over certificate by JE Synergy following the completion of the Work.

2.3.6 **Performance Security**

JE Synergy Engineering is required to provide a corporate guarantee (the “**Corporate Guarantee**”) of an amount equivalent to 10% of the Contract Sum, being S\$6,656,300, in favour of JE Synergy as security for the performance of JE Synergy Engineering’s obligations under the Proposed EPC Agreement. Under the terms of the Proposed EPC Agreement, the provision of the Corporate Guarantee is a condition precedent to the commencement of any Work under the Proposed EPC Agreement, and JE Synergy Engineering must ensure that the Corporate Guarantee is valid and enforceable until it has completed the Work and remedied any defects.

2.3.7 **Liquidated Damages**

If the Work has not been substantially completed by the Completion Deadline (or any extension thereof), JE Synergy Engineering must pay JE Synergy liquidated damages calculated at the rate of 0.1% of the Contract Sum per day up to a limit of 10% of the Contract Sum.

2.3.8 **Incentive Performance Bonus**

In the event that JE Synergy Engineering completes the Work ahead of the Completion Deadline, JE Synergy must pay JE Synergy Engineering an incentive performance bonus at the rate of S\$1,000 per day up to a limit of 10% of the Contract Sum. There are no amounts payable by the NEA to JE Synergy for early completion of the construction of the MBT Project.

2.3.9 **Termination**

(a) Termination without Default

JE Synergy may at any time, immediately terminate the Proposed EPC Agreement by giving notice in writing to JE Synergy Engineering. In the event of such termination, JE Synergy shall pay JE Synergy Engineering (i) for all Work executed prior to the date of termination and (ii) the cost of plant, materials or goods reasonably ordered for the Work which have been delivered to JE Synergy Engineering or of which JE Synergy Engineering is legally liable to accept delivery, and such plant, materials or goods will become the property of JE Synergy upon such payments made by it. Save as aforesaid, no penalties or liquidated damages are payable by JE Synergy to JE Synergy Engineering for termination of the Proposed EPC Agreement without default. Given that it is a common industry practice for EPC contracts in Singapore and the Group’s own EPC contracts with its sub-contractors in China to (i) allow the employer to immediately terminate the EPC contract without default on the part of the contractor and (ii) reimburse the contractor or sub-contractor for work done and supplies delivered without any further penalties or liquidated damages payable to the contractor or sub-contractor in the event of such termination without default, such provisions are on an arm’s length basis and on normal commercial terms.

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In addition, JE Synergy may suspend or terminate the Proposed EPC Agreement after giving seven (7) days prior written notice to JE Synergy Engineering if JE Synergy is affected by any state of war, act of God or other circumstance seriously disrupting public safety, peace or good order of the Republic of Singapore, upon which JE Synergy shall pay JE Synergy Engineering for all Work performed and accepted by JE Synergy.

JE Synergy Engineering may not terminate the Proposed EPC Agreement without default.

(b) Termination with Default

JE Synergy may terminate the Proposed EPC Agreement by giving notice in writing to JE Synergy Engineering if:

- (i) JE Synergy Engineering abandons the Proposed EPC Agreement;
- (ii) JE Synergy Engineering fails to commence Work in accordance with the Proposed EPC Agreement;
- (iii) JE Synergy Engineering becomes bankrupt or insolvent or makes a composition with creditors or any winding up order of any kind is made, or a receiver or manager or judicial manager is appointed with respect to the undertaking or assets of JE Synergy Engineering; or
- (iv) JE Synergy Engineering fails to provide the Corporate Guarantee.

If JE Synergy terminates the Proposed EPC Agreement for default pursuant to any of the aforesaid reasons, and completion of the Work or any phase or part by JE Synergy or by other contractors or persons appointed by JE Synergy to complete the Work, phase or part has been delayed beyond the Completion Deadline, JE Synergy shall be entitled to the same liquidated damages for delay as those which would have been payable if JE Synergy Engineering had completed the Work or phase or part on the actual completion date of JE Synergy or the other contractors or persons appointed by JE Synergy.

2.4 Rationale for and Benefits of the Proposed EPC Agreement

The Group has a track record of undertaking design, engineering and construction projects in China, Brazil and India which are similar in nature to the MBT Project. Accordingly, the Proposed EPC Agreement will allow the Group to apply its capabilities and know-how in the design, engineering and construction of the MBT Project, and in the process also generate additional revenue for the Group and contribute positively to the Group's financial results. Based on the unaudited consolidated financial statements of the Company for the third quarter ended 30 September 2018, the Proposed EPC Agreement will result in an increase of approximately 1-2% in the net profit attributable to Shareholders.

As the Group's pilot project for the NEA in Singapore, the successful completion of the MBT Project pursuant to the Proposed EPC Agreement will serve as a high-profile demonstration project of JE Synergy Engineering's engineering and construction capabilities, which will provide JE Synergy Engineering with the credentials to secure similar EPC projects in Singapore in the future. This serves as a stepping stone to future collaboration opportunities outside the PRC and is in line with the Group's strategy to expand outside of countries it currently operates in and to build up a strong reputation outside the PRC. In addition, the Proposed EPC Agreement, along with operations and maintenance work to be undertaken by the Group in respect of the MBT Project going forward, would enable the Group to acquire experience and expertise in mechanical-biological waste treatment, which it believes to be one of the foremost standards of waste treatment used in developed countries.

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3. THE PROPOSED MODIFICATIONS TO THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

3.1 Background

On 20 July 2016, the Shareholders had originally adopted the IPT General Mandate. At the extraordinary general meeting of the Company held on 25 April 2017, the Shareholders had approved the renewal of the IPT General Mandate. At the extraordinary general meeting of the Company held on 30 April 2018 (the “**2018 EGM**”), the Shareholders had approved certain modifications to, and the renewal of, the IPT General Mandate, the details and terms of which were set out in the circular from the Company to Shareholders dated 13 April 2018.

The IPT General Mandate enables the Company, its subsidiaries and associated companies that are considered to be “entities at risk” within the meaning of Chapter 9 of the Listing Manual (the “**EAR Group**”), to enter in the ordinary course of business into any of the mandated transactions with specified classes of the Company’s interested persons, provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

3.2 Validity of the IPT General Mandate

The IPT General Mandate approved at the 2018 EGM will expire on the date of the next annual general meeting of the Company. If the proposed resolution for the modifications to the IPT General Mandate is approved at the forthcoming EGM, the modified IPT General Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next annual general meeting of the Company is held or is required to be held, whichever is the earlier date.

3.3 Proposed Modifications to the IPT General Mandate

Following the recent acquisition of Hangzhou Zhenghui Construction Engineering Co., Ltd. (杭州正晖建设工程有限公司) in April 2018, in addition to its existing WTE and project technical and management services and energy management contracting (“**EMC**”) businesses, the Group now has enhanced capabilities and expertise in the provision of engineering, design, construction, project management, and engineering-related consultancy services. Accordingly, apart from the MBT Project, it is envisaged that the Group may in the future provide EPC services (including design and consulting services) to other projects of Jinjiang Group, as well as operations and maintenance services for such projects (including the MBT Project) in the ordinary course of its business on a recurrent basis. The entry into the aforesaid transactions would enable the Group to generate additional revenue and better utilise its enhanced capabilities.

It is expected that the aforesaid (i) EPC services and (ii) operations and maintenance services will be negotiated and provided by the Group to Jinjiang Group on terms comparable to other unrelated third parties, and accordingly will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

As such, following a review by the Audit Committee, the Company is proposing modifications to:

- (a) the categories of Mandated Transactions to include the following new transactions as Mandated Transactions as it is envisaged the Group would in future engage in transactions of such nature:
 - (i) the provision of EPC services and ancillary services (including design and consulting services) by the Group to Mandated Interested Persons; and
 - (ii) the provision of operations and maintenance services, including but not limited to technical, operation and maintenance services relating to operational processes and engineering, equipment operation, repair and maintenance services, by the Group to Mandated Interested Persons; and

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- (b) the review procedures for Mandated Transactions to include review procedures for determining transaction prices for the new categories of Mandated Transactions in (a) above,

in compliance with the requirements of Chapter 9 of the Listing Manual and the provisions of the Non-Competition Agreement dated 23 June 2016 (the “**Non-Competition Agreement**”) entered into between the Company with its Controlling Shareholders, as further described below.

3.3.1 ***Proposed Modifications to the Categories of Mandated Transactions***

The existing Mandated Transactions for the purpose of the IPT General Mandate are grouped into three broad categories, namely, (i) the purchase of coal and other raw materials, as well as construction-related materials by the Group from Mandated Interested Persons, (ii) the provision of construction-related services and ancillary services (including design and consulting services) by the Mandated Interested Persons to the Group in relation to the design and construction of WTE and other facilities and (iii) the provision of project technical and management services and EMC services by the Group to the Mandated Interested Persons.

It is proposed that the categories of Mandated Transactions for the purposes of the IPT General Mandate be amended to:

- (a) expand the category in (ii) above to also include the provision of EPC and ancillary services (including design and consulting services) by the Group to Mandated Interested Persons in respect of waste treatment and other facilities; and
- (b) insert an additional category of Mandated Transactions relating to the provision of operations and maintenance services, including but not limited to technical, operation and maintenance services relating to operational processes and engineering, equipment operation, repair and maintenance services, by the Group to Mandated Interested Persons,

in each case in compliance with the requirements of Chapter 9 of the Listing Manual and the provisions of the Non-Competition Agreement.

3.3.2 ***Proposed Modifications to the Review Procedures***

In connection with the proposed addition of the new categories of Mandated Transactions, it is proposed that the IPT General Mandate be modified to include the relevant review procedures for determining transaction prices for (i) the provision of EPC and ancillary services (including design and consulting services) by the Group to Mandated Interested Persons and (ii) the provision of operations and maintenance services by the Group to Mandated Interested Persons.

The classes of Mandated Interested Persons under the IPT General Mandate remain unchanged. For the avoidance of doubt, save in respect of the foregoing, no modifications are proposed to be made to the review procedures for determining transaction prices or to the other categories of Mandated Transactions.

In addition to the proposed modifications to the IPT General Mandate described above, the Company is also taking the opportunity to effect certain editorial changes to the IPT General Mandate. These editorial changes are not substantive in nature and are essentially for drafting consistency.

Particulars of the IPT General Mandate (as proposed to be modified), including the rationale for the IPT General Mandate, the benefits to be derived by the Company, the classes of Mandated Interested Persons, the categories of Mandated Transactions and the review procedures for determining transaction prices, are set out in paragraph 3.5 of this Circular. The proposed modifications are blacklined for Shareholders’ ease of reference.

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3.4 Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual governs transactions between a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be “at risk”, with the listed company’s interested persons.

Except for any transaction which is below S\$100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9, when this Chapter applies to a transaction with an interested person and the value of the transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company’s latest audited consolidated net tangible assets (“**NTA**”)), the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for the transaction. In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding:

- (a) 5% of the listed company’s latest audited consolidated NTA; or
- (b) 5% of the listed company’s latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the “same interested person” (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017, the consolidated NTA of the Group was RMB2,870.7 million (equivalent to approximately S\$565.9 million). Accordingly, in relation to the Group, for the purposes of Chapter 9 of the Listing Manual, in the current financial year and until the audited consolidated financial statements of the Group for the financial year ending 31 December 2018 are published, 5% of the Group’s latest audited consolidated NTA would be RMB143.5 million (equivalent to approximately S\$28.3 million).

Chapter 9 of the Listing Manual, however, allows the Company to seek a mandate from its Shareholders for recurrent interested person transactions which are of a revenue or trading nature or for those necessary for its day-to-day operations. These transactions may not include the purchase or sale of assets, undertakings or businesses which are not part of the Company’s day-to-day operations.

For the purposes of Chapter 9 of the Listing Manual:

- (i) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles as Chapter 9;
- (ii) an “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder, includes an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or the controlling shareholder/his immediate family is a beneficiary, or in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or the controlling shareholder/his immediate family has or have an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;
- (iii) an “**associated company**” means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group;

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- (iv) an “**entity at risk**” means:
 - (A) the listed company;
 - (B) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (C) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has control over the associated company;
- (v) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;
- (vi) an “**interested person transaction**” means a transaction between an entity at risk and an interested person;
- (vii) a “**transaction**” includes the provision or receipt of financial assistance; the acquisition, disposal or leasing of assets; the provision or receipt of services; the issuance or subscription of securities; the granting of or being granted options; and the establishment of joint ventures or joint investments, whether or not entered into in the ordinary course of business, and whether entered into directly or indirectly; and
- (viii) in interpreting the term “**same interested person**” for the purpose of aggregation of the values of all transactions entered into with the same interested person during the same financial year under Rules 905 and 906 of Chapter 9 of the Listing Manual, the following applies:
 - (A) transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person; and
 - (B) if an interested person (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and their associates and have audit committees whose members are completely different.

3.5 Proposed Modifications to the IPT General Mandate

3.5.1 *Introduction*

The Company anticipates that the EAR Group would, in the ordinary course of business, continue to enter into certain transactions with its interested persons (as such term is defined in the Listing Manual and/or in accordance with the directions of the SGX-ST), including but not limited to those categories of transactions described below. In view of the time-sensitive nature of commercial transactions, it would be advantageous for the Company to obtain a Shareholders’ mandate to enter into certain interested person transactions in the EAR Group’s normal course of business, provided that all such transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

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Chapter 9 of the Listing Manual allows a listed company to obtain a mandate from its shareholders for recurrent interested person transactions which are of a revenue or trading nature or for those necessary for its day-to-day operations. These transactions may not include the purchase or sale of assets, undertakings or businesses which are not part of its day-to-day operations.

The IPT General Mandate will take effect from the passing of the Ordinary Resolution relating thereto, and will continue in force until the conclusion of the next annual general meeting of the Company (unless sooner revoked or varied by the Company in general meeting). Approval from Shareholders will be sought for the renewal of the IPT General Mandate at the next annual general meeting (or extraordinary general meeting following such annual general meeting) and each subsequent annual general meeting (or extraordinary general meeting following such annual general meeting) of the Company, subject to satisfactory review by the Audit Committee of the Company of its continued application to the Mandated Transactions (as defined below).

3.5.2 **Entities at Risk**

For the purposes of the IPT General Mandate, an “Entity at Risk” means:

- (a) the Company;
- (b) a subsidiary of the Company (excluding subsidiaries listed on the SGX-ST or an approved exchange); or
- (c) an associated company of the Company (other than an associated company that is listed on the SGX-ST or an approved exchange) over which the Group, or the Group and its interested person(s), has or have control.

3.5.3 **Classes of Mandated Interested Persons**

The IPT General Mandate will apply to the transactions that are carried out between any Entity at Risk and entities in which Mr. Dou Zhenggang and his immediate family (as defined in the Listing Manual) together (directly or indirectly) have an interest of 30% or more, provided, however, that:

- (i) any provision of materials or services by any such entity to the EAR Group is in the normal course of business of such entity; and
- (ii) any acquisition of materials or services by any such entity from the EAR Group is in connection with or ancillary to the normal course of business of such entity,

(collectively, the “**Mandated Interested Persons**” and each a “**Mandated Interested Person**”, all being “interested persons” as defined in the Listing Manual).

For the avoidance of doubt, such Mandated Interested Persons would include such persons who may, during such period while the IPT General Mandate is effect, become Mandated Interested Persons where previously they were not so.

3.5.4 **Categories of Mandated Interested Person Transactions**

The types of transactions with the Mandated Interested Persons to which the IPT General Mandate will apply (the “**Mandated Transactions**”), and the benefits to be derived therefrom, are set out below.

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(a) *Purchase of Raw Materials and Construction-Related Materials*

This category of transactions pertains to the purchase of coal and other raw materials, as well as construction-related materials by the EAR Group from Mandated Interested Persons in the normal course of business of the EAR Group. The transactions within this category include:

- (i) the purchase of coal and other raw materials by the EAR Group from the Mandated Interested Persons;
- (ii) the purchase of construction-related materials by the EAR Group from the Mandated Interested Persons; and
- (iii) the provision or obtaining of such other products and services which are incidental to or in connection with the provision or obtaining of products and services in sub-paragraphs (i) and (ii) above, including but not limited to transportation and logistics services.

(b) *Engineering, Procurement and Construction and Ancillary Services*

This category of transactions pertains to the provision of engineering, procurement and construction-related services and ancillary services (including design and consulting services) by the Mandated Interested Persons to the EAR Group, or by the EAR Group to Mandated Interested Persons, in relation to the design, engineering and construction of WTEwaste treatment and other facilities which are of a recurring nature and are in the ordinary course of business of the EAR Group. The transactions within this category include:

- (i) the tender by the Mandated Interested Persons or the EAR Group (as the case may be) for (whether by way of public tender, invitation or otherwise) and/or obtaining by the Mandated Interested Persons or the EAR Group (as the case may be) of the award of contracts from the EAR Group or the Mandated Interested Persons (as the case may be) as main contractors, sub-contractors, suppliers, managers and/or consultants for construction, building, procurement and installation of equipment and supplies, engineering, project management, architectural, retro-fitting, testing, commissioning and/or alteration and addition works for WTEwaste treatment and other facilities (“**ConstructionEPC Services**”);
- (ii) the provision of integrated design and consulting services by the Mandated Interested Persons to the EAR Group, or by the EAR Group to the Mandated Interested Persons (as the case may be), including keeping track of the latest technological developments in the WTEwaste treatment industry, inspecting the qualification and experience of service providers to be engaged for design-related services, organising public tenders for the design of WTEwaste treatment facilities and liaising with and supervising service providers engaged to provide design-related services (“**Design and Consulting Services**”); and
- (iii) the provision and/or obtaining of such other products and services which are incidental to or in connection with the provision or obtaining of products and services in sub-paragraphs (i) and (ii) above by the Mandated Interested Persons to the EAR Group, or by the EAR Group to the Mandated Interested Persons (as the case may be), including but not limited to the provision and/or obtaining of relevant construction materials and equipment.

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(c) *Project Technical and Management Services and EMC Services*

This category of transactions pertains to the provision of project technical and management services and EMC services by the EAR Group to the Mandated Interested Persons, which are recurrent transactions of a revenue or trading nature. The transactions within this category include:

- (i) the provision of project technical and management services;
- (ii) the provision of energy-saving and residual heat utilisation solutions;
- (iii) the provision of consultancy services in relation to operations optimisation and equipment selection, and the procurement and provision of equipment in connection therewith;
- (iv) the provision of management and operational support services;
- (v) the provision of consultancy services in relation to energy-saving technology; and
- (vi) the provision and/or obtaining of such other products and services which are incidental to or in connection with the provision or obtaining of products and services in sub-paragraphs (i) to (v) above, including but not limited to the provision of energy-saving and residual heat utilisation equipment and facilities.

(d) *Operations and Maintenance Services*

This category of transactions pertains to the provision of operations and maintenance services by the EAR Group to Mandated Interested Persons in relation to waste treatment and other facilities (including the MBT Project, and in each case, in compliance with the provisions of the Non-Competition Agreement), which are recurrent transactions of a revenue or trading nature. The transactions within this category include:

- (i) the provision of operations and maintenance services, including but not limited to technical, operation and maintenance services relating to operational processes and engineering, equipment operation, repair and maintenance services; and
- (ii) the provision and/or obtaining of such other products and services which are incidental to or in connection with the provision or obtaining of services in sub-paragraph (i) above, including but not limited to the provision of relevant operations and maintenance materials and equipment.

3.5.5 *Rationale for and Benefits of the IPT General Mandate*

The IPT General Mandate and its subsequent renewal on an annual basis would eliminate the need to announce, or to announce and convene separate general meetings from time to time to seek Shareholders' prior approval as and when potential Mandated Transactions with Mandated Interested Persons arise, thereby saving substantial administrative time and costs expended in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the EAR Group.

The IPT General Mandate is intended to facilitate transactions in the normal course of business of the EAR Group which are transacted from time to time with the Mandated Interested Persons, provided that they are carried out at arm's length and on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders. The EAR Group will benefit from having access to competitive quotes from the Mandated Interested Persons in addition to obtaining quotes from, or transacting with, non-Mandated Interested Persons.

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In accordance with the requirements of Chapter 9 of the Listing Manual, the Company will (i) disclose in its annual report the aggregate value of transactions conducted with Mandated Interested Persons pursuant to the IPT General Mandate during the financial year (as well as in the annual reports for subsequent financial years that the IPT General Mandate continues to be in force); and (ii) announce the aggregate value of transactions conducted with Mandated Interested Persons pursuant to the IPT General Mandate for the financial periods that the Company is required to report on pursuant to Rule 705 of the Listing Manual (which relates to quarterly reporting by listed companies) within the time required for the announcement of such report.

3.5.6 ***Review Procedures for Mandated Transactions with Mandated Interested Persons***

To ensure that Mandated Transactions with Mandated Interested Persons are undertaken at: (i) arm's length and on normal commercial terms consistent with the EAR Group's usual business practices and on terms which are generally not more favourable than those extended to unrelated third parties; or (ii) in any event on terms no less favourable to the EAR Group than prevailing open market rates, and will not be prejudicial to the interests of the Company and its minority Shareholders, the EAR Group will adopt the following procedures for the review and approval of Mandated Transactions under the IPT General Mandate:

- (a) The following procedures will be adopted in relation to (i) purchases of raw materials and construction-related materials from Mandated Interested Persons, (ii) the provision of ~~Construction~~EPC Services and ancillary services (including Design and Consulting Services) by or to Mandated Interested Persons, ~~and~~ (iii) the provision of project technical and management services and EMC services to Mandated Interested Persons and (iv) the provision of operations and maintenance services to Mandated Interested Persons:

Purchase of Raw Materials and Construction-Related Materials

In relation to the purchase of coal and other raw materials as well as construction-related materials from Mandated Interested Persons, the price and commercial terms will be determined based on the prevailing market rates, which are determined by market forces, demand and supply, specifications and other relevant factors. The EAR Group will also take into account transportation costs involved. Prices from the Company's interested persons are generally aggregate of cost, freight costs and an administrative fee of 2-3%. Where the prevailing market rates or prices are not available for comparison, the purchasing department of the EAR Group will assess the pricing quoted by the Mandated Interested Person based on its usual business practices, taking into account factors, including but not limited to the budget allocated for the transaction as well as the capacity and reliability of the Mandated Interested Person.

In determining whether the price and commercial terms offered by the Mandated Interested Persons are fair and reasonable, factors such as, but not limited to, delivery schedules, compliance with specifications, track record and reliability, experience and expertise, capacity and payment terms will be taken into consideration. In addition, the purchasing department of the EAR Group will procure at least two quotations from unrelated third party vendors in respect of similar categories of products. The price and commercial terms offered by the Mandated Interested Persons shall be no less favourable to the EAR Group than what is available in the market, having regard to all relevant factors.

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Where it is impracticable or not possible for quotations to be obtained from unrelated third party vendors, the price and commercial terms offered by the Mandated Interested Person will be compared to those for the same or substantially the same types of transactions entered into between the Mandated Interested Person and third parties. The review procedures in such cases may include, where applicable, reviewing the standard price lists provided by the Mandated Interested Person to its customers for such products and be based on the commercial merits of the transaction. Where it is impractical or not possible to compare the price and commercial terms with those for the same or substantially the same types of transactions entered into between the Mandated Interested Person and third parties, the Relevant Authorised Persons (as defined in paragraph (b) below) will determine whether the terms of supply are fair and reasonable. This would include taking into account, where known, among other matters as may be necessary, the nature and duration of the transaction, the cost and margins of the Mandated Interested Person and the quality of the products to be purchased.

ConstructionEPC Services and Ancillary Services

In relation to the provision of ConstructionEPC Services and ancillary services (including Design and Consulting Services) by Mandated Interested Persons to the EAR Group, or by the EAR Group to Mandated Interested Persons (as the case may be), the price and commercial terms offered by or to the Mandated Interested Persons will be assessed based on the comparable third party contracts approach. At least two recent contracts, for the same or substantially the same nature of ConstructionEPC Services and Design and Consulting Services (as the case may be), entered into by the EAR Group with third parties will be used as a basis of comparing the price and commercial terms offered by or to the Mandated Interested Person, after taking into account, *inter alia*, if applicable, factors including but not limited to, the complexity of the services rendered, the EAR Group's or the Mandated Interested Person's project specifications, the project schedule, the payment terms, the sufficiency and availability of resources, the creditworthiness of the Mandated Interested Person, the technical expertise required and prevailing estimated project costs. For example, in relation to ConstructionEPC Services, as the main drivers affecting construction costs are floor area and installations required, the contracts of a similar nature will be analysed on a cost per square feet or cost per installation basis. After analysing the costs in specific detail, the EAR Group will then derive a meaningful contract sum to be paid to or by the Mandated Interested Person.

Where it is impracticable or not possible for such contracts to be obtained, the price and commercial terms offered by or to the Mandated Interested Person will be compared to those for the same or substantially the same types of transactions entered into between the Mandated Interested Person and third parties. The review procedures in such cases may include, where applicable, reviewing the standard price lists provided by the Mandated Interested Person to its customers, or to the Mandated Interested Person by its suppliers (as the case may be), for such services and be based on the commercial merits of the transaction.

Where it is impractical or not possible to compare the price and commercial terms with those for the same or substantially the same types of transactions entered into between the Mandated Interested Person and third parties, the Relevant Authorised Persons (as defined in paragraph (b) below) will determine whether the terms of supply are fair and reasonable. This would include taking into account, where known, among other matters as may be necessary, the nature and duration of the transaction, the cost and margins of the relevant project (if any) and the quality of the services to be provided.

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Provision of Project Technical and Management Services and EMC Services

In relation to the provision of project technical and management services and EMC services by the EAR Group to Mandated Interested Persons, the price and commercial terms offered to the Mandated Interested Persons will be determined based on the comparable third party contracts approach. At least two recent contracts, for the same or substantially the same nature of project technical and management services or EMC services (as the case may be), entered into by the EAR Group with third parties will be used as a basis of comparing and determining the price and commercial terms to be offered to the Mandated Interested Person, after taking into account, *inter alia*, if applicable, factors including but not limited to, the complexity of the services rendered, the Mandated Interested Person's project specifications, the project schedule, the payment and revenue-sharing terms (where applicable), the cost of investment required, the sufficiency and availability of resources, the creditworthiness of the Mandated Interested Person, the technical expertise required and the prevailing estimated project costs determined by a project director and/or quantity surveyor(s).

Where it is impracticable or not possible for such contracts to be obtained, the price and commercial terms offered to the Mandated Interested Person will be determined in accordance with the EAR Group's usual business practice and be consistent with the margins obtained by the EAR Group in its business operations.

Operations and Maintenance Services

In relation to the provision of operations and maintenance services by the EAR Group to Mandated Interested Persons, the price and commercial terms offered to the Mandated Interested Persons will be assessed based on the comparable third party contracts approach. At least two recent contracts, for the same or substantially the same nature of operations and maintenance services (as the case may be), entered into by the EAR Group with third parties will be used as a basis of comparing the price and commercial terms offered to the Mandated Interested Person, after taking into account, inter alia, if applicable, factors including but not limited to, the complexity of the services rendered or goods and services procured, the Mandated Interested Person's project specifications, the project schedule, the payment terms, the sufficiency and availability of resources, the creditworthiness of the Mandated Interested Person, the technical expertise required and prevailing estimated project costs. The price and commercial terms offered to the Mandated Interested Persons shall be no less favourable to the EAR Group than what is offered by the EAR Group to third parties, having regard to all relevant factors.

Where it is impracticable or not possible for such contracts to be obtained, the price and commercial terms offered to the Mandated Interested Person will be determined in accordance with the EAR Group's usual business practice and be consistent with the margins obtained by the EAR Group in its business operations.

- (b) The following review and approval procedures will apply to the Mandated Transactions:
- (i) Transactions equal to or exceeding S\$100,000 each in value but below the Financial Limit (as defined below) each in value, will be reviewed and approved by either the Chairman of the Board of Directors or an Executive Director, together with the Audit Committee or such other senior executive(s) of the Company designated by the Audit Committee from time to time for such purpose (collectively, the "**Relevant Authorised Persons**"), and tabled for review by the Audit Committee on a quarterly basis.
 - (ii) Transactions equal to or exceeding the Financial Limit each in value will be reviewed and approved by the Audit Committee.

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- (iii) Any of the Relevant Authorised Persons, and the Audit Committee, may, as he/it deems fit, request for additional information pertaining to the transaction under review from independent sources or advisers, including requesting for an independent financial adviser's opinion and/or the obtaining of valuations from independent professional valuers.

For the purposes of sub-paragraphs (i) and (ii) above, the Financial Limit shall be the amount equivalent to 5.0% of the Group's audited consolidated NTA for the time being, as determined by reference to the Group's latest announced audited consolidated financial statements.

- (c) The following will apply to the review and approval process for all categories of Mandated Transactions:

- (i) If any of the Relevant Authorised Persons has an interest in the transaction or is a nominee for the time being of the Mandated Interested Person, or if any associate (as defined in the Listing Manual) of the Relevant Authorised Persons is involved in the decision making process on the part of the Mandated Interested Person, the review and approval process shall be undertaken by the remaining Relevant Authorised Persons who do not have an interest in the transaction or are a nominee for the time being of the Mandated Interested Person, and who are not subject to such conflicts of interest, save that if all of the Executive Directors have an interest in the transaction, are nominees for the time being of the Mandated Interested Person or are subject to such conflicts of interest, the review and approval process shall be undertaken by the Audit Committee or such other senior executive(s) of the Company designated by the Audit Committee from time to time for such purpose.
- (ii) If all of the Relevant Authorised Persons have an interest in the transaction, are nominees for the time being of the Mandated Interested Person or have associates (as defined in the Listing Manual) involved in the decision making process on the part of the Mandated Interested Person, the review and approval process shall be undertaken by the Chairman of the Audit Committee or another member of the Audit Committee (who is not a nominee of the Mandated Interested Person, has no interest in the transaction and is not subject to such conflicts of interest) designated by the Chairman of the Audit Committee from time to time for such purpose.
- (iii) If a member of the Audit Committee has an interest in a transaction or is a nominee for the time being of the Mandated Interested Person, or if any associate (as defined in the Listing Manual) of a member of the Audit Committee is involved in the decision making process on the part of the Mandated Interested Person, he shall abstain from participating in the review and approval process of the Audit Committee in relation to that transaction.
- (iv) If a member of the Audit Committee (who is not a nominee of the Mandated Interested Person, has no interest in the transaction and is not subject to such conflicts of interest) also serves as an independent non-executive director on the board of directors or (as the case may be) an audit or other board committee of the Mandated Interested Person, and he participates in the review and approval process of the Audit Committee in relation to a transaction with that Mandated Interested Person, he will abstain from participating on any decision before the board or committee of that Mandated Interested Person with respect to such transaction.

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- (d) The Company will maintain a register of Mandated Transactions carried out with Mandated Interested Persons (recording the basis, including the quotations obtained to support such basis, on which they are entered into), and the Company's annual internal audit plan will incorporate a review of all Mandated Transactions entered into in the relevant financial year pursuant to the IPT General Mandate.

The Audit Committee will review the internal audit reports on Mandated Transactions to ascertain that the internal control procedures and review procedures for Mandated Transactions have been complied with.

- (e) If during any of the reviews by the Audit Committee, the Audit Committee is of the view that the internal control procedures and review procedures for Mandated Transactions have become inappropriate or insufficient in the event of changes to the nature of, or manner in which, the business activities of the Group or the Mandated Interested Persons are conducted, the Company will revert to Shareholders for a fresh general mandate based on new internal control procedures and review procedures so that Mandated Transactions will be carried out at arm's length, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

4.1 Directors' Interests

The interests of the Directors in the Shares, as recorded in the Register of Directors' Shareholdings of the Company, as at the Latest Practicable Date are set out below:

Directors	Direct Interest		Deemed Interest ⁽²⁾		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Wang Yuanluo	2,860,000	0.20	–	–	2,860,000	0.20
Zhang Chao	600,000	0.04	–	–	600,000	0.04
Wang Ruihong	1,100,000	0.07	–	–	1,100,000	0.07
Ang Swee Tian	80,000	0.01	–	–	80,000	0.01
Hee Theng Fong	–	–	–	–	–	–
Tan Huay Lim	–	–	–	–	–	–
Ni Mingjiang	–	–	–	–	–	–

Notes:

(1) Based on 1,443,246,800 Shares in issue as at the Latest Practicable Date.

(2) Deemed interests refer to interests determined pursuant to Section 4 of the SFA.

4.2 Substantial Shareholders' Interests

The interests of the Substantial Shareholders in the Shares, as recorded from the Register of Substantial Shareholders of the Company, as at the Latest Practicable Date are set out below:

Substantial Shareholders	Direct Interest		Deemed Interest ⁽²⁾		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
China Green Energy	474,195,575	32.86	–	–	474,195,575	32.86
Win Charm ⁽³⁾	328,365,000	22.75	474,195,575	32.86	802,560,575	55.61
Hangzhou Zhengcai ⁽⁴⁾	–	–	802,560,575	55.61	802,560,575	55.61
Jinjiang Group ⁽⁵⁾	–	–	802,560,575	55.61	802,560,575	55.61
Dou Zhenggang ⁽⁶⁾	–	–	802,560,575	55.61	802,560,575	55.61

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Substantial Shareholders	Direct Interest		Deemed Interest ⁽²⁾		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Wei Xuefeng ⁽⁷⁾	–	–	802,560,575	55.61	802,560,575	55.61
Zhejiang Hengjia ⁽⁸⁾	–	–	802,560,575	55.61	802,560,575	55.61
Harvest Global Dynamic Fund SPC acting on behalf of and for the account of Harvest Environmental Investment Fund SP ⁽⁹⁾	214,000,000	14.83	–	–	214,000,000	14.83
Kung Chak Ming ⁽⁹⁾	–	–	214,000,000	14.83	214,000,000	14.83
Yun Sheng Capital Cayman ⁽⁹⁾	–	–	214,000,000	14.83	214,000,000	14.83
Yun Sheng Capital Company Limited (雲升資本有限公司) ⁽⁹⁾	–	–	214,000,000	14.83	214,000,000	14.83
Shenzhen Sidaoke Investment Co., Ltd. (深圳市思道科投资有限公司) ⁽⁹⁾	–	–	214,000,000	14.83	214,000,000	14.83
Shenzhen Ping An Evergreen Investment Development Holding Co., Ltd. (深圳平安远欣投资发展控股有限公司) ⁽⁹⁾	–	–	214,000,000	14.83	214,000,000	14.83
Shenzhen Ping'an Financial Technology Consulting Co., Ltd. (深圳平安金融科技咨询有限公司) ⁽⁹⁾	–	–	214,000,000	14.83	214,000,000	14.83
Ping An Insurance (Group) Company of China, Ltd. (中国平安保险(集团)股份有限公司) ⁽⁹⁾	–	–	214,000,000	14.83	214,000,000	14.83
Whitel Management Company Limited ⁽¹⁰⁾	180,620,574	12.51	–	–	180,620,574	12.51
Whitel International Management Holding Limited ⁽¹⁰⁾	–	–	180,620,574	12.51	180,620,574	12.51
HOPU USD Master Fund III, L.P. ⁽¹⁰⁾	–	–	180,620,574	12.51	180,620,574	12.51
HOPU Investments Co. III Ltd ⁽¹⁰⁾	–	–	180,620,574	12.51	180,620,574	12.51
Fang Fenglei ⁽¹⁰⁾⁽¹¹⁾	–	–	187,149,974	12.97	187,149,974	12.97
Lau Teck Sien ⁽¹⁰⁾⁽¹¹⁾	–	–	187,149,974	12.97	187,149,974	12.97
AEP Investments (Mauritius) Limited ⁽¹²⁾	81,478,351	5.65	–	–	81,478,351	5.65

Notes:

- (1) Based on 1,443,246,800 Shares in issue as at the Latest Practicable Date.
- (2) Deemed interests refer to interests determined pursuant to Section 4 of the SFA.

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- (3) Win Charm holds approximately 50.0% of the voting shares in the issued and paid-up share capital of China Green Energy. Accordingly, Win Charm is deemed to have an interest in the Shares held by China Green Energy by virtue of Section 4 of the SFA.
- (4) Hangzhou Zhengcai holds 90.0% of the issued and paid-up share capital of Win Charm. Win Charm is deemed to have an interest in the Shares held by China Green Energy by virtue of Section 4 of the SFA – please refer to Note (3) above. Accordingly, Hangzhou Zhengcai is deemed to have an interest in the Shares held by China Green Energy and Win Charm by virtue of Section 4 of the SFA.
- (5) Jinjiang Group directly and indirectly (through its wholly-owned subsidiary Hangzhou Zhengcai) holds the entire issued and paid-up share capital of Win Charm. Win Charm is deemed to have an interest in the Shares held by China Green Energy by virtue of Section 4 of the SFA – please refer to Note (3) above. Accordingly, Jinjiang Group is deemed to have an interest in the Shares held by China Green Energy and Win Charm by virtue of Section 4 of the SFA.
- (6) Dou Zhenggang holds approximately 63.29% of the registered capital of Jinjiang Group. Jinjiang Group is deemed to have an interest in the Shares held by China Green Energy and Win Charm by virtue of Section 4 of the SFA – please refer to Note (5) above. Accordingly, Dou Zhenggang is deemed to have an interest in the Shares held by China Green Energy and Win Charm by virtue of Section 4 of the SFA.
- (7) Wei Xuefeng, who is Dou Zhenggang's spouse, holds the entire registered capital of Zhejiang Hengjia. Zhejiang Hengjia holds approximately 36.71% of Jinjiang Group's registered capital. Jinjiang Group is deemed to have an interest in the Shares held by China Green Energy and Win Charm by virtue of Section 4 of the SFA – please refer to Note (5) above. Accordingly, Wei Xuefeng is deemed to have an interest in the Shares held by China Green Energy and Win Charm by virtue of Section 4 of the SFA.
- (8) Zhejiang Hengjia holds approximately 36.7% of Jinjiang Group's registered capital. Jinjiang Group is deemed to have an interest in the Shares held by China Green Energy and Win Charm by virtue of Section 4 of the SFA – please refer to Note (5) above. Accordingly, Zhejiang Hengjia is deemed to have an interest in the Shares held by China Green Energy and Win Charm by virtue of Section 4 of the SFA.
- (9) While Harvest Global Capital Investments (Cayman) Limited is the manager of the relevant fund, the investment committee of the fund comprises a representative from the fund manager, and a representative from each of its two investors, being Kung Chak Ming and Yun Sheng Capital Cayman. Accordingly, each of Kung Chak Ming and Yun Sheng Capital Cayman has control over the business and affairs of Harvest Global Dynamic Fund SPC acting on behalf of and for the account of Harvest Environmental Investment Fund SP (the "SPC"), including making investment and divestment decisions and voting the securities and interests held by the SPC, including those in the Company. Pursuant to Section 4 of the SFA, each of Kung Chak Ming and Yun Sheng Capital Cayman is deemed to have an interest in the Shares held by the SPC. Yun Sheng Capital Cayman is wholly owned by Yun Sheng Capital Company Limited (雲升資本有限公司), which in turn is wholly owned by Shenzhen Sidaoke Investment Co., Ltd. (深圳市思道科投资有限公司). Shenzhen Sidaoke Investment Co., Ltd. (深圳市思道科投资有限公司) is wholly owned by Shenzhen Ping An Evergreen Investment Development Holding Co., Ltd. (深圳平安远欣投资发展控股有限公司), which in turn is wholly owned by Shenzhen Ping'an Financial Technology Consulting Co., Ltd. (深圳平安金融科技咨询有限公司). Shenzhen Ping'an Financial Technology Consulting Co., Ltd. (深圳平安金融科技咨询有限公司) is wholly owned by Ping An Insurance (Group) Company of China, Ltd. (中国平安保险(集团)股份有限公司), which is listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. Accordingly, each of Kung Chak Ming, Yun Sheng Capital Cayman, Yun Sheng Capital Company Limited (雲升資本有限公司), Shenzhen Sidaoke Investment Co., Ltd. (深圳市思道科投资有限公司), Shenzhen Ping An Evergreen Investment Development Holding Co., Ltd. (深圳平安远欣投资发展控股有限公司), Shenzhen Ping'an Financial Technology Consulting Co., Ltd. (深圳平安金融科技咨询有限公司) and Ping An Insurance (Group) Company of China, Ltd. (中国平安保险(集团)股份有限公司) is deemed to have an interest in the Shares held by the SPC by virtue of Section 4 of the SFA.
- (10) Whitel Management Company Limited is 100% owned by Whitel International Management Holding Limited. Whitel International Management Holding Limited is in turn 100% owned by HOPU USD Master Fund III, L.P. HOPU Investments Co. III Ltd is the general partner of HOPU USD Master Fund III, L.P., and each of Fang Fenglei and Lau Teck Sien is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares of HOPU Investments Co. III Ltd. Accordingly, each of Whitel International Management Holding Limited, HOPU USD Master Fund III, L.P., HOPU Investments Co. III Ltd, Fang Fenglei and Lau Teck Sien may be deemed to have an interest in the Shares held by Whitel Management Company Limited by virtue of Section 4 of the SFA.
- (11) Planet Investment Limited, an investment vehicle indirectly owned by HOPU USD Master Fund II, L.P., holds 6,529,400 Shares. As each of Fang Fenglei and Lau Teck Sien is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares of the general partner of HOPU USD Master Fund II, L.P., each of Fang Fenglei and Lau Teck Sien may be deemed to have an interest in the Shares held by Planet Investment Limited by virtue of Section 4 of the SFA.
- (12) The shares in AEP Investments (Mauritius) Limited corresponding to its investment in the Company are held by Asia Environmental Partners, L.P. and its parallel fund, Asia Environmental Partners (PF1), L.P. (collectively, "AEP"). AEP's general partner is Olympus Green Capital Partners, L.P., holding a 0.99% interest in AEP. AEP's limited partners are passive investors consisting of pension funds, government entities, financial institutions, endowments and family offices from North America, Asia, Europe and the Middle East (none of whom owns more than 1% of the Company on a fully diluted, look-through basis).

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- 4.3 Save as disclosed in this Circular, none of the Directors, Substantial Shareholders and their associates have any interests in the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate.

5. INDEPENDENT FINANCIAL ADVISER'S OPINION

After carefully considering the information available to the Independent Financial Adviser as at the Latest Practicable Date and based on the considerations set out in the IFA Letter, the Independent Financial Adviser is of the opinion that:

- (a) the Proposed EPC Agreement is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders; and
- (b) the methods and review procedures under the IPT General Mandate are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Accordingly, the Independent Financial Adviser advises the Independent Directors to recommend that Independent Shareholders vote in favour of the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate to be proposed at the EGM.

A copy of the IFA Letter is set out in the Appendix to this Circular. Shareholders are advised to read the opinion of the Independent Financial Adviser carefully and consider it in the context of this Circular before deciding whether to vote in favour of the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate.

6. AUDIT COMMITTEE'S STATEMENT

The Audit Committee has reviewed (i) the terms, rationale and benefits of the Proposed EPC Agreement, (ii) the terms of the IPT General Mandate (as proposed to be modified) and the review procedures referred to in paragraph 3.5.6 of this Circular and (iii) the opinion of the Independent Financial Adviser, and concurs with the Independent Financial Adviser that:

- (a) the financial terms of the Proposed EPC Agreement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders; and
- (b) the methods and review procedures under the IPT General Mandate are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

7. DIRECTORS' RECOMMENDATIONS

7.1 Proposed EPC Agreement

Wang Yuanluo is currently the Chairman of the Board of Directors of Jinjiang Group (which holds 70.0% of the issued and paid-up share capital of JE Synergy) and is therefore not considered independent for the purposes of making recommendations on the Proposed EPC Agreement.

Having considered, *inter alia*, the terms, rationale and benefits of the Proposed EPC Agreement, the Directors (save for Wang Yuanluo who has abstained from making a recommendation in respect of the Proposed EPC Agreement) are of the opinion that the Proposed EPC Agreement is in the interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the Ordinary Resolution relating to the Proposed EPC Agreement to be proposed at the EGM.

7.2 Proposed modifications to the IPT General Mandate

Wang Yuanluo is currently the Chairman of the Board of Directors of Jinjiang Group (which is a Mandated Interested Person for the purposes of the IPT General Mandate) and is therefore not considered independent for the purposes of making recommendations on the proposed modifications to the IPT General Mandate.

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Having considered, *inter alia*, the rationale for the proposed modifications to the IPT General Mandate, the Directors (save for Wang Yuanluo who has abstained from making a recommendation in respect of the proposed modifications to the IPT General Mandate) are of the opinion that the entry by the EAR Group into the Mandated Transactions with the Mandated Interested Persons will enhance the efficiency of the EAR Group, and is in the interests of the Company. Accordingly, the Directors (save for Wang Yuanluo who has abstained from making a recommendation in respect of the proposed modifications to the IPT General Mandate) recommend that Shareholders vote in favour of the Ordinary Resolution relating to the proposed modifications to the IPT General Mandate to be proposed at the EGM.

8. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages N-1 to N-2 of this Circular, will be held at 2 Venture Drive, Vision Exchange #15-16, Singapore 608526 on 31 December 2018 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the notice of EGM on pages N-1 to N-2 of this Circular.

9. ABSTENTION FROM VOTING

Each of (i) Dou Zhenggang and Wei Xuefeng, who collectively hold in aggregate approximately 55.61% of the Shares through China Green Energy and Win Charm, and (ii) Wang Yuanluo, who holds approximately 0.20% of the Shares, will abstain, and have undertaken to ensure that their respective associates will abstain, from voting at the EGM in respect of the Ordinary Resolutions approving the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate. Such persons should also not accept nomination as proxies or otherwise for voting at the EGM in respect of the aforesaid ordinary resolutions unless specific instructions have been given in the instrument of proxy on how Shareholders wish their votes to be cast for the ordinary resolutions.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

10.1 Appointment of Proxies

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 72 hours before the time fixed for the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he subsequently wishes to do so. In such event, the relevant Proxy Forms will be deemed to be revoked and the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

10.2 When Depositor regarded as Shareholder

A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the time fixed for the EGM.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate, and the Company and its subsidiaries which are relevant to the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in

LETTER TO SHAREHOLDERS

this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

12. CONSENTS

PricewaterhouseCoopers Corporate Finance Pte Ltd, the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of, and all references to (i) its name and (ii) the IFA Letter in the form and context in which they are included and appear in this Circular, and to act in such capacity in relation to this Circular.

13. INSPECTION OF DOCUMENTS

The following documents are available for inspection at 9 Battery Road, #25-01, Singapore 049910 during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Proposed EPC Agreement;
- (c) the circular from the Company to Shareholders dated 13 April 2018; and
- (d) the IFA Letter.

Yours faithfully

For and on behalf of the Board of Directors of
CHINA JINJIANG ENVIRONMENT HOLDING COMPANY LIMITED
中国锦江环境控股有限公司

Zhang Chao
Executive Director and Chief Executive Officer

APPENDIX A: INDEPENDENT FINANCIAL ADVISER'S LETTER

14 December 2018

The Independent Directors
China Jinjiang Environment Holding Company Limited
Grand Pavilion, Hibiscus Way
802 West Bay Road
P.O. Box 31119
KY1-1205, Cayman Islands

Dear Sirs

- 1) **THE PROPOSED ENGINEERING, PROCUREMENT AND CONSTRUCTION AGREEMENT BETWEEN JE SYNERGY PTE. LTD. AND JE SYNERGY ENGINEERING PTE. LTD. AS AN INTERESTED PERSON TRANSACTION; AND**
- 2) **THE PROPOSED MODIFICATIONS TO THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS.**

*Unless otherwise defined in this IFA Letter or the context otherwise requires, all terms defined in the Circular dated 14 December 2018 to shareholders of China Jinjiang Environment Holding Company Limited ("**Circular**") shall have the same meaning herein.*

1. INTRODUCTION

This IFA letter ("**Letter**") has been prepared for inclusion in the Circular issued by China Jinjiang Environment Holding Company Limited (the "**Company**"), in connection with, *inter alia*:

- (i) the proposed Engineering, Procurement and Construction ("**EPC**") Agreement between JE Synergy Pte. Ltd. and JE Synergy Engineering Pte. Ltd. (the "**Proposed EPC Agreement**") as an interested person transaction ("**IPT**"); and
- (ii) the proposed modifications to the General Mandate for IPTs ("**IPT General Mandate**").

This Letter sets out the factors considered by PricewaterhouseCoopers Corporate Finance Pte. Ltd. ("**PwCCF**") in relation to the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate, our recommendations issued pursuant to Listing Rule 921(4)(a) and 920(1)(b)(v) as well as to the Independent Directors of the Company (the "**Independent Directors**"), and our opinion thereon, which shall form part of the Circular. The Circular from the Directors of the Company (the "**Directors**") to the shareholders of the Company will provide, *inter alia*, details of the Proposed EPC Agreement and the proposed modifications to the General Mandate for IPTs and the recommendation(s) of the Independent Directors in relation to the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate, after having considered PwCCF's advice in this Letter.

APPENDIX A: INDEPENDENT FINANCIAL ADVISER'S LETTER

1.1. Background

We understand that the Directors are seeking the approval of Shareholders in relation to the following:

1.1.1. Proposed EPC Agreement between JE Synergy Pte. Ltd. and JE Synergy Engineering Pte. Ltd.

In December 2016, the National Environment Agency of Singapore (“NEA”) awarded the tender for a pilot mechanical-biological waste treatment facility to be constructed in Singapore (the “**MBT Project**”) to a consortium comprising the Controlling Shareholder of the Company Hangzhou Jinjiang Group Co., Ltd. (杭州锦江集团有限公司) (“**Jinjiang Group**”) and Eastern Green Power Pte. Ltd. (“**EGP**”), which is unrelated to the Directors and Controlling Shareholders of the Company, to construct, own and operate the MBT Project which has a service concession period of 20 years and a planned daily waste treatment capacity of 500 tons per day. On 21 February 2017, Jinjiang Group and EGP incorporated JE Synergy Pte. Ltd. (“**JE Synergy**”) specifically to own and operate the MBT Project.

Jinjiang Group intends for the Group to participate in the MBT Project and is desirous of leveraging on the Group’s enhanced capabilities in project design, construction and engineering. Accordingly, Jinjiang Group proposes to engage JE Synergy Engineering Pte. Ltd. (“**JE Synergy Engineering**”), an associated company of the Company, to provide engineering, procurement and construction (“EPC”) related services in respect of the MBT Project.

Interested Person Transaction

JE Synergy Engineering was incorporated on 9 May 2017 under the laws of Singapore as a private company limited by shares, and is principally engaged in infrastructure engineering, design and consultancy services. As at the Latest Practicable Date, the issued and paid-up share capital of JE Synergy Engineering is held as to (i) 40% by the Company, (ii) 30% by Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江锦鑫建设工程有限公司), a subsidiary of the Company’s Controlling Shareholder Zhejiang Hengjia Holding Co., Ltd. (浙江恒嘉控股有限公司) which undertakes construction-related work for the Group in relation to construction of WTE and other facilities in its ordinary course of business, and (iii) 30% by EGP. The directors of EGP are Mr. Ho Teck Hong, Mr. Fan Ke and Mr. Ng Tian Soo. The shareholders of EGP are Mr. Ho Teck Hong, Mr. Fan Ke, Mr. Ng Tian Soo and Mr. Loo Boon Kang, each of whom are not related to the Directors and Controlling Shareholders of the Company.

JE Synergy was incorporated on 21 February 2017 under the laws of Singapore as a private company limited by shares specifically to own and operate the MBT Project. As at the Latest Practicable Date, the issued and paid-up share capital of JE Synergy is held as to 70.0% by Jinjiang Group and as to 30.0% by EGP. Accordingly, JE Synergy is an associate of a Controlling Shareholder and an interested person, and the Proposed EPC Agreement would constitute an interested person transaction pursuant to Chapter 9 of the Listing Manual.

Under Rule 906(1)(a) of the Listing Manual, where the value of an interested person transaction is equal to or exceeds 5% of the Group’s latest audited net tangible assets

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("NTA"), Shareholders' approval must be obtained. Under Rule 918 of the Listing Manual, Shareholders' approval is required to be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction, as the case may be.

The amount at risk to the Group under the Proposed EPC Agreement of S\$29,287,720, being the Group's effective 40.0% interest (based on its shareholding in JE Synergy Engineering) of the total value of the Proposed EPC Agreement of S\$73,219,300 comprising (i) the fixed contract sum of S\$66,563,000 ("**Contract Sum**") (excluding Goods and Services Tax) and (ii) the Corporate Guarantee expressed as a percentage of the Group's latest audited consolidated NTA as at 31 December 2017 of RMB2,870.7 million (equivalent to approximately S\$570.2 million) is approximately 5.1%.

Accordingly, Shareholders' approval is required for the Proposed EPC Agreement under Rule 906(1)(a) of the Listing Manual.

1.1.2. Proposed Modifications to the IPT General Mandate

Apart from the MBT Project, it is envisaged that the Group may in the future provide engineering, procurement and construction services (including design and consulting services) to other projects of Jinjiang Group, as well as operations and maintenance services for such projects (including the MBT Project). The entry into the aforesaid transactions would enable the Group to generate additional revenue and better utilise its enhanced capabilities.

It is expected that the aforesaid (i) engineering, procurement and construction services and (ii) operations and maintenance services will be negotiated and provided by the Group to Jinjiang Group on terms comparable to other unrelated third parties, and accordingly will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

As such, following a review by the Audit Committee, the Company is proposing modifications to the categories of Mandated Transactions (as defined herein) and the review procedures for Mandated Transactions for the purposes of the IPT General Mandate to include the provision of (i) engineering, procurement and construction services and (ii) operations and maintenance services to Mandated Interested Persons, in compliance with the requirements of Chapter 9 of the Listing Manual and the provisions of the Non-Competition Agreement.

Pursuant to Chapter 9 of the Listing Manual, it is in this context that PwCCF has been appointed to advise the Independent Directors, as to whether the Proposed EPC Agreement is on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders and that the methods and review procedures under the IPT General Mandate are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Detailed information on the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate are set out in Sections 2 and 3 of the Circular, respectively.

We recommend that Shareholders read the aforementioned sections carefully.

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2. TERMS OF REFERENCE

PwCCF has been appointed as the Independent Financial Adviser (“**IFA**”) as required under Listing Rule 921(4)(a) and 920(1)(b)(v) as well as to provide an opinion to the Independent Directors on whether:

- (a) the Proposed EPC Agreement is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders; and
- (b) the methods and review procedures under the IPT General Mandate are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

We are not involved or responsible in any aspect, of the negotiations in relation to the Proposed EPC Agreement and the IPT General Mandate, nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Proposed EPC Agreement and the IPT General Mandate. We do not, by this Letter, make any representation or warranty in relation to the commercial risks or merits of the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate.

Our terms of reference do not require us to:

- (a) evaluate the strategic or long-term commercial risks or merits of the Proposed EPC Agreement or the future financial performance or prospects of the Company; and
- (b) express any opinion on the commercial risks or merits of the IPTs or on the future prospects of the EAR Group.

Such evaluations remain the responsibility of the Directors of the Company. However, we may draw upon the views of the Directors and their other professional advisers (to the extent we deem necessary or appropriate) in arriving at our opinion.

We have held discussions with the management of the Company and have examined information, both written and verbal, provided by the management of the Company. We have not independently verified such information, whether written or verbally, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have nevertheless made reasonable enquiries and exercised our judgment as we deemed necessary or appropriate when reviewing such information, and are not aware of any reason to doubt the accuracy or reliability of such information.

We have relied upon the assurance that the Directors have collectively and individually accepted full responsibility for the accuracy of the information in the Circular, and have made all reasonable enquiries that, to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate. The Company and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading. The foregoing is as set out in Section 11 of the Circular entitled “Directors’ Responsibility Statement”.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not and

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will not provide any advice in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, whether express or implied, concerning the accuracy, completeness or adequacy of all such information, provided or otherwise made available to us or relied upon by us as described in the Circular (other than this Letter).

Conditions may change significantly over a short period of time and accordingly we assume no responsibility to update, revise or reaffirm our view in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcements relevant to their consideration of the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate, which may be released by the Company and other sources after the Latest Practicable Date.

In preparing this Letter, we have not had regard to the specific investment objectives, financial situations, tax positions and/or unique needs and constraints of any individual Shareholder. As each Shareholder may have different investment objectives and considerations, we advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his Share(s) should consult their own stockbroker, bank manager, solicitor, accountant or other professional advisers.

Our opinion is required under Listing Rule 921(4)(a) and 920(1)(b)(v) as well as addressed to and for the use and benefit of the Independent Directors in their evaluation. The statements and/or recommendations made by the Independent Directors shall remain the responsibility of the Independent Directors.

Our opinion in relation to the above should be considered in the context of the entirety of this Letter and the Circular.

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3. EVALUATION OF THE PROPOSED EPC AGREEMENT AND THE PROPOSED MODIFICATIONS TO THE IPT GENERAL MANDATE

Details of the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate are set out in Sections 2 and 3 of the Circular, respectively. **We recommend that Shareholders read the aforementioned sections carefully.**

3.1 The Proposed EPC Agreement

In our evaluation of whether the Proposed EPC Agreement is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders, we have given due consideration to, *inter alia*, the following key factors:

- (a) rationale and benefits of the Proposed EPC Agreement;
- (b) tender process;
- (c) independent negotiations; and
- (d) comparison of salient terms of the Proposed EPC Agreement.

3.1.1 Rationale and Benefits

The full text of the rationale and the expected benefits of the Proposed EPC Agreement are set out in Section 2.4 of the Circular, which is also reproduced below.

The Group has a track record of undertaking similar design, engineering and construction projects in China, Brazil and India which are similar in nature to the MBT Project. Accordingly, the Proposed EPC Agreement will allow the Group to apply its capabilities and know-how in the design, engineering and construction of the MBT Project, and in the process also generate additional revenue for the Group and contribute positively to the Group's financial results. Based on the unaudited consolidated financial statements of the Company for the third quarter ended 30 September 2018, the Proposed EPC Agreement will result in an increase of approximately 1-2% in the net profit attributable to Shareholders.

As the Group's pilot project for NEA in Singapore, the successful completion of the MBT Project pursuant to the Proposed EPC Agreement will serve as a high-profile demonstration project of JE Synergy Engineering's engineering and construction capabilities, which will provide JE Synergy Engineering with the credentials to secure similar EPC projects in Singapore in the future. This serves as a stepping stone to future collaboration opportunities outside the PRC and is in line with the Group's strategy to expand outside of countries it currently operates in and to build up a strong reputation outside the PRC. In addition, the Proposed EPC Agreement, along with operations and maintenance work to be undertaken by the Group in respect of the MBT Project going forward, would enable the Group to acquire experience and expertise in mechanical-biological waste treatment, which it believes to be one of the foremost standard of waste treatment used in developed countries.

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3.1.2 Tender Process

Based on our understanding and discussions with Management on the tender process held by JE Synergy, we note the following:

- (a) after the award of the contract to construct, own and operate the MBT Project by NEA, JE Synergy initiated tender discussions with several firms, including JE Synergy Engineering, to tender for the Proposed EPC Agreement;
- (b) we understand from Management that it is a common practice to conduct tenders by way of private invitation as opposed to a public tender basis. The MBT Project is the first mechanical-biological waste treatment facility in Singapore, and the technical expertise required for the MBT Project is not expected to be commonly available among the local firms; and
- (c) Management represented that there were preliminary discussions with other potential EPC contractors, but no tender proposals were ultimately received other than that from JE Synergy Engineering due to the lack of expertise required for such EPC projects. Hence, the tender discussion process was initiated but it was ultimately not successful.

Having considered the above and that JE Synergy Engineering has the capabilities and resources to carry out such EPC projects, JE Synergy Engineering was selected to enter into the Proposed EPC Agreement with JE Synergy.

3.1.3 Independent Negotiations

Wang Yuanluo is currently the Chairman of the Board of Directors of Jinjiang Group (which holds 70.0% of the issued and paid-up share capital of JE Synergy) and is therefore not considered independent for the purposes of making recommendations on the Proposed EPC Agreement. As, such, she has abstained from making a recommendation in respect of the Proposed EPC Agreement.

Apart from the shareholders and Wang Yuanluo, the board of directors and key management personnel of JE Synergy Engineering and JE Synergy are independent of each other. We understand that all decision making relating to the Proposed EPC Agreement have been carried out by the parties that are independent of JE Synergy Engineering and JE Synergy.

Having considered the above, we note that there is a rigorous process in place to ensure independence in decision making relating to the Proposed EPC Agreement between JE Synergy Engineering and JE Synergy.

3.1.4 Comparison of Salient Terms of the Proposed EPC Agreement

Details of the Proposed EPC Agreement are set out in Section 2.3 of the Circular, including: Obligations of JE Synergy Engineering, Contract Sum and Payment Schedule, Work Schedule, Performance Damages, Retention Sum, Performance Security, Liquidated Damages, Incentive Performance Bonus and Termination.

We note that the Contract Sum payable by JE Synergy to JE Synergy Engineering in consideration of the Work carried out and completed under the Proposed EPC Agreement is S\$66,563,000, which excludes Goods and Services Tax and was arrived at after arm's length negotiations between the parties on a "willing buyer willing seller" basis based on cost-plus

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pricing with a certain margin, using bottom-up budgeting with reference to indicative quotations provided by eight sub-contractors in a pre-tender phase and historical cost estimates from similar past projects, with adjustments for local factors such as material and labour costs. If there are variations in the scope of the Work during the course of the Proposed EPC Agreement, this will be negotiated between the parties with a view to varying the Contract Sum if required.

Comparison of the salient terms of the Proposed EPC Agreement with other projects the Group has undertaken

Management has provided a list of similar EPC projects which the Group had bid for and or completed for unrelated third parties during the last five years between 2013 and 2018 ("**3rd Party Projects**"). In our evaluation of the Proposed EPC Agreement, we have compared the salient terms with other similar EPC projects that the Group has undertaken in China in the past for unrelated third parties on an arm's length basis, as the MBT Project is the first of its kind in Singapore

However, we note that these 3rd Party Projects may not be directly comparable to the Proposed EPC Agreement in terms of the economic conditions and industry cycle at the respective contract dates, design, scale, complexity, geography, site encumbrances, method of construction, construction time and other relevant factors.

Set out below is our analysis of the key terms of the Proposed EPC Agreement compared to those of 3rd Party Projects:

(a) Contract Sum and Payment Schedule

The contract sums of the 3rd Party Projects range from c.S\$10m to S\$159m, with an average contract sum of S\$51m. In comparison, we note that the Contract Sum for the Proposed EPC Agreement of S\$66.6m is within this range but above the mean of 3rd Party Projects.

The payment schedule set out in relation to the Contract Sum, is payable in accordance with the progress of completion of the MBT Project. JE Synergy Engineering will be allowed to make monthly payment claims based on the progress of work, and that the payment claims are governed by the Building and Construction Industry Security of Payment Act. We note that the payment schedule is in line with those of the 3rd Party Projects.

(b) Estimated Gross Margins

3rd Party Projects

We have reviewed that the gross profit margin for the Proposed EPC Agreement to be within but at the lower end of the range of those for 3rd Party Projects. Management has represented that the margins of the Proposed EPC Agreement are lower in comparison to other projects the Company has undertaken historically as it would like to win its first maiden project in Singapore to expand its international track record and expand its capabilities to include the engineering, construction and operation of mechanical-biological waste treatment facilities.

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In addition, as each project has different specifications, it is difficult to make direct comparisons of the contract terms and profit margins across projects. For example, we understand that profit margins are higher for EPC projects in developing countries such as China and India where there are higher country-specific, economic and political risk factors. While we note that the 3rd Party Projects may not be directly comparable to the Proposed EPC Agreement, such comparisons may be useful as an illustrative guide.

Comparable EPC Companies

In our evaluation of the key terms of the Proposed EPC Agreement, Management has provided us with a list of comparable EPC companies that they deem to be in the similar business as JE Synergy Engineering. In addition, we have performed our own independent search for similar comparable companies and together with the Company's Comparable Companies, we have put together the list of comparable companies ("**Comparable Companies**"). The Comparable Companies considered are as follows:

- PEC Limited
- Hiap Seng Engineering Limited
- Rotary Engineering Limited
- Koh Brother Eco Engineering Limited
- Sanli Environment Limited
- Acromec Limited
- Hyflux Limited

We note that the estimated margins for the Proposed EPC Agreement are within the range of the Comparable Companies for their EPC projects.

The list of Comparable Companies used in our analysis is not exhaustive and to the best of our knowledge and belief, there are no publicly listed companies which may be considered directly comparable to the Company in terms of operations, market capitalisation, business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, future prospects and other relevant criteria. Accordingly, any comparisons made with respect to the Comparable Companies can only serve as an illustrative guide.

(c) **Performance Damages and Defects Liability**

If any one or more of certain performance metrics stipulated in the Proposed EPC Agreement are not met based on the results of tests carried out following completion for reasons attributable to JE Synergy Engineering, JE Synergy Engineering will be required to pay JE Synergy liquidated damages ("**Performance Damages**") at rates ranging from S\$1,000 to S\$40,000 per unit of the relevant metrics, the aggregate amount of which is capped at 3% of the Contract Sum. While the Performance Damages will be deducted from the Contract Sum, JE Synergy Engineering can make a corresponding claim for performance damages from its sub-contractors, which are capped at 10% of the total sub-contract sum and amounts to approximately 3% of the Contract Sum.

During the period of 24 months from the date of issuance of the final acceptance certificate, JE Synergy may, at the cost of JE Synergy Engineering, instruct JE Synergy Engineering or any other suitable party to rectify all defects of whatever nature, if such

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remedial work is due to any fault in design of the Work by JE Synergy Engineering or the neglect or failure on the part of JE Synergy Engineering to comply with any of its obligations under the Proposed EPC Agreement.

We note that performance damages and defects liabilities are typical in EPC contracts and that they are in line with the 3rd Party Projects, while not directly comparable. In addition, we understand that any sub-contractor to JE Synergy Engineering in relation to the Proposed EPC Agreement will also be subject to performance damages and defect liabilities in the event performance metrics are not met.

(d) Retention Sum

The retention sum for the Proposed EPC Agreement is 5% of the Contract Sum, being S\$3,328,150 (the “**Retention Sum**”). The Retention Sum is to be released by JE Synergy upon the issuance of a taking-over certificate by JE Synergy following the completion of the Work. We note that the retention sum is within range of the 3rd Party Projects.

(e) Performance Security

JE Synergy Engineering is required to provide a corporate guarantee (the “**Corporate Guarantee**”) of an amount equivalent to 10% of the Contract Sum, being S\$6,656,300, in favour of JE Synergy as security for the performance of JE Synergy Engineering's obligations under the Proposed EPC Agreement. Under the terms of the Proposed EPC Agreement, the provision of the Corporate Guarantee is a condition precedent to the commencement of any Work under the Proposed EPC Agreement, and JE Synergy Engineering must ensure that the Corporate Guarantee is valid and enforceable until it has completed the Work and remedied any defects. We understand that performance security is a common requirement for EPC contracts in Singapore, typically in the form of bankers guarantee. In the Proposed EPC Agreement, we note that only a corporate guarantee is required instead of a banker's guarantee, which is a less stringent requirement to JE Synergy Engineering. In addition, the sub-contractors to JE Synergy Engineering will be required to provide a bankers guarantee, and the corporate guarantee will only serve to cover any amounts beyond the bankers guarantees.

(f) Liquidated Damages

In the event that the Work has not been substantially completed by the Completion Deadline (or any extension thereof) by JE Synergy Engineering, JE Synergy Engineering must pay JE Synergy liquidated damages calculated at the rate of 0.1% of the Contract Sum per day up to a limit of 10% of the Contract Sum. As a percentage of the Contract Sum for the Proposed EPC Agreement, we note that the liquidated damages are generally in line with the 3rd Party Projects.

(g) Incentive Performance Bonus

In the event that JE Synergy Engineering completes the Work ahead of the Completion Deadline, JE Synergy must pay JE Synergy Engineering an incentive performance bonus at the rate of S\$1,000 per day up to a limit of 10% of the Contract Sum. There are no amounts payable by the NEA to JE Synergy for early completion of the construction of the MBT Project. We note that the incentive performance bonus structure is similar to, and is within range of the 3rd Party Projects.

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(h) Termination

Termination without Default

JE Synergy may at any time, immediately terminate the Proposed EPC Agreement by giving notice in writing to JE Synergy Engineering. JE Synergy will pay JE Synergy Engineering for all work executed prior to the date of termination and the cost of plant, materials and goods reasonably ordered for the Work which have been delivered to JE Synergy Engineering or of which JE Synergy is legally liable to accept delivery, and such plant, materials or good will become the property of JE Synergy upon such payments made by it, and no penalties or liquidated damages are payable by JE Synergy to JE Synergy Engineering for termination of the Proposed EPC Agreement without default. We note that it is a common industry practice for EPC contracts in Singapore and the Group's own EPC contracts with its sub-contractors in China to (i) allow the employer to immediately terminate the EPC contract without default on the part of the contractor and (ii) reimburse the contractor or sub-contractor for work done and supplies delivered without any further penalties or liquidated damages payable to the contractor or sub-contractor in the event of such termination without default.

JE Synergy may suspend or terminate the Proposed EPC Agreement after giving seven (7) days prior written notice to JE Synergy Engineering if JE Synergy is affected by any state of war, act of God or other circumstance seriously disrupting public safety, peace or good order of the Republic of Singapore, upon which JE Synergy shall pay JE Synergy Engineering for all Work performed and accepted by JE Synergy.

Termination with Default

JE Synergy may terminate the Proposed EPC Agreement by giving notice in writing to JE Synergy Engineering if:

- (a) JE Synergy Engineering abandons the Proposed EPC Agreement;
- (b) JE Synergy Engineering fails to commence Work in accordance with the Proposed EPC Agreement;
- (c) JE Synergy Engineering becomes bankrupt or insolvent or makes a composition with creditors or any winding up order of any kind is made, or a receiver or manager or judicial manager is appointed with respect to the undertaking or assets of JE Synergy Engineering; or
- (d) JE Synergy Engineering fails to provide the Corporate Guarantee.

If JE Synergy terminates the Proposed EPC Agreement for default pursuant to any of the aforesaid reasons, and completion of the Work or any phase or part by JE Synergy or by other contractors or persons appointed by JE Synergy to complete the Work, phase or part has been delayed beyond the Completion Deadline, JE Synergy shall be entitled to the same liquidated damages for delay as those which would have been payable if JE Synergy Engineering had completed the Work or phase or part on the actual completion date of JE Synergy or the other contractors or persons appointed by JE Synergy.

We note that the termination clauses are generally in line with those of 3rd Party Projects.

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3.2 The Proposed Modifications to the IPT General Mandate

On 20 July 2016, the Shareholders had originally adopted the IPT General Mandate. At the extraordinary general meeting of the Company held on 25 April 2017, the Shareholders had approved the renewal of the IPT General Mandate. At the extraordinary general meeting of the Company held on 30 April 2018 (the “**2018 AGM**”), the Shareholders had approved certain modifications to, and the renewal of, the IPT General Mandate, the details and terms of which were set out in the circular from the Company to Shareholders dated 13 April 2018.

The IPT General Mandate enables the Company, its subsidiaries and associated companies that are considered to be “entities at risk” within the meaning of Chapter 9 of the Listing Manual (the “**EAR Group**”), to enter in the ordinary course of business into any of the mandated transactions with specified classes of the Company’s interested persons, provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

We note that the IPT General Mandate was originally adopted on 20 July 2016, and last renewed at the EGM held on 25 April 2017 and subsequently amended pursuant to Shareholders’ approval at the EGM held on 30 April 2017.

Following a review by the Audit Committee and for the reasons set out in Section 3.3 of the Circular, the Company is proposing modifications to the IPT General Mandate.

The full text of the IPT General Mandate as proposed to be amended, including the rationale for, and the benefits to the Company, the classes of Mandated Interested Persons, the categories of Mandated Transactions and the review procedures for determining transaction prices for the new categories of Mandated Transactions and other general information relating to Chapter 9 of the Listing Manual is set out in Section 3 of the Circular. The proposed amendments to the IPT General Mandate showing insertions in underline and deletions in strikethrough are set out in Section 3 of the Circular for Shareholders’ ease of reference.

We recommend that Shareholders read the aforementioned section of the Circular carefully.

In our evaluation of whether the methods and review procedures under the IPT General Mandate are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, we have given consideration to the following key factors:

- (a) rationale and benefits;
- (b) classes and categories of IPT; and
- (c) review methods and procedures.

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3.2.1 Proposed Modifications to the Categories of Mandated Transactions

It is proposed that the categories of Mandated Transactions for the purposes of the IPT General Mandate be amended to:

- (a) *Expand the category in (ii) above to also include the provision of EPC and ancillary services (including design and consulting services) by the Group to Mandated Interested Persons in respect of waste treatment and other facilities; and*
- (b) *Insert an additional category of Mandated Transactions relating to the provision of operations and maintenance services, including but not limited to technical, operation and maintenance services relating to operational processes and engineering, equipment operation, repair and maintenance services], by the Group to Mandated Interested Persons.*

3.2.2 Proposed Modifications to the Review Procedures

In connection with the proposed addition of the new categories of Mandated Transactions, it is proposed that the IPT General Mandate be modified to include the relevant review procedures for determining transaction prices for (i) the provision of EPC and ancillary services (including design and consulting services) by the Group to Mandated Interested Persons and (ii) the provision of operations and maintenance services by the Group to Mandated Interested Persons.

The review procedures for determining transaction prices for the provision of operations and maintenance services by the Group to Mandated Interested Persons is reproduced below:

In relation to the provision of operations and maintenance services by the EAR Group to Mandated Interested Persons, the price and commercial terms offered to the Mandated Interested Persons will be assessed based on the comparable third party contracts approach. At least two recent contracts, for the same or substantially the same nature of operations and maintenance services (as the case may be), entered into by the EAR Group with third parties will be used as a basis of comparing the price and commercial terms offered to the Mandated Interested Person, after taking into account, inter alia, if applicable, factors including but not limited to, the complexity of the services rendered or goods and services procured, the Mandated Interested Person's project specifications, the project schedule, the payment terms, the sufficiency and availability of resources, the creditworthiness of the Mandated Interested Person, the technical expertise required and prevailing estimated project costs. The price and commercial terms offered to the Mandated Interested Persons shall be no less favourable to the EAR Group than what is offered by the EAR Group to third parties, having regard to all relevant factors.

Where it is impracticable or not possible for such contracts to be obtained, the price and commercial terms offered to the Mandated Interested Person will be determined in accordance with the EAR Group's usual business practice and be consistent with the margins obtained by the EAR Group in its business operations.

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4 OPINION

Having regard to our terms of reference, in arriving at our opinion, we have considered various factors deemed pertinent and to have significant bearing on our assessment of the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate. We have carefully considered the factors as deemed essential, and balanced them before reaching our opinions. Accordingly, it is important that this Letter, in particular, the considerations and information we have taken into account, be read in its entirety.

Our opinions are based solely on information made available to us as at the date of this Letter. The principal factors that we have taken into consideration in forming our opinion are summarised as below:

The Proposed EPC Agreement

- rationale and benefits;
- tender process;
- independent negotiations; and
- comparison of salient terms of the Proposed EPC Agreement.

Having given due consideration to the rationale for the Proposed EPC Agreement and taking into account our evaluation of the Proposed EPC Agreement and subject to the qualifications set out in this Letter, we are of the opinion as of the date of this Letter that the Proposed EPC Agreement is based on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

The Proposed Modifications to the IPT General Mandate

In arriving at our opinion on whether the methods and procedures for determining transaction prices for the new categories of Mandated Transactions are sufficient to ensure that the Interested Person Transactions carried out thereunder will be on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders, we have considered the following in relation to the IPT General Mandate:

- Rationale and benefits;
- Classes and categories of IPT; and
- Review methods and procedures.

Accordingly, we are of the view that the methods and procedures under the IPT General Mandate for determining transaction prices for the new categories of Mandated Transactions, if adhered to, are sufficient to ensure that the Interested Person Transactions carried out thereunder will be on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders.

We advise the Independent Directors to recommend that Shareholders vote in favour of the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate to be proposed at the EGM, the notice of which is set out in the Circular. However, we wish to

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highlight that each Shareholder may have different investment objectives and considerations and hence should seek their own professional advice.

The foregoing recommendations are made pursuant to Listing Rule 921(4)(a) and 920(1)(b)(v) as well as addressed to the Independent Directors for the purpose of their consideration of the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate. The recommendations made by the Independent Directors to Shareholders shall remain the responsibility of the Independent Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company or the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner, other than for the Proposed EPC Agreement and the proposed modifications to the IPT General Mandate as described in the Circular without the prior written consent of PwCCF in each specific case.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly

For and on behalf of

PricewaterhouseCoopers Corporate Finance Pte. Ltd.

Ling Tok Hong
Managing Director

NOTICE OF EXTRAORDINARY GENERAL MEETING

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of China Jinjiang Environment Holding Company Limited 中国锦江环境控股有限公司 (the “**Company**”) will be held at 2 Venture Drive, Vision Exchange #15-16, Singapore 608526 on 31 December 2018 at 10.00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following Resolutions which will be proposed as Ordinary Resolutions:

RESOLUTION 1: ORDINARY RESOLUTION

THE PROPOSED ENGINEERING, PROCUREMENT AND CONSTRUCTION AGREEMENT BETWEEN JE SYNERGY PTE. LTD. AND JE SYNERGY ENGINEERING PTE. LTD. AS AN INTERESTED PERSON TRANSACTION

THAT:-

(a) approval be and is hereby given for:

- (i) JE Synergy Engineering Pte. Ltd. (“**JE Synergy Engineering**”) to enter into an engineering, procurement and construction agreement (the “**Proposed EPC Agreement**”) with JE Synergy Pte. Ltd. (“**JE Synergy**”) for the provision of engineering, procurement and construction services by JE Synergy Engineering to JE Synergy in connection with a planned mechanical-biological waste treatment project in Singapore for a contract sum of S\$66,563,000; and
- (ii) JE Synergy Engineering to engage in the transactions contemplated in the Proposed EPC Agreement on the terms and subject to the conditions set out in the Proposed EPC Agreement; and

(b) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/ or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

RESOLUTION 2: ORDINARY RESOLUTION

THE PROPOSED MODIFICATIONS TO THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

THAT:-

- (1) approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual (“**Chapter 9**”) of the SGX-ST, for the Company, its subsidiaries and associated companies that are considered to be “entities at risk” (as that term is used in Chapter 9), or any of them to enter into any of the transactions falling within the types of Mandated Transactions described in the circular to shareholders of the Company dated 14 December 2018 (the “**Circular**”) with any party who is of the class of interested persons described in the Circular, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

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- (2) the approval given in paragraph (1) above (the “**IP T General Mandate**”) shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting of the Company; and
- (3) the Directors of the Company and/or any of them be and are and/or is hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

By Order of the Board of Directors

Zhang Chao
Executive Director and Chief Executive Officer
14 December 2018

Notes:

1. A member of the Company entitled to attend and vote at the EGM who is the holder of two or more shares in the capital of the Company (“**Shares**”) is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. Where a member of the Company appoints more than one proxy, he/she must specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified the first named proxy may be treated as representing 100% of the Shareholding and any subsequent named proxy as an alternate to the earlier named.
3. The Depository or a relevant intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
4. The instrument appointing a proxy or proxies must be deposited with the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 72 hours before the time appointed for the EGM. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the EGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, governmental or regulatory requirements, or guidelines or notices issued by any applicable governmental or regulatory authorities of any relevant jurisdiction, and/or complying with the Company’s internal policies (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents) (collectively, the “**Third Parties**”), the member has each of the Third Party’s authority to provide such Third Party’s personal data to the Company, is validly acting on each of their behalf and has obtained the prior consent of such Third Party for the collection, use and disclosure by the Company (or its agents) of the personal data of such Third Party for the Purposes, (iii) warrants that all personal data that the member provides to the Company is true, accurate and complete, and (iv) agrees that the member will indemnify and at all times to keep the Company and its related corporations (together with their respective officers, employees and agents) (each an “**Injured Party**”) indemnified against any penalties, liabilities, claims, demands, losses and damages which may be suffered or incurred by the Injured Party or asserted against the Injured Party by any person or entity (including the member and the member’s employees, agents) whatsoever, in respect of any matter or event whatsoever arising out of, in the course of, by reason of or in respect of any member’s breach of warranty and/or any action or omission by the member that causes the Company and/or any of its related corporations to be in breach of the Personal Data Protection Act 2012 and all subsidiary legislation related thereto.