

BOT (“BUILD, OPERATE AND TRANSFER”) CONCESSION AGREEMENT TO UNDERTAKE A CONCESSION OF A SEWAGE TREATMENT PLANT IN YANTAI ECONOMIC DEVELOPMENT ZONE, SHANDONG PROVINCE IN CHINA

1. INTRODUCTION

The Board of Directors of Goldis Berhad (“Goldis”) wishes to announce that Crest Spring Pte Ltd (“CSPL”), a wholly-owned subsidiary of Goldis has on 16 May 2013 entered into a BOT (“Build, Operate and Transfer”) Concession Agreement with Yantai Economic and Technical Development Zone City Management and Environmental Protection Bureau (“Yantai DZEPB”). Pursuant to the BOT Concession Agreement, a project company will be set-up to undertake the upgrading and expansion of the existing Sewage Treatment Plant in Yantai Economic Development Zone, Shandong Province in China operated by Yantai Xin Cheng Wastewater Treatment Co. Ltd (“YXCWT”), another subsidiary of Goldis.

2. DETAILS OF THE PROPOSED INVESTMENT

2.1 Salient Terms of the SSA

2.1.1 The project company will be set-up for the following concessions:-

- (i) to upgrade emission standard on the first phase of the existing project operated by YXCWT. The BOT Concession Agreement is for a period of 23 years.
- (ii) to expand the water treatment capacity to 20,000 tonnes per day on the second phase of the existing project operated by YXCWT. The project investment cost and other related terms and conditions will be determined in a supplementary agreement to be signed later.

2.1.2 The proposed registered capital of the project company is USD5 million (equivalent to RM15,215,000 at an exchange rate of USD1 equals to RM3.043).

2.2 Source of Funds

Crest Spring will fund the proposed investment in the project company through internally generated funds and bank borrowings.

3. BACKGROUND INFORMATION

3.1 Information on Yantai DZEPB

Yantai DZEPB was established in April 2004 and is under the jurisdiction of the Management Committee of Yantai Economic and Technical Development Zone. The main functions of Yantai DZEPB include the management of city administration facilities, public utilities, city greenery, environmental protection and multiple city management.

3.2 Information on Crest Spring

CSPL was registered on 11 August 1988 in the Republic of Singapore and presently has a registered capital of SGD500,000. The principal activity of CSPL is investment holding.

4. RATIONALE FOR THE PROPOSED INVESTMENT

The rationale for the proposed investment is to enable Goldis Group to further enhance and broaden Goldis Group involvement in the water treatment business by tapping into the growth potential and lucrative revenue offered by the China market in line with China's rapid urbanization and awareness in environmental protection.

5. PROSPECTS

The demand for water is on-going and perennial and the management believes that the demand for water will increase in future. As the proposed investment is synergistic to the existing business of the Goldis Group, the proposed investment is expected to provide a steady stream of revenue, profit and cash flow to the Group.

6. RISK FACTORS

The risk factors associated with the proposed investment, which may be non-exhaustive, are summarized below:-

6.1 Political, economic and regulatory considerations

Any adverse development in the political, economic and regulatory conditions in China could materially and adversely affect the financial and business prospects of the Group.

6.2 Business risks associated with the water treatment industry

The business operations will be subject to certain risks inherent in the water treatment industry. Some of the risks include construction and operational risks inherent in a BOT project.

6.3 Collection risk

The business is exposed to the risk of non-collection of fees.

The Board is not aware of any other risks arising from the proposed investment which could materially or adversely affect the financial and operating conditions of the Goldis Group.

7. FINANCIAL EFFECTS OF THE PROPOSED INVESTMENT

The financial effects of the proposed investment are as follows:-

7.1 Share Capital and Substantial Shareholders' Shareholding

The proposed investment will not have any effect on the share capital and substantial shareholders' shareholding of Goldis.

7.2 Net Assets and Gearing

The proposed investment will not have any material effect on the net assets and gearing of Goldis.

7.3 Earnings

The proposed investment will not have any material effect on the earnings of Goldis for the current financial year.

8. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

None of the Directors, major shareholders of Goldis or persons connected to them have any interest, direct or indirect in the proposed investment.

9. STATEMENT BY DIRECTORS

The Board, having taken into consideration all aspects of the proposed investment, is of the opinion that the proposed investment is in the best interests of Goldis.

10. PERCENTAGE RATIO APPLICABLE TO THE PROPOSED INVESTMENT

The highest percentage ratio applicable to the proposed investment pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities is the Consideration compared to the market capitalisation of Goldis Group based on the audited financial statements for the year ended 31 January 2013 which amounts to 1.29%.

11. APPROVALS REQUIRED FOR THE PROPOSED INVESTMENT

The proposed investment is conditional upon the approval being obtained from the relevant government authorities in China.

12. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the proposed investment is expected to be completed within 9 months upon obtaining the approvals of all relevant government regulatory authorities in China.

13. COMPLIANCE WITH SECURITIES COMMISSION'S POLICIES AND GUIDELINES ON ISSUE/OFFER OF SECURITIES

To the best knowledge of the Board, the proposed investment does not depart from the Securities Commissions policies and guidelines on issue/offer of securities.

14. DOCUMENTS FOR INSPECTION

The BOT Concession Agreement will be available for inspection during normal business hours on Mondays to Fridays (except public holidays) at the registered office of Goldis at Suite 28-03, Level 28, GTower, 199, Jalan Tun Razak, 50400 Kuala Lumpur for a period of 3 months from the date of this announcement.