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SIIC ENVIRONMENT HOLDINGS LTD.

上海實業環境控股有限公司*

(Incorporated in the Republic of Singapore with limited liability)

(Hong Kong stock code: 807)

(Singapore stock code: BHK)

CONNECTED TRANSACTION SUBSCRIPTION OF NEW SHARES IN LONGJIANG

The Board is pleased to inform the Shareholders that as at the date of this announcement, the Company through the Subsidiaries subscribed for 20,288,865 shares of Longjiang at the consideration of S\$31,347,000. SIHL through its wholly-owned subsidiaries also subscribed for 14,273,635 shares of Longjiang at the consideration of S\$21,567,000.

The shares of Longjiang issued, allotted and subscribed under the Subscription was on a *pro-rata* basis according to the shareholding structure of Longjiang. Following the Subscription, the Company owns, through the Subsidiaries, 228,976,365 shares in Longjiang, representing approximately 57.9687% of the entire issued and paid-up shares of Longjiang, and SIHL owns, through its wholly-owned subsidiaries, 161,086,135 shares in Longjiang, representing approximately 40.7813% of the entire issued and paid-up shares of Longjiang.

Accordingly, the articles of association of Longjiang has been updated and filing with the relevant authority has been made.

SINGAPORE LISTING MANUAL REQUIREMENT

To comply with the relevant applicable requirements of the Listing Manual, the Company hereby further discloses the following information in respect of the Subscription: -

- **INTERESTED PERSON TRANSACTION**

SIHL is a controlling shareholder of the Company. It is deemed interested in all the shares in SIHL Treasury, S.I. Infrastructure ⁽²⁾ and S.I. TPL. SIHL Treasury, S.I. Infrastructure and S.I. TPL hold directly in aggregate 1,242,465,926 shares of the Company, representing 47.74% of the issued share capital of the Company. Accordingly, pursuant to the Listing Manual, SIHL is deemed to be a “controlling shareholder” of the Company as it has more than 15% interest in the issued share capital of the Company.

A breakdown of the shares of the Company directly held by SIHL Treasury, S.I. Infrastructure and S.I. TPL as at the date of this announcement is set out in the table below.

| Shareholder | Number of Shares | % of existing issued share capital of the Company ⁽¹⁾ |
|---------------------|-------------------------|---|
| SIHL Treasury | 90,117,900 | 3.46 |
| S.I. Infrastructure | 165,418,475 | 6.36 |
| S.I. TPL | 986,929,551 | 37.92 |
| Total | 1,242,465,926 | 47.74 |

Notes:

(1) Based on the existing issued and paid up share capital of the Company of 2,602,817,726 shares as at the date of this announcement.

(2) S.I. Infrastructure directly holds the entire issued and paid up share capital of S.I. TPL. By virtue of section 4 of the Securities and Futures Act, S.I. Infrastructure is deemed interested in the shares of the Company held by S.I. TPL. Accordingly, S.I. Infrastructure has an aggregate (both direct and deemed) interest in 44.28% of the issued and paid-up share capital of the Company.

As SIHL, before the Subscription, holds an aggregate of 146,812,500 shares representing 40.7813% of the shares in Longjiang, Longjiang is considered to be an “associate” of SIHL. Therefore, for the purposes of Chapter 9 of the Listing Manual, Longjiang would be considered an “interested person” within the meaning of Chapter 9 of the Listing Manual vis-a-vis the Subsidiaries, which are regarded as “entities at risk” pursuant to Chapter 9 of the Listing Manual. Accordingly, the Subscription constitutes an “interested person transaction” under Chapter 9 of the Listing Manual.

- **NTA**

As at 31 December 2018, 3% of the latest audited consolidated NTA of the Group was approximately S\$60,545,000 and 5% of the latest audited consolidated NTA of the Group was approximately S\$100,908,000.

- **SHAREHOLDERS' APPROVAL**

The subscription amount of S\$31,347,000 for the SIIC Subscription, together with the interested person transactions between the Company and the same interested person during the financial year ending 31 December 2018, represents approximately 3.7% of the latest audited consolidated NTA of the Group for the year ended 31 December 2018. Accordingly, as the value of the SIIC Subscription exceeds 3% of the latest audited consolidated NTA of the Group for the year ended 31 December 2018, but does not exceed 5% of the latest audited consolidated NTA of the Group for the year ended 31 December 2018, approval of the Shareholders will not be required for the SIIC Subscription in accordance with Chapter 9 of the Listing Manual.

- **TOTAL VALUE OF INTERESTED PERSON TRANSACTIONS**

For the period from the beginning of the current financial year, save for the Subscription, the details of the interested transactions entered into with SIHL or Longjiang or any other interested person are as follows:

| Name of Interested Person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) |
|---|---|---|
| SIIC Management (Shanghai) Limited Company | S\$304,177 | - |
| Shanghai Luqiao Development Co., Ltd. | S\$11,772,732 | - |
| SIHL Finance Limited | S\$12,098,116 | - |
| Shanghai Shen-Yu Expressway (Shanghai Section) Co., Ltd | S\$2,299,836 | - |

| | | |
|--------------|----------------------|---|
| Total | S\$26,474,861 | - |
|--------------|----------------------|---|

- **OPINION OF AUDIT COMMITTEE**

Having reviewed the terms of the SIIC Subscription, the Company's audit committee, comprising Mr. An Hongjun, Mr. Yeo Guat Kwang and Mr. Zhong Ming, is of the view that the SIIC Subscription is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

HONG KONG LISTING RULES REQUIREMENT

To comply with the relevant applicable requirements of the Hong Kong Listing Rules, the Company hereby further discloses the following information in respect of the Subscription: -

- **CONSIDERATION**

The consideration of the Subscription was determined with reference to the working capital needs of Longjiang and the proportion of the respective shareholding of the Company. The consideration for the Subscription was funded by the internal resources of the Subsidiaries and was paid in cash.

- **INFORMATION OF THE GROUP**

The Group is principally engaged in wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration.

- **INFORMATION OF LONGJIANG**

Longjiang is a non-wholly owned subsidiary of the Company and is principally engaged in the developing and operating water and other relative projects such as sludge treatment facilities.

Prior to the Subscription, the Company through the Subsidiaries held approximately 57.9687% and SIHL through its wholly-owned subsidiaries held approximately 40.7813% of the entire issued shares of Longjiang.

- **INFORMATION OF SIHL**

SIHL is principally engaged in the businesses of infrastructure facilities, real estate and consumer products. Its shares are listed on the Main Board of the SEHK (stock code: 363) and is a controlling Shareholder (has the meaning as ascribed under the Hong Kong Listing Rules) of the Company.

- **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

The Subscription was for the financial restructuring of Longjiang and further lowering its borrowing costs. The Board considers the Subscription will enhance Longjiang's financial position.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription are on normal commercial terms, fair and reasonable, and the Subscription is in the interests of the Company and the Shareholders as a whole despite that it is not carried out in the ordinary and usual course of business of the Group.

As none of the Directors were considered to have any material interest in the Subscription, none of the Directors were required to abstain from voting for approving the Subscription.

Set out below is the audited financial information of Longjiang for the financial years ended 31 December 2017 and 2018, respectively, prior to the Subscription:

| | For the year ended 31 December | |
|---|--------------------------------|---------|
| | 2017 | 2018 |
| | RMB'000 | RMB'000 |
| Net profit before tax and extraordinary items | 221,273 | 221,441 |
| Net profit after tax and extraordinary items | 176,124 | 169,389 |

As at 31 December 2018, the net liabilities value of Longjiang was approximately RMB5,170,048,000.

- **IMPLICATION UNDER THE HONG KONG LISTING RULES**

As at the date of the Subscription, SIHL through its wholly-owned subsidiaries was holding approximately 47.74% of the issued share capital of the Company. Therefore, SIHL was the controlling Shareholder and a connected person of the Company.

- **SIHL SUBSCRIPTION**

As at the date of the Subscription, since Longjiang is a non-wholly owned subsidiary of the Company and SIHL was the connected person of the Company, the SIHL Subscription constituted a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. The SIHL Subscription was fully exempt from shareholders' approval, annual review and all disclosure requirements under Rule 14A.92(1) of the Hong Kong Listing Rules because the shares of Longjiang subscribed by SIHL through its wholly-owned subsidiaries were issued and allotted on a *pro-rata* basis according to the shareholding structure of Longjiang.

- **SIIC SUBSCRIPTION**

As at the date of the Subscription, since Longjiang was a non-wholly subsidiary of the Company and was indirectly owned by SIHL approximately 40.7813%, Longjiang was a connected subsidiary and connected person of the Company under Chapter 14A of the Hong Kong Listing Rules and the SIIC Subscription constituted a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules, which was exempt from the circular (including independent financial advice) and shareholders' approval requirements but subject to reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules as all of the relevant percentage ratios for the SIIC Subscription and other connected transaction between the Company and the same connected person during the past 12 months, on a standalone and on an aggregate basis, exceeded 0.1% but was less than 5%.

- **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Subscription, the Company and its subsidiaries, and the Board is not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Board has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

- **TRADING CAUTION**

Shareholders are advised to exercise caution in trading their shares of the Company. The Subscription is subject to certain conditions. There is no certainty or assurance as at the date of this announcement that the Subscription will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

- **DEFINITIONS**

In this announcement, the following terms have the meanings set out below unless the context

requires otherwise:

| | |
|---------------------------|---|
| “Board” | the board of Directors |
| “Company” | SIIC Environment Holdings Ltd. (上海實業環境控股有限公司), a company incorporated under the laws of Singapore with limited liability, the shares of which are listed on the Main Board of SGX-ST and the Main Board of the SEHK |
| “connected person(s)” | has the meaning as ascribed under the Hong Kong Listing Rules |
| “connected subsidiary” | has the meaning as ascribed under the Hong Kong Listing Rules |
| “Directors” | directors of the Company |
| “Gold Orient” | Gold Orient Investments Limited (金誼投資有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company |
| “Grand Sinochn” | Grand Sinochn International Limited (展亞國際有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on the SEHK, as amended, supplemented or otherwise modified from time to time |
| “Listing Manual” | the Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time |
| “Longjiang” | Longjiang Environmental Protection Group Co., Ltd. (龍江環保集團股份有限公司), a limited liability company established in the PRC, converted into a joint stock company in 29 September 2010, an indirectly owned subsidiary of the Company |
| “NTA” | net tangible assets, as determined based on total assets less intangible assets, land use rights, investments in subsidiaries and |

| | |
|-----------------------|---|
| | goodwill on consideration |
| “PRC” | the People’s Republic of China |
| “RMB” | the lawful currency of the PRC |
| “S\$” | the lawful currency of Singapore |
| “S.I. Infrastructure” | S.I. Infrastructure Holdings Limited, a wholly-owned subsidiary of SIHL |
| “S.I. TPL” | S.I. Triumph Power Limited, a wholly-owned subsidiary of SIHL |
| “SEHK” | The Stock Exchange of Hong Kong Limited |
| “SGX-ST” | the Singapore Exchange Securities Trading Limited |
| “Shareholder(s)” | holder(s) of the ordinary share(s) of the Company from time to time, with no par value |
| “SIHL” | Shanghai Industrial Holdings Limited, a limited liability company incorporated in Hong Kong, the shares of which are listed on the Main Board of the SEHK with stock code 363, a controlling Shareholder of the Company |
| “SIHL Subscription” | SIHL through its wholly-owned subsidiaries subscribed for 14,273,635 shares of Longjiang at the consideration of S\$21,567,000 on 13 December 2019 |
| “SIHL Treasury” | SIHL Treasury Limited, a wholly-owned subsidiary of SIHL |
| “SIIC EHS” | SIIC Environment Holdings (Shenzhen) Co., Ltd. (上實環境水務(深圳)有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company |
| “SIIC Subscription” | the Company through the Subsidiaries subscribed for 20,288,865 shares of Longjiang at the consideration of S\$31,347,000 on 13 December 2019 |
| “Singapore” | the Republic of Singapore |

| | |
|----------------|---|
| “Subscription” | the Company through the Subsidiaries and SIHL through its wholly-owned subsidiaries subscribed for 20,288,865 and 14,273,635 shares of Longjiang at the consideration of S\$31,347,000 and S\$21,567,000, respectively, on 13 December 2019 |
| “Subsidiaries” | Gold Orient, Grand Sinochn and SIIC EHS, collectively the wholly-owned subsidiaries of the Company |
| “%” | per cent. |

By Order of the Board
SIIC Environment Holdings Ltd.
Mr. Xu Xiaobing
Executive Director

Hong Kong and Singapore, 13 December 2019

As at the date of this announcement, the non-executive Chairman is Mr. Zhou Jun; the executive Directors are Mr. Feng Jun, Mr. Mr. Xu Xiaobing, Mr. Xu Zhan Mr. Huang Hanguang and Mr. Zhao Youmin; and the independent non-executive Directors are Mr. Yeo Guat Kwang, Mr. An Hongjun and Mr. Zhong Ming.

** For identification purpose only*