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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

### Formation of the JV Company and Entering into the Cornerstone Investment Agreement

#### FORMATION OF THE JV COMPANY

The Board is pleased to inform the Shareholders that on 16 December 2019, SIIC Environment Tech (a wholly-owned subsidiary of the Company), Eternal Way (a wholly-owned subsidiary of SIIC) and Shanghai Overseas (BVI) (a wholly-owned subsidiary of Shanghai Overseas Enterprises Corporation) entered into the JV Agreement for establishing the JV Company in Hong Kong for the purpose of equity investment in environmental industry companies in the PRC, especially in Yangtze River Delta.

The JV Company will be principally engaged in investment holding. The JV Company has been incorporated with an initial registered capital of HK\$100 with contribution from the Parties as follows:

Parties	Contribution (HK\$)	Equity Interest of the JV Company
SIIC Environment Tech	40	40%
Eternal Way	30	30%
Shanghai Overseas (BVI)	30	30%
Current total issued share capital	100	100%

The contribution made by SIIC Environment Tech for the establishment of the JV Company was wholly satisfied in cash and funded by the internal resources of the Group.

Pursuant to the JV Agreement and the potential funding needs of the JV Company, the Parties have agreed that the total capital commitment of the JV Company shall be HK\$100,000,000, to be paid up in cash within three days upon the issue of the payment notice by the JV Company, in the same proportions as above. The board of directors of the JV Company comprises three members. Upon the establishment of the JV Company, each of the Parties is entitled to appoint one director.

Without the prior written consent of the other two parties, any party to the JV Agreement shall not transfer its equity interests in the JV Company. If the other two parties agree to the transfer of equity interests, the other two parties shall have the right of first refusal under the same conditions.

The contributions and the terms of the JV Agreement were arrived at arms' length negotiation among the Parties with reference to the proposed capital requirements of the JV Company and the Parties' proportionate interests therein.

## **CORNERSTONE INVESTMENT AGREEMENT**

On 16 December 2019, the JV Company entered into the Cornerstone Investment Agreement with Taizhou Water and Innovax Securities Limited (being the sole global manager), pursuant to which the JV Company conditionally agreed to invest in Taizhou Water through the subscription of the TW H-Shares as cornerstone investor and/or the transaction of the TW H-Shares from the market upon successful listing of the TW H-Shares on the SEHK, subject to the customary terms and conditions. It is expected that the consideration payable by the JV Company under the Cornerstone Investment Agreement for the TW H-Shares (excluding brokerage, transaction levies and trading fees) will be approximately HK\$52,750,000.

## **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 establishment of the JV Company: -

- **INTERESTED PERSON TRANSACTION**

SIIC is a controlling shareholder of SIHL, which is a controlling shareholder of the Company. It is deemed interested in all the shares in SIHL Treasury, S.I. Infrastructure <sup>(2)</sup> 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.

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

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 Eternal Way (a wholly-owned subsidiary of SIIC) holds 30% of the equity interest in JV Company, JV Company is considered to be an “associate” of SIIC. Therefore, for the purposes of Chapter 9 of the Listing Manual, Eternal Way would be considered an “interested person” within the meaning of Chapter 9 of the Listing Manual vis-a-vis SIHL Treasury, S.I. Infrastructure and S.I. TPL are regarded as “entities at risk” pursuant to Chapter 9 of the Listing Manual. Accordingly, the Contribution in the JV Company 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 contribution amount of S\$6,957,000 by SIIC Environment Tech in the JV Company, together with the interested person transactions between the Company and the same interested person during the financial year ending 31 December 2019, represents approximately 4.6% of the latest audited consolidated NTA of the Group for the year ended 31 December 2018. Accordingly, as the value of the contribution by SIIC Environment Tech in the JV Company 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 JV Agreement 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 establishment of the JV Company, the details of the interested transactions entered into with SIHL or any other interested person are as follows:

<b>Name of Interested Person</b>	<b>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)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)</b>
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	-
Longjiang Environmental Protection Group Co., Ltd.	S\$53,571,000	-
<b>Total</b>	<b>S\$80,045,861</b>	-

- **OPINION OF AUDIT COMMITTEE**

Having reviewed the terms of the establishment of the JV Company, the Company's audit committee, comprising Mr. An Hongjun, Mr. Yeo Guat Kwang and Mr. Zhong Ming, is of the view that the establishment of the JV Company 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 establishment of the JV Company:

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- **INFORMATION OF THE COMPANY**

The Company is a top-tier integrated player in China's water and environmental markets and is principally engaged in wastewater treatment, water supply, solid waste management and other environment-related business.

- **INFORMATION OF SIIC ENVIRONMENT TECH**

SIIC Environment Tech is principally engaged in investment holding business.

- **INFORMATION OF ETERNAL WAY**

Eternal Way is principally engaged in investment holding business.

- **INFORMATION OF SHANGHAI OVERSEAS (BVI)**

Shanghai Overseas (BVI) is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief and after having made all reasonable enquires, Shanghai Overseas (BVI) and its ultimate beneficial owner(s) are independent third parties of the Company and its connected persons.

- **INFORMATION OF TAIZHOU WATER**

Taizhou Water is a company incorporated in the PRC with limited liability and is one of the leading water supply providers in Taizhou supplying raw water and municipal water.

- **REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JV COMPANY**

As discussed above, the purpose of the JV Company will be for equity investment in environmental industry companies in economically developed regions in the PRC, especially Yangtze River Delta. Taizhou Water is one of the leading water supply providers in Taizhou, which is located within the world-class city cluster, Yangtze River Delta. The Company believes that in view of its experienced and stable business team with rich management experience and in-depth industry knowledge, Taizhou Water is well positioned to capture the attractive growth potential in the water supply industry of Taizhou.

Apart from bringing potential economic benefits to the Group through the JV Company, the investment in Taizhou Water through the JV Company will also well complement the Company's exiting water projects in the area, and facilitate further development of the Group in the utility industry of Taizhou in the future.

Although the Directors (including the independent non-executive Directors) consider that the establishment of the JV Company is not carried out in the ordinary and usual course of business of the Group, its terms are normal commercial terms, which are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the establishment of the JV Company and no Director was required to abstain from voting on the board resolution(s) approving the establishment of the JV Company.

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

As at the date of this announcement, SIIC is the controlling shareholder (has the meaning as ascribed under the Hong Kong Listing Rules) of the Company and is therefore a connected person of the Company. Eternal Way is an indirect subsidiary of SIIC and is therefore an associate of SIIC and a connected person of the Company. As one or more of the applicable percentage ratios in respect of the establishment of the JV Company exceed 0.1% and all of the percentage ratios are less than 5%, the establishment of the JV Company constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

- **FINANCIAL IMPACT OF THE TRANSACTION**

The incorporation of the JV Company is not expected to have a material effect on the net tangible assets or earnings per share of the Group for the financial year ending 31 December 2019.

- **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board collectively and individually accepts full responsibility for the accuracy of the information contained in this announcement and confirms 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 establishment of the JV Company, the Company and its subsidiaries, and the Board are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this 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.

- **DEFINITIONS**

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

“associate”, “connected person(s)”, “subsidiary(ies)”	each has the meaning ascribed to it under the Hong Kong Listing Rules
“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
“Cornerstone Investment Agreement”	the cornerstone investment agreement dated 16 December 2019 entered into among the JV Company, Taizhou Water and Innovax Securities Limited (being the sole global manager) in relation to the subscription of TW H-Shares
“Directors”	directors of the Company
“Eternal Way”	Eternal Way Wealth Creation Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SIIC
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“JV Agreement”	the joint venture agreement entered into among the Parties on 16 December 2019 in relation to the establishment of the JV Company
“JV Company”	Shanghai Yangtze River Delta Water Environment Investment Fund Limited, a joint venture company with limited liability incorporated in Hong Kong
“NTA”	net tangible assets, as determined based on total assets less intangible assets, land use rights, investments in subsidiaries and goodwill on consideration
“Parties”	Collectively SIIC Environment Tech, Eternal Way and Shanghai Overseas (BVI)
“PRC”	the People’s Republic of China
“RMB”	the lawful currency of the PRC
“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
“Shanghai Overseas (BVI)”	Shanghai Overseas Enterprises (BVI) Co. Ltd., a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Shanghai Overseas Enterprises Corporation, which is principally engaged in, among others, domestic and overseas investment management and a state-owned company wholly-owned by the Shanghai municipal government
“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 Treasury”	SIHL Treasury Limited, a wholly-owned subsidiary of SIHL
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company
“SIIC Environment Tech”	SIIC Environment Tech (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“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
“Singapore”	the Republic of Singapore
“Taizhou Water”	Taizhou Water Group Company Limited, a company incorporated in the PRC with limited liability
“TW H-Shares”	the overseas foreign shares in the share capital of Taizhou Water of RMB 1.00 each in nominal value, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the Main Board of the SEHK
“%”	per cent.

By Order of the Board  
**SIIC ENVIRONMENT HOLDINGS LTD.**  
**Mr. Xu Xiaobing**  
*Executive Director*

Hong Kong and Singapore, 16 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. 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*