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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF 100% EQUITY INTEREST IN THE TARGET COMPANY

The Board wishes to announce that on 3 November 2022 (after trading hours), the Company's indirect wholly-owned subsidiary, Global Environment Investment (HK) Limited (環投(香港)有限公司) as Purchaser, and Yunnan Water (Hong Kong) Co., Ltd. (雲南水務(香港)股份有限公司) as Vendor, entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to buy 100% equity interest in the Target Company at a consideration of RMB296,259,700 (equivalent to approximately HK\$315,250,000 and S\$57,445,000). The Vendor is not an "interested person" or "connected person" of the Company for the purposes of the SGX and Hong Kong Listing Rules, respectively.

SALE AND PURCHASE AGREEMENT

Date : 3 November 2022 (after trading hours)
Parties : (a) the Vendor; and
(b) the Purchaser

SUBJECT MATTER

The Vendor has agreed to sell and the Purchaser has agreed to purchase the 100% equity interest in the Target Company.

CONSIDERATION

The Target Company was listed on the Shanghai United Assets and Equity Exchange for bidding at the listing price of RMB296,259,700 in accordance with the applicable laws in the

PRC and the Purchaser was the successful bidder with the bidding price of RMB296,259,700, which constitutes the consideration for the Acquisition. The consideration shall be funded by internal resources of the Group and shall be remitted to the designated bank account of the Vendor in one lump sum within three business days from the date of the Sale and Purchase Agreement.

The bidding price was determined by the Purchaser with reference to the listing price and the enterprise value of RMB297,876,100 of the entire shareholders' equity in the Target Company as at 31 December 2021, which was assessed based on the income approach using the weighted average cost of capital (WACC) model pursuant to the Valuation Report commissioned by the subsidiary of the Purchaser for the purposes of the Acquisition, including determining whether the listing price of the Target Company was fair and reasonable. In view of the foregoing, the consideration was determined at arm's length between the Vendor and the Purchaser on normal commercial terms. The Directors consider the consideration for the Acquisition to be fair and reasonable.

COMPLETION

As the Acquisition constitutes a very substantial disposal of Yunnan Water under Chapter 14 of the Hong Kong Listing Rules, completion of the Acquisition is subject to the approval of the shareholders of Yunnan Water at an extraordinary general meeting.

The Vendor and the Target Group shall complete the change registration procedures in respect of the Acquisition with the relevant government authorities within 10 business days from the issue of the certificate of equity transaction by the Shanghai United Assets and Equity Exchange and within 60 business days from the signing of the Sale and Purchase Agreement, which include:

- (a) completing the change registration procedures with respect to the Target Company with, and receiving the relevant materials from, the applicable company registration authority; and
- (b) completing the change registration procedures with respect to the project companies held by the Target Company with, and receiving the relevant materials from, the applicable industrial and commercial administration authority.

The registration date for the equity transfer as recorded by the relevant government authority under (a) above shall be the completion date of the Acquisition.

If completion of the Acquisition fails to take place within 20 business days from the issue of the certificate of equity transaction by the Shanghai United Assets and Equity Exchange (or any other date as agreed between the parties) as a result of the Vendor's fault, the Purchaser shall be entitled to (i) terminate the Sale and Purchase Agreement; or (ii) agree in writing to extend the latest date by which completion shall take place.

Upon completion of the foregoing procedures, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated in the financial results of the enlarged Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company currently holds three wastewater treatment plant projects and one water supply plant project in the Yangtze Delta region, with a total designed treatment capacity of 160,000 tonnes. The Acquisition will enable the Group to expand its wastewater treatment capacity in the Yangtze Delta region and generate returns for the Group. The Directors consider that the Acquisition was made on normal commercial terms and the terms of the Sale and Purchase Agreement were fair and reasonable and were in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET GROUP

The Target Company, Yun Shui Technology Co., Ltd. (雲水科技有限公司), is a direct wholly-owned subsidiary of the Vendor that was incorporated in the British Virgin Islands. The principal business of the Target Company is investment holding. The Target Company holds the entire equity interests in four project companies, which are principally engaged in the operation of three wastewater treatment plants and one water supply plant in the Yangtze Delta region. Set out below is the key audited financial information for the financial year ended 31 December 2020 and 2021 of the Target Group, both prepared according to the PRC accounting standards.

	For the financial year ended 31 December	
	2020	2021
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Profits before tax	39,409,657	15,897,956
Profits after tax	28,737,849	9,818,030

The unaudited consolidated net asset value of the Target Group as at 30 June 2022 was approximately RMB150,102,666 (equivalent to approximately HK\$159,724,000 and S\$29,105,000). The unaudited book value and net tangible asset value of the Target Group as at 30 June 2022 were both RMB150,102,666 (equivalent to approximately HK\$159,724,000 and S\$29,105,000).

INFORMATION ON THE GROUP

The Group is principally engaged in wastewater treatment, water supply, sludge treatment, solid waste incineration and other environment-related businesses.

INFORMATION ON THE VENDOR

The Vendor is a direct wholly-owned subsidiary of Yunnan Water Investment Co., Limited* (雲南水務投資股份有限公司), a joint stock limited liability company incorporated in the PRC,

whose H Shares are listed on the Main Board of the SEHK (stock code: 6839). Pursuant to the interim report for the six months ended 30 June 2022 published by Yunnan Water, as at 30 June 2022, the controlling shareholder of Yunnan Water was Yunnan Green Environmental Protection Industry Group Co., Ltd.* (雲南省綠色環保產業集團有限公司) ("YEPI") which beneficially owned approximately 30.07% of the total issued shares of Yunnan Water. YEPI, collectively with Mr. Huang Yunjian, Mr. Liu Xujun and Mr. Wang Yong (each of whom being a party acting in concert with YEPI), were interested in approximately 30.30% of the total issued shares of Yunnan Water. The major business of the Vendor includes investment in wastewater treatment and water supply.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is an Independent Third Party.

As at the date of this announcement, the Vendor (a) is the legal and beneficial owner of 100% of the equity interests of the Target Company, (b) is not an "interested person" of the Company for the purposes of the SGX Listing Rules, (c) does not have any existing interest (whether direct or deemed) in the Shares, and (d) is not related to any of the Directors, chief executive officer or substantial Shareholders of the Company, or any of their respective associates. There is also no connection (including business relationship) between the Vendor and the Directors or substantial Shareholders of the Company.

IMPLICATION UNDER THE HONG KONG LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Hong Kong Listing Rules) in respect of the Acquisition is more than 5% and less than 25%, the entering into of the Sale and Purchase Agreement constitutes a disclosable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

Given the valuation of the Target Group was based on the income approach using the discounted cash flows method, the valuation constitutes a profit forecast solely under Rule 14.61 of the Hong Kong Listing Rules. Further announcement in relation to the information required under Rule 14.60A of the Hong Kong Listing Rules will be made by the Company within 15 business days after publication of this announcement in compliance with Rule 14.60A and Rule 14.62 of the Hong Kong Listing Rules.

RELATIVE FIGURES UNDER RULE 1006 OF THE SGX LISTING RULES

Based on the latest announced consolidated financial statements of the Group as at 30 June 2022, the relative figures of the Acquisition computed on the bases set out in Rule 1006 of the SGX Listing Rules are set out below:

SGX Listing Rule	Relative Figures
1006(a)	
The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable ⁽¹⁾
1006(b)	
The net profits attributable to the assets acquired, compared with the Group's net profits ⁽²⁾ .	1.94% ⁽³⁾
1006(c)	
The aggregate value of the consideration given ⁽⁴⁾ , compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽⁵⁾ .	14.67%
1006(d)	
The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽⁶⁾
1006(e)	
The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable ⁽⁷⁾

Notes:

- (1) This basis is not applicable to an acquisition of assets.
- (2) "Net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (3) Computed based on the net profits attributable to the Target Group of RMB13,683,805 based on the unaudited consolidated financial statements of the Target Group for the six months ended 30 June 2022, and the Group's net profits of RMB706,113,000 based on the latest announced unaudited consolidated financial statements for the six months ended 30 June 2022.
- (4) The aggregate value of the consideration given was computed based on the bidding price of RMB296,259,700 (equivalent to approximately S\$57,445,000).
- (5) The market capitalisation of the Company of approximately S\$391,501,190 is determined by multiplying the issued Share capital (excluding treasury shares) of

2,575,665,726 Shares with the volume weighted average price of S\$0.152 per Share on 3 November 2022, being the market day immediately preceding the Sale and Purchase Agreement.

- (6) Not applicable as the Acquisition does not involve any issue of equity securities by the Company as consideration.
- (7) Not applicable as the Company is not a mineral, oil and gas company.

Under Rule 1010 of the SGX Listing Rules, where any of the relative figures computed on the bases set out in Rule 1006 exceeds 5% but does not exceed 20%, the transaction constitutes a “disclosable transaction”. As the relative figure under Rule 1006(c) of the SGX Listing Rules exceeds 5%, the Acquisition constitutes a “disclosable transaction” pursuant to Chapter 10 of the SGX Listing Rules and is not subject to the approval of Shareholders at a general meeting.

PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION

FOR ILLUSTRATIVE PURPOSES ONLY. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated in the financial results of the enlarged Group. The tables below setting out the pro forma financial effects of the Acquisition are for illustrative purposes only and do not necessarily reflect the actual results and financial performance of the Group after the Acquisition. The following financial effects on the net tangible assets (“NTA”) per Share and the earnings per Share (“EPS”) of the Company are calculated based on the latest audited financial statements of the Group as at 31 December 2021 (“FY2021”).

Financial Effect on NTA per Share

The pro forma financial effects on the NTA per Share of the Company for FY2021, assuming that the Acquisition had been effected on 31 December 2021, are as follows:

	Before the Acquisition	After the Acquisition
NTA ⁽¹⁾ (RMB '000)	13,566,559	13,566,559
Number of Shares (excluding treasury shares)	2,575,665,726	2,575,665,726
NTA per Share (RMB cents)	526.72	526.72

Note:

- (1) NTA is computed based on total assets less total liabilities, goodwill and intangible assets except for the operating concessions under intangible assets.

Financial Effect on EPS

The pro forma financial effects on the EPS of the Company for FY2021, assuming that the Acquisition had been effected on 1 January 2021, are as follows:

	Before the Acquisition	After the Acquisition
Profit attributable to the Shareholders (RMB '000)	706,159	715,977
Weighted average number of ordinary Shares	2,581,770,052	2,581,770,052
EPS (RMB cents)	27.35	27.73

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Acquisition (other than through their respective shareholdings in the Company) (if any).

DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition, and no director's service contract is proposed to be entered into by the Company with any person in connection with the Acquisition.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Sale and Purchase Agreement, the Supplemental Agreement and the Valuation Report is available for inspection by Shareholders during normal business hours at the registered office of the Company at One Temasek Avenue, #37-02 Millenia Tower, Singapore 039192 for a period of 3 months from the date of this announcement.

CAUTION IN TRADING

Shareholders and potential investors of the Company should note that the Acquisition is subject to the fulfilment of certain conditions precedent. Shareholders and potential investors of the Company are advised to exercise caution when dealing or trading in the shares of the Company. In particular, Shareholders and potential investors of the Company should note that there is no certainty or assurance as at the date of this announcement that the Acquisition will be completed. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of Company should consult their stockbrokers, bank managers, solicitors or other professional advisers 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:

"Acquisition" the acquisition of 100% equity interest in the Target Company

“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
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, 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
“Independent Third Party(ies)”	person(s) which is a third party independent of the Company and its connected person(s)
“PRC”	the People’s Republic of China
“Purchaser”	Global Environment Investment (HK) Limited (環投(香港)有限公司), a company established under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	the lawful currency of the PRC
“S\$”	Singapore Dollar, the lawful currency of Singapore

“Sale and Purchase Agreement”	the sale and purchase agreement (as amended and supplemented by the Supplemental Agreement) dated 3 November 2022 entered into between the Vendor and the Purchaser for the Acquisition
“SEHK”	The Stock Exchange of Hong Kong Limited
“SGX Listing Rules”	the listing manual of the SGX-ST
“SGX-ST”	The Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary shares in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares from time to time, with no par value
“Singapore”	the Republic of Singapore
"Supplemental Agreement"	the supplemental agreement dated 3 November 2022 entered into between the Vendor and the Purchaser for the Acquisition
“Target Company”	Yun Shui Technology Co., Ltd. (雲水科技有限公司), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Vendor
“Target Group”	the Target Company and its subsidiaries
“Valuation Report”	the asset valuation report issued by Shanghai Dongzhou Asset Appraisal Co., Ltd. (上海東洲資產評估有限公司), an independent asset appraisal firm, on 13 September 2022
“Vendor”	Yunnan Water (Hong Kong) Co., Ltd. (雲南水務(香港)股份有限公司), a company established under the laws of Hong Kong with limited liability

"Yunnan Water"

Yunnan Water Investment Co., Limited* (雲南水務投資股份有限公司), a joint stock limited liability company incorporated in the PRC, whose H Shares are listed on the Main Board of the SEHK (stock code: 6839)

“%”

per cent.

For the purpose of this announcement and for illustration purpose only, conversion of RMB to HK\$ and RMB to S\$ is based on the exchange rate of RMB to HK\$1.0641 based on Hong Kong Exchanges and Clearing Limited published exchange rate as of 3 November 2022 and RMB to S\$0.1939 based on Monetary Authority of Singapore published exchange rate as of 3 November 2022, respectively. No representation is made that any amounts in RMB have been or could be converted at the above rates or any other rates.

By order of the Board
SIIC ENVIRONMENT HOLDINGS LTD
Mr. Yang Jianwei
Executive Director

Hong Kong and Singapore, 3 November 2022

As at the date of this announcement, the non-executive Chairman is Mr. Zhou Jun; the executive Directors are Mr. Yang Jianwei, Mr. Zhu Dazhi, Mr. Xu Xiaobing, Mr. Huang Hanguang and Mr. Yang Wei; and the independent non-executive Directors are Mr. Yeo Guat Kwang, Mr. An Hongjun and Mr. Zhong Ming.

** For identification purpose only*