CIRCULAR DATED 10 APRIL 2017

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY

This Circular is issued by SIIC Environment Holdings Ltd. (the "**Company**"). If you are in doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should at once hand 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 you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the contents of this Circular including the correctness of any of the statements or opinions made or reports contained in this Circular.

上海实业环境控股有限公司
SIIC ENVIRONMENT HOLDINGS LTD.

SIIC Environment Holdings Ltd.

(Company Registration No. 200210042R)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to:-

(1) THE PROPOSED PLACEMENT OF 350,000,000 NEW ORDINARY SHARES (THE "PLACEMENT") IN THE COMPANY TO SHANGHAI INDUSTRIAL HOLDINGS LIMITED ("SIHL") AND/OR SUCH NOMINEE AS MAY BE DESIGNATED BY SIHL, BEING TRIUMPH POWER LIMITED ("TPL") (TPL AND/OR SIHL BEING THE "PLACEE")

(2) THE PLACEMENT AS AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE MAINBOARD RULES OF THE LISTING MANUAL OF THE SGX-ST

(3) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS (AS DEFINED HEREIN) OF THEIR RIGHT TO RECEIVE A GENERAL OFFER FROM THE PLACEE AND PARTIES ACTING IN CONCERT WITH IT FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THEM AS A RESULT OF THE ALLOTMENT AND ISSUE OF THE PLACEMENT SHARES (AS DEFINED HEREIN) (THE "PROPOSED WHITEWASH RESOLUTION")

Independent Financial Adviser in connection with the Placement and the Proposed Whitewash Resolution

PRIME Partners

PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.

(Company Registration Number: 200207389D)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	23 April 2017 at 10.15 a.m.
Date and time of Extraordinary General Meeting	:	25 April 2017 at 10.15 a.m. (or as soon as practicable immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be convened on the same day and at the same venue)
Place of Extraordinary General Meeting	:	Pan Pacific Singapore, Ocean 5, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595

DEFINITIONS 3
LETTER TO SHAREHOLDERS 7
1. INTRODUCTION 7
2. THE PLACEMENT 8
3. INFORMATION ON THE PLACEE 10
4. RATIONALE 11
5. USE OF PROCEEDS 11
6. INTERESTED PERSON TRANSACTION 11
7. THE PROPOSED WHITEWASH RESOLUTION 13
8. OPINION OF INDEPENDENT FINANCIAL ADVISER 17
9. AUDIT COMMITTEE STATEMENT 19
10. FINANCIAL EFFECTS 19
11. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS 21
12. DIRECTORS' RECOMMENDATIONS 22
13. EXTRAORDINARY GENERAL MEETING 23
14. ABSTENTION FROM VOTING 23
15. ACTION TO BE TAKEN BY SHAREHOLDERS 24
16. CONSENT 24
17. DIRECTORS' RESPONSIBILITY STATEMENT 24
18. INSPECTION OF DOCUMENTS 24
APPENDIX A – IFA LETTER **A-1**
NOTICE OF EXTRAORDINARY GENERAL MEETING **N-1**
PROXY FORM **P-1**

In this Circular, the following definitions apply throughout unless otherwise stated:-

General

"Act"	:	The Companies Act (Chapter 50) of Singapore, as may be amended, modified or supplemented from time to time
"Announcement Date"	:	16 January 2017, being the date on which the announcement for the Placement was made by the Company
"Auditors"	:	The auditors of the Company for the time being
"Audit Committee"	:	The audit committee of the Company comprising Mr Tay Ah Kong Bernard, Mr Yeo Guat Kwang, Mr Tan Chong Huat and Mr Tan Gim Soo
"Board"	:	The board of Directors of the Company
"Business Day"	:	A day (other than Saturday and Sunday) on which banks are open for business in Singapore
"CDP"	:	The Central Depository (Pte) Limited
"Circular"	:	This circular to Shareholders dated 10 April 2017
"Code"	:	The Singapore Code on Takeovers and Mergers, and all practice notes, rules and guidelines thereunder, as may from time to time be issued or amended
"Company"	:	SIIC Environment Holdings Ltd.
"Completion"	:	The completion of the Placement pursuant to the Placement Agreement
"Completion Date"	:	The date on which Completion occurs
"Concert Party Group"	:	SIHL, SIHL Treasury, S.I. Infrastructure and TPL, and any person acting in concert with them
"Conditions Precedent"	:	The conditions precedent for the Placement as set out in paragraph 2.4 of this Circular
"Constitution"	:	The Constitution of the Company
"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares (unless the SGX-ST determines that such a person is not a Controlling Shareholder of the Company); or (b) in fact exercises control over the Company

"Director"	:	A person holding office as a director for the time being of the Company
"EGM"	:	The extraordinary general meeting of the Company to be held on 25 April 2017 at 10.15 a.m. at Pan Pacific Singapore, Ocean 5, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595, notice of which is set out on pages N-1 to N-2 of this Circular
"Enlarged Share Capital"	:	The enlarged issued and paid-up share capital of 2,606,588,726 Shares (excluding treasury shares) immediately after the Completion, comprising the Existing Share Capital and the Placement Shares
"EPS"	:	Earnings per Share
"Existing Share Capital"	:	The existing share capital of the Company as at the Latest Practicable Date comprising 2,256,588,726 Shares (excluding treasury shares)
"Group"	:	The Company and its subsidiaries
"Hong Kong"	:	The Hong Kong Special Administrative Region of the People's Republic of China
"IFA"	:	PrimePartners Corporate Finance Pte. Ltd., being the independent financial adviser in connection with the Placement and the Proposed Whitewash Resolution
"IFA Letter"	:	The letter from the IFA to the Independent Directors dated 10 April 2017, as set out in Appendix A to this Circular
"immediate family"	:	Immediate family in relation to a person, means the person's spouse, child, adopted child, step-child, sibling and parent
"Independent Shareholders"	:	The Shareholders who are not associated with or connected to and are independent of the Placee and its concert parties, for the purpose of the Proposed Placement Resolution, Proposed IPT Resolution, Proposed Whitewash Resolution
"Latest Practicable Date"	:	28 March 2017, being the latest practicable date prior to the printing of this Circular
"Listing Approval"	:	The approval in-principle for the listing of and quotation for the Placement Shares on the Mainboard of the SGX-ST
"Listing Rules"	:	SGX-ST Listing Manual Section A: Rules of Mainboard
"Market Day"	:	A day on which the SGX-ST is open for trading in securities
"Net Proceeds"	:	The net proceeds from the Placement
"NTA"	:	Net tangible assets
"Ordinary Resolutions"	:	The ordinary resolutions set out in the Notice of EGM
"Placee"	:	SIHL and/or such nominee(s) may be designated by SIHL, being TPL

"Placement"	:	The proposed allotment and issue of the 350,000,000 Placement Shares to the Placee pursuant to the Placement Agreement
"Placement Agreement"	:	The placement agreement entered into on 16 January 2017 between the Company and SIHL
"Placement Consideration"	:	The consideration of S$220,500,000.00 for the Placement
"Placement Price"	:	The price for each Placement Share of S$0.630
"Placement Shares"	:	The 350,000,000 new Shares to be allotted and issued by the Company to the Placee pursuant to the Placement Agreement
"Proposed Placement Resolution"	:	The proposed placement resolution for the Placement
"Proposed IPT Resolution"	:	The proposed resolution for the Placement to proceed as an interested person transaction pursuant to Chapter 9 of the Listing Rules
"Proposed Whitewash Resolution"	:	The proposed whitewash resolution for the waiver by Independent Shareholders of their right to receive a general offer under Rule 14 of the Code from the Placee and parties acting in concert with it for all the Shares not already owned or controlled by them as a result of the allotment and issue of the Placement Shares
"Recognised Stock Exchange"	:	The Stock Exchange of Hong Kong Limited or such other recognised stock exchanges or share exchanges
"Recommending Directors"	:	Directors who are regarded as independent in respect of the Placement, the Proposed IPT Resolution and the Proposed Whitewash Resolution, namely Mr Yang Changmin, Mr Li Zengfu, Mr Yeo Guat Kwang, Mr Tay Ah Kong Bernard, Mr Tan Chong Huat and Mr Tan Gim Soo
"Register of Members"	:	The principal register of members (duly registered holders of Shares)
"SFA"	:	The Securities and Futures Act (Chapter 289) of Singapore, as may be amended, modified or supplemented from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shares"	:	Ordinary shares in the capital of the Company
"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term **"Shareholders"** shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register
"SIC"	:	Securities Industry Council
"SIHL"	:	Shanghai Industrial Holdings Limited, a Controlling Shareholder of the Company

"SIHL Treasury"	:	SIHL Treasury Limited, a Shareholder of the Company and direct wholly owned subsidiary of SIHL
"S.I. Infrastructure"	:	S.I. Infrastructure Holdings Limited, a Substantial Shareholder of the Company, and direct wholly owned subsidiary of SIHL
"Substantial Shareholder"	:	A shareholder who has an interest in five per cent. (5%) or more of the total issued share capital of the Company
"treasury shares"	:	Issued Shares of the Company which was (or is treated as having been) purchased by the Company in circumstances which Section 76H of the Act applies and has since purchase been continuously held by the Company
"TPL"	:	Triumph Power Limited, a Substantial Shareholder of the Company and direct wholly owned subsidiary of S.I. Infrastructure
"Whitewash Waiver"	:	The waiver from the SIC in respect of the obligation by the Concert Party Group to make a mandatory general offer under Rule 14 of the Code for all the shares in the capital of the Company in issue not already owned, controlled or agreed to be acquired by the Concert Party Group as a result of the allotment and issuance of the Placement Shares to the Placee (and/or its concert parties, if any)

Currencies, Units and Others

"RMB"	:	Renminbi, the lawful currency of the People's Republic of China
"$" or "S$" and "cents"	:	Singapore dollar and cents respectively
"%" or "per cent."	:	Per centum or percentage

The terms "**Depositor**", **"Depository Agent"** and **"Depository Register"** shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The term "**subsidiary**" and "**related company**" shall have the meaning ascribed to it in the Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing one gender shall, where applicable, include the other genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Listing Rules or any statutory modification thereof and used in this Circular shall have the meaning assigned to it under the Act, the Listing Rules or any modification thereof, as the case may be.

All timings referred to in this Circular is made by reference to Singapore time.

References to "**paragraph**" or "**Appendix**" are to the paragraphs or appendices of this Circular, unless otherwise stated.

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

Any discrepancies in figures included in this Circular between the amounts listed 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.

SIIC ENVIRONMENT HOLDINGS LTD.

(Company Registration No. 200210042R)
(Incorporated in the Republic of Singapore)

Board of Directors:

Mr Zhou Jun	*(Executive Chairman)*
Mr Feng Jun	*(Executive Director)*
Mr Yang Changmin	*(Executive Director)*
Mr Xu Xiaobing	*(Executive Director)*
Mr Xu Zhan	*(Executive Director)*
Mr Li Zengfu	*(Executive Director)*
Mr Yeo Guat Kwang	*(Lead Independent Director)*
Mr Tay Ah Kong Bernard	*(Independent Director)*
Mr Tan Chong Huat	*(Independent Director)*
Mr Tan Gim Soo	*(Independent Director)*

Registered Office:

One Temasek Avenue
#37-02
Millenia Tower
Singapore 039192

10 April 2017

To: The Shareholders of SIIC Environment Holdings Ltd.

Dear Sir/Madam

(1) THE PROPOSED PLACEMENT OF 350,000,000 NEW ORDINARY SHARES IN THE COMPANY TO SIHL AND/OR SUCH NOMINEE AS MAY BE DESIGNATED BY SIHL, BEING TPL

(2) THE PROPOSED PLACEMENT AS AN INTERESTED PERSON TRANSACTION

(3) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A GENERAL OFFER FROM THE PLACEE AND PARTIES ACTING IN CONCERT WITH IT FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THEM AS A RESULT OF THE ALLOTMENT AND ISSUE OF THE PLACEMENT SHARES

1. INTRODUCTION

1.1 The Placement

On 16 January 2017, the Company announced that it had entered into the Placement Agreement, pursuant to which the Company agreed to allot and issue to the Placee the Placement Shares at the Placement Price.

1.2 Shareholders' Approval

The Directors are convening the EGM to seek the approval of Shareholders for:

1.2.1 the Placement in accordance with Rules 811 and 812 of the Listing Rules;

1.2.2 the Proposed IPT Resolution in accordance with Rule 906 of the Listing Rules; and

1.2.3 the Proposed Whitewash Resolution.

1.3 SGX-ST

An application was made to the SGX-ST for the listing of and the quotation for the Placement Shares. The Company had on 31 March 2017 received the Listing Approval subject to certain conditions as set out in paragraph 2.5 of this Circular. The Listing Approval is not to be taken

as an indication of the merits of the Placement, the Placement Shares, the Company and/or its subsidiaries. The SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.

1.4 Circular

The purpose of this Circular is to provide Shareholders with information relating to the Proposed Placement Resolution, the Proposed IPT Resolution and the Proposed Whitewash Resolution to be tabled at the EGM to be held on 25 April 2017, notice of which is set out on pages N-1 to N-2 of this Circular.

1.5 Inter-conditionality

Shareholders should note that the passing of Ordinary Resolutions 1, 2, and 3 are inter-conditional. This means that if any one of Ordinary Resolutions 1, 2, or 3 is not approved, the other resolutions will not be passed.

2. THE PLACEMENT

2.1 The Placement

On 16 January 2017, the Company announced that it had on the same day entered into the Placement Agreement, pursuant to which, *inter alia*, the Company agreed to allot and issue to the Placee 350,000,000 Placement Shares at the Placement Price for the Placement Consideration.

2.2 Placement Price

The Placement Price of S$0.630 represents a premium of approximately 10.92% to the volume weighted average price of approximately S$0.568 for the trades done on the SGX-ST on 13 January 2017, being the last full market day prior to which the Placement Agreement was signed.

The Placement Price was agreed upon based on arm's length negotiations between SIHL and the Company, taking into account the prevailing Share price and the financial position and prospects of the Company.

2.3 Placement Shares

The Placement Shares when issued will rank in all respects *pari passu* with the existing issued shares and be free from all pre-emption rights, charges, liens and other encumbrances and with all rights and benefits attaching thereto save that they will not rank for any dividend, rights, allotments or other distributions, the Record Date of which falls on or before the Completion of the Placement. For the purposes of this Circular, "**Record Date**" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of shares.

2.4 Conditions Precedent

2.4.1 Completion of the Placement is conditional upon, among others, the following:

(a) the specific approval(s) from the Shareholders for the Placement, as required under the Listing Rules (including (i) Rule 812 of the Listing Rules in relation to the placement of the Placement Shares to the Company's Substantial Shareholder and/or related companies of the Company's Substantial Shareholder, and (ii) Chapter 9 of the Listing Rules in relation to the Placement as an interested person transaction), having been obtained (each on terms and conditions acceptable to the Company and the Placee, each acting reasonably) and not being revoked or amended;

(b) the receipt by the Company of the Listing Approval from the SGX-ST (on terms and conditions acceptable to the Company and the Placee, each acting reasonably) and not being revoked or amended;

(c) the Whitewash Waiver from the SIC having been obtained (on terms and conditions acceptable to the Company and the Placee, each acting reasonably) and not being revoked or amended;

(d) the approval of the Proposed Whitewash Resolution by Independent Shareholders at the EGM to be convened;

(e) any conditions attached to the Listing Approval or the Whitewash Waiver which is required to be fulfilled on or before the Completion Date, having been fulfilled on or before that date to the satisfaction of the SGX-ST or the SIC (as the case may be) unless waived by the SGX-ST or the SIC (as the case may be);

(f) the Placee obtaining the necessary corporate approval(s) and approval(s) from all applicable governmental authorities and the Recognised Stock Exchange to subscribe for the Placement Shares at the Placement Consideration in accordance with the terms of the Placement Agreement;

(g) the Company or the Placee not in breach of any of the undertakings and covenants given in the Placement Agreement as at the Completion Date, and if any of such undertakings and covenants are required to be fulfilled on or before the Completion Date, such undertakings and covenants shall have been fulfilled prior to Completion Date; and

(h) the Placement not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Placement Agreement by any legislative, executive or regulatory body or authority of Singapore or elsewhere which is applicable to the Company or the Placee (including but not limited to the SGX-ST, the SIC, the competent governmental authorities in Hong Kong, and the Recognised Stock Exchange).

2.4.2 If the Conditions Precedent are not satisfied on or before the date falling 90 calendar days after the date of the Placement Agreement or such other date as SIHL and the Company may agree, the Company and SIHL shall be released and discharged from their respective obligations under the Placement Agreement, save for any rights and liabilities accrued on or prior to such termination.

2.4.3 Pursuant to the Placement Agreement, the Completion Date of the Placement shall be the date falling no later than five (5) business days after the date of the last of the Conditions Precedent in the Placement Agreement are satisfied, or such other date as the Company and SIHL may agree in writing.

2.5 SGX-ST Conditions

2.5.1 On 31 March 2017, the Company received the Listing Approval, subject to, *inter alia*, the following conditions:

(a) compliance with the SGX-ST's listing requirements;

(b) Shareholders' approval for the Placement at the EGM; and

(c) submission of the following documents:

(i) a written undertaking from the Company that it will comply with Rule 704(30) and Rule 1207(20) of the Listing Rules in relation to the use of proceeds from the Placement, and where the proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report of the Company; and

(ii) a written undertaking from the Company that it will comply with Rule 803 of the Listing Rules.

2.5.2 The Listing Approval is not to be taken as an indication of the merits of the Placement, the Placement Shares, the Company and/or its subsidiaries. The SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.

2.6 Private Placement

There will not be any prospectus or offer information statement issued in connection with the Placement as the Placement will be made pursuant to exemptions under Section 272B of the Securities and Futures Act.

2.7 Restricted Placee pursuant to Rule 812 of the Listing Rules

2.7.1 Pursuant to Rules 812(1)(a) and 812(1)(c) of the Listing Rules, an issue must not be placed to (i) an issuer's substantial shareholders, or (ii) substantial shareholders, related companies, associated companies and sister companies of the issuer's substantial shareholders, unless specific shareholders' approval for such a placement has been obtained.

2.7.2 As SIHL is a Substantial Shareholder of the Company and TPL is an indirect wholly-owned subsidiary of SIHL, the issue and allotment of the Placement Shares will be made pursuant to a specific mandate. The Company will be seeking the approval from the Independent Shareholders for the Placement at the EGM pursuant to Rule 812(1) and 812(2) of the Listing Rules.

2.7.3 In accordance with Rule 812(2) of the Listing Rules, S.I. Infrastructure, TPL and SIHL Treasury and their associates shall abstain from voting on the resolution approving the Placement and issuance of the Placement Shares at the EGM.

3. INFORMATION ON THE PLACEE

3.1 Information on SIHL

3.1.1 SIHL is a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong. SIHL is currently a Controlling Shareholder of the Company, holding an indirect interest of 37.56% of the shares in the capital of the Company, representing 847,688,226 Shares. Please see paragraph 7.2.1 of this Circular for a breakdown of the shareholdings of SIHL, TPL, SIHL Treasury, and S.I. Infrastructure in the Company.

3.1.2 SIHL operates three core businesses in the industries of infrastructure facilities, real estate, and consumer products.

3.2 Information on TPL

3.2.1 TPL is a company incorporated in the British Virgin Islands. S.I. Infrastructure, which is a direct wholly owned subsidiary of SIHL, holds all of the shares in TPL.

3.2.2 TPL is a Substantial Shareholder of the Company and holds a direct interest of 28.22% of shares in the capital of the Company, representing 639,929,551 Shares. Please see paragraph 11 of this Circular for a breakdown of the shareholdings of SIHL, TPL, SIHL Treasury, S.I. Infrastructure, and other Substantial Shareholder's shareholding.

3.2.3 TPL is an investment holding company.

4. RATIONALE

4.1 The Company intends to use the Net Proceeds from the Placement:

4.1.1 to finance the business expansion of the Group;

4.1.2 to repay existing borrowings and improve its gearing ratio;

4.1.3 to improve its cash flow;

4.1.4 to increase working capital; and

4.1.5 for general corporate purposes.

4.2 The Company also intends to further explore ways and/or adopt measures with the objective of boosting its issued share capital and increasing its value.

4.3 The Directors are of the opinion that (i) the Group has sufficient resources to meet its capital commitments, and (ii) after taking into consideration the Group's present bank facilities and the Net Proceeds of the Placement, the working capital available to the Group is sufficient to meet its present requirements.

5. USE OF PROCEEDS

5.1 Based on the Placement Price and Placement Consideration, when the Placement Shares are allotted and issued in full, the estimated Net Proceeds after deducting expenses of approximately S$500,000 incurred in connection with the Placement is expected to amount to approximately S$220,000,000.

5.2 The Company intends to use the Net Proceeds from the Placement as follows:

5.2.1 approximately S$132,000,000 or 60% of the Net Proceeds, to improve its gearing ratio and repay existing borrowings of the Company, including part of a loan of S$156,000,000 from SIHL Finance Limited which is due for repayment on 15 April 2017. SIHL Finance Limited is a wholly owned subsidiary of SIHL; and

5.2.2 approximately S$88,000,000 or 40% of the Net Proceeds for general corporate purposes (including to finance the business expansion of the Group and for working capital).

5.3 The Company will make periodic announcements as to the use of the Net Proceeds from the Placement as and when such Net Proceeds from the Placement are materially disbursed and whether such use is in accordance with the stated use. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reason(s) for such deviation.

5.4 Pending the deployment of the Net Proceeds from the Placement, such Net Proceeds may be placed as short term deposits with financial institutions and/or invested in short term money markets or debt instruments or for any other purposes on a short term basis as the Directors may in their absolute discretion deem fit, from time to time.

6. INTERESTED PERSON TRANSACTION

6.1 Chapter 9 of the Listing Rules

6.1.1 Chapter 9 of the Listing Rules governs transactions by an issuer (that is, a company which is listed on the SGX-ST), as well as transactions by the issuer's subsidiaries and associated companies that are considered to be "at risk", with the issuer's interested persons (that is, the issuer's directors, chief executive officer, controlling shareholders and their respective associates (as defined in the Listing Rules)). In general, when this Chapter applies to a transaction with an

interested person and the value of the transaction singly, or, in aggregation with the values of other transactions entered into with the same interested person in the same financial year equals or exceeds 5% of the issuer's latest audited consolidated NTA, that transaction shall be subject to the approval of the shareholders of the issuer.

6.1.2 As at the Latest Practicable Date, SIHL is a Controlling Shareholder as it is deemed interested in all the Shares held by SIHL Treasury, S.I. Infrastructure and TPL. SIHL Treasury, S.I. Infrastructure and TPL hold directly in aggregate 847,688,226 Shares, representing 37.56% of the issued share capital of the Company. Accordingly, pursuant to the Listing Rules, 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.

6.1.3 A breakdown of the Shares directly held by SIHL Treasury, S.I. Infrastructure and TPL as at the Latest Practicable Date is set out in the table below.

Shareholder	Number of Shares	% of existing issued share capital of the Company (1)
SIHL Treasury	45,340,200	2.01
S.I. Infrastructure (2)	165,418,475	7.33
TPL	636,929,551	28.22
Total	**847,688,226**	**37.56**

Notes:

(1) Based on the existing issued and paid up share capital of the Company of 2,256,588,726 Shares (excluding treasury shares) as at the Latest Practicable Date.

(2) S.I. Infrastructure directly holds the entire issued and paid up share capital of TPL. By virtue of section 4 of the SFA, S.I. Infrastructure is deemed interested in the Shares held by TPL. Accordingly, S.I. Infrastructure has an aggregate (both direct and deemed) interest in 35.55% of the issued and paid-up share capital of the Company.

6.1.4 As TPL is an indirect wholly-owned subsidiary of SIHL, TPL is considered to be an "associate" of SIHL. Therefore, for the purposes of Chapter 9 of the Listing Rules, each of SIHL and TPL would be considered an "interested person" within the meaning of Chapter 9 of the Listing Rules vis-a-vis the Company, which is regarded as an "entity at risk" pursuant to Chapter 9 of the Listing Rules. Accordingly, the Placement constitutes an "interested person transaction" under Chapter 9 of the Listing Rules.

6.1.5 Save as disclosed in this Circular, SIHL and TPL do not have any other interest, direct or indirect, in the Placement.

6.2 NTA

6.2.1 Based on the Group's latest audited consolidated accounts for the financial year ended 31 December 2015, the Group's latest audited NTA and NTA attributable to owners of the Company (including operating concessions) amounted to approximately RMB6,121.2 million (or S$1,267.8 million)[1] and approximately RMB5,053.3 million (or S$1,046.6 million)[1] respectively.

6.2.2 The total amount of S$220.5 million to be raised from the Placement represents approximately 17.4% and 21.1% of the Group's latest audited NTA and NTA attributable to owners of the Company respectively.

[1] Based on a foreign exchange rate of S$1.00: RMB4.8283 on 16 January 2017, being the Announcement Date. For further information, please refer to the IFA Letter.

6.3 Shareholder's Approval

6.3.1 Since the value of the interested person transaction in relation to the Placement is more than 5% of the Group's latest audited NTA and NTA attributable to owners of the Company, Shareholders' approval is therefore required for the Placement pursuant to Rule 906(1) of the Listing Rules.

6.3.2 Pursuant to Rule 919 of the Listing Rules, SIHL, TPL and their associates must not vote on the resolution nor accept appointments as proxies unless specific instruction as to voting are given.

6.4 Total Value of Interested Person Transaction

For the period from the beginning of the current financial year, being 1 January 2017, to the Latest Practicable Date, save for the Placement, there was no transaction entered into with SIHL or TPL or any other interested person.

6.5 Directors' Interests

6.5.1 Mr Zhou Jun is the Vice Chairman and Chief Executive Officer of SIHL. Mr Feng Jun is the Assistant Chief Executive Officer and Chief Investment Officer of SIHL. Mr Xu Zhan is the Executive Director of SIHL. Mr Xu Xiaobing is the Deputy Chief Executive Officer of SIHL. Save for Mr Zhou Jun who holds 195,000 ordinary shares in SIHL, none of the Directors holds any shares in SIHL (whether directly or indirectly).

6.5.2 No person is proposed to be appointed as a director of the Company in connection with the Placement. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

6.5.3 Save as disclosed in this Circular and save for any Shares which they may hold, none of the Directors has any interest, direct or indirect, in the Placement.

6.6 Abstention from Voting

The Placee and its associates, including SIHL, TPL, SIHL Treasury and S.I. Infrastructure, will abstain, and will undertake to ensure that its associates will abstain, from voting on the Ordinary Resolutions to be proposed at the EGM to approve the Placement and the grant of the Directors to allot and issue the Placement Shares. The Placee and its associates will also decline to accept appointment as proxy for any Shareholder to vote in respect of the Proposed IPT Resolution, unless the Shareholder concerned shall have given instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the Proposed IPT Resolution.

7. THE PROPOSED WHITEWASH RESOLUTION

7.1 Rule 14 of the Code

Under Rule 14 of the Code, except with the SIC's consent, where:

(a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.00% or more of the voting rights in a company; or

(b) any person who, together with persons acting in concert with him, holds not less than 30.00% but not more than 50.00% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six months additional shares carrying more than 1.00% of the voting rights,

such person must extend a general offer for all the remaining shares in the company which he does not already own or control, to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares.

In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

7.2 Interests of the Concert Party Group

7.2.1 As at the Latest Practicable Date, the interests of the Concert Party Group in the Company were as follows:

	Direct Interest		Deemed Interest	
Concert Party	**Number of Shares**	**%(1)**	**Number of Shares**	**%(1)**
SIHL	-	-	847,688,226(2)	37.56(2)
SIHL Treasury	45,340,200	2.01	-	-
S.I. Infrastructure (2)	165,418,475	7.33	-	-
TPL	636,929,551	28.22	-	-
Total	**847,688,226**	**37.56**	**-**	**-**

Notes:

(1) Percentage of Shares held by the shareholder based on the issued share capital of the Company of 2,256,588,726 Shares (excluding treasury shares) as at the Latest Applicable Date.

(2) By virtue of section 4 of the SFA, SIHL is deemed interested in all the Shares held by SIHL Treasury, S.I. Infrastructure and TPL.

7.2.2 The following table sets out the direct shareholding interest of the Concert Party Group in the Company before the Placement and upon Completion assuming that all the Placement Shares are issued and allotted to TPL.

	Before Placement		After Placement	
	No. of Shares	**%(1)**	**No. of Shares**	**%(2)**
Concert Party Group	**847,688,226**	**37.56**	**1,197,688,226**	**45.94**
- SIHL (3)	-	-	-	-
- SIHL Treasury	45,340,200	2.01	45,340,200	1.74
- S.I. Infrastructure (4)	165,418,475	7.33	165,418,475	6.35
- TPL	636,929,551	28.22	986,929,551	37.86

Notes:

(1) Percentage of Shares held by the shareholder based on the Existing Share Capital of the Company.

(2) Percentage of Shares held by the shareholder based on the Enlarged Share Capital of the Company after the Placement.

(3) SIHL does not directly hold any Share. However, by virtue of section 4 of the SFA, SIHL shall be deemed interested in all the Shares held by SIHL Treasury, S.I. Infrastructure and TPL.

(4) S.I. Infrastructure directly holds the entire issued and paid up share capital of TPL. By virtue of section 4 of the SFA, S.I. Infrastructure is deemed interested in the Shares held by TPL. Accordingly, S.I. Infrastructure has an aggregate (both direct and deemed) interest in 35.55% of the issued and paid-up share capital of the Company.

7.3 Potential Dilution

As a result of the Placement, the collective shareholding interests of Shareholders (other than the Concert Party Group) may be diluted from approximately 62.43% down to approximately 54.05%. Further details on the potential dilution, assuming that all the Placement Shares are issued and allotted to TPL, are set out below:

	Before Placement		After Placement	
	No. of Shares	%[1]	No. of Shares	%[2]
Concert Party Group	**847,688,226**	**37.56**	**1,197,688,226**	**45.94**
- SIHL [3]	-	-	-	-
- SIHL Treasury	45,340,200	2.01	45,340,200	1.74
- S.I. Infrastructure [4]	165,418,475	7.33	165,418,475	6.35
- TPL	636,929,551	28.22	986,929,551	37.86
Other Shareholders	1,408,900,500	62.43	1,408,900,500	54.05

Notes:

(1) Percentage of Shares held by the shareholder based on the Existing Share Capital.

(2) Percentage of Shares held by the shareholder based on the Enlarged Share Capital after the Placement.

(3) SIHL does not directly hold any Share. However, by virtue of section 4 of the SFA, SIHL shall be deemed interested in all the Shares held by SIHL Treasury, S.I. Infrastructure and TPL.

(4) S.I. Infrastructure directly holds the entire issued and paid up share capital of TPL. By virtue of section 4 of the SFA, S.I. Infrastructure is deemed interested in the Shares held by TPL. Accordingly, S.I. Infrastructure has an aggregate (both direct and deemed) interest in 35.55% of the issued and paid-up share capital of the Company.

7.4 Mandatory General Offer Requirement under the Code

7.4.1 Pursuant to Rule 14.1(b) of the Code, any person, who together with his parties acting in concert with him, holding not less than 30% but not more than 50% of the voting rights of a company, and acquires in any period of 6 months additional shares carrying more than 1% of the voting rights will incur an obligation to make a mandatory general offer for all the remaining shares of the company not held by them.

7.4.2 Pursuant to the Placement, the Placee will subscribe for and the Company will allot to the Placee the Placement Shares, which represents approximately 13.42% of the Enlarged Share Capital of the Company (excluding treasury shares). As illustrated in paragraph 7.2.2 of this Circular, on Completion, the aggregate shareholding of the Concert Party Group will increase from 37.56% of the Existing Share Capital before the Placement to 45.94% of the Enlarged Share Capital upon Completion. As the Placement will result in the Concert Party Group to acquire more than 1% of the voting rights in a period of six (6) months, the Placee and parties acting in concert with them will incur an obligation to make a mandatory general offer for all the remaining shares of the Company not held by them pursuant to Rule 14 of the Code unless such obligation is waived by the SIC.

7.4.3 Accordingly, an application was made by the Company to the SIC for, *inter alia*, a waiver of the obligations of the Concert Party Group to make a mandatory general offer for all the remaining Shares of the Company not held by them pursuant to Rule 14 of the Code as a result of the Placement.

7.5 Whitewash Waiver from the SIC

7.5.1 The SIC had on 13 March 2017 granted a waiver of the requirement under Rule 14 of the Code for SIHL, SIHL Treasury, S.I. Infrastructure and TPL to make a general offer for the Company in the event that the Placee acquires more than 1% of the voting rights of the Company based on the Enlarged Share Capital as a result of acquiring the Placement Shares, subject to the following conditions:

(a) the Proposed Whitewash Resolution being passed by a majority of the Independent Shareholders by way of a poll, before the issue of the Placement Shares;

(b) the Proposed Whitewash Resolution is separate from other resolutions;

(c) the Concert Party Group and parties not independent of them abstain from voting on the Proposed Whitewash Resolution;

(d) the Concert Party Group did not acquire or are not to acquire any Shares or instruments convertible into, rights to subscribe for and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in this Circular):

(i) during the period between the Announcement Date, and the date Shareholders' approval is obtained for the Proposed Whitewash Resolution; and

(ii) in the six (6) months prior to the Announcement Date, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Placement;

(e) the Company appoints the IFA to advise the Independent Shareholders on the Proposed Whitewash Resolution;

(f) the Company sets out clearly in this Circular:

(i) details of the Placement;

(ii) the dilution effect of issuing the Placement Shares to existing holders of voting rights;

(iii) the number and percentage of voting rights in the Company held by the Concert Party Group as at the Latest Practicable Date;

(iv) the number and percentage of voting rights to be issued to the Placee; and

(v) that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from SIHL, SIHL Treasury, S.I. Infrastructure and TPL at the highest price paid by the Concert Party Group for the Shares in the Company in the six (6) months preceding the date of the Placement Agreement;

(g) this Circular states that the waiver granted by the SIC to SIHL, SIHL Treasury, S.I. Infrastructure and TPL from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated in paragraphs 7.4(a) to 7.4(f) above;

(h) SIHL, SIHL Treasury, S.I. Infrastructure and TPL obtain the SIC's approval in advance for those parts of this Circular that refer to the Proposed Whitewash Resolution; and

(i) to rely on the Proposed Whitewash Resolution, the acquisition of the Placement Shares by the Placee under the Placement must be completed within three (3) months of the approval of the Proposed Whitewash Resolution.

7.5.2 As at the Latest Practicable Date, save for the conditions set out in paragraphs 7.5.1 (a) and (i) of this Circular, all the other conditions imposed by the SIC set out above have been satisfied.

7.6 Proposed Whitewash Resolution

7.6.1 Independent Shareholders are requested to vote by way of a poll, on the Proposed Whitewash Resolution set out in the Notice of EGM on pages N-1 to N-2 of this Circular, waiving their rights to receive the mandatory general offer from the Placee and parties acting in concert with it.

7.6.2 Shareholders should note that the passing of Ordinary Resolutions 1, 2 and 3 as set out in the Notice of EGM are inter-conditional. This means that if any one of the proposed resolutions is not approved, the other resolutions would not be passed.

7.7 Advice to Independent Shareholders

7.7.1 Independent Shareholders should note the following:-

7.7.2 By voting in favour of the Proposed Whitewash Resolution (Ordinary Resolution 3), they will be waiving their rights to receive a general offer for their Shares from SIHL, SIHL Treasury, S.I. Infrastructure and TPL at the highest price per Share paid or agreed to be paid by the Concert Party Group in the six (6) months preceding the commencement of the offer which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code.

7.7.3 The allotment and issue of the Placement Shares to the Placee will result in the Concert Party Group holding Shares carrying 45.94% of the total voting rights of the Company based on the Enlarged Share Capital (as described in paragraph 7.2.2 of this Circular).

7.7.4 The Placement is conditional upon them voting in favour of the Proposed Whitewash Resolution (Ordinary Resolution 3). In view of this, in the event that the Proposed Whitewash Resolution (Ordinary Resolution 3) is not passed by the Independent Shareholders, the Placement will not take place.

8. OPINION OF INDEPENDENT FINANCIAL ADVISER

8.1 PrimePartners Corporate Finance Pte. Ltd. has been appointed as the independent financial adviser to advise the Recommending Directors in respect of the Placement as an interested person transaction and the Proposed Whitewash Resolution.

8.2 The IFA Letter for the Placement as an interested person transaction and the Proposed Whitewash Resolution is reproduced in **Appendix A**. The following is an extract from section 7 of the IFA Letter and should be read by Shareholders in conjunction with, and in the full context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated:

"7. OUR OPINION

In arriving at our recommendation in respect of the Proposed Placement as an Interested Person Transaction and the Proposed Whitewash Resolution, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter.

(a) Rationale for the Proposed Placement and the use of proceeds;

(b) Assessment of the terms of the Proposed Placement;

(1) Historical trading performance of the Shares;

(i) The Placement Price represents a premium of 11.5% and 10.9% over, the last traded price of S$0.5650 and the VWAP of the Shares of S$0.5682 respectively, on 16 January 2017, being the Announcement Date;

(ii) The Placement Price represents a premium of 7.9%, 4.7%, 3.9% over the VWAP of the Shares for the 1 month, 3 month and 6 month period respectively, and approximates the VWAP of the Shares for the 1 year period prior to the Announcement Date;

(iii) The Placement Price represents a premium of 13.6% over the VWAP of the Shares for the period between the market day immediately after the Announcement and up to the Latest Practicable Date;

(iv) As at the Latest Practicable Date, the Placement Price represents a premium of 13.5% over the last traded price of the Shares of S$0.555;

(v) During the period from 17 January 2016 up to the Announcement Date, the Shares were traded on 252 market days. The total number of Shares traded during this period was approximately 438.7 million Shares with an average daily trading volume of 1.7 million Shares, representing 0.3% of the free float; and

(vi) During the period after the Announcement Date and up to the Latest Practicable Date, the Shares were traded on 50 market days. The total number of Shares traded during this period was approximately 115.4 million Shares with an average daily trading volume of 2.3 million Shares, representing 0.3% of the free float.

(2) Financial assessment of the Placement Price *vis-à-vis* comparable companies of the Company;

(i) The Placement Price values the Group at a P/E ratio of approximately 15.1 times, a P/NAV ratio of 1.15 times and an EV/EBITDA ratio of 16.7 times;

(ii) The P/E ratio implied by the Placement Price of 15.1 times is within the range of the P/E ratios of the Comparable Companies, lower than the mean and slightly lower than the median of the P/E ratios of the Comparable Companies;

(iii) The P/NAV ratio implied by the Placement Price of 1.15 times is within the range of the P/NAV ratios of the Comparable Companies, and slightly lower than the mean and median P/NAV ratios of the Comparable Companies; and

(iv) The EV/EBITDA ratio implied by the Placement Price of 16.7 times is higher than the range of EV/EBITDA ratios of the Comparable Companies.

(3) Financial assessment of the Placement Price *vis-à-vis* comparable completed transactions;

(i) The Placement Price is a 10.9% premium over the VWAP of the Shares on 16 January 2017 (being the Announcement Date, the Announcement was released after market closed on 16 January 2017). We note that this is within the range of premiums over / discounts to the respective VWAPs of the Placement Comparable Companies;

(ii) The mean and median for the Placement Comparable Companies is at a premium of 2.9% for the mean and a discount of 6.2% for the median respectively.

(c) Dilution impact of the Proposed Placement on the Independent Shareholders:

(i) The Concert Party Group will increase its shareholding interest in the Company from 37.6% of the existing number of Shares to 45.9% of the enlarged number of Shares upon the issuance of the Placement Shares. Independent Shareholders will have their aggregate shareholding interests diluted from 62.4% to 54.1% of the enlarged number of issued Shares.

(d) Other relevant considerations which may have a significant bearing on our assessment of the Proposed Placement and the Proposed Whitewash Resolution:

(i) Inter-conditionality of the Proposed Placement and the Proposed Whitewash Resolution:

- If any of the Proposed Placement or Proposed Whitewash Resolution is not approved by Independent Shareholders at the EGM, none of the above approvals will take place.

(ii) Financial effects of the Proposed Placement:

- Earnings per Share – Assuming the Proposed Placement had been completed on 1 January 2015, the Proposed Placement would have a dilutive effect on the earnings per Share due to the enlarged number of Shares; and

- NTA per Share – Assuming the Proposed Placement had been completed on 31 December 2015, the NTA of the Group would increase as the Placement Price is higher than the NTA per Share as at 31 December 2015.

(iii) Improvement of the Group's financial position

- As at 31 December 2016, the Group has a debt-to equity ratio of 1.70 times. We note that the net proceeds of S$220.0 million from the Proposed Placement will decrease the Group's debt-to-equity ratio to 1.51 times.

Having regards to the considerations as set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that:

(i) the Proposed Placement as an Interested Person Transaction is on normal commercial terms and not prejudicial to the interests of the Company and its Independent Shareholders; and

(ii) the Proposed Whitewash Resolution (in relation to the Proposed Placement) is fair and reasonable and not prejudicial to the interests of the Independent Shareholders.

We therefore advise the Recommending Directors to recommend to the Independent Shareholders to vote in favour of the Proposed Placement and the Proposed Whitewash Resolution."

8.3 Shareholders are advised to read and consider the IFA Letter for the Placement as an interested person transaction and the Proposed Whitewash Resolution in its entirety as reproduced in Appendix A of this Circular and consider carefully the recommendations of the Recommending Directors for the Placement, the Proposed IPT Resolution and the Proposed Whitewash Resolution set out in this Circular.

9. AUDIT COMMITTEE STATEMENT

The Audit Committee has considered the terms of the Placement and the opinion of the IFA set out in the IFA Letter, and is of the view that the terms of the Placement as an interested person transaction is (1) on normal commercial terms and (2) not prejudicial to the interests of the Company and its Independent Shareholders.

10. FINANCIAL EFFECTS

10.1 As at the Latest Practicable Date, the issued and paid up capital of the Company is S$917,132,691.62 divided into 2,256,588,726 Shares (excluding treasury shares). When allotted and issued in full, the Placement will increase the existing issued and paid-up share capital of the Company by S$220,500,000 to S$1,137,632,691.62, divided into 2,606,588,726 Shares (excluding treasury shares).

10.2 The financial effects of the Placement on the Group are prepared based on the audited accounts of the Group for the financial year ended 31 December 2015 and the following assumptions:

10.2.1 for purposes of computing the effect of the Placement on the NTA per Share of the Group, it is assumed that the Placement had been completed on 31 December 2015; and

10.2.2 for purposes of computing the effect of the Placement on the EPS of the Group, it is assumed that the Placement had been completed on 1 January 2015.

10.3 It should be noted that the financial effects set out below are for illustrative purposes only and do not purport to be an indication or a projection of the results and financial position of the Company and the Group, after completion of the Placement.

	Before the allotment and issue of the Placement Shares	**After allotment and issue of the Placement Shares**
Earnings attributable to Shareholders (S$'000) [1]	79,683	79,683
EPS (Singapore cents)	3.73	3.20
Weighted average number of Shares for calculating EPS	2,136,917,601	2,486,917,601
NTA (S$'000) [2]	1,337,465	1,557,965
NTA per Share (Singapore cents)	59.27	59.77
Number of Shares for calculating NTA per Share	2,256,588,726	2,606,588,726

[1] Based on average foreign exchange rate of S$1.00: RMB4.5228 for financial year 2015

[2] Based on foreign exchange rate of S$1.00: RMB4.5767 on 31 December 2015

11. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of Directors and the Substantial Shareholders of the Company as at the Latest Practicable Date, and the effect of the Placement on the shareholding structure of the Company, are set out below:

	As at Latest Practicable Date			After the issue of Placement Shares		
Name of Director and/or Substantial Shareholder	**Direct Interest**	**Deemed Interest**	**%[1]**	**Direct Interest**	**Deemed Interest**	**%[2]**
Directors						
Mr Zhou Jun	-	-	-	-	-	-
Mr Feng Jun	-	-	-	-	-	-
Mr Yang Changmin	11,083,694	-	0.49	11,083,694	-	0.42
Mr Xu Xiaobing	-	-	-	-	-	-
Mr Li Zengfu	-	-	-	-	-	-
Mr Yeo Guat Kwang	-	-	-	-	-	-
Mr Tay Ah Kong Bernard	-	-	-	-	-	-
Mr Tan Chong Huat	-	-	-	-	-	-
Mr Tan Gim Soo	-	-	-	-	-	-
Substantial Shareholders						
Triumph Power Limited	636,929,551	-	28.22	636,929,551	-	24.43
SIHL Treasury Limited [3]	45,340,200	-	2.01	45,340,200	-	1.73
S.I Infrastructure Holdings Limited [3]	165,418,475	636,929,551	35.55	515,418,475	636,929,551	44.20
Shanghai Industrial Holdings Limited [3]	-	847,688,226	37.56	-	1,197,688,226	45.94
China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited ("CECEPHK")	223,712,917	-	9.91	223,712,917	-	8.58
China Energy Conservation and Environmental Protection Group ("CECEP") [4]	-	223,712,917	9.91	-	223,712,917	8.58
Value Partners Limited [5]	-	317,372,160	14.06	-	317,372,160	12.17
Value Partners Hong Kong Limited [5]	-	317,372,160	14.06	-	317,372,160	12.17
To Hau Yin [5]	-	317,372,160	14.06	-	317,372,160	12.17
Value Partners Group Limited [5]	-	317,372,160	14.06	-	317,372,160	12.17
Cheah Capital Management Limited [5]	-	317,372,160	14.06	-	317,372,160	12.17
Cheah Cheng Hye [5]	-	317,372,160	14.06	-	317,372,160	12.17
Cheah Company Limited [5]	-	317,372,160	14.06	-	317,372,160	12.17
BNP Paribas Jersey Trust Corporation Ltd as trustee of The C H Cheah Family Trust [5]	-	317,372,160	14.06	-	317,372,160	12.17
BNP Paribas Jersey Nominee Company Limited [5]	-	317,372,160	14.06	-	317,372,160	12.17
Value Partners Classic Fund	224,658,980	-	9.95	224,658,980	-	8.61

Notes:

(1) Calculated based on the Existing Share Capital.

(2) Calculated based on the Enlarged Share Capital.

(3) Each of Shanghai Industrial Investment (Holdings) Company Limited, which is controlled by the Shanghai Municipal People's Government (through its wholly-owned subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, SIIC Treasury (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC CM Development Limited and SIIC CM Development Funds Limited), and Shanghai Investment Holdings Limited, holds more than 20% of the issued and paid-up share capital of Shanghai Industrial Holdings Limited, which owns all the issued and paid-up share capital of S.I. Infrastructure Holdings Limited, which in turn owns all the issued and paid-up share capital of Triumph Power Limited. In addition, Shanghai Industrial Holdings Limited owns all the issued and paid-up share capital of SIHL Treasury Limited. As such, Shanghai Industrial Investment (Holdings) Company Limited, Shanghai Investment Holdings Limited, Shanghai Industrial Holdings Limited and S.I. Infrastructure Holdings Limited are deemed to be interested in the shares held by Triumph Power Limited and SIHL Treasury Limited (excluding S.I. Infrastructure Holdings Limited). SIHL Treasury Limited holds 45,340,200 shares.

(4) CECEP is deemed to be interested in the shares held by CECEPHK as CECEP owns the entire issued share capital of CECEPHK.

(5) VPL is a fund manager deemed to be interested in the shares of the Company by reason of shares held directly by the funds under its management. Cheah Capital Management Limited is deemed to be interested in the shares of SIIC Environment Holdings Ltd. via its 21.82% ownership in Value Partners Group Limited. Value Partners Group Limited is deemed to be interested in the shares of SIIC Environment Holdings Ltd. via its 100% ownership in Value Partners Hong Kong Limited, which in turn 100% owns Value Partners Limited - a Fund Manager deem to be interested in the share of SIIC Environment Holdings Ltd by reason of shares held directly by the Funds under its management. Value Partners Hong Kong Limited ("VPHK") is deemed to be interested in the shares of SIIC Environment Holdings Ltd. via its 100% ownership in Value Partners Limited ("VPL"), a Fund Manager deem to be interested in the share of SIIC Environment Holdings Ltd. by reason of shares held directly by the Funds under its management. Cheah Cheng Hye is deemed to be interested in the shares of SIIC Environment Holdings Ltd. in his capacity as the founder of a discretionary trust ("The C H Cheah Family Trust") with BNP Paribas Jersey Trust Corporation Limited as the Trustee. To Hau Yin is deemed to be interested in the shares of SIIC Environment Holdings Ltd. in her capacity as the beneficiary of a discretionary trust ("The C H Cheah Family Trust") with BNP Paribas Jersey Trust Corporation Limited as the Trustee.

12. DIRECTORS' RECOMMENDATIONS

12.1 Proposed Placement Resolution

The Recommending Directors, having considered, *inter alia*, the rationale for the Placement as set out in paragraph 4 of this Circular, are of the opinion that the Placement is in the best interests of the Company and accordingly recommend that Independent Shareholders vote in favour of the resolutions in relation to the Proposed Placement Resolution to be proposed at the EGM.

12.2 Proposed IPT Resolution

The Recommending Directors, having considered, *inter alia*, the rationale for the Placement as set out in paragraph 4 of this Circular and the advice of the IFA as set out in the IFA Letter set out in Appendix A to this Circular, are of the opinion that the Proposed IPT Resolution is in the best interests of the Company and is not prejudicial to the interests of the Independent Shareholders. Accordingly, they recommend that the Shareholders vote in favour of the Proposed IPT Resolution at the EGM.

12.3 Proposed Whitewash Resolution

The Recommending Directors, having considered, *inter alia*, the rationale for the Placement as set out in paragraph 4 of this Circular and the advice of the IFA as set out in the IFA Letter set out in Appendix A to this Circular, are of the opinion that the Proposed Whitewash Resolution is in the best interests of the Company and is not prejudicial to the interests of the Independent Shareholders. Accordingly, they recommend that the Independent Shareholders vote in favour of the Proposed Whitewash Resolution at the EGM.

12.4 No Recommendation by Interested Directors

As stated in paragraph 6.5 above, Mr Zhou Jun, Mr Feng Jun, Mr Xu Zhan and Mr Xu Xiaobing are senior management officers in SIHL. As such, they are interested in and not considered to be independent in relation to the Placement. Accordingly, they have abstained from making any recommendation to Shareholders and have not participated in the discussions relating to the Placement.

12.5 Note to Shareholders

Shareholders, in deciding whether to vote in favour of the resolutions, should read carefully the terms and conditions, rationale, information on the Placee, use of proceeds from the Placement, financial effects of the Placement and effects of the Proposed Whitewash Resolution and consider carefully the advice of the IFA (including the IFA Letter in its entirety as set out in Appendix A to this Circular). In giving the above recommendations, the Recommending Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Recommending Directors recommend that any individual Shareholder who may require specific advice in relation to his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

13. 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 Pan Pacific Singapore, Ocean 5, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on 25 April 2017 at 10.15 a.m., (or as soon as practicable immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be convened on the same day and at the same venue) for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolutions as set out in the Notice of EGM.

14. ABSTENTION FROM VOTING

14.1 Proposed Placement Resolution and Proposed IPT Resolution

In accordance with Rules 812(2) and 919 of the Listing Rules and the conditions attached to the Whitewash Waiver, the Placee and its associates must abstain from voting on the Proposed Placement Resolution, the Proposed IPT Resolution and the Proposed Whitewash Resolution respectively. The Placee has undertaken to the Company to abstain and procure that its associates (in particular, in respect of SIHL, such associates being, SIHL Treasury, S.I. Infrastructure and TPL and in respect of TPL, such associates being, SIHL, S.I. Infrastructure and SIHL Treasury) will abstain from voting on the Ordinary Resolutions. As at the Latest Practicable Date, SIHL Treasury, S.I. Infrastructure and TPL directly hold 45,340,200, 165,418,475 and 636,929,551 Shares, respectively. SIHL does not directly hold any Shares. Please refer to the shareholding table in paragraph 11 of this Circular for details of the respective shareholdings of SIHL, SIHL Treasury, S.I. Infrastructure and TPL.

Furthermore, the Placee shall decline, and ensure that its associates decline to accept appointment as proxy/proxies to vote at the EGM in respect of the Ordinary Resolutions for other Shareholders unless the Shareholders concerned shall have given specific instructions as to the manner in which his votes are to be cast at the EGM.

14.2 Proposed Whitewash Resolution

The Placee and parties acting in concert with it as well as parties not independent of them, will abstain from voting in respect of their holding of Shares on the Proposed Whitewash Resolution at the EGM and shall not accept nomination as proxies or otherwise for voting on the Proposed Whitewash Resolution, unless they are given specific instructions as to voting.

As at the Latest Practicable Date, save for the interests of SIHL, TPL, S.I. Infrastructure and SIHL Treasury in the Company, as disclosed in this Circular, the Placee and parties acting in concert with them as well as parties not independent of them do not hold any Shares.

15. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf, should complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at One Temasek Avenue #37-02, Millenia Tower, Singapore 039192 not later than 48 hours before the time fixed for the EGM. The completion and return of a proxy form by a Shareholder will not prevent him from attending and voting in person at the EGM if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by the CDP, as at 72 hours before the EGM.

16. CONSENT

PrimePartners Corporate Finance Pte. Ltd., the IFA, has given, and has not withdrawn, its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter dated 10 April 2017 and all references thereto, in the form and context in which it appears in this Circular.

17. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular (save for paragraph 8.2 of this Circular and Appendix A to this Circular) and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular (save for paragraph 8.2 of this Circular and Appendix A to this Circular) constitutes full and true disclosure of all material facts about the Placement, the Proposed IPT Resolution and the Proposed Whitewash Resolution, the Company and its Subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in 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.

18. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at One Temasek Avenue #37-02, Millenia Tower, Singapore 039192, during normal business hours from the date of this Circular up to and including the date of the EGM:

a) the Placement Agreement;

b) the audited financial statements of the Group for the financial year 2015 announced on 11 April 2016;

c) the annual report of the Company for the financial year 2015;

d) the unaudited financial statements for the fourth quarter and the financial year ended 31 December 2016 as announced by the Company on 16 February 2017;

e) the IFA Letter as set out in Appendix A to this Circular; and

f) the letter of consent referred to in paragraph 16 of this Circular.

Yours faithfully
For and on behalf of the Board of Directors of
SIIC ENVIRONMENTAL HOLDINGS LTD.

Yang Changmin
Executive Director

PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200207389D)
16 Collyer Quay #10-00 Income at Raffles
Singapore 049318

10 April 2017

To: The Recommending Directors of SIIC Environment Holdings Ltd.
(deemed to be independent in respect of the Proposed Placement)

Mr Yang Changmin	(Executive Director)
Mr Li Zengfu	(Executive Director)
Mr Yeo Guat Kwang	(Lead Independent Director)
Mr Tay Ah Kong Bernard	(Independent Director)
Mr Tan Chong Huat	(Independent Director)
Mr Tan Gim Soo	(Independent Director)

Dear Sirs,

INDEPENDENT FINANCIAL ADVICE IN RELATION TO THE PROPOSED PLACEMENT OF 350,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF SIIC ENVIRONMENT HOLDINGS LTD.

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 10 April 2017 ("**Circular**") issued by the Company to the shareholders of the Company ("**Shareholders**") shall have the same meaning herein. For the purpose of this Letter (as defined herein), where applicable, we have used the foreign exchange rates of S$1.00: RMB4.8283 on 16 January 2017, being the Announcement Date (as defined herein). The above foreign exchange rate is extracted from published information by Bloomberg L.P. and is provided solely for information only.*

1. INTRODUCTION

On 16 January 2017 ("**Announcement Date**"), the board of Directors ("**Directors**") of SIIC Environment Holdings Ltd. ("**Company**", and together with its subsidiaries, "**Group**") announced ("**Announcement**") that the Company had, on the same day, entered into a placement agreement ("**Placement Agreement**") with Shanghai Industrial Holdings Limited ("**SIHL**") pursuant to which the Company shall issue up to an aggregate of 350,000,000 Shares ("**Placement Shares**") at a placement price of S$0.630 (or its equivalent in Hong Kong Dollars ("**HKD**") or United States Dollars ("**USD**")) per Placement Share ("**Placement Price**") to SIHL and/or such nominee as may be designated by SIHL, being Triumph Power Limited ("**TPL**") ("**Proposed Placement**").

The Placement Price was arrived at following arm's length negotiations between SIHL and the Company, taking into account the prevailing Share price and the financial position and prospects of the Company. As stated in the Announcement, the Placement Price of S$0.630 represents a premium of approximately 10.9% to the volume weighted average price ("**VWAP**") of approximately S$0.568 for the trades done on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 13 January 2017, being the full market day prior to which the Placement Agreement was signed.

The Proposed Placement will be undertaken by way of a private placement pursuant to exemptions under Section 272B of the Securities and Futures Act. As such, no prospectus or offer information statement will be issued by the Company in connection therewith.

As at the Announcement Date, the Company has a total of 2,256,588,726 issued and paid-up ordinary shares ("**Shares**"), excluding 56,400 treasury shares ("**Treasury Shares**"). Based on the above total number of issued Shares (excluding Treasury Shares), the Proposed Placement of

350,000,000 Placement Shares represents 15.5% of the total number of existing issued Shares and 13.4% of the enlarged issued Shares after the completion of the Proposed Placement ("**Completion**").

Pursuant to the Placement Agreement, the Placement Shares are to be issued and allotted to SIHL and/or its nominee, TPL. SIHL is a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong. TPL is a company incorporated in the British Virgin Islands. S.I. Infrastructure Holdings Limited ("**S.I. Infrastructure**"), a direct wholly owned subsidiary of SIHL, holds all of the shares in TPL. As such, TPL is an indirect wholly owned subsidiary of SIHL. Both S.I. Infrastructure and TPL hold Shares of the Company.

Separately, SIHL, via another of its direct wholly owned subsidiary, SIHL Treasury Limited ("**SIHL Treasury**"), also holds issued Shares of the Company. Accordingly, SIHL is deemed to be interested in all the issued Shares in the Company held by (i) S.I Infrastructure; (ii) TPL; and (iii) SIHL Treasury. As at the Latest Practicable Date, a breakdown of the Shares directly held by S.I. Infrastructure, TPL and SIHL Treasury (together with SIHL, "**SIHL Group**") is as follows:

	No. of issued Shares	Percentage of the existing issued share capital of the Company[(1)]
S.I Infrastructure	165,418,475	7.3
TPL	636,929,551	28.2
SIHL Treasury	45,340,200	2.0
SIHL Group	**847,688,226**	**37.6[(2)]**

Notes:

(1) Based on the existing issued and paid-up share capital of the Company of 2,256,588,726 Shares (excluding Treasury Shares) as at the Announcement Date.

(2) Does not add up due to rounding.

In accordance with the definitions set out in the SGX-ST Listing Manual Section A: Rules of Mainboard ("**Listing Rules**"), the SIHL Group is deemed to be the "controlling shareholder" of the Company as it has more than 15.0% interest in the issued share capital of the Company.

Placement to substantial shareholder

Pursuant to Rules 812(1)(a) and 812(1)(c) of the Listing Rules, specific shareholders' approval must be obtained for an issue to be placed to: (i) an issuer's substantial shareholders, or (ii) substantial shareholders, related companies, associated companies and sister companies of the issuer's substantial shareholders.

As the SIHL Group is the controlling shareholder of the Company, and as TPL is an indirect wholly owned subsidiary of SIHL, the issue and allotment of the Placement Shares will be made pursuant to a specific mandate. The Company will be seeking the approval from Shareholders independent of the SIHL Group and its related corporations ("**Independent Shareholders**") for the Proposed Placement at an extraordinary general meeting ("**EGM**") to be convened.

Interested Person Transaction

As set out above, TPL is an indirect wholly owned subsidiary of SIHL. Pursuant to Chapter 9 of the Listing Rules, TPL is considered to be an "associate" of SIHL and thus, each of SIHL and TPL is deemed as an interested person ("**Interested Person**"). Accordingly, the Proposed Placement constitutes an interested person transaction ("**Interested Person Transaction**").

In accordance with the Listing Rules, shareholders' approval must be obtained for any Interested Person Transaction of a value which is equal to or greater than 5.0% of the Group's latest audited net tangible assets ("**NTA**") or when aggregated with other Interested Person Transactions during

the same financial period, the value is equal to or more than 5.0% of the Group's latest audited NTA. In obtaining such approval, the Interested Person and its associates are required to abstain from voting on the resolution approving the Interested Person Transaction.

Based on the Group's latest audited consolidated accounts for the financial year ended 31 December 2015 ("**FY2015**"), the Group's audited NTA and NTA attributable to owners of the Company (including operating concessions) amounted to approximately RMB6,121.2 million (or S$1,267.8 million) and approximately RMB5,053.3 million (or S$1,046.6 million) respectively. The total amount raised from the Proposed Placement of S$220.5 million represents approximately 17.4% and 21.1% of the Group's latest audited NTA and NTA attributable to owners of the Company respectively. Pursuant to the Listing Rules, the Proposed Placement is subject to the approval of the Company's Independent Shareholders at the EGM to be convened.

Pursuant to Rule 921(4)(a) of the Listing Rules, the Company is also required to appoint an independent financial adviser ("**IFA**") to advise the Directors who are deemed to be independent with respect to the Proposed Placement ("**Recommending Directors**") as to whether the Proposed Placement is on normal commercial terms and whether the Proposed Placement is prejudicial to the interests of the Company and its Independent Shareholders.

Whitewash Waiver

Pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers ("**Code**"), where (a) any person who acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carrying 30.0% or more of the voting rights in the Company; or (b) any person who together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights in the Company and such person, or any person acting in concert with him, acquires in any period of six (6) months additional Shares carrying more than 1.0% voting rights, ("**Mandatory Offer Threshold**"), he is required to make a mandatory general offer for all the Shares in the Company which he does not already own or control ("**Mandatory Offer**").

As a result of the Proposed Placement, SIHL, would, through its shareholdings held through S.I. Infrastructure, TPL and SIHL Treasury, increase its indirect shareholding interest in the Company from 847,688,226 Shares, representing 37.6% of the issued Shares, to 1,197,688,226 Shares, representing 45.9% of the enlarged issued share capital of the Company. The allotment and issuance of the Placement Shares to the SIHL Group would trigger the Mandatory Offer Threshold, thereby resulting in the SIHL Group and/or parties acting in concert with it ("**Concert Party Group**") of having an obligation on its part to make a Mandatory Offer for the remaining Shares not already owned by the Concert Party Group. The Company had, on behalf of the SIHL Group, sought the approval of the Securities Industry Council ("**SIC**") to grant a whitewash waiver to the SIHL Group from complying with the obligation of a Mandatory Offer.

On 13 March 2017, the Company received the approval from the SIC for the proposed whitewash waiver in relation to the SIHL Group's acquisition of the Placement Shares ("**Proposed Whitewash Waiver**").

The SIC's approval for the Proposed Whitewash Waiver is subject to the satisfaction of certain conditions as set out in Paragraph 7.5 of the Circular, including, *inter alia*, (i) the approval of the proposed whitewash resolution ("**Proposed Whitewash Resolution**") by the majority of Independent Shareholders voting by way of a poll at the EGM; and (ii) the appointment of an IFA to advise the Independent Shareholders on the Proposed Whitewash Resolution.

Independent Financial Adviser

Accordingly, PrimePartners Corporate Finance Pte. Ltd. ("**PPCF**") has been appointed by the Company as the IFA to advise the Recommending Directors in respect of: (a) the Proposed Placement as an Interested Person Transaction; and (b) the Proposed Whitewash Resolution.

Of the ten Directors on the Board, Mr Zhou Jun is the Vice Chairman and Chief Executive Officer of SIHL; Mr Feng Jun is the Assistant Chief Executive Officer and Chief Investment Officer of SIHL; Mr Xu Zhan is the Executive Director of SIHL and Mr Xu Xiaobing is the Deputy Chief Executive Officer of SIHL. As Mr Zhou Jun, Mr Feng Jun, Mr Xu Zhan and Mr Xu Xiaobing are senior management officers of SIHL, they are interested in and not considered to be independent in relation to the Proposed Placement. Accordingly, they will abstain from making any recommendations as Directors on the Proposed Placement, the Proposed Placement as an Interested Person Transaction, and the Proposed Whitewash Resolution.

The remaining Directors, namely, Mr Yang Changmin, Mr Li Zengfu, Mr Yeo Guat Kwang, Mr Tay Ah Kong Bernard, Mr Tan Chong Huat and Mr Tan Gim Soo are deemed to be independent and are the Recommending Directors with respect to the Proposed Placement, the Proposed Placement as an Interested Person Transaction and the Proposed Whitewash Resolution.

The passing of the resolutions for the Proposed Placement, the Proposed Placement as an Interested Person Transaction and the Proposed Whitewash Resolution are inter-conditional upon one another. The SIHL Group, comprising SIHL, S.I. Infrastructure, TPL and SIHL Treasury, will, as Shareholders, abstain from voting on the resolutions for the Proposed Placement, the Proposed Placement as an Interested Person Transaction and the Proposed Whitewash Resolution.

This letter ("**Letter**") is addressed to the Recommending Directors and sets out, *inter alia*, our evaluation and recommendation on the Proposed Placement as an Interested Person Transaction and on the Proposed Whitewash Resolution. This Letter forms part of the Circular to Shareholders which provides, *inter alia*, the details of the Proposed Placement and the Proposed Whitewash Resolution; and the recommendation of the Recommending Directors.

2. TERMS OF REFERENCE

We have been appointed as the IFA to advise the Recommending Directors in respect of their recommendations to the Independent Shareholders in relation to the Proposed Placement as an Interested Person Transaction and the Proposed Whitewash Resolution.

The purpose of this Letter is to express an independent opinion on:

(a) whether the Proposed Placement as an Interested Person Transaction is on normal commercial terms and not prejudicial to the interests of the Company and its Independent Shareholders; and

(b) whether the Proposed Whitewash Resolution (in relation to the Proposed Placement) is fair and reasonable and not prejudicial to the interests of the Independent Shareholders.

We were neither a party to the negotiations entered into by the Company in relation to the Proposed Placement nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the Proposed Placement. We do not, by this Letter, warrant the merits of the Proposed Placement other than to form an opinion for the purposes as above.

In the course of our evaluation of the financial terms of the Proposed Placement, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company and/or the Group. We have also relied on information provided and representations made, including relevant financial analyses and estimates, by the Directors, the management of the Company ("**Management**"), and the Company's advisers, including but not limited to its solicitors and/or auditors. We have not independently verified such information or any representation or assurance made by them, whether written or verbal, 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, representation or assurance. We have nevertheless made such enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of the information.

We have relied upon the assurance of the Directors (including those who may have delegated detailed supervision of the Circular) that, upon making all reasonable inquiries and to the best of their respective knowledge and belief, all facts stated and opinions expressed in the Circular which relate to the Proposed Placement, the Company and/or the Group are fair and accurate and that there are no material facts or omissions of which would make any statement in the Circular misleading in any material respect. The Directors collectively and individually accept responsibility accordingly.

For the purposes of assessing the terms of the Proposed Placement and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company and/or the Group. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and/or the Group in connection with our opinion in this Letter.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group, (including without limitation, property, plant and equipment) and, have made reference to the information provided to us. With respect to such valuation letters, we are not experts in the evaluation or appraisal of the assets concerned and we have made reference to these valuation letters for such assets appraisal and have not made any independent verification of the contents thereof.

Our analysis and our opinion as set out in this Letter is based upon market, economic, industry, monetary and other conditions in effect on, and the information provided to us as of 28 March 2017 ("**Latest Practicable Date**"). Such conditions may change significantly over a relatively short period of time. **We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.** Shareholders should further take note of any announcements relevant to their consideration of the Proposed Placement which may be released by the Company after the Latest Practicable Date.

In rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise the Recommending Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter as set out in the Circular). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Letter as set out in the Circular).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any purposes other than for the purposes of the Shareholders' resolutions in relation to the Proposed Placement as an Interested Person Transaction and the Proposed Whitewash Resolution at any time and in any manner without the prior written consent of PPCF in each specific case.

We have prepared this Letter for the use of the Recommending Directors in connection with their consideration of the Proposed Placement as an Interested Person Transaction and the Proposed Whitewash Resolution and their advice to Independent Shareholders arising thereof. The recommendations made to the Independent Shareholders in relation to the Proposed Placement as an Interested Person Transaction and the Proposed Whitewash Resolution remain the sole responsibility of the Recommending Directors.

Our opinion on the Proposed Placement as an Interested Person Transaction and the Proposed Whitewash Resolution should be considered in the context of the entirety of this Letter and the Circular.

3. INFORMATION ON THE COMPANY AND THE GROUP

3.1 Overview

The Company was incorporated in Singapore on 19 November 2002 under the name of Primehub Pte. Ltd. It was first renamed Asia Water Services Pte. Ltd. on 6 February 2003, and subsequently renamed Asia Water Technology Private Limited on 1 December 2003. Upon its conversion into a public limited company on 31 January 2005, it was then renamed Asia Water Technology Ltd. It was listed on the Official List of the SGX-ST Dealing and Automated Quotation System ("**SESDAQ**") on 4 March 2005 and transferred to the Catalist of the SGX-ST on 29 June 2009.

In 2010, SIHL acquired a controlling stake in the Company and led a debt restructuring exercise of the Group. The Company was subsequently renamed SIIC Environment Holdings Ltd. and transferred to the Mainboard of the SGX-ST in 2012.

The Group is an active investor and operator of environment related assets and has been operating in the water sector of the People's Republic of China ("**PRC**") for over a decade. Through its subsidiaries, the Company has developed integrated solutions including designing, engineering and management for water supply and waste water treatment systems and facilities. The main business models of the Group are Build-Operate-Transfer, Transfer-Operate-Transfer, Build-Own-Operate and Operation and Management.

As at 31 December 2016, the Group has about 100 water treatment and supply projects and four waste incineration projects in its portfolio across 15 municipalities and provinces, namely Shandong, Guangdong, Hubei, Hunan, Jiangsu, Shanghai, Zhejiang, Fujian, Guangxi, Ningxia, Henan, Liaoning, Shanxi, Sichuan and Heilongjiang.

As at the Latest Practicable Date, the Company had an issued and paid up share capital comprising 2,256,588,726 Shares (excluding Treasury Shares). Based on the last transacted Share price of S$0.555 on 28 March 2017, and the outstanding Shares as at the Latest Practicable Date, the market capitalisation of the Company is approximately S$1,252.4 million.

3.2 Key financial information of the Group

A summary of the audited financial performance of the Group for the last two financial years ended 31 December ("**FY**") 2014 and 2015; and the unaudited full year financial performance for the Group for the latest financial year ended 2016 are set out below. The following summary financial information should be read in conjunction with the full text of the Company's annual report for FY2015 and the respective results announcements in respect of the relevant financial periods including the notes thereto.

Financial performance of the Group

(RMB'000)	Audited FY2014	Audited FY2015	Unaudited FY2016
Revenue	1,504,434	1,803,796	2,648,097
Cost of sales	(918,812)	(1,091,666)	(1,835,801)
Gross profit	585,622	712,130	812,296
Other operating income	36,278	31,827	44,442
Selling and distribution costs	(15,116)	(15,908)	(39,114)
Administrative expenses	(177,493)	(185,591)	(268,907)
Finance income	48,847	10,441	11,357
Finance expenses	(151,295)	(169,853)	(234,611)
Other income	46,244	67,895	112,964
Other expenses	–	(5,190)	–
Share of results of joint ventures	52,732	56,207	60,122
Share of results of associates	7,655	22,038	10,579
Gain from bargain purchase of investment in a subsidiary	4,469	–	–
Gain from revaluation of previously held interest in an associate	–	–	155,389
Profit before tax	**437,943**	**523,996**	**664,517**
Income tax expense	(75,948)	(99,584)	(124,099)
Profit for the period	**361,995**	**424,412**	**540,418**
Profit for the period attributable to owners of the Company	**290,708**	**360,390**	**454,926**

Sources: *Company's annual report for FY2015 and unaudited financial results announcement for FY2016*

Review of operating results

FY2015 vs FY2014

Revenue for the Group increased by RMB299.4 million or 19.9%, from RMB1,504.4 million in FY2014 to RMB1,803.8 million in FY2015. The increase was due mainly to: (i) an increase in construction revenue of RMB81.8 million or 18.5%, from RMB441.6 million in FY2014 to RMB523.4 million in FY2015; and (ii) the increase in financial income from service concession arrangements of RMB119.5 million or 55.2%, from RMB216.7 million in FY2014 to RMB336.2 million in FY2015. The increase comes as a result of positive contributions from newly acquired assets, as well as the organic growth of the Group's existing projects.

Gross profit increased by RMB126.5 million or 21.6%, from RMB585.6 million in FY2014 to RMB712.1 million in FY2015, in line with the increase in the Group's revenue. Gross profit margin remained fairly constant at 38.9% in FY2014 as compared to 39.5% in FY2015.

In addition, there was an increase in the share of results of associates of RMB14.4 million or 187.9%, from RMB7.6 million in FY2014 to RMB22.0 million in FY2015. This increase was due mainly to the contribution from the associate, Longjiang Environmental Protection Group Co Ltd, which was acquired in November 2014. Other income also increased by RMB21.6 million or 46.8%, from RMB46.2 million in FY2014 to RMB67.9 million in FY2015, due mainly to the recognition of value-added-tax refund imposed on billing raised from concession service agreements as well as reversal of accrual of expenses relating to one of the borrowing, which were no longer required in FY2015.

As a result of the above, the Group recorded a profit after tax attributable to owners of the Company of RMB360.4 million for FY2015, compared to a profit after tax attributable to owners of the Company of RMB290.7 million for FY2014, an increase of RMB69.7 million or 24.0%.

FY2016 vs FY2015

Revenue for the Group increased by RMB844.3 million or 46.8%, from RMB1,803.8 million in FY2015 to RMB2,648.1 million in FY2016. The increase was due mainly to: (i) an increase in construction revenue of RMB507.3 million or 96.9%, from RMB523.4 million in FY2015 to RMB1,030.7 million in FY2016; and (ii) an increase in the operating and maintenance income from service concession arrangements of RMB201.6 million or 26.8%, from RMB751.2 million in FY2015 to RMB952.8 million in FY2016. The higher revenue contribution was due largely to the higher water treatment and supply sales volume and the contribution by newly acquired entities in FY2016.

The Group's gross profit increased by RMB100.2 million or 14.1% from RMB712.1 million in FY2015 to RMB812.3 million in FY2016. However, the gross profit margin decreased from 39.5% in FY2015 to 30.7% in FY2016, due mainly to higher contributions from the construction category during FY2016, which enjoys lower profit margins compared to the Group's other businesses.

In addition, other income increased by RMB45.1 million or 66.4%, from RMB67.9 million in FY2015 to RMB113.0 million in FY2016. The increase was due mainly to (i) recognition of value-added-tax refund imposed on billing raised from concession service agreements, which was only effective in July 2015; (ii) gain on disposal of partial listed available-for-sale financial instrument in FY2016; and (iii) income relating to other government subsidies earned from the newly acquired entities.

The Group also recorded a fair value gain from the revaluation of previously held interest in Longjiang Group amounting to RMB155.4 million in FY2016. The fair value gain arose from the revaluation of the 25.3% equity interest previously held by the Group before the additional acquisition of 32.6% equity interest in October 2016.

Consequently, the Group's profit after tax attributable to owners of the Company increased from RMB360.4 million in FY2015 to RMB454.9 million in FY2016, representing an increase of RMB94.5 million or 26.2%.

Unaudited financial position of the Group as at 31 December 2016

A summary of the unaudited financial position of the Group as at 31 December 2016 is set out as follows:

(RMB'000)	**Unaudited As at 31 December 2016**
Current assets	
Cash and bank balances	1,634,556
Pledged bank deposits	191,918
Trade and other receivables	1,628,685
Bill receivables	3,313
Prepayments	34,387
Inventories	73,371
Receivables under service concession arrangements	203,993
Amounts due from customers for contract work	57,581
Amounts due from joint venture	137
Amounts due from associate	37,894
Held-for-trading investment	26,795
Total current assets	**3,892,630**

(RMB'000)	Unaudited As at 31 December 2016
Non-current assets	
Available-for-sale financial instruments	206,288
Prepayments	68,072
Receivables under service concession arrangements	10,948,086
Property, plant and equipment	183,580
Intangible assets	6,439,239
Land use rights	6,451
Long term receivables	11,547
Deferred tax assets	22,376
Interest in joint ventures	705,256
Interest in associates	82,976
Goodwill on consolidation	457,241
Amounts due from associate	14,543
Total non-current assets	**19,145,655**
Total assets	**23,038,285**
Current liabilities	
Trade and other payables	2,122,531
Bills payable to banks	18,342
Tax payable	55,444
Amounts due to customers for contract work	21,386
Bank and other borrowings	3,838,382
Finance lease	96,988
Total current liabilities	**6,153,073**
Non-current liabilities	
Bank and other borrowings	6,275,862
Finance lease	331,433
Deferred tax liabilities	1,602,513
Other non-current liabilities	142,227
Total non-current liabilities	**8,352,035**
Capital, reserves and non-controlling interest	
Share capital	4,861,138
Treasury shares	(96)
Retained earnings	1,199,172
Other reserves	(87,481)
Equity attributable to owners of the Company	**5,972,733**
Non-controlling interests	2,560,444
Total equity	**8,533,177**
Number of Shares (excluding Treasury Shares)	2,256,588,726
Net asset value ("NAV") attributable to owners of the Company per Share (RMB)	**2.647**
NAV attributable to owners of the Company per Share (S$)	**0.548**

Source: *Company's unaudited financial results announcement for FY2016*

Review of Financial Position

As at 31 December 2016, the assets of the Group totalling RMB23.0 billion comprised mainly: (i) receivables under service concession arrangements of RMB11,152.1 million; (ii) intangible assets of RMB6,439.2 million; (iii) cash and bank balances of RMB1,634.6 million; (iv) trade and other receivables of RMB1,628.7 million; and (v) interest in joint ventures of RMB705.3 million, representing approximately 48.4%, 28.0%, 7.1%, 7.1%, and 3.1% of the Group's total assets respectively.

Major assets

Receivables under service concession arrangements, current and non-current

The Group, through its subsidiaries, engages in the businesses of waste water treatment, water supply and waste incineration in the PRC, and has entered into a number of service concession arrangements with certain governmental authorities or their agencies in the PRC.

Concession rights give companies the right to charge users of the public for usage of the concession infrastructure and as such, these rights are fundamental to the operation of the water treatment business. Concession rights form a significant portion of companies operating in the water treatment industry.

Consideration given by the grantor for a service concession arrangement is accounted for as an intangible asset (operating concessions) or a financial asset (receivables under service concession arrangements) or a combination of both, as appropriate.

In relation to the aggregate amount of the Group's receivables under service concession arrangements as at 31 December 2016, the current portion amounts to RMB204.0 million; and the non-current portions amounts to RMB10,948.1 million.

Intangible assets (except for Goodwill)

Intangible assets comprise mainly: (i) intangible assets acquired separately; (ii) intangible assets acquired in a business combination; and (iii) operating concessions.

Operating concessions represent: (i) the rights to charge users of the public service for the water supply contracts; (ii) the rights under the service concession arrangements for the wastewater treatment allows the Group to receive and treat wastewater above the minimum amount of guaranteed volume; and (iii) rights to operate and manage wastewater treatment plants acquired in a business combination. Operating concessions are stated at cost less accumulated amortisation and any accumulated impairment loss. The operating concessions acquired in a business combination are initially recognised at their fair value at the acquisition date. Amortisation is provided on a straight-line basis over the respective periods of the operating concessions granted to the Group of seven to 50 years.

Cash and bank balances

As at 31 December 2016, the cash and bank balances of the Group amounted to RMB1,634.6 million, comprising mainly cash at bank and on hand.

Trade and other receivables

As at 31 December 2016, trade receivables amount to RMB850.1 million while other receivables amount to RMB778.6 million. Other receivables are mainly in relation to receivables from government pertaining to certain projects cost incurred and prepayment for investment in a subsidiary.

Trade receivables and other receivables are non-interest bearing and have credit periods ranging from zero to 180 days.

Interest in joint ventures

In the Company's financial statements, interest in joint ventures is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

The Group has interests in joint ventures in Shanghai Pucheng Thermal Power Energy Co. Ltd. and Wenling Hanyang Resources Power Co. Ltd.. The interest in Shanghai Pucheng Thermal Power Energy Co. Ltd. was carried at RMB554.1 million while Wenling Hanyang Resources Power Co. Ltd. was carried at RMB151.2 million as at 31 December 2016.

Major liabilities

The corresponding liabilities of the Group totalling RMB14.5 billion comprised mainly: (i) short term and long term bank and other borrowings and debt securities amounting to RMB10,561.0 million; and (ii) trade and other payables of RMB2,122.5 million, representing approximately 72.8% and 14.6% of the Group's total liabilities respectively.

Bank and other borrowings, short term and long term

As at 31 December 2016, the Group's borrowings mainly relate to: (i) bank loans; (ii) other borrowings; (iii) government loans; and (iv) finance leases.

In relation to the aggregate amount of the Group's borrowings and debt securities as at 31 December 2016, the current portion consist of: (i) secured amounts of RMB3,276.9 million; and (ii) unsecured amounts of RMB676.8 million and the non-current portion comprise of: (i) secured amounts of RMB5,357.9 million; and (ii) unsecured amounts of RMB1,249.4 million.

Other borrowings are amounts due to SIHL through its wholly owned subsidiaries. The total amount owing to SIHL amount to approximately RMB3,380.0 million as at 31 December 2016.

Trade and other payables

As at 31 December 2016, trade payables amount to RMB1,123.4 million. Other payables relate mainly to: (i) customer advances of RMB189.1 million; (ii) amount due to non-controlling Shareholders of RMB247.8 million; and (iii) collections on behalf of third parties of RMB134.2 million.

Accordingly, as at 31 December 2016, the NAV of the Group was RMB5,972.7 million (or S$1,237.0 million) and the NAV per Share was RMB2.65 per Share (S$0.548 per Share).

4. SALIENT TERMS OF THE PROPOSED PLACEMENT AND INFORMATION ON THE SIHL GROUP

4.1 Overview

The detailed terms of the Proposed Placement have been set out in Paragraph 2 of the Circular. A summary of the key terms is set out below for your reference:

4.1.1 Placement Agreement

The Placement Agreement, entered into between the Company and the SIHL Group, relates to the issue of 350,000,000 Placement Shares at the Placement Price of S$0.630 each for a total consideration of S$220.5 million ("**Placement Consideration**").

Pursuant to the Placement Agreement, the Placement Consideration may be settled in HKD or USD, at the discretion of the SIHL Group. In the event that the Placement Consideration is paid in HKD or USD, the Company and the SIHL Group had agreed that the amount of Placement Consideration shall be paid based on (as the case may be):

(a) the USD / HKD official fixing rate for settlement for one of the five (5) business days immediately prior to the Completion date as reported by the Treasury Market Association in Hong Kong; and/or

(b) the SGD / USD official fixing rate for settlement for one of the five (5) business days immediately prior to the Completion date as reported by the Association of Banks in Singapore.

4.1.2 Placement Price

As stated in the Announcement, the Placement Price of S$0.630 represents a premium of approximately 10.9% to the volume weighted average price of approximately S$0.568 for the trades done on the SGX-ST on 13 January 2017, being the full market day prior to which the Placement Agreement was signed.

The Placement Price was agreed upon based on arm's length negotiations between SIHL and the Company, taking into account the prevailing Share price and the financial position and prospects of the Company.

4.1.3 Placement Shares

The Placement Shares when issued will rank in all respects *pari passu* with the existing issued shares and be free from all pre-emption rights, charges, liens and other encumbrances and with all rights and benefits attaching thereto save that they will not rank for any dividend, rights, allotments or other distributions, the Record Date of which falls on or before Completion.

4.1.4 Conditions Precedent

The Proposed Placement is subject to, *inter alia*, the following conditions precedent:

(a) Independent Shareholders' approval for the Proposed Placement (both under Rule 812 of the Listing Rules and under Chapter 9 of the Listing Rules as an Interested Person Transaction) and for the Proposed Whitewash Resolution;

(b) SIC approval for the Proposed Whitewash Waiver;

(c) the approval of SGX-ST for the listing and quotation of the Placement Shares on the Mainboard of the SGX-ST;

(d) the SIHL Group having obtained all the necessary corporate approvals and approvals from all the relevant governmental authorities and the applicable stock exchanges for the SIHL Group to subscribe for the Placement Shares at the Placement Price in accordance with the terms of the Placement Agreement; and

(e) the Company and the SIHL Group not being in breach of any of the undertakings and covenants given in the Placement Agreement upon Completion and any undertakings and covenants being fulfilled on or before Completion.

The detailed conditions precedent of the Placement Agreement are set out in Paragraph 2.4 of the Circular.

If any of the conditions precedent set out above is not satisfied before the date falling 90 calendar days after the date of the Placement Agreement or such other date as the SIHL Group and the Company may agree, the SIHL Group and the Company shall be released and discharged from their respective obligations under the Placement Agreement, save for any rights and liabilities accrued on or prior to such termination.

The Company had, on 31 March 2017, received a listing and quotation notice from the SGX-ST for the listing of and the quotation for the Placement Shares on the Mainboard of the SGX-ST ("**Listing Approval**"), subject to certain conditions as set out in Paragraph 2.5 of the Circular. The Listing Approval is not to be taken as an indication of the merits of the Proposed Placement, the Placement Shares, the Company, the Group and/or its subsidiaries.

4.1.5 Completion

Pursuant to the Placement Agreement, the completion date of the Proposed Placement is the date falling no later than five (5) business days after the date of the last of the conditions precedent in the Placement Agreement are satisfied, or such other date as SIHL and the Company may agree in writing.

4.2 Information on the SIHL Group

The background information of the members of the SIHL Group are set out in the table below:

Company Name	Principal Occupation / Business
Shanghai Industrial Holdings Ltd. / SIHL	SIHL is a public company incorporated in Hong Kong in January 1996 and it was listed on the Stock Exchange of Hong Kong since May 1996. SIHL is currently engaged in three core businesses: (i) infrastructure facilities; (ii) real estate; and (iii) consumer products. SIHL, through its wholly owned subsidiaries, S.I Infrastructure, TPL and SIHL Treasury, is the controlling shareholder of the Company.
S.I. Infrastructure Holdings Limited / S.I. Infrastructure	S.I. Infrastructure is an investment holding company, incorporated in 1997 and is based in Wan Chai, Hong Kong. S.I. Infrastructure offers infrastructure facilities services. S.I. Infrastructure operates as a subsidiary of Shanghai Industrial Holdings Limited. S.I. Infrastructure holds a direct interest of 7.3% of the issued Shares of the Company and is also a creditor of the Company. S.I. Infrastructure directly holds the entire issued and paid up share capital of TPL.
Triumph Power Limited / TPL	TPL is a company incorporated in the British Virgin Islands. It is a wholly owned subsidiary of S.I. Infrastructure. TPL is headquartered in Hong Kong, and is an investment holding company. TPL is a substantial Shareholder of the Company and holds a direct interest of 28.2% of the issued Shares of the Company.
SIHL Treasury Limited / SIHL Treasury	SIHL Treasury was incorporated in 1997 as a private company limited by shares registered in Hong Kong. SIHL Treasury holds a direct interest of 2.0% of the issued Shares of the Company. SIHL Treasury is a direct wholly owned subsidiary of SIHL.

5. THE PROPOSED WHITEWASH RESOLUTION

As disclosed in Section 1 of this Letter and as at the Latest Practicable Date, the SIHL Group holds in aggregate, 847,688,226 Shares, representing 37.6% of the total issued Shares of the Company (excluding Treasury Shares).

Pursuant to the Proposed Placement, SIHL, via TPL, will subscribe for 350,000,000 Shares, which represent approximately 15.5% of the total number of existing issued Shares and 13.4% of the enlarged issued Shares after Completion.

Upon the Completion of the Proposed Placement, the SIHL Group will increase its combined shareholding interest in the Company to 1,197,688,226 Shares, representing approximately 45.9% of the enlarged number of issued Shares (excluding Treasury Shares).

Accordingly, the allotment and issuance of the Placement Shares will result in the Concert Party Group crossing the Mandatory Offer Threshold and would result in the Concert Party Group having to make a Mandatory Offer, unless such requirement is specifically waived by the SIC.

In this regard, the Company had applied to the SIC for the Proposed Whitewash Waiver. The SIC had, on 13 March 2017, granted the Proposed Whitewash Waiver to the SIHL Group, subject to the satisfaction of certain conditions ("**SIC Conditions**"), including, *inter alia*, the following:

(i) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Placement Shares, the Proposed Whitewash Resolution by way of a poll to waive their rights to receive a general offer from the Concert Party Group;

(ii) the Proposed Whitewash Resolution is separate from other resolutions;

(iii) the Concert Party Group as well as parties not independent of them abstain from voting on the Proposed Whitewash Resolution;

(iv) the Concert Party Group did not acquire and are not to acquire any Shares or instruments convertible into, rights to subscribe for and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in the Circular):

  (a) during the period between the Announcement Date and the date that Shareholders' approval is obtained for the Proposed Whitewash Resolution; and

  (b) in the six (6) months prior to the Announcement Date but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Placement;

(v) the Company appoints an IFA to advise the Independent Shareholders on the Proposed Whitewash Resolution;

(vi) the Company sets out clearly in its Circular to Shareholders:

  (a) details of the Proposed Placement;

  (b) the dilution effect to existing Shareholders of their voting rights arising from the issue of the Placement Shares;

  (c) the number and percentage of voting rights in the Company held by the Concert Party Group as at the Latest Practicable Date;

  (d) the number and percentage of voting rights to be issued to the SIHL Group upon the issue of the Placement Shares; and

(e) a specific and prominent statement that the Independent Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from the SIHL Group at the highest price paid by the Concert Party Group for Shares in the past six (6) months preceding the date of the Placement Agreement;

(vii) the Circular states that the waiver granted by the SIC to the SIHL Group from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated in paragraphs (i) to (vi) above;

(viii) the Concert Party Group obtaining SIC's approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution; and

(ix) to rely on the Proposed Whitewash Resolution, the acquisition of Placement Shares by the SIHL Group under the Proposed Placement must be completed within three (3) months of the approval of the Proposed Whitewash Resolution.

As at the Latest Practicable Date, all the above conditions imposed by the SIC, except for the conditions in (i) and (ix), have been satisfied.

The Independent Shareholders are therefore asked to vote, on a poll, on the Proposed Whitewash Resolution set out as Ordinary Resolution 3 in the Notice of EGM, included in the Circular.

The Recommending Directors should advise the Independent Shareholders that:

(a) by voting in favour of the Proposed Whitewash Resolution (Ordinary Resolution 3), they will be waiving their rights to receive a general offer for their Shares from the SIHL Group at the highest price paid or agreed to be paid by the Concert Party Group in the six (6) months preceding the date of the Placement Agreement which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code; and

(b) in the context of the Proposed Whitewash Waiver, the Proposed Placement is conditional upon them voting in favour of the Proposed Whitewash Resolution (Ordinary Resolution 3). In view of this, in the event that the Proposed Whitewash Resolution (Ordinary Resolution 3) is not passed by the Independent Shareholders, the Proposed Placement will not take place.

6. EVALUATION OF THE PROPOSED PLACEMENT AND THE PROPOSED WHITEWASH RESOLUTION

In our evaluation of the Proposed Placement as an Interested Person Transaction and the Proposed Whitewash Resolution, we have given due consideration to, *inter alia*, the following key factors:

(a) Rationale for the Proposed Placement and the use of proceeds;

(b) Assessment of the terms of the Proposed Placement;

(c) Dilution impact of the Proposed Placement on the Independent Shareholders; and

(d) Other relevant considerations which may have a significant bearing on our assessment of the Proposed Placement as an Interested Person Transaction and the Proposed Whitewash Resolution.

6.1 Rationale for the Proposed Placement and the use of proceeds

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Placement or the future prospects of the Group after the Proposed Placement. Nevertheless, we have reviewed the rationale by the Company as set out in Paragraph 4 of the Circular as well as the stated use of proceeds as set out in Paragraph 5 of the Circular and we have set them out below for your easy reference:

*"**4. RATIONALE***

4.1 The Company intends to use the Net Proceeds from the Placement:

4.1.1 to finance the business expansion of the Group;

4.1.2 to repay existing borrowings and improve its gearing ratio;

4.1.3 to improve its cash flow;

4.1.4 to increase working capital; and

4.1.5 for general corporate purposes.

4.2 The Company also intends to further explore ways and/or adopt measures with the objective of boosting its issued share capital and increasing its value.

4.3 The Directors are of the opinion that (i) the Group has sufficient resources to meet its capital commitments, and (ii) after taking into consideration the Group's present bank facilities and the Net Proceeds of the Placement, the working capital available to the Group is sufficient to meet its present requirements.

5. USE OF PROCEEDS

5.1 Based on the Placement Price and Placement Consideration, when the Placement Shares are allotted and issued in full, the estimated Net Proceeds after deducting expenses of approximately S$500,000 incurred in connection with the Placement is expected to amount to approximately S$220,000,000.

5.2 The Company intends to use the Net Proceeds from the Placement as follows:

5.2.1 approximately S$132,000,000 or 60% of the Net Proceeds, to improve its gearing ratio and repay existing borrowings of the Company, including part of a loan of S$156,000,000 from SIHL Finance Limited which is due for repayment on 15 April 2017. SIHL Finance Limited is a wholly owned subsidiary of SIHL; and

5.2.2 approximately S$88,000,000 or 40% of the Net Proceeds for general corporate purposes (including to finance the business expansion of the Group and for working capital).

5.3 The Company will make periodic announcements as to the use of the Net Proceeds from the Placement as and when such Net Proceeds from the Placement are materially disbursed and whether such use is in accordance with the stated use. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reason(s) for such deviation.

5.4 Pending the deployment of the Net Proceeds from the Placement, such Net Proceeds may be placed as short term deposits with financial institutions and/or invested in short term money markets or debt instruments or for any other purposes on a short term basis as the Directors may in their absolute discretion deem fit, from time to time.

6.2 Assessment of the terms of the Proposed Placement

As stated in the Announcement, the Placement Price of S$0.630 represents a premium of approximately 10.9% to the volume weighted average price of approximately S$0.568 for the trades done on the SGX-ST on 13 January 2017, being the full market day prior to which the Placement Agreement was signed.

In assessing the Placement Price, we have considered the following:

(1) Historical trading performance of the Shares;

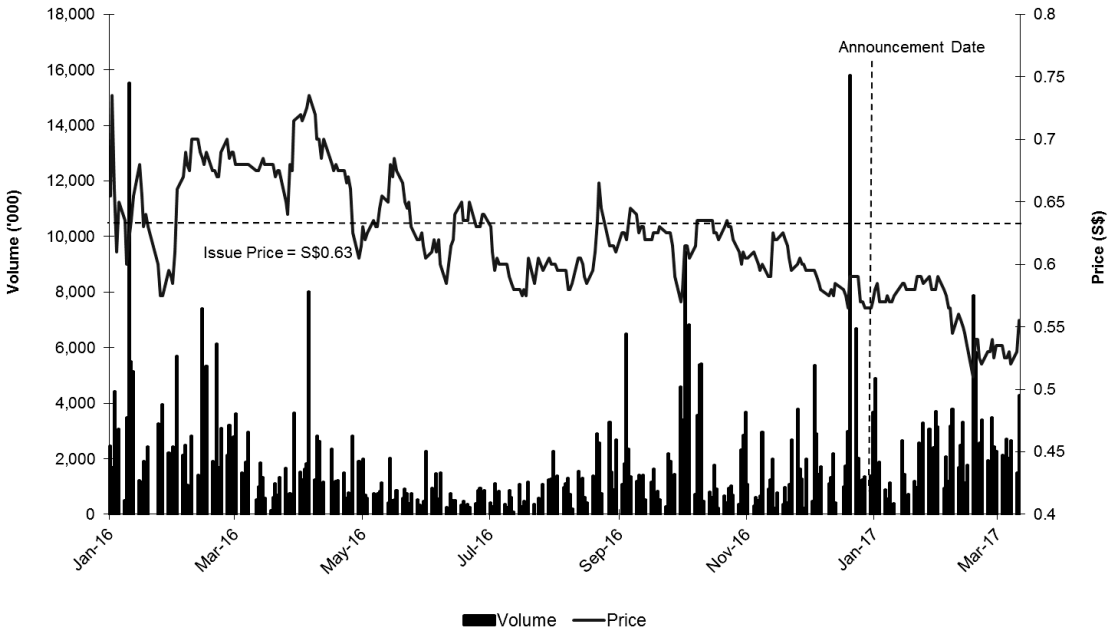
(2) Financial assessment of the Placement Price *vis-à-vis* comparable companies of the Group; and

(3) Financial assessment of the Placement Price *vis-à-vis* comparable completed placement transactions.

6.2.1 Historical trading performance of the Shares

We set out below a historical chart on the prices and trading volume of the Shares from 17 January 2016, being the one year period prior to the Announcement Date, to the Latest Practicable Date.

Price and traded volume for the Shares for the period from 17 January 2016 to the Latest Practicable Date



We note that the Announcement was released after trading hours on 16 January 2017. We have therefore tabulated below the respective VWAP of the Shares, the highest and lowest transacted prices for the Shares and the average number of Shares traded on a daily basis for the period commencing from 17 January 2016 (being the first market day of the 12-month period prior to the Announcement Date) and ending on the Latest Practicable Date ("**Period Under Review**").

	VWAP[1] (S$)	Premium/ (Discount) over/(to) the Issue Price to VWAP (%)	Lowest transacted price (S$)	Highest transacted price (S$)	Average daily trading volume[2] ('000)	Average daily trading volume as a percentage of free float[3] (%)
For the period prior to the Announcement Date						
1 month	0.584	7.9	0.555	0.605	2,748	0.39
3 month	0.602	4.7	0.520	0.655	2,202	0.32
6 month	0.606	3.9	0.520	0.665	1,683	0.24
1 year	0.632	(0.3)	0.520	0.765	1,741	0.25
16 January 2017, being the Announcement Date	0.568	10.9	0.560	0.575	1,370	0.20
For the period after the Announcement Date and up to the Latest Practicable Date						
Between the Announcement Date and up to the Latest Practicable Date	0.555	13.6	0.505	0.600	2,309	0.33
28 March 2017, being the Latest Practicable Date	0.544	15.7	0.530	0.555	4,284	0.61

Source: *Bloomberg*

Notes:

(1) The VWAP had been weighted based on the average traded price of the Shares and traded volume for the relevant trading dates for each period.

(2) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST during the relevant periods, divided by the number of days when the SGX-ST was open for trading (excluding days with full day trading halts on the Shares) during that period.

(3) Free float refers to the Shares other than those held by the Directors and the substantial Shareholders of the Company, and amounts to approximately 30.9% of the issued Shares as disclosed in the Company's annual report for FY2015.

Based on the above, we observe that:

(a) The Placement Price represents a premium of 11.5% and 10.9% over the last traded price of S$0.5650 and the VWAP of the Shares of S$0.5682 respectively, on 16 January 2017, being the Announcement Date;

(b) The Placement Price represents a premium of 7.9%, 4.7%, 3.9% over the VWAP of the Shares for the 1 month, 3 month and 6 month period respectively, and approximates the VWAP of the Shares for the 1 year period prior to the Announcement Date;

(c) The Placement Price represents a premium of 13.6% over the VWAP of the Shares for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date;

(d) As at the Latest Practicable Date, the Placement Price represents a premium of 13.5% over the last traded price of the Shares of S$0.555;

(e) During the period from 17 January 2016 up to the Announcement Date, the Shares were traded on 252 market days. The total number of Shares traded during this period was approximately 438.7 million Shares with an average daily trading volume of 1.7 million Shares, representing 0.3% of the free float; and

(f) During the period after the Announcement Date and up to the Latest Practicable Date, the Shares were traded on 50 market days. The total number of Shares traded during this period was approximately 115.4 million Shares with an average daily trading volume of 2.3 million Shares, representing 0.3% of the free float.

We wish to highlight that the past trading performance for the Shares may not be relied upon as an indication or promise of its future trading performance.

6.2.2 Financial assessment of the Placement Price *vis-à-vis* comparable companies of the Company

For the purpose of our evaluation of the Proposed Placement, we have compared the various valuation ratios of the Company implied by the Placement Price with those selected public listed companies on the SGX-ST, *inter alia*, the business of sewage treatment, water supply and water recycling which are broadly comparable to the Company ("**Comparable Companies**").

We recognise that there is no company listed on the SGX-ST which we may consider to be identical to the Company in terms of, *inter alia*, market capitalisation, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, accounting policies, track record, future prospects, market / industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria.

A brief description of the Comparable Companies listed on the SGX-ST is set as follows:

Comparable Companies	Business Activity Description	Financial Year Ended
CITIC Envirotech Ltd ("**CITIC Envirotech**")	CITIC Envirotech is an investment holding company. The company, through its subsidiaries, provides environmental consultancy solutions in the area of environmental health and safety as well as designs and implements integrated environmental engineering solutions based on membrane technology.	31 December 2016
China Everbright Water Ltd ("**China Everbright**")	China Everbright is involved in the environmental water business, including wastewater treatment, reusable water projects and wastewater heat pump projects in China.	31 December 2016
Hyflux Limited ("**Hyflux**")	Hyflux designs, fabricates, installs, commissions, and maintains treatment systems for water purification, wastewater treatment, water recycling, advanced membrane filtration, and high-purity piping systems and equipment hook-up. The company services its customers in several industries, including the electronics pharmaceutical, chemical, food and beverage, and biotechnology.	31 December 2016
Moya Holdings Asia Ltd. ("**Moya**")	Moya designs and builds water treatment systems. The company offers engineering, field construction, project management and operations, and maintenance services to municipal, industrial and commercial customers.	31 December 2016

Source: *Bloomberg*

In our evaluation, we have considered the following widely used valuation measures:

Valuation Ratio	Description
Price-to-Earnings ("**P/E**")	P/E ratio or earnings multiple is an earnings-based valuation methodology and is calculated based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. P/E ratio is the ratio of a company's market capitalisation divided by the historical consolidated net profit attributable to shareholders of the company. As such, it is affected by the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.
Price-to-Net Asset Value ("**P/NAV**")	NAV refers to consolidated net asset value, which is: the total assets of a company less total liabilities. P/NAV refers to the ratio of a company's share price divided by NAV per share to shareholders of the company. The P/NAV ratio represents an asset-based relative valuation which takes into consideration the book value or NAV backing of a company. The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.
Enterprise Value-to-Earnings before Interests, Taxes, Depreciation and Amortisation ("**EV/EBITDA**")	Enterprise value ("**EV**") is the sum of a company's market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents. EBITDA refers to the historical consolidated earnings before interest, taxes, depreciation and amortisation. The EV/EBITDA ratio illustrates the ratio of the market value of an entity's business in relation to its historical pre-tax operating cash-flow performance. The EV/EBITDA multiple is an earnings-based valuation methodology. The difference between EV/EBITDA and the P/E ratio (described above) is that it does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges.

Company's valuation ratios

P/E ratio

In assessing the reasonableness of the Placement Price, we have considered using the earnings approach which is commonly used for the valuation of a profitable company as a going concern. As such, we have evaluated the implied P/E ratio of the Group as ascribed by the Placement Price based on the Group's unaudited profit attributable to owners of the Group for FY2016.

The Group's unaudited profit attributable to owners of the Group for FY2016 was RMB454.9 million (or S$94.2 million). Based on the Placement Price of S$0.630 per Share and the 2,256,588,726 issued Shares as at the Latest Practicable Date, the implied market capitalisation of the Group based on the Placement Price is approximately S$1,421.7 million. The Placement Price thus values the Group at a P/E ratio of approximately **15.1 times**.

P/NAV ratio

In addition, we have also assessed the Placement Price using the NAV approach, which shows the extent to which the value of each Share is backed by its net asset value. The NAV approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities and non-controlling interests.

Based on the number of outstanding shares in the Company as at the Latest Practicable Date, and the latest unaudited financial information of the Group as at 31 December 2016, the NAV per Share attributable to the owners of the Group is RMB2.647 per Share (or S$0.548 per Share).

We note that the Placement Price of S$0.630 represents a premium of approximately 14.9% over the NAV per Share attributable to the owners of the Company as at 31 December 2016, or in other words, the P/NAV ratio is **1.15 times**.

EV/EBITDA ratio

Similarly, we have utilised the EV/EBITDA ratio to evaluate the Placement Price.

The EV/EBITDA ratio is based on the Company's FY2016 unaudited EBITDA of RMB1,073.0 million (or equivalent to S$222.2 million). The Company's EV of S$3,708.2 million is calculated based on its value of S$1,421.7 million implied by the Placement Price, add in debt of S$2,094.8 million and minority interests of S$530.3 million, and excludes its cash of S$338.5 million as at 31 December 2016. As such, the EV/EBITDA ratio of the Company as at the Latest Practicable Date is **16.7 times**.

The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Group is as stated above. It also does not imply that the assets or properties of the Group can be disposed of at the estimated value indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated for the NAV and is realisable or distributable to the Shareholders of the Company.

The valuation ratios of the Comparable Companies based on their respective last traded share prices as at the Latest Practicable Date are set out as follows:

Comparable Companies	Share Price[1] (S$)	Market Capitalisation (S$' million)	PE[2] (times)	P/NAV[3] (times)	EV/ EBITDA[4] (times)
CITIC Envirotech	0.830	1,869.0	34.4	1.70	13.3
China Everbright[5]	0.465	1,213.6	16.6	0.96	12.8
Hyflux	0.570	447.6	10.8	0.35	15.7
Moya	0.070	196.1	401.0[6]	2.98	N.M.[7]
Max			401.0	2.98	15.7
Min			10.8	0.35	12.8
Mean			20.6	1.50	13.9
Median			16.6	1.33	13.3
Company (implied by Placement Price)		1,421.7	15.1	1.15	16.7

Source: *Bloomberg, annual reports and PPCF calculations*

Notes:

(1) Share prices are the last traded share prices at the Latest Practicable Date.

(2) Historical P/E ratio is calculated based on the latest audited financial statements as announced on the SGX-ST.

(3) The P/NAV ratio is calculated based on the latest audited financial statements as announced on the SGX-ST.

(4) The EV/EBITDA ratio is calculated based on the latest audited financial statements as announced on the SGX-ST.

(5) As the financials of China Everbright are stated in HKD, we have applied an exchange rate of S$1.00: HKD5.557 as at the Latest Practicable Date.

(6) Excluded as statistical outlier in the mean and median computations in relation to the P/E ratio.

(7) N.M. denotes not meaningful.

Based on the above, we note the following:

(i) The P/E ratio implied by the Placement Price of 15.1 times is within the range of the P/E ratios of the Comparable Companies, lower than the mean and slightly lower than the median of the P/E ratios of the Comparable Companies;

(ii) The P/NAV ratio implied by the Placement Price of 1.15 times is within the range of the P/NAV ratios of the Comparable Companies, and slightly lower than the mean and median P/NAV ratios of the Comparable Companies; and

(iii) The EV/EBITDA ratio implied by the Placement Price of 16.7 times is higher than the range of EV/EBITDA ratios of the Comparable Companies.

6.2.3 Financial assessment of the Placement Price vis-à-vis comparable completed transactions

In our assessment of the reasonableness of the Placement Price, we have considered the details of other completed placements undertaken by SGX-ST listed companies with implied market capitalisation of above S$1.0 billion, wherein there was a placement of shares to existing substantial shareholders of the companies ("**Placement Comparable Companies**") to provide, *inter alia*, a comparison of the premium / discount of the placement prices of the shares over / to the last transacted prices for the shares of these companies prior to the date of the relevant announcement.

Placement Comparable Companies	Placee	Announcement Date	No. of Shares Issued	Percentage of new shares to existing shares[1] (%)	Issue price / Placement Price (S$)	Implied market capitalisation of the Placement Comparable Companies (S$'million)	VWAP for trades done on last traded full market day prior to announcement date (S$)	Premium / (Discount) of issue price over / to VWAP for trades done on last traded full market day prior to announcement date (%)
Singapore Telecommunications Limited	Temasek Holdings (Private) Limited	18 Aug 2016	385,581,351	2.4	4.16	66,327.0	4.2260	(1.6)
Olam International Limited	Mitsubishi Corporation	28 Aug 2015	332,727,273	13.6	2.75	6,727.9	1.8400[3]	49.5
Singapore Post Limited	Alibaba Group Holding Limited	8 Jul 2015	107,553,907	4.8	1.74	3,931.6	1.8890	(7.9)
Singapore Post Limited	Alibaba Group Holding Limited	28 May 2014	220,096,000[2]	10.4	1.42	3,019.7	1.5485	(8.3)
Ezion Holdings Limited	Hong Leong Company (Malaysia) Berhad	16 Apr 2014	100,000,000	8.3	1.94	2,337.6	2.1455	(9.6)
Global Logistic Properties Limited	Consortium of investors	18 Feb 2014	74,278,292	1.5	2.755	13,642.4	2.8830	(4.4)
High				13.6				49.5
Low				1.5				(9.6)
Mean				6.8				2.9
Median				6.5				(6.2)
Company		**16 Jan 2017**	**350,000,000**	**15.5**	**0.63**		**0.5682[4]**	**10.9**

Sources: *Bloomberg, announcements on the SGXNET on the comparable transactions and PPCF calculations*

Notes:

(1) Percentage of new shares to existing shares is calculated based on the existing shares as disclosed in the latest financial results announcement prior to the announcement date of the respective Placement Comparable Companies.

(2) Comprises of 190,096,000 new shares of Singapore Post Limited and 30,000,000 existing shares held in treasury by Singapore Post Limited.

(3) VWAP for trades done on the SGX-ST on 26 August 2015, being the full market day immediately preceding the date on which the subscription agreement was signed, up to 10.05 a.m. on 27 August 2015 (being the time at which trading in the shares was halted).

(4) VWAP for Shares on 16 January 2017, being the Announcement Date, as the Announcement was released after market closed on 16 January 2017.

From the table above, we note that the Placement Price is a 10.9% premium over the VWAP of the Shares on 16 January 2017 (being the Announcement Date, the Announcement was released after market closed on 16 January 2017). We note that this is within the range of premiums over / discounts to the respective VWAPs of the Placement Comparable Companies. We also note that the mean and median for the Placement Comparable Companies is at a premium of 2.9% for the mean and a discount of 6.2% for the median respectively.

Independent Shareholders should note that as the circumstances for each of the companies listed is unique and as the companies or the transactions may not be identical to the Company or the Proposed Placement in terms of business activities, size of operations, market capitalization, asset base, risk profile, track record, future prospects and other relevant criteria, the analysis is necessarily limited. Further, the list of Placement Comparable Companies is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, any comparison between the Placement Price and the Placement Comparable Companies serves as an illustrative guide only.

6.3 Dilution impact of the Proposed Placement on the Independent Shareholders

As mentioned in Section 1 of this Letter above, the SIHL Group presently holds approximately 37.6% of the total number of issued Shares. The remaining 62.4% of the total number of issued Shares are held by Independent Shareholders. With the Proposed Placement, all Shareholders, save for the SIHL Group will suffer dilution to their existing shareholdings in the Company. Further details on the potential dilution are set out as follows:

	Before the Proposed Placement		**Proposed Placement**	**Upon Completion of the Proposed Placement**	
	No. of issued Shares held	**Percentage of issued share capital (%)**		**No. of issued Shares held**	**Percentage of enlarged share capital (%)**
S.I Infrastructure	165,418,475	7.3	–	165,418,475	6.3
TPL	636,929,551	28.2	350,000,000	986,929,551	37.9
SIHL Treasury	45,340,200	2.0	–	45,340,200	1.7
SIHL Group	*847,688,226*	*37.6*	*350,000,000*	*1,197,688,226*	*45.9*
Independent Shareholders	1,408,900,500	62.4	–	1,408,900,500	54.1
Total	**2,256,588,726**	**100.0**	**350,000,000**	**2,606,588,726**	**100.0**

Based on the above, we note that the Concert Party Group will increase its shareholding interest in the Company from 37.6% of the existing number of Shares to 45.9% of the enlarged number of Shares upon the issuance of the Placement Shares. Independent Shareholders will have their aggregate shareholding interests diluted from 62.4% to 54.1% of the enlarged number of issued Shares.

Independent Shareholders should note that the Proposed Whitewash Resolution, if approved at the forthcoming EGM, will waive the requirement for the Concert Party Group from making the Mandatory Offer for all the remaining Shares at the highest price paid or agreed to be paid by the Concert Party Group in the last six months preceding the date of the Placement Agreement.

6.4 Other relevant considerations which may have a significant bearing on our assessment of the Proposed Placement as an Interested Person Transaction and the Proposed Whitewash Resolution

6.4.1 Inter-conditionality of the Proposed Placement and the Proposed Whitewash Resolution

It is pertinent to note that the Proposed Placement and the Proposed Whitewash Resolution are inter-conditional upon one another. If any of the resolutions is not approved by Independent Shareholders at the EGM, none of the above approvals will take place.

6.4.2 Financial effects of the Proposed Placement

The financial effects of the Proposed Placement are set out in Paragraph 10 of the Circular. We recommend the Recommending Directors to advise the Shareholders to read Paragraph 10 of the Circular carefully, in particular the assumptions relating to the preparation of the financial effects. The financial effects are for illustrative purposes only and do not purport to be an indication or a projection of the results and financial position of the Company and the Group after the Completion of the Proposed Placement. We set out below the summary of the financial effects of the Proposed Placement:

(i) Earnings per Share – Assuming the Proposed Placement had been completed on 1 January 2015, the Proposed Placement would have a dilutive effect on the earnings per Share due to the enlarged number of Shares.

(ii) NTA per Share – Assuming the Proposed Placement had been completed on 31 December 2015, the NTA of the Group would increase as the Placement Price is higher than the NTA per Share as at 31 December 2015.

6.4.3 Improvement of the Group's financial position

We note that the Placement Consideration of S$220.5 million is payable in cash. After deducting expenses of S$0.5 million, the Company would have a net cash inflow of S$220.0 million, of which approximately S$132.0 million or 60.0% of the net proceeds would be used to repay existing borrowings and improve its gearing ratio.

As at 31 December 2016, the Group has a debt-to equity ratio of 1.70 times. We note that with the net proceeds of S$220.0 million in cash received from the Proposed Placement, the Group's debt-to-equity ratio will decrease to 1.51 times.

7. OUR OPINION

In arriving at our recommendation in respect of the Proposed Placement as an Interested Person Transaction and the Proposed Whitewash Resolution, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter.

(a) Rationale for the Proposed Placement and the use of proceeds;

(b) Assessment of the terms of the Proposed Placement;

(1) Historical trading performance of the Shares;

(i) The Placement Price represents a premium of 11.5% and 10.9% over, the last traded price of S$0.5650 and the VWAP of the Shares of S$0.5682 respectively, on 16 January 2017, being the Announcement Date;

(ii) The Placement Price represents a premium of 7.9%, 4.7%, 3.9% over the VWAP of the Shares for the 1 month, 3 month and 6 month period respectively, and approximates the VWAP of the Shares for the 1 year period prior to the Announcement Date;

(iii) The Placement Price represents a premium of 13.6% over the VWAP of the Shares for the period between the market day immediately after the Announcement and up to the Latest Practicable Date;

(iv) As at the Latest Practicable Date, the Placement Price represents a premium of 13.5% over the last traded price of the Shares of S$0.555;

(v) During the period from 17 January 2016 up to the Announcement Date, the Shares were traded on 252 market days. The total number of Shares traded during this period was approximately 438.7 million Shares with an average daily trading volume of 1.7 million Shares, representing 0.3% of the free float; and

(vi) During the period after the Announcement Date and up to the Latest Practicable Date, the Shares were traded on 50 market days. The total number of Shares traded during this period was approximately 115.4 million Shares with an average daily trading volume of 2.3 million Shares, representing 0.3% of the free float.

(2) Financial assessment of the Placement Price *vis-à-vis* comparable companies of the Company;

(i) The Placement Price values the Group at a P/E ratio of approximately 15.1 times, a P/NAV ratio of 1.15 times and an EV/EBITDA ratio of 16.7 times;

(ii) The P/E ratio implied by the Placement Price of 15.1 times is within the range of the P/E ratios of the Comparable Companies, lower than the mean and slightly lower than the median of the P/E ratios of the Comparable Companies;

(iii) The P/NAV ratio implied by the Placement Price of 1.15 times is within the range of the P/NAV ratios of the Comparable Companies, and slightly lower than the mean and median P/NAV ratios of the Comparable Companies; and

(iv) The EV/EBITDA ratio implied by the Placement Price of 16.7 times is higher than the range of EV/EBITDA ratios of the Comparable Companies.

(3) Financial assessment of the Placement Price *vis-à-vis* comparable completed transactions;

(i) The Placement Price is a 10.9% premium over the VWAP of the Shares on 16 January 2017 (being the Announcement Date, the Announcement was released after market closed on 16 January 2017). We note that this is within the range of premiums over / discounts to the respective VWAPs of the Placement Comparable Companies;

(ii) The mean and median for the Placement Comparable Companies is at a premium of 2.9% for the mean and a discount of 6.2% for the median respectively.

(c) Dilution impact of the Proposed Placement on the Independent Shareholders:

(i) The Concert Party Group will increase its shareholding interest in the Company from 37.6% of the existing number of Shares to 45.9% of the enlarged number of Shares upon the issuance of the Placement Shares. Independent Shareholders will have their aggregate shareholding interests diluted from 62.4% to 54.1% of the enlarged number of issued Shares.

(d) Other relevant considerations which may have a significant bearing on our assessment of the Proposed Placement and the Proposed Whitewash Resolution:

(i) Inter-conditionality of the Proposed Placement and the Proposed Whitewash Resolution:

- If any of the Proposed Placement or Proposed Whitewash Resolution is not approved by Independent Shareholders at the EGM, none of the above approvals will take place.

(ii) Financial effects of the Proposed Placement:

- Earnings per Share – Assuming the Proposed Placement had been completed on 1 January 2015, the Proposed Placement would have a dilutive effect on the earnings per Share due to the enlarged number of Shares; and

- NTA per Share – Assuming the Proposed Placement had been completed on 31 December 2015, the NTA of the Group would increase as the Placement Price is higher than the NTA per Share as at 31 December 2015.

(iii) Improvement of the Group's financial position

- As at 31 December 2016, the Group has a debt-to equity ratio of 1.70 times. We note that the net proceeds of S$220.0 million from the Proposed Placement will decrease the Group's debt-to-equity ratio to 1.51 times.

Having regards to the considerations as set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that:

(i) the Proposed Placement as an Interested Person Transaction is on normal commercial terms and not prejudicial to the interests of the Company and its Independent Shareholders; and

(ii) the Proposed Whitewash Resolution (in relation to the Proposed Placement) is fair and reasonable and not prejudicial to the interests of the Independent Shareholders.

We therefore advise the Recommending Directors to recommend to the Independent Shareholders to vote in favour of the Proposed Placement and the Proposed Whitewash Resolution.

We wish to highlight that we were neither a party to the negotiations entered into by the Company in relation to the Proposed Placement, nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the Proposed Placement, and we do not warrant the merits of the Proposed Placement.

We have prepared this Letter for the use of the Recommending Directors in connection with and for the purposes of their consideration of the Proposed Placement. The recommendation made by them to the Independent Shareholders in relation to the Proposed Placement shall remain the sole responsibility of the Recommending Directors. Whilst a copy of this Letter may be reproduced

in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the EGM at any time and in any manner without prior written consent of PPCF 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 faithfully
For and on behalf of
PrimePartners Corporate Finance Pte. Ltd.

Mark Liew
Chief Operating Officer

SIIC Environment Holdings Ltd.

(Company Registration No. 200210042R)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of the Company will be held at Pan Pacific Singapore, Ocean 5, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on 25 April 2017 at 10.15 a.m. (or as soon as practicable immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be convened on the same day and at the same venue), for the purpose of considering and, if thought fit, passing with or without amendment, the ordinary resolutions as set out below.

All capitalised terms in the resolutions below and defined in the Circular dated 10 April 2017 to the shareholders of the Company (the "**Circular**") shall, unless otherwise defined herein, have the respective meanings ascribed thereto in the Circular.

Shareholders should note that the passing of Ordinary Resolutions 1, 2, and 3 set out in the Notice of EGM are inter-conditional. This means that if any one of Ordinary Resolutions 1, 2, and 3 is not approved, the other resolutions will not be passed.

ORDINARY RESOLUTION 1 – THE PLACEMENT

Resolved that, subject to and contingent upon the passing of Ordinary Resolutions 2 and 3:-

(a) For the purposes of Rule 812(1) and Rule 812(2) of the Listing Rules, approval be and is hereby given to the Directors to allot and issue 350,000,000 new ordinary shares in the Company to SIHL and/or such nominee as may be designated by SIHL, being TPL, on and subject to the terms of the Placement Agreement, details of which have been set out in the Circular.

(b) The Directors and each of them be and are hereby authorised to implement, effect and complete, and to do all such acts and things (including executing all such documents as may be required in connection with the Placement) as the Directors or any of them may consider necessary, desirable or expedient to give effect to this resolution as they or he may think fit.

Note: The Placee will, and will procure their associates to, abstain from voting on this Ordinary Resolution 1 in respect of their shareholding, and will not accept nomination as proxies unless specific instructions have been given in the Proxy Form by the Shareholders appointing them on how they wish their votes to be cast.

ORDINARY RESOLUTION 2 – PROPOSED PLACEMENT AS AN INTERESTED PERSON TRANSACTION

Resolved that, subject to and contingent upon the passing of Ordinary Resolutions 1 and 3:

In connection with the Placement and for the purpose of Chapter 9 of the Listing Rules, approval be and is hereby given for the Company, as an entity at risk (as defined in Chapter 9 of the Listing Rules), to enter into the Placement as an interested person transaction as set out in paragraph 6 of the Circular.

Note: The Placee will, and will procure their associates to, abstain from voting on this Ordinary Resolution 2 in respect of their shareholding, and will not accept nomination as proxies unless specific instructions have been given in the Proxy Form by the Shareholders appointing them on how they wish their votes to be cast.

ORDINARY RESOLUTION 3 – PROPOSED WHITEWASH RESOLUTION

Resolved that, subject to and contingent upon the passing of Ordinary Resolutions 1 and 2 above, and the conditions in the letter from the Securities Industry Council dated 13 March 2017 being fulfilled, the Shareholders do hereby (on a poll taken), unconditionally and irrevocably waive their rights to receive a general offer from the Placee and the parties acting in concert with them in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers, for all the Shares not already owned or agreed to be acquired by the Placee and parties acting in concert with them, as a result of the Placement at the highest price per Share paid or agreed to be paid by the Placee and parties acting in concert with them in the six (6) months preceding the commencement of the offer which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code.

Note: The Placee and parties acting in concert with them as well as parties not independent of them will abstain from voting on this Ordinary Resolution 3 in respect of their holding of Shares, and shall not accept nomination as proxies or otherwise for voting on this Ordinary Resolution 3 unless specific instructions have been given in the Proxy Form by the Shareholders appointing them on how they wish their votes to be cast.

BY ORDER OF THE BOARD

Shirley Tan Sey Liy
Company Secretary

Singapore, 10 April 2017

Notes:

1) A member entitled to attend and vote at the EGM is entitled to appoint one or two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

2) Where a member (other than a Relevant Intermediary*) appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

3) 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) A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of proxy must be executed under seal or the hand of its duly authorised officer or attorney in writing.

5) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at One Temasek Avenue #37-02, Millenia Tower, Singapore 039192, at least 48 hours before the time fixed for the EGM.

* A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Protection:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting ("**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, proxy 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, regulations and/or guidelines (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), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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PROXY FORM

SIIC ENVIRONMENT HOLDINGS LTD.

(Company Registration No. 200210042R)
(Incorporated in the Republic of Singapore)

PROXY FORM
EXTRAORDINARY GENERAL MEETING
(Please see notes overleaf before completing this Form)

IMPORTANT

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____ (Name), _____ (NRIC/ Passport No.)

of _____(Address)

being *a member/members of **SIIC ENVIRONMENT HOLDINGS LTD.** (the "**Company**"), hereby appoint:

Name	**NRIC / Passport Number**	**Proportion of Shareholdings (%)**	
		No. of shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC / Passport Number**	**Proportion of Shareholdings (%)**	
		No. of shares	**%**
Address			

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf, at the Extraordinary General Meeting of the Company to be held at Pan Pacific Singapore, Ocean 5, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on 25 April 2017 at 10.15 a.m. (or as soon as practicable immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be convened on the same day and at the same venue) and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Extraordinary General Meeting as indicated hereunder. In the absence of specific directions, the *proxy/proxies will vote or abstain from voting as *he/they may think fit, as *he/they will on any other matter arising at the Extraordinary General Meeting.

(If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.)

	ORDINARY RESOLUTIONS	**For***	**Against***
1.	To approve the Placement		
2.	To approve the Placement as an Interested Person Transaction		
3.	To approve the Proposed Whitewash Resolution		

Dated this _____ day of _____ 2017.

Total Number of Shares Held	
CDP Register	
Register of Members	

_____
Signature(s) of Member(s)
and, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES ON THE REVERSE.

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than 2 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).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Extraordinary General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Extraordinary General Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at One Temasek Avenue #37-02, Millenia Tower, Singapore 039192 not less than forty-eight (48) hours before the time appointed for the Extraordinary General Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Extraordinary General Meeting in person. CPF and SRS Investors who are unable to attend the Extraordinary General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Extraordinary General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Extraordinary General Meeting.

* A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Protection:

By attending the Extraordinary General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 10 April 2017.

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