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SIIC ENVIRONMENT HOLDINGS LTD.

上海實業環境控股有限公司*

(Incorporated in the Republic of Singapore with limited liability)

(Hong Kong stock code: 807)

(Singapore stock code: BHK)

DISCLOSEABLE TRANSACTION DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY

The Board wishes to announce that on 6 July 2022, the Company, through its indirect wholly-owned subsidiary, Hongkong Nany New Energy (Dazhou) Limited (香港南揚新能源(達州)有限公司) as vendor, and Sichuan SIIC Ecological Co., Ltd. (四川上實生態環境有限責任公司) as purchaser, entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to buy 100% equity interest in the Target Company at a consideration of RMB283,281,058 (equivalent to approximately HK\$328,152,778 and S\$59,092,429). The Purchaser is not an “interested person” of the Company for the purposes of the SGX Listing Rules.

SALE AND PURCHASE AGREEMENT

Date : 6 July 2022

Parties : (a) the Vendor, as vendor; and
(b) the Purchaser, as purchaser

SUBJECT MATTER

The Vendor has agreed to sell and the Purchaser has agreed to purchase the 100% equity interest in the Target Company. As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company.

CONSIDERATION

The Target Company was listed on the Shanghai United Assets and Equity Exchange for bidding in accordance with the applicable laws in the PRC and the Purchaser was the successful bidder with the bidding price of RMB283,281,058, which constitutes the consideration for the Disposal. The

consideration for the Disposal shall be remitted to the designated bank account of the Vendor in the following manner:

1. the first instalment being 30% of the total consideration shall be paid within five working days from the date of the Sale and Purchase Agreement;
2. the second instalment being 49% of the total consideration shall be paid within two months upon completion of all of the following procedures:
 - (a) the industrial and commercial registration of the equity transfer;
 - (b) commercial filing of the equity transfer (if applicable);
 - (c) handover of management of the Target Company; and
 - (d) foreign exchange payment procedures (if applicable).
3. the third instalment being 21% of the total consideration shall be paid within five working days after ten months from the date of the Sale and Purchase Agreement.

The consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the enterprise value of RMB 283,281,044 of the entire shareholders' equity of the Target Company as at 31 March 2021 assessed based on the asset-based approach pursuant to the asset valuation report issued by Wan Long (Shanghai) Asset Appraisal Limited (萬隆(上海)資產評估有限公司), an independent asset appraisal firm. The latest announced book value and net tangible asset value of the Target Group as at 31 March 2022 was RMB282,153,602 and RMB277,149,627 respectively. The Directors considered the consideration for the Disposal to be fair and reasonable.

The Purchaser also undertakes to repay the shareholder's loan of RMB50,000,000 from the Vendor to the Target Company, bank loans of RMB146,000,000 and all accrued interest within three months after the Completion (or such later date as agreed between the Purchaser and the Vendor).

USE OF SALE PROCEEDS

The net proceeds from the Disposal would be RMB283,281,058 (equivalent to approximately HK\$328,152,778 and S\$59,092,429), resulting in an estimated net gain from the Disposal and excess of the proceeds over book value of RMB1,122,456 (equivalent to approximately HK\$1,300,253 and S\$234,144).

The net proceeds of the Disposal may be used to finance general corporate and working capital requirements of the Group.

COMPLETION

Parties to the Sale and Purchase Agreement must collaborate to complete (i) the industrial and commercial registration of the equity transfer; (ii) commercial filing of the equity transfer (if applicable); (iii) handover of management of the Target Company; and (iv) foreign exchange payment procedures (if applicable) within 45 working days from the issue of certificate of equity transfer by the Shanghai United Assets and Equity Exchange. Completion of the Disposal shall take place on the date on which the industrial and commercial registration of the equity transfer is completed.

Upon the Completion, (i) the Target Company will cease to be a subsidiary of the Company; (ii) the Target Company will become an associate of the Company, with the Company indirectly holding 30% equity interest in the Target Company through the Purchaser; and (iii) the financial results of the Target Company will be incorporated into the financial results of the Group using the equity method of accounting according to the Group's remaining interest in the Target Company.

RATIONALE FOR AND BENEFITS OF THE DISPOSAL

The Disposal was intended to recover shareholder investment and generate profits for the Group. The Directors considered that the Disposal was made on normal commercial terms and the terms of the Sale and Purchase Agreement were fair and reasonable and were in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE TARGET GROUP

The Target Group is principally engaged in domestic waste treatment and waste incineration. As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. A summary of the consolidated financial information of the Target Group for the two years ended 31 December 2020 and 2021 is set out below:

	For the financial year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Revenue	315,637	149,699
(Loss) / Profit before taxation	(4,531)	2,629
(Loss) / Profit after taxation	(12,790)	2,135

The audited consolidated net asset value of the Target Group as at 31 December 2021 was approximately RMB281,944,886 (equivalent to approximately HK\$326,604,956 and S\$58,813,703).

INFORMATION OF THE GROUP

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

INFORMATION OF THE VENDOR

The Vendor is an indirect wholly-owned subsidiary of the Company primarily engages in investment holding activities.

INFORMATION OF THE PURCHASER

The Purchaser specializes in investment and operation of domestic waste disposal, hazardous waste treatment, food waste disposal, wastewater treatment, sanitation integration, ecological restoration, and other ecological and environmental protection businesses.

The Purchaser is ultimately held as to 40% by Sichuan Industrial Revitalization Development Investment Fund Co., Ltd., as to 30% indirectly by the Company and as to 30% by World Prosperous Investment Limited (世豐國際投資有限公司).

Sichuan Industrial Revitalization Development Investment Fund Co., Ltd. is a state-owned company incorporated in the PRC and principally engaged in investment holding.

World Prosperous Investment Limited (世豐國際投資有限公司) is a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of Canvest Environmental Protection Group Limited. It is principally engaged in investment holding. Canvest Environmental Protection Group Limited is a company incorporated in the Cayman Islands whose shares are listed on the SEHK (stock code: 1381), which is principally engaged in the operation and management of waste-to-energy plants and provision of environmental hygiene and related services and integrated smart city management services.

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

The Purchaser is not an "interested person" of the Company for the purposes of the SGX Listing Rules. Company's directors, chief executive officer or controlling Shareholders or any of their respective associates.

IMPLICATION UNDER THE HONG KONG LISTING RULES

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

DISPOSAL UNDER CHAPTER 10 OF THE SGX LISTING RULES

RELATIVE FIGURES UNDER RULE 1006 OF THE SGX LISTING RULES

Based on the latest announced consolidated financial statements of the Group as of 31 March 2022, the relative figures of the Disposal computed on the bases set out in Rule 1006 of the SGX Listing Rules are set out below:

SGX Listing Rules	Relative Figures
1006(a)	
The net asset value of the assets to be disposed of ⁽¹⁾ , compared with the Group's net asset value.	1.96%
1006(b)	
The net profits ⁽²⁾ attributable to the assets disposed, compared with the Group's net profits ⁽²⁾ .	1.08%
1006(c)	
The aggregate value of the consideration received, compared with the issuer's market capitalization based on the total number of issued Shares excluding treasury shares ⁽³⁾ .	18.42%
1006(d)	
The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
1006(e)	
The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

- (1) The latest announced net asset value of the Target Group as at 31 March 2022 was approximately RMB282,153,602.
- (2) Calculated based on the net profits attributable to the Target Group of RMB3,646,443 and the

Group's net profits of RMB338,448,524. "Net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests, based on the latest announced consolidated accounts.

- (3) Aggregate value of the consideration received means the gross proceeds from the Disposal and the loans undertaken by the Purchaser. The market capitalisation of the Company of approximately S\$542,692,768 is determined by multiplying the issued Share capital (excluding treasury shares) of 2,575,665,726 Shares with the volume weighted average price ("VWAP") S\$0.2107 per Share on the SGX-ST as at 5 July 2022, being the market day immediately preceding the date of the Sale and Purchase Agreement.

Under Rule 1010 of the SGX Listing Rules, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the Disposal is regarded as being a disclosable transaction. As the relative figure under Rule 1006(c) of the SGX Listing Rules exceeds 5%, the Disposal is deemed a "disclosable transaction" pursuant to Chapter 10 of the SGX Listing Rules.

PRO FORMA FINANCIAL EFFECTS OF THE DISPOSAL

FOR ILLUSTRATIVE PURPOSES ONLY. Upon Completion, the Target Company will cease to be consolidated in the financial results of the Group. With reference to the net asset value of the Target Group of RMB281,944,886 as at 31 December 2021, the estimated net gain before taxation from the Disposal is RMB1,336,172 (equivalent to approximately HK\$1,547,822 and S\$278,725). The actual gain or loss on the Disposal may be different from the above and is subject to the review and final audit of the Group for the financial year ended 31 December 2022.

FOR ILLUSTRATIVE PURPOSES ONLY. The tables below setting out the pro forma financial effects of the Disposal are for illustrative purposes only and do not necessarily reflect the actual results and financial performance of the Group after the Disposal. The following financial effects on the net tangible assets ("NTA") per Share and the earnings per Share ("EPS") of the Group are calculated based on the latest audited financial statements of the Group as at 31 December 2021 ("FY2021").

Financial Effect on NTA per Share

	Before Disposal	After Disposal
NTA ⁽¹⁾ (RMB'000)	13,566,559	13,567,895
Number of Shares (excluding treasury shares)	2,575,665,726	2,575,665,726
NTA per Share (RMB cents)	526.72	526.77

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

Financial Effect on EPS

	Before Disposal	After Disposal
Profit attributable to the Shareholders (RMB'000)	706,159	707,495
Weighted average number of ordinary Shares	2,581,770,052	2,581,770,052
EPS (RMB cents)	27.35	27.40

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Disposal or any other transactions contemplated in relation to the Disposal.

DOCUMENTS AVAILABLE FOR INSPECTION

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

CAUTION IN TRADING

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

DEFINITIONS

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

“Board”	the board of Directors
“Company”	SIIC ENVIRONMENT HOLDINGS LTD. (上海實業環境控股有限公司), a company incorporated under the laws of Singapore with limited liability, the Shares of which are listed on the Main Board of SGX-ST and the Main Board of the SEHK
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of 100% equity interest in the Target Company by the Vendor to the Purchaser
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the SEHK
“Independent Third Party(ies)”	a person or a company which is a third party independent of the Company and its connected person(s)
“PRC”	the People’s Republic of China
“Purchaser”	Sichuan SIIC Ecological Environment Co., Ltd. (四川上實生態環境有限責任公司), a company incorporated under the laws of the PRC with limited liability
“RMB”	the lawful currency of the PRC

“S\$”	Singapore Dollar, the lawful currency of Singapore
“Sale and Purchase Agreement”	the sale and purchase agreement dated 6 July 2022 entered into between the Vendor and the Purchaser for the Disposal
“SEHK”	The Stock Exchange of Hong Kong Limited
“SGX Listing Rules”	the listing manual of the SGX-ST
“SGX-ST”	The Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary shares in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares from time to time, with no par value
“Singapore”	the Republic of Singapore
“Target Company”	Dazhou Jiajing Environmental Renewable Resources Co., Ltd. (達州佳境環保再生資源有限公司), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company prior to the Completion
"Target Group"	the Target Company and its subsidiary
“Vendor”	Hongkong Nany New Energy (Dazhou) Limited (香港南揚新能源(達州)有限公司), a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

For the purpose of this announcement and for illustration purpose only, conversion of RMB to HK\$ and RMB to S\$ is based on the exchange rate of RMB to HK\$1.1584 based on Hong Kong Exchanges and Clearing Limited (“HKEX”) published exchange rate as of 5 July 2022 and RMB to S\$0.2086 based on Monetary Authority of Singapore (“MAS”) published exchange rate as of 5 July 2022, respectively. No representation is made that any amounts in RMB have been or could be converted at the above rates or any other rates.

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

Hong Kong and Singapore, 6 July 2022

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

** For identification purpose only*