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

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)

RESPONSE TO SGX QUERIES ON THE COMPANY'S UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FOURTH QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2022

The Board of Directors ("**Board**") of SIIC ENVIRONMENT HOLDINGS LTD. (the "**Company**") refers to its announcement released on 24 February 2023 in relation to the Unaudited Condensed Interim Financial Statements and Dividend Announcement for the Fourth Quarter and Twelve Months Ended 31 December 2022 ("**FY2022 Results Announcement**"). The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 9 March 2023 ("**SGX Query**") as follows:

SGX Query:

Please disclose:–

(i) the breakdown of the Group's trade and other receivables;

Company's response to question (i)

The breakdown of the Group's trade and other receivables are as follows:

Trade receivables of RMB3,438 million are mainly from wastewater treatment, water supply and waste incineration services rendered to customers in mainland China, which majority are due from local government bodies.

Other receivables mainly comprise (a) tax receivables of RMB481 million; (b) non-interest-bearing amounts due from third parties of RMB315 million, which are repayable on demand; (c) interest-bearing amounts due from third parties of RMB202 million, which are repayable on demand; and (d) refundable deposits of RMB24 million.

(ii) for other receivables, the underlying transactions, the terms of the transactions (including the contract sum), terms of payment, and whether this was incurred in the ordinary course of business;

Company's response to question (ii)

(a) Tax recoverable of RMB481 million, is primarily receivable from the local tax authorities regarding the VAT receivable balance pending offset against the output VAT payable in future according to PRC VAT law and regulations. Generally, this input VAT balance mainly arises from construction investment costs, which the project has yet to start its operations. The balance will then be gradually depleted upon commencement of operation in future.

(b) The amount due from third parties of RMB315 million, are non-interest bearing and repayable on demand. These balances are mainly arising from the following ordinary course of business transactions:

i. The outstanding other receivable balance arising from the disposal of subsidiaries carried forward after the completion of the transaction, amounting to RMB118 million;

ii. Government grants receivable from local government bodies, amounting to RMB92.2 million;

iii. Acquisition of subsidiaries in FY2022, the outstanding other receivable balance consolidated from the acquired subsidiaries carried forward after the completion of the transaction, amounting to RMB54.3 million;

iv. Payment on behalf of customers, amounting to RMB29.7 million, mainly consists of the sludge disposal fee paid on behalf;

v. Funds in brokerage account balance, amounting to RMB14.5 million; and

vi. Compensation receivable from construction suppliers, amounting to RMB6.2 million;

(c) The amount due from third parties of RMB202 million, are interest bearing and repayable on demand, these balances with the interest rate at an arm's length basis are arising from the ordinary course of business cooperation with third parties.

(d) Refundable deposits of RMB24 million are the deposits paid to suppliers for its services rendered. These deposits are refundable upon completion of service contracts and full settlement of outstanding balance, if any.

(iii) whether these debtors are related to any directors, key executives, substantial shareholders or their respective associates;

Company's response to question (iii)

None of the above debtors are related to directors, key executives, substantial shareholders or their respective associates.

(iv) the general credit term extended to customers;

Company's response to question (iv)

The trade receivables are non-interest bearing with credit periods generally ranging from 0 to 180 days.

(v) whether these customers are still in operation; and

Company's response to question (v)

All trade receivable customers are still in operation as of the date of this announcement.

(vi) the Board's assessment on the recoverability of the Group's trade and other receivables, and the basis for such an assessment.

Company's response to question (vi)

The recoverability of the Group's trade and other receivables is reviewed by the Audit Committee and Board on a regular basis.

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant thinktanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely the environmental industry.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on receivables has increased significantly since initial recognition when contractual payments are more than 90 days past due for corporate/individual debtors and more than 3 years for government debtors, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group's exposure and the credit ratings of its debtors are continuously monitored. The Board has considered the information and independent assessments and is satisfied that the credit risk is low and the provision of loss allowance made is sufficient as at year end.

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

Hong Kong and Singapore, 13 March 2023

As at the date of this announcement, the non-executive Chairman is Mr. Zhou Jun; the executive Directors are Mr. Yang Jianwei, Mr. Xu Xiaobing, Mr. Huang Hanguang, Mr. Zhu Dazhi 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*