

PROPOSED SUBSCRIPTION OF EQUITY INTEREST AMOUNTING TO 90% OF THE ENLARGED REGISTERED CAPITAL OF WULIAN XINNENG WASTE POWER PLANT CO., LTD. (“TARGET COMPANY”) THROUGH FUDAN WATER ENGINEERING AND TECHNOLOGY CO., LTD. (“SUBSCRIBER”) (THE “PROPOSED SUBSCRIPTION”)

The Board of Directors (“**Board**”) of SIIC Environment Holdings Ltd. (“**Company**” and with its subsidiaries, collectively the “**Group**”) wishes to announce that it has, through its subsidiary Fudan Water Engineering and Technology Co., Ltd. as the Subscriber, entered into a capital increase and equity interest subscription agreement with the Target Company (“**Subscription Agreement**”), pursuant to which the Subscriber agrees to subscribe for equity interest amounting to 90% of the enlarged registered capital of the Target Company.

The Target Company was incorporated on 1 December 2015 in Shandong Province, China. It is currently engaged in the investment, construction and management of waste power plant projects in Wulian County, Rizhao City, Shandong Province. On 23 February 2016, the Target Company entered into a Concession Agreement on Wulian Waste Power Plant (the “**Project**”) with the people’s government of Wulian County (the “**Concession Agreement**”), and pursuant to the Concession Agreement, the Target Company is granted the right to invest in, build and operate the Project. The total scale of the Project is expected to be 600 tonnes of waste per day. As at the date of this announcement, the Project is in the process of pre-construction preparation.

Subsequent to the Proposed Subscription, the Subscriber shall become an equity interest holder of the Target Company and own 90% of the enlarged registered capital of the Target Company (“**Subscribed Equity**”). After the completion of the Project, the total designated capacity of the Group’s waste incineration business is expected to reach 3,800 tonnes per day.

Rule 1006 of the SGX-ST Listing Manual

The relative figures in relation to the Proposed Subscription pursuant to Rule 1006 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual (“**Listing Manual**”), using the audited accounts of the Group for the financial year ended 31 December 2015, and the audited accounts of the Target Company for the financial period between 1 January 2016 and 30 April 2016, are:-

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|-----|---|------------------------|
| (a) | net asset value of the assets to be disposed of, compared with the Group’s net asset value. This basis is not applicable to an acquisition of assets | Not applicable |
| (b) | net profits ⁽¹⁾ attributable to the assets acquired or disposed of, compared with the Group’s net profits ⁽¹⁾ | -0.023% ⁽²⁾ |
| (c) | aggregate value of the consideration given or received, compared with the issuer’s market capitalisation based on the total number of issued shares excluding treasury shares | 0.69% ⁽³⁾ |
| (d) | 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 |
| (e) | aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the group’s proven 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) Under Rule 1002(3)(b) of the Listing Manual, “net profits” means profit or loss before income tax, minority interests and extraordinary items.
- (2) The Target Company was incorporated on 1 December 2015 and the Project has yet to commence operations. Accordingly, the Target Company had incurred net pre-operation losses for the financial period between 1 January 2016 and 30 April 2016 of RMB121,797.42 (approximately S\$24,600.00 元). As such, the relative figure under Rule 1006 (b) is negative.
- (3) Based on the total consideration for the Proposed Subscription of RMB45,000,000 (approximately S\$9,090,909) and the market capitalisation of the Company of approximately S\$1,308,821,000 as at 2 August 2016 (being the market day preceding the date of the Subscription Agreement). Under Rule 1002(5) of the Listing Manual, the market capitalisation of the Company is determined by multiplying the number of shares in issue (excluding treasury shares) being 2,256,588,726 shares by the weighted average price of S\$0.58 of such shares transacted on 2 August 2016 (being the market day preceding the date of the Subscription Agreement).

As the relative figure under Rule 1006 (c) does not exceed 5%, the Proposed Subscription constitutes a “**Non-Discloseable Transaction**” as defined in Chapter 10 of the Listing Manual. However, as the relative figure under Rule 1006 (b) is negative, the Company had consulted with the SGX-ST. Based on the information provided by the Company, the SGX-ST has no objection to the Company’s view that the Proposed Subscription be classified as a “**Non-Discloseable Transaction**” under Chapter 10 of the Listing Manual.

Information to be announced under Rule 1008 and Rule 1010 of the Listing Manual

- (3) *The aggregate value of the consideration, including factors taken into consideration in arriving at it and how it will be satisfied, including the terms of payment*

Subscription Consideration

The Subscription Consideration for the Proposed Subscription is RMB45,000,000 (equivalent to approximately S\$9,090,909¹)(“**Subscription Consideration**”), to be satisfied fully in cash.

Terms of Payment

The Subscription Consideration shall be paid in two (2) tranches in accordance with the arrangements in the Subscription Agreement.

Basis of Subscription Consideration

The Subscription Consideration was arrived after taking into consideration:

- (i) the earnings and growth potential of the Target Company;
- (ii) the value of net assets owned by the Target Company through the Proposed Subscription; and
- (iii) an independent valuation conducted by the Independent Valuer (as defined below).

For the purpose of the Proposed Subscription, the Company has appointed Wan Long (Shanghai) Assets Valuation Co., Ltd (“**WLA**”) as the independent valuer (“**Independent Valuer**”) to conduct a desktop fair value estimate range as at 30 April 2016 (“**Valuation Date**”).

¹ Based on exchange rate of S\$1:RMB4.95 as at 2 August 2016.

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair value estimate is a desktop valuation analysis conducted with limited information without the requirement on the Independent Valuer to independently verify and validate the information provided to them. However, discussions have been held with the management of the Company and the Target Company, and the Independent Valuer has reviewed the information provided to them, upon which the valuation analysis is based on.

The Independent Valuer has relied primarily on the assets-based methodology and income method to determine the fair value estimate. The Independent Valuer has relied on certain assumptions for its valuation analysis. After due consideration of the key assumptions, limitations and valuation basis, the estimated fair value of all the equity interest of the Target Company as determined by the Independent Valuer is RMB5.32 million.

- (5) *The value (book value, net tangible asset value and the latest available open market value) of the assets being acquired, and in respect of the latest available valuation the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation*

For the purpose of the Proposed Subscription, the Company has appointed WLA as the Independent Valuer to conduct a desktop fair value estimate range as at the Valuation Date. The estimated fair value of all the equity interest of the Target Company as determined by the Independent Valuer RMB5.32 million.

Subsequent to the Proposed Subscription, the net tangible asset value attributable to the Subscribed Equity will be RMB45 million.

Document for Inspection

The Subscription Agreement and the Valuation Report by the Independent Valuer are available for inspection during normal business hours at the address of the Company's registered office at One Temasek Avenue, Millenia Tower #37-02, Singapore 039192 for three (3) months from the date of this announcement.

By Order of the Board

Feng Jun
Executive Director

3 August 2016