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PROPOSED SUBSCRIPTION OF 75% EQUITY INTEREST IN HENAN ZHONGHUI LIANHE INVESTMENT 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 75% of the enlarged equity interest in the Target Company.

The Target Company is incorporated in Henan Province, China. It, through its wholly owned subsidiaries, owns two sludge treatment BOT projects in Xinxiang (capacity of 300t/day) and Nanyang (capacity of 200t/day) of Henan Province. It also, through its 65% subsidiary, participates in a waste water treatment BOT project in Nanyang (capacity of 100,000t/day).

Subsequent to the Proposed Subscription, the Subscriber shall become an equity interest holder of the Target Company and own 75% of the equity interest in the Target Company ("**Subscribed Equity**").

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 2015 and 30 November 2015, are:-

(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)]	-0.58%[(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	3.16%[(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 has only recently commenced business. The Xinxiang sludge treatment project has recently begun operations in July 2015, the Nanyang sludge treatment project is under construction, and the Nanyang water treatment project is in the process of applying for its licence to operate. Accordingly, the Target Company had incurred net losses for the financial period between 1 January 2015 and 30 November 2015 of RMB3,035,000 (approximately S$614,000). As such, the relative figure under Rule 1006(b) is negative.

(3) Based on the total consideration for the Proposed Subscription of approximately S$45,600,000 and the market capitalisation of the Company of approximately S$1,444,000,000 as at 1 July 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$0.64 of such shares transacted on 1 July 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 pursuant to Rule 1007(1) of the Listing Manual. Based on the Company's representations and submissions, the SGX-ST has no objection to the Company's view that the Proposed Subscription is a "**Non-Discloseable Transaction**" under Chapter 10 of the Listing Manual, and shareholders' approval is not required for the Proposed Subscription.

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 RMB225,000,000 (equivalent to approximately S$45,600,000[1])("**Subscription Consideration**"), to be satisfied fully in cash.

Terms of Payment

The Subscription Consideration shall be paid in multiple tranches over the course of five (5) years following the date of the Subscription Agreement, and in accordance with the articles of association of the Target Company.

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 14 March 2016 ("**Valuation Date**").

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.

[1] Based on exchange rate of S$1:RMB4.94 as at 1 July 2016.

The Independent Valuer has relied primarily on the assets-based methodology and market comparison 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 of the equity interest of the Target Company as determined by the Independent Valuer ranges between RMB73.1783 million and RMB81.6342 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

As at 30 November 2015, the net tangible asset value of the Subscribed Equity was RMB52.9 Million.

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 14 March 2016. The estimated fair value of all the equity interest of the Target Company as determined by the Independent Valuer ranges between RMB73.1783 million and RMB81.6342 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
5 July 2016