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SIIC Environment's Net Profit Attributable to Shareholders up 25.9% to RMB190.6 million for 1HFY2016

- Revenue up 41.6% to RMB1,119.3 million for 1HFY2016 due to contributions from most categories- relatively higher amounts of construction activities in progress, higher water treatment and supply sales volume, and contribution from newly acquired entities
- Gaining strong momentum through acquisitions and organic growth

SINGAPORE, 12 August 2016 – SGX Mainboard-listed water treatment and environmental protection company SIIC Environment Holdings Ltd. ("**SIIC Environment**", the "**Company**", and together with its subsidiaries or collectively as the "**Group**"), recorded a 25.9% year-on-year ("**yoy**") increase in its net profit attributable to shareholders to RMB190.6 million for its first half ended 30 June 2016 ("**1HFY2016**").

Financial Highlights

RMB Million	1HFY2016	1HFY2015	Change (%)
Revenue	1,119.3	790.6	41.6
Gross Profit	368.3	332.7	10.7
Net Profit After Tax	228.6	186.5	22.6
Net Profit Attributable to Shareholders	190.6	151.5	25.9
Diluted Earnings Per Ordinary Share * (RMB cents)	8.45	7.50	12.7

Note:
pp: Percentage points
* Calculated based on the weighted average number of 2,256,588,726 shares and 2,015,262,867 shares for 1HFY2016 and 1HFY2015 respectively.

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The Group's revenue increased 41.6% yoy to RMB1,119.3 million in 1HFY2016 mainly due to higher revenue across most categories – relatively higher amounts of construction activities in progress, higher water treatment and supply sales volume.

There was no material variance for service income in 1HFY2016 as compared to 1HFY2015. Notably, the Group's construction revenue amounted to RMB470.0 million in 1HFY2016, an increase of 222.1% yoy.

The Group's gross profit increased by RMB35.6 million or 10.7% from RMB332.7 million in 1HFY2015 to RMB368.3 million in 1HFY2016. The increase was mainly due to contribution from newly acquired entities.

Other income increased from RMB24.4 million in 1HFY2015 to RMB63.2 million in 1HFY2016, due mainly to the recognition of value-added-tax refund imposed on billing raised from concession service agreements, which was only effective in July 2015.

Outlook

Gaining Strong Momentum through Acquisitions and Organic Growth

The scale of the Group's water treatment facilities increased from 880,000 tons to 7 million tons from 2010 to 2015, a CAGR growth rate of over 40%. To accelerate the pace of business expansion, SIIC Environment strives towards achieving industry leader status by the end of 2020.

Growth through active acquisitions, organic growth in the regional divisions, and low-cost financing remain key strategies for boosting rapid business expansion. The Group places emphasis on the development of a solid long-term strategy, strict selection criteria for projects, and focuses on the franchising of Build Operate Transfer (BOT), Transfer Operate Transfer (TOT), Public Private Partnership (PPP) projects and Operation and Maintenance (O&M) services.

2016 to date, the Group's newly added and upgrade & expansion water projects total a scale of 312,500 tons per day, involving an investment amount of approximately RMB690 million, including:

1. ChengNan Wastewater BOT Project in Suizhou City Hunan Province at Grade 1A discharge standard, with a design capacity of 50,000 tons/day
2. Linghai industrial waste water treatment Phase 2 project in Taizhou City Zhejiang Province at Grade 2 discharge standard, with a design capacity of 12,500 tons/day
3. Expansion and upgrade of Yinchuan Fifth Wastewater Treatment TOT+BOT Project in Ningxia Autonomous Region, with a design capacity of 100,000 tons/day, from Grade 1B to Grade 1A standard

4. Upgrade of Weifang High-tech Zone Wastewater Treatment BOT Project in Shandong Province, with a design capacity of 50,000 tons/day, from Grade 1B to Grade 1A standard
5. BaiHeNan Wastewater Treatment BOT Project in Nanyang City, Henan Province at Grade 1A discharge standard, with a design capacity of 100,000 tons/day

In August 2016, the Group's subsidiary company, Fudan Water Engineering and Technology Co., Ltd. entered into a capital increase and equity interest subscription agreement with Wulian Xinneng Waste Power Plant Co., Ltd ("Wulian Xinneng Ltd.). Wulian Xinneng Ltd. has a concession agreement with the government of Wulian County on the Wulian Waste Power Plant BOT project. The project is in the process of pre-construction preparation, with a total design capacity of 600 tons/day and waste treatment tariff of RMB88/ton. After the completion of the Project, the total designated capacity of the Group's waste incineration business is expected to reach 3,800 tons/day.

Expansion and Upgrade largely lifting project tariffs and capacities

As urban wastewater treatment regulations continue to rise in standards, the Group's 'Big Cities' expansion strategy continues to reap benefits, scaling up the Group's project sizes and increasing the average water tariff.

According to the draft "Urban Wastewater Treatment Plant Pollutant Emission Standards Report" 《城镇污水处理厂污染物排放标准（征求意见稿）》 released by China Ministry of Environment Protection in November 2015, newly built urban wastewater treatment facilities will need to conform to Grade 1A discharge standard starting from July 1, 2016. Furthermore, it is planned that by 1 January 2018, the upgrading of current urban sewage treatment facilities in the Sensitive Area to Grade 1A discharge standard will be completed. Timing and geographical scope of the implementation of Special Discharge Standard (quasi Surface Water IV Standard) is determined by the State Council's Environmental Protection Department or individual municipal governments.

The Group is currently proceeding with reconstruction projects that aim to achieve a total design capacity of 750,000 tons, involving an amount of RMB932 million, including:

1. Wuhan Hanxi wastewater treatment BOT project in Hubei Province with a design capacity of 600,000 tons/day, upgrading 400,000 tons from Grade 2 to Grade 1B standard and expanding 200,000 tons
2. Upgrade of Weifang High-tech Zone Wastewater Treatment BOT Project in Shandong Province, with a design capacity of 50,000 tons/day, from Grade 1B to Grade 1A standard

3. Expansion and upgrade of Yinchuan Fifth Wastewater Treatment TOT+BOT Project in Ningxia Autonomous Region, with a design capacity of 100,000 tons/day, from Grade 1B to Grade 1A standard

In addition to current upgrading projects that are undergoing construction, the Group has approximately 1.5 million tons/day of urban wastewater treatment projects below Grade 1A standards, 500,000 tons/day out of which the Group has begun negotiations with the local governments involving funds of more than RMB1.2 billion.

Capturing New Markets with Sludge Treatment Projects in the Near Term

According to China's "Action Plan for Water Pollution Prevention"《水污染防治行动计划》released in April 2015, transformation of the existing sludge treatment and disposal facilities shall essentially be completed by end 2017. The harmless treatment and disposal ratio of sludge in prefecture and higher level cities should reach more than 90% by end 2020. In April 2016, China's Department of Housing and Urban-Rural Development and the Ministry of Environmental Protection (中国住房和城乡建设部与环境保护部) jointly issued a "Notice on the Strengthening of Emission Reduction Inspection and Verification of Urban Sewage Treatment Facilities' Sludge Treatment and Disposal"《关于加强城镇污水处理设施污泥处理处置减排核查核算工作的通知》, which will include sludge treatment and disposal results into the assessment of urban sewage treatment total emission reduction. This heralds major development opportunities in the sludge industry.

The Group is focused on capturing new markets with sludge treatment projects in the near term. For different sludge treatment technique routes, on average, the present construction costs and operating costs are respectively from RMB200,000 to RMB500,000 per ton and from RMB1million to RMB3.5million per ton. Currently, the Group has three sludge disposal projects, with the total design capacity of 935 tons/day:

1. BOT sludge treatment project with a design capacity of 435 tons/day at the Wuhan Hanxi Wastewater Treatment Plant (under construction and targeted to commence commercial operation at the end of 2016)
2. BOT sludge treatment project with a design capacity of 300 tons/day in Xinxiang City, Henan Province, China (already in operation)
3. BOT sludge treatment project with a design capacity of 200 tons/day in Nanyang City, Henan Province, China (awaiting construction)

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"The structural problems of China's water shortage have increased the demands of water treatment and processes tremendously. Besides overall demand for increased supply, the Chinese government has introduced more stringent regulations and set new targets in the industry's regulations on the standards. These developments are favourable to the water industry players with strong fundamentals such as SIIC Environment.

Waste water treatment also involves several downstream products such as reclaimed water and sludge treatment which are worth looking into. In future, we might be venturing into some of the sectors that are responsible for ensuring water supply, such as new technologies to upgrade water supply and desalination.

Mr. Zhou Jun, Executive Chairman of SIIC Environment

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About SIIC Environment Holdings Ltd.

SIIC Environment Holdings Ltd. ("SIIC Environment" or the "Group", stock code: BHK.SG) is a top-tier integrated player in China's environmental industry. The Group is engaged in water treatment, solid waste treatment and other environment-related businesses. The Group is previously known as Asia Water Technology Ltd ("Asia Water") which was listed on the SGX-ST Catalist in 2005. In 2010 Shanghai Industrial Holdings Ltd. ("SIHL", stock code: 363.HK) acquired a controlling stake and completed debt restructure in Asia Water. The Group was renamed SIIC Environment Holdings Ltd and transferred to the SGXST Mainboard in 2012. Since the restructuring, the Group has shown tremendous growth and continues to increase its market share in China's water and environmental protection sector.

SIIC Environment is an active investor and operator of environment-related assets and has been operating in China's water sector for over a decade. At present, the Group's portfolio boasts over 80 water treatment and supply projects and 3 waste incineration projects across 15 municipalities and provinces, namely Shandong, Guangdong, Hubei, Hunan, Jiangsu, Shanghai, Zhejiang, Fujian, Guangxi, Ningxia, Henan, Liaoning, Shanxi, Sichuan and Heilongjiang.

By leveraging on its business strategy and structure scalability and its technique extensiveness, SIIC Environment seeks to expand its competencies to include related sectors in the water and environmental protection industries such as industrial wastewater treatment, seawater desalination, sludge treatment and handling, soil treatment and new energy resources, thereby strengthening its top-tier position in China's environmental investment industry.

For more information, please visit us at www.siicenv.com**.**

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