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

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PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP CAPITAL OF GLOBAL ENVIROTECH INVESTMENT LTD. ("TARGET COMPANY") (THE "PROPOSED ACQUISITION")

Introduction

The Board of Directors ("**Board**") of SIIC Environment Holdings Ltd. ("**Company**" and with its subsidiaries, collectively the "**Group**") wishes to announce that it has entered into a sale and purchase agreement ("**SPA**") with Global Environment Investment Ltd. ("**Vendor**"), Target Company, Global Environment Investment (HK) Limited ("**HK Co**") and Fudan Water Engineering and Technology Co., Ltd. ("**Fudan Water**") for the acquisition of the entire issued and paid-up share capital of the Target Company by the Company (or its subsidiary) from the Vendor, consisting of one hundred (100) ordinary shares of US$100.00 ("**Sale Share**"), for a purchase consideration of RMB1,068,820,000 (equivalent to approximately S$240,509,000[1]) ("**Purchase Consideration**"). In addition to the Purchase Consideration, the Company has agreed to, upon Completion (as defined below), to pay off an outstanding debt amounting to RMB479,180,000 (equivalent to approximately S$107,826,000[1]) in HK Co ("**Outstanding Debt**"). Therefore, the total consideration payable for the Sale Share, being the aggregate of the Purchase Consideration and the Outstanding Debt, is RMB1,548,000,000 ("**Total Consideration**") (equivalent to approximately S$348,335,000[1]).

Rule 1006 of the SGX-ST Listing Manual

The relative figures in relation to the Proposed Acquisition pursuant to Rule 1006 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual ("**Listing Manual**"), using the latest unaudited announced consolidated accounts of the Group as at 31 December 2014, 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)	28.4%(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	24.1%(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	16.3%

[1] Based on exchange rate of S$1:RMB4.444 as at 23 March 2015.

(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) Based on the PRC unaudited management accounts of net profits attributable to the Proposed Acquisition of RMB116,367,000 for the financial year ended 31 December 2014 and the Group's latest unaudited announced consolidated net profits for the financial year ended 31 December 2014 of RMB409,651,000.

(3) Based on Total Consideration for the Proposed Acquisition of S$348,335,000 and the market capitalisation of the Company of S$1,445,106,324 as at 23 March 2015 (being the market day preceding the date of the SPA). 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 9,589,292,132 shares by the weighted average price of S$0.1507 of such shares transacted on 23 March 2015 (being the market day preceding the date of the SPA).

As the relative figures under Rule 1006 (c) exceeds 20%, the Proposed Acquisition constitutes a "**Major Transaction**" as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisition is subject to the approval of the shareholders of the Company at an extraordinary general meeting due to be convened. A circular will be despatched to the shareholders in due course.

Information to be announced under Rule 1010 of the Listing Manual

(1) Particulars of the assets acquired, including the name of any company or business, where applicable

Pursuant to the Proposed Acquisition, the Company (or its subsidiary) shall acquire, free from all encumbrances and together with all rights and benefits attaching thereto, the Sale Share.

The Target Company is an investment holding company incorporated in the British Virgin Islands, with an issued and paid-up capital of US$100.00, consisting of one hundred (100) ordinary shares.

The HK Co is an investment holding company incorporated in Hong Kong, with an issued and paid-up capital of USD10,000, consisting of 10,000 ordinary share.

As at the date of this Announcement, the Target Company owns the entire issued and paid-up capital of the HK Co, and the HK Co owns 92.15% of the total shareholding in Fudan Water.

Fudan Water is a company with limited liability duly incorporated in the People's Republic of China ("**PRC**"), and as at the date of this Announcement, has a total registered and paid-up capital of RMB300,000,000.

The Target Company, HK Co, and the Fudan Water Group (as defined below) shall be referred collectively as the "**Target Group**".

(2) A description of the trade carried on, if any

The Target Company and the HK Co are investment holding companies.

Fudan Water, together with its subsidiaries (collectively, the "**Fudan Water Group**") are engaged principally in the business of water treatment management and engineering, research and development, technology transfer, technology consultation and technology service in the water ecological restoration area; and development of water treatment materials and equipment (the "**Business**") and undertake approximately 10 projects relating to the Business in the PRC, located in Shanghai City, Jiangsu, Zhejiang and Guangdong provinces, with a planned water treatment capacity of over 1 million tons/day.

(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

Purchase Consideration

The Total Consideration for the Sale Share is RMB1,548,000,000, consisting of the Purchase Consideration and the Outstanding Debt.

The Purchase Consideration shall by payable to the Vendor by the Company as follows:

(a) an amount of RMB151,701,741 to be paid by cash as deposit ("**Deposit**"); and

(b) the balance RMB917,118,259 to be wholly satisfied by the allotment and issue of 1,560,000,000 ordinary shares in the capital of the Company ("**Consideration Shares**") at an issue price of S$0.1320 per share ("**Issue Price**") by the Company to the Vendor and/or its designated nominees, credited as fully paid up and free and clear from any and all encumbrances and together with all rights attaching or accruing thereto and such Consideration Shares shall rank pari passu with the existing issued shares of the Company as at the date of the issue and allotment of the Consideration Shares.

    The Issue Price represents a discount of approximately 12.2% to the volume weighted average price of the ordinary shares in the capital of the Company traded on the SGX-ST on 24 March 2015, the full market day on which the SPA is signed.

As security for the payment of the Deposit, the Vendor will execute a share charge over 20% of its shareholdings in the Target Company in favour of the Company.

Following Completion, the Company shall within ten (10) days of receipt of the relevant party's account details form the Vendor, allocate the amount of fund which is equivalent to the Outstanding Debt to repay the outstanding debt in HK Co.

Terms of Payment

The Deposit shall be paid in USD to the Vendor on or before the expiry of ten (10) days after the date of signing the SPA.

Subject to the conditions set out in the SPA:

(a) 98% of the Consideration Shares ("**Part Consideration Shares**") shall be issued and allotted by the Company upon fulfillment of the Conditions Precedent I; and

(b) The remaining 2% of the Consideration Shares ("**Balance Consideration Shares**") shall be issued and allotted by the Company upon fulfillment of the Conditions Precedent II.

<u>Basis of Purchase Consideration</u>

The Purchase Consideration was arrived after taking into consideration:

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

For the purpose of the Proposed Acquisition, the Company has appointed Shanghai International Tendering Co., Ltd. (上海国际招标有限公司) ("**SITC**") as the independent valuer ("**Independent Valuer**") to conduct a fair value estimate range as at 30 September 2014 ("**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 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 Group, and the Independent Valuer has reviewed the information provided to them, upon which the valuation analysis is based on.

The Independent Valuer has adopted a combination of (i) discounted cash flow ("**DCF**") methodology; (ii) price-to-earnings ratio ("**PER**") comparison (comparable company valuation methodology); and (iii) price-to-book ("**PBR**") comparison (comparable company valuation methodology) (collectively, "**Valuation Methods**") to determine the blended range of the fair value estimate of Fudan Water Group. Under the DCF methodology, the fair value estimate of the future operating cash flows of the Target Group on a standalone going concern basis is based on the projected operating cash flow streams of the Target Group (based on sum of parts of each of the relevant companies) which are discounted based on an appropriate weighted average cost of capital, from the Valuation Date to the end of their respective concession period typically. Comparable company valuation is a process used to evaluate the value of a company using the metrics of other businesses in the similar industry. Comparable company methodology operates under the assumption that similar companies have similar valuations multiples, such as PER or PBR. PER is a valuation indicator which suggests how much investors/shareholders are paying for a unit earning. PBR is a valuation ratio which compares a company's market value to its book value. PER, expressed as a multiple is an indication of how much investors/shareholders are paying for the net assets of a company.

The Independent Valuer has relied on certain assumptions for its valuation analysis. Based on the above Valuation Methods and after due consideration of the key assumptions, limitations and valuation basis, the blended range of fair value estimate of 92.15% equity interest of Fudan Water Group as determined by the Independent Valuer is between RMB1.569 billion and RMB1.749 billion.

(4) Whether there are any material conditions attaching to the transaction, including a put, call or other option and details thereof

The completion of the Proposed Acquisition ("**Completion**") is subject to the following conditions ("**Conditions Precedent I**"), to be satisfied on or before 30 June 2015 ("**Long Stop Date I**") or such later date as may be mutually agreed upon by the Company and the Vendor in writing:

Conditions Precedent to be fulfilled by the Vendor

(a) The Vendor shall execute a share charge over 20% of its shareholdings in the Target Company in favour of the Company;

(b) The warranties by the Vendor in favour of the Company (or its subsidiary) shall be true in all material respects on and as of the date of Completion with the same force and effect as though made on and as of the date of Completion. The Target Group shall have performed and complied with all covenants and agreements required by the SPA to be performed or complied with by the Target Group on, or prior to the date of Completion;

(c) All required consents shall have been obtained without restrictions or limitations whatsoever unacceptable to the Company, and be in full force and effect, in particular, and without limitation, the approval of the Vendor's shareholders at a general meeting (if necessary) and their respective board of directors.

Conditions Precedent to be fulfilled by the Company

(a) The warranties by the Company in favour of the Vendor shall be true in all material respects on and as of the date of Completion with the same force and effect as though made on and as of the date of Completion. The Company shall have performed and complied with all covenants and agreements required by the SPA to be performed or complied with by the Company on, or prior to the date of Completion;

(b) All required consents shall have been obtained without restrictions or limitation whatsoever unacceptable to the Vendor, and be in full force and effect, in particular, and without limitation, the approval of the Company's shareholders at a general meeting and its board of directors and the regulatory authorities (including the SGX-ST) in respect of the Proposed Acquisition required under the Listing Manual;

(c) The results of the legal, financial and structural due diligence to be undertaken by the Company and its advisors on the Target Group being satisfactory to the Company in its sole and absolute discretion;

(d) The receipt and non-withdrawal of the approval-in-principle from SGX-ST ("**Listing Approval**") for, amongst other things, the listing and quotation of the Consideration Shares on the Mainboard and any such conditions as may be attached to the Listing Approval which is required to be and which can be fulfilled on or before the Long Stop Date I, has been fulfilled on or before the Long Stop Date I to the satisfaction of SGX-ST or waived by SGX-ST.

(e) Save for the outstanding debts amounting to RMB479,180,000.00, any liabilities outstanding in the books of the HK Co and the Target Company shall be novated to the Purchaser or any party designated by the Purchaser.

The issue and allotment of the Balance Consideration Shares by the Company is subject to the following conditions ("**Conditions Precedent II**"), to be satisfied within ninety (90) days of Completion or such later date as the Vendor and the Company may mutually agree in writing ("**Long Stop Date II**"):

(a) The warranties by the Vendor in favour of the Company (or its subsidiary) shall be true in all material respects on and as of the date of date of allotment and issue of the Balance Consideration Shares ("**Balance Consideration Shares Issue Date**") with the same force and effect as though made on and as of the Balance Consideration Shares Issue Date. The Target Group shall have performed and complied with all covenants and agreements required by the SPA to be performed or complied with by the Target Group on, or prior to the Balance Consideration Shares Issue Date; and

(b) The Vendor providing the Company with evidence (to the satisfaction of the Company) of the extent that the receivables amounting to RMB1,800,000 owing to Fudan Water by Shanghai Kexing Biotechnology Ltd has been settled.

<u>Adjustment of Consideration Shares</u>

In the event that, for the period between the date of the SPA and the date of issue of the Part Consideration Shares and/or the Balance Consideration Shares (as the case may be), the Company has completed a share consolidation or share subdivision exercise on the issued and paid-up share capital of the Company, the Consideration Shares ("**Adjusted Consideration Shares**") and the Issue Price ("**Adjusted Issue Price**") shall be adjusted in accordance with the following formula:

Adjusted Issue Price = Issue Price x Adjustment Ratio

Adjusted Consideration Shares = (Consideration Shares x Issue Price) / Adjusted Issue Price

"**Adjustment Ratio**" shall mean the ratio of the shares to be consolidated or subdivided into one (1) share in the issued and paid-up capital of the Company. For illustrative purposes: (a) if five (5) shares are to be consolidated into one (1) share, the Adjustment Ratio shall be 5; or (b) if one (1) share is to be subdivided into five (5) shares, the Adjustment Ratio shall be 0.2.

(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 September 2014, both the book value[2] and the net tangible asset value[2] in relation to 92.15% equity interest in Fudan Water Group was RMB531.2 million.

For the purpose of the Proposed Acquisition, the Company has appointed SITC as the Independent Valuer to conduct a valuation of the fair value estimate range as at 30 September 2014. Based on the above Valuation Methods, the blended range of the fair value estimate of 92.15% equity interest of Fudan Water Group as determined by the Independent Valuer is between RMB1.569 billion and RMB1.749 billion.

[2] Based on unaudited PRC management accounts

(6) The source(s) of funds for the acquisition

The Total Consideration will be funded by a loan ("**Parent Company Loan**") from Shanghai Industrial Holdings Limited ("**SIHL**") and the issuance of Consideration Shares.

As at date of this announcement, SIHL is a controlling shareholder of the Company, indirectly holding 41.85% of the Company's total issued share capital. As SIHL is considered an "interested person" within the meaning of Rule 904 of the Listing Manual, the Parent Company Loan will constitute an "**interested person transaction**" pursuant to Chapter 9 of the Listing Manual.

Pursuant to Rule 905 of the Listing Rules, an issuer must make an immediate announcement of any interested person transaction of a value equal to, or more than:

(a) 3% of the listed group's latest audited consolidated net tangible asset ("**NTA**"); or

(b) 3% of the listed group's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Rules) during the same financial year.

For purposes of Rule 905 of the Listing Manual, the aggregate value of all the IPTs (including the Parent Company Loan) entered into in the current financial period to date does not exceed 3% of the Group's latest audited NTA.

(7) The net profits attributable to the assets being acquired

The net profits attributable to 92.15% equity interest in Fudan Water Group for the financial year ended 31 December 2014, based on PRC unaudited management accounts, amounted to RMB89.4 million.

(8) Effect on share capital

The financial effects of the Proposed Acquisition on the issued share capital of the Company as at the date of this announcement is as follows:

	Number of issued Shares ('000)	**Share Capital RMB'000**
Issued and paid-up share capital as at 31 December 2014	9,589,292	3,278,603
Issued and paid-up share capital as at the date of this announcement (excluding treasury shares)	9,589,292	3,278,603
Add: Newly issued Consideration Shares	1,560,000	917,118[(1)]
Enlarged issued and paid-up share capital post to the Proposed Acquisition	11,149,292	4,195,721

<u>Notes:</u>

(1) For the purposes of illustration, the effects of Consideration Shares is computed based on issued price of S$0.132 per share, translated at exchange rate of S$1:RMB4.4538.

(9) *The effect of the transaction on the net tangible assets per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year*

Assuming that the Proposed Acquisition had been effected on 31 December 2014, the net tangible assets per share of the Group as at 31 December 2014 would be as follows:

	31 December 2014	**Before the Proposed Acquisition**	**After the Proposed Acquisition**
Net tangible assets value ("**NAV**")[(1)] (RMB'000)	4,266,347	4,266,347	5,183,465[(4)]
NAV attributable to owners of the Company ("**NAV to Owners**")[(1)(2)] (RMB'000)	3,680,015	3,680,015	4,597,133[(4)]
Number of shares ('000)	9,589,292	9,589,292	11,149,292
NAV per share (RMB cents)	44.49	44.49	46.49
NAV to Owners per share (RMB cents)	38.38	38.38	41.23

Notes:

(1) Excludes goodwill of RMB9.55 million and intangible assets in relation to patent and licensing rights and computer software of RMB1.06 million. Includes operating concessions of RMB1,509.4 million.

(2) Excludes non-controlling interest of RMB586.3 million.

(3) For the purpose of illustration, the Company has assumed that the net total assets of the Target Group approximate its fair value. The actual impact may differ depending on the outcome of the purchase price allocation ("**PPA**"). No adjustments have been made to align any differences that may result from the adoption of different accounting standards and policies by the Group.

(4) For the purposes of illustration, the NAV and NAV to Owners have adjusted for effects of the Consideration Shares of RMB917,118,000.

(10) *The effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year*

The financial effect of the Proposed Acquisition on the earnings per share of the Company for the financial year ended 31 December 2014 assuming that the Proposed Acquisition had been effected on 1 January 2014 would be as follows:

	FY2014 2014	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to owners of the Company (RMB'000)	262,416	262,416	351,802[2]
Weighted average number of shares used in the computation of basic EPS ('000)	9,057,785	9,057,785	10,617,785
Basic EPS (RMB cents)[1]	2.90	2.90	3.31

Notes:

(1) Basic EPS is computed based on the weighted average number of shares for the full financial year.

(2) For the purpose of illustration, the Company has assumed that the net total assets of the Target Group approximate its fair value and the impact of PPA exercise to the profit and loss has not been factored. The actual impact will differ depending on the outcome of the PPA. In addition, interest expenses in relation to the Parent Company Loan have not been factored. No adjustments have been made to align any differences that may result from the adoption of different accounting standards and policies by the Group.

(11) The rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transaction

The Company is of the view that the Proposed Acquisition will be in the best interests of the Group. The Group is an active investor and operator of water and environmental related assets. The Target Group engages in waste water treatment in Shanghai City, Jiangsu, Zhejiang and Guangdong provinces in the PRC.

The Proposed Acquisition is a strategic addition and complementary to the Group's existing business and operational capabilities. In addition, the location of the Target Group has a strategic significance to the Group as it would potentially serve as a platform for the Group to secure more opportunities in the respective regions.

Overall, the Proposed Acquisition presents an opportunity for the Group to acquire a business in the same industry and is in line with the Group's ordinary course of business, with a view to expand the Group's current business operations including expansion in the Group's geographical coverage and daily treatment capacity, thereby enhancing shareholders' value.

(12) Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests

None of the directors of the Company ("**Directors**"), substantial shareholders or controlling shareholders has any interest, direct or indirect, in the Proposed Acquisition.

(13) Details of any service contracts of the directors proposed to be appointed to the issuer in connection with the transaction

No Director is proposed to be appointed to the Company in connection with the Proposed Acquisition.

<u>Document for Inspection</u>

The SPA 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 #37-03, Singapore 039192 for three (3) months from the date of this announcement.

By Order of the Board

Feng Jun
Executive Director

24 March 2015