

THE PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN DALIAN ZIGUANG WATER TREATMENT CO., LTD (“DLZG”) AND DALIAN ZIGUANG LINGSHUI WASTE WATER TREATMENT CO., LTD (“DLZG-LS”) BY THE COMPANY THROUGH ITS SUBSIDIARIES (“PROPOSED ACQUISITIONS”)

1. INTRODUCTION

- 1.1** The Board of Directors (“**Board**”) of SIIC Environment Holdings Ltd. (“**Company**”) and with its subsidiaries, collectively “**Group**”) wishes to announce that it has on 30 November 2017, through its 75.5% subsidiary SIIC Environment Holdings (Weifang) Co., Ltd (“**SIIC-WF**”), entered into a sale and purchase agreement (“**SPA-I**”) governed by the laws of the People’s Republic of China (“**PRC**”) with Thunip Corp., Ltd. (“**Vendor I**”) and Ms. Zhang Li (“**Vendor II**”), pursuant to which SIIC-WF will acquire 52% equity interest in DLZG from Vendor I, and the remaining 48% equity interest in DLZG from Vendor II.
- 1.2** The Company has also on 30 November 2017, through SIIC-WF and the Company’s wholly-owned subsidiary, Hong Kong Jinhaide Holdings Limited (“**JHD**”), entered into another sale and purchase agreement (“**SPA-II**”) governed by the laws of the PRC with the Vendor I and Times International Industries Limited (“**Vendor III**”), pursuant to which, SIIC-WF shall acquire 55% equity interest in DLZG-LS from Vendor I and the Company shall acquire the remaining 45% equity interest in DLZG-LS from Vendor III.
- 1.3** DLZG is a project company incorporated under the laws of the PRC on 26 September 2003 and in charge of the Tiger Beach Water Treatment Project (“**Tiger Beach Project**”) in Dalian City, Liaoning Province, PRC, as at the date of the SPA-I, the registered and paid-up capital of DLZG is RMB30,000,000. DLZG-LS is a project company incorporated under the laws of the PRC and in charge of Lingshui River Waste Water Treatment Project (“**Lingshui River Project**”), as at the date of the SPA-II, the registered and paid-up capital of DLZG-LS is RMB20,000,000. The Tiger Beach Project is under construction of extension and upgrading from 80,000 tons / day to 90,000 tons / day and from grade 1B to grade 1A. The Lingshui River Project is under construction of extension and upgrading from 60,000 tons / day to 80,000 tons / day and from grade 1B to grade 1A.

2. RULE 1006 OF THE SGX-ST LISTING MANUAL

- 2.1** The relative figures⁽¹⁾ in relation to the Proposed Acquisitions pursuant to Rule 1006 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual (“**Listing Manual**”), using the latest audited consolidated accounts of the Group for FY2016 , are:-

Bases	Relative Figures (%)
(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 ⁽²⁾ attributable to the assets acquired or disposed of, compared with the Group’s net profits ⁽²⁾	1.92 ⁽³⁾
(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	3.34 ⁽⁴⁾

Bases	Relative Figures (%)
(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) The Company has aggregated the Proposed Acquisitions for the purpose of calculating the relevant figures pursuant to Rule 1006 of the Listing Manual.
- (2) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) Based on the financial results of DLZG and DLZG-LS for 2016, the net profits of the DLZG and DLZG-LS was an aggregate of RMB12,776,000 (or approximately S\$2,604,000 based on the illustrative exchange rate of SGD1: RMB4.9058 (the "**Illustrative Exchange Rate**")). Based on the Group's audited financial results for FY2016, the Group had a net profit of RMB664,517,000 for FY2016.
- (4) Based on the total consideration for the Proposed Acquisition of approximately S\$41,885,000 (based on the Illustrative Exchange Rate) and the market capitalisation of the Company of approximately S\$1,254,290,000 as at 29 November 2017 (being the market day preceding the date of SPA-I and SPA-II). 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 2,606,588,726, shares by the weighted average price of S\$0.481 of such shares transacted on 29 November 2017 (being the market day preceding the date of SPA-I and SPA-II).

2.2 As the relative figures under Rule 1006(c) does not exceed 5%, the Proposed Acquisitions constitutes a "**Non-Discloseable Transaction**" as defined in Chapter 10 of the Listing Manual. Accordingly, shareholders' approval is not required for the Proposed Acquisitions.

3. INFORMATION TO BE ANNOUNCED UNDER RULE 1008 AND RULE 1010 OF THE LISTING MANUAL

3.1 Rule 1010(3) of the Listing Manual

Rule 1008, read with Rule 1010(3) of the Listing Manual, requires that in the event the Company makes an announcement in respect of a non-disclosable transaction, the Company shall announce 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.

3.1.1. Consideration

The consideration in respect of the SPA-I is RMB 108,480,000 ("**SPA-I Consideration**") and the consideration in respect of the SPA-II is RMB 97,000,000 ("**SPA-II Consideration**"). The aggregate value of the consideration for the Proposed Acquisitions is RMB 205,480,000 (equivalent to approximately S\$41,886,000 based on the Illustrative Exchange Rate) ("**Aggregate Consideration**"), to be satisfied fully in cash.

3.1.2 Terms of Payment

The terms of payment of SPA-I are as follows:

- (a) Within five (5) Business Days after the execution of the SPA-I, the first payment of RMB 26,400,000 shall be made to the Vendors by SIIC-WF as deposit, RMB 13,730,000 out of which shall be paid to Vendor I and the balance, being RMB 12,670,000 shall be paid to Vendor II.
- (b) On the Completion Date, SIIC-WF shall pay RMB 42,679,600 to Vendor I and RMB 31,860,400 to Vendor II.
- (c) The balance of RMB 7,540,000 ("**Last Payment I**") shall be paid subject to the following arrangements:
 - (i) Vendor II shall file income tax with and obtain the notice of payment ("**Tax Notice**") from the relevant taxation authority, a photocopy of the Tax Notice shall be provided to SIIC-WF by Vendor II;
 - (ii) In the event that the amount of the tax as stated on the Tax Notice ("**Tax Amount**") is the same as the Last Payment I, SIIC-WF shall make payment of the Tax Amount to the relevant taxation authority for Vendor II within five (5) Business Days after the receipt of the photocopy of the Tax Notice;
 - (iii) In the event that the Tax Amount is less than the Last Payment I, SIIC-WF shall make payment of the Tax Amount to the relevant taxation authority for Vendor II within five (5) Business Days after the receipt of the Tax Notice and make payment of the balance of the Last Payment I to Vendor II within five (5) Business Days after the payment of the Tax Amount;
 - (iv) In the event that the Tax Amount is more than the Last Payment I, SIIC-WF is only obligated to make payment of the Last Payment I to the relevant taxation authority for Vendor II III within five (5) Business Days after the receipt of the Tax Notice and the outstanding amount shall be solely borne by Vendor II and such payment shall be made within five (5) Business Days after the receipt of the Tax Notice by Vendor II or by the deadline as set out in the Tax Notice. Vendor II shall inform SIIC-WF within three (3) Days after the payment of the outstanding Tax Amount with the payment certificate. In the event that Vendor II fails to make payment of the outstanding Tax Amount promptly, SIIC-WF can make payment of such amount to the relevant taxation authority first and shall be indemnified by the Vendor II.

The terms of payment of SPA-II are as follows:

- (a) Within five (5) Business Days after the execution of the SPA-II, the first payment of RMB 23,600,000 shall be made to the Vendors by SIIC-WF and JHD as deposit, RMB 12,980,000 out of which shall be paid to Vendor I by SIIC-WF and the balance, being RMB 10,620,000 shall be paid to Vendor III by JHD.
- (b) On the Completion Date, SIIC-WF shall pay RMB 40,370,600 to Vendor I and JHD shall pay RMB 29,430,000 to Vendor III.

- (c) The balance of RMB3,600,000 (“**Last Payment II**”) shall be paid subject to the following arrangements:
- (i) The Vendor III shall file income tax with and obtain the Tax Notice from the relevant taxation authority, a photocopy of the Tax Notice shall be provided to JHD by Vendor III;
 - (ii) In the event that the Tax Amount is the same as the Last Payment II, JHD shall make payment of the Tax Amount to the relevant taxation authority for Vendor III within five (5) Business Days after the receipt of the Tax Notice;
 - (iii) In the event that the Tax Amount is less than the Last Payment II, JHD shall make payment of the Tax Amount to the relevant taxation authority for Vendor III within five (5) Business Days after the receipt of the Tax Notice and make payment of the balance of the Last Payment to Vendor III within five (5) Business Days after the payment of the Tax Amount;
 - (iv) In the event that the Tax Amount is more than the Last Payment II, SIIC-WF is only obligated to make payment of the Last Payment II to the relevant taxation authority for Vendor III within five (5) Business Days after the receipt of the Tax Notice and the outstanding amount shall be solely borne by Vendor III and such payment shall be made within five (5) Business Days after the receipt of the Tax Notice by Vendor III or by the deadline as set out in the Tax Notice. Vendor III shall inform JHD within three (3) Days after the payment of the outstanding Tax Amount with the payment certificate. In the event that Vendor III fails to make payment of the outstanding Tax Amount promptly, JHD can make payment of such amount to the relevant taxation authority first and shall be indemnified by the Vendor III.

3.1.3 *Basis of the SPA-I Consideration and SPA-II Consideration*

Each of the SPA-I Consideration and SPA-II Consideration was arrived after taking into consideration:

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

3.2 **Rule 1010(5) of the Listing Manual**

Rule 1008, read with Rule 1010(5) of the Listing Manual, requires that in the event the Company makes an announcement in respect of a non-discloseable transaction, the Company shall announce 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 31 December 2016, the net tangible asset value of the entire equity interest of DLZG and DLZG-LS was RMB25,098,000.

For the purpose of the Proposed Acquisitions, the Company has appointed Shanghai International Tendering Co., Ltd. (上海国际招标有限公司) as the independent valuer (“**Independent Valuer**”) to conduct a valuation of the equity interests of DLZG and DLZG-LS as at 30 June 2017 (the “**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 DLZG and DLZG-LS respectively, 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 discounted cash flow methodology to determine the fair value estimate. The Independent Valuer has relied on certain assumptions for its valuation analysis.

In the report issued by the Independent Valuers dated 27 October 2017 (the “**Valuation Report**”), after due consideration of the key assumptions, limitations and valuation basis, the estimated fair value of all the equity interest of DLZG-LS as determined by the Independent Valuer ranges between RMB 83,610,000 and RMB 99,730,000. The estimated fair value of all the equity interest of DLZG as determined by the Independent Valuer ranges between RMB 101,480,000 and RMB 119,810,000.

4. DOCUMENT FOR INSPECTION

The SPA-I, SPA-II 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
30 November 2017