



Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: SIIC Environment Holdings Ltd.

Stock code: BHK

Meeting details:

Date: 29 June 2020

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the Corporate Profile, the group is an active investor and operator in the environmental protection industry, with an operating history of more than 15 years in China. It currently has an overall portfolio of more than 200 water treatment and supply projects, 8 waste incineration projects and 10 sludge treatment projects across 19 municipalities and provinces in China, namely Shandong, Guangdong, Hubei, Hunan, Jiangsu, Shanghai, Zhejiang, Jiangxi, Anhui, Fujian, Guangxi, Ningxia, Henan, Liaoning, Inner Mongolia, Shanxi, Sichuan, Jilin and Heilongjiang.

The 200+ water treatment and supply projects account for a total capacity of nearly 12 million tonnes/day.

In 2019, the group acquired 8 new concessionary and O&M projects, together with 5 wastewater treatment plant expansion and upgrading projects amounting to a total capacity of 720,000 tonnes/day.

- (i) **How does the group acquire new concessionary and O&M projects?**
- (ii) **For the benefit of new shareholders, can management help shareholders understand the typical development time frame for a new wastewater treatment plant?**
- (iii) **What are the main factors affecting the pace of upgrades for the existing wastewater treatment projects?** As noted in the chairman's statement, the group's average wastewater treatment tariff rose from RMB1.11/tonne to RMB1.28/tonne, with a year-over-year increase of 15%.
- (iv) The group has 5 business units, namely Central (Wuhan Business Unit), South (Nanfang Business Unit), North (Weifang Business Unit), Northeast (Longjiang Business Unit) and East (Fudan Business Unit), managing more than 200 water treatment and supply projects. **How does management ensure that water quality/discharge of all the projects meet the water quality standards?**

Q2. In the waste incineration business, the group achieved a major milestone with the award of a new waste incineration power generation project known as the Shanghai Baoshan Renewable Energy Utilization Center Project, along with partners Baowu Environment and Canvest Environmental Protection. The group will build up the 3,800 tonnes/day project as a national and global benchmarking project of community environmental services.

As a pilot city for waste sorting in China, Shanghai implemented the Shanghai Domestic Waste Management Regulations in July 2019. The project is expected to become the first innocuous domestic waste treatment facility to be built after the implementation of mandatory waste sorting practices in Shanghai.

The total investment of the project is expected to be approximately RMB3.041 billion.

- (i) **What is the expected contribution in terms of technology, know-how, capital and human resources by the group and by the two partners?**
- (ii) **When will the new project be operational?**
- (iii) **Will the group be strategically growing its portfolio of waste incineration/waste-to-energy assets?** Currently, across the group's 8 waste incineration projects, the total capacity is 8,800 tonnes/day.

Q3. As disclosed in Note 12 of the Directors' statement, the group has a gearing ratio of 1.01x as at 31 December 2019. Gearing ratio equals net debt as a percentage of total equity as of the end of the period. Net debt includes bank and other borrowings and lease liabilities/finance lease less cash and cash equivalents.

- (i) **Has the board set a limit to the group's gearing ratio?**
- (ii) **What is the cost of capital?**

The group has total borrowings of RMB14.4 billion. As seen in Note 34 (page 234 – Bank and other borrowings), bank loans amounted to RMB12.36 billion. Variable-rate borrowings of the group totalled RMB11.32 billion. The interest rates for the group's floating rate borrowings are between 0.80% to 8.78% in 2019, up from 0.80% to 5.65% in 2018.

The group utilises mainly bank loans to fund its investments.

- (iii) **Has the board/management evaluated other sources of funding, such as medium term notes, corporate bonds, to diversify its sources of funding and to lower its cost?**

[^]Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)



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