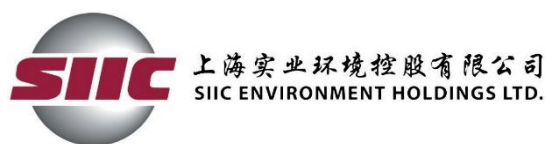


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## **SIIC ENVIRONMENT HOLDINGS LTD.**

### **上海實業環境控股有限公司\***

*(Incorporated in the Republic of Singapore with limited liability)*

**(Hong Kong stock code: 807)**

**(Singapore stock code: BHK)**

#### **RESPONSES TO QUESTIONS RECEIVED FROM SHAREHOLDERS AND SECURITIES INVESTORS ASSOCIATION (SINGAPORE) FOR THE 29 JUNE 2020 ANNUAL GENERAL MEETING**

The Board of Directors of SIIC ENVIRONMENT HOLDINGS LTD. (“**SIIC Environment**” or the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the publishing of its annual general meeting related documents on the SGXNET and SEHK on 26 May 2020 and 27 May 2020. As at 10.00 a.m. on 25 June 2020, the Company has received the following questions from shareholders and Securities Investors Association (Singapore) (“**SIAS**”). The Company wishes to provide its responses as below:

#### **Section A - Questions from Shareholders:**

##### **Question 1:**

Provide an update on the current business status, and the outlook of the company, including any extra-ordinary measures, in view of COVID-19?

##### **Response to Question 1:**

Since the outbreak occurred, the Group instantly established a disease prevention and control command center. Business units and project companies assembled multi-level disease prevention and control mechanism. These actions aimed to control and guarantee all projects’ operation remain normal and steady, providing citizens with safe water supply and treating wastewater under national standards.

With the outbreak under control in April, all provinces and cities in China have gradually opened up. Construction of projects that was lagging behind due to the epidemic is now carrying out smoothly in accordance with the agreed timeline.

Based on the available information to date, the Group considered that is not expected to have any

material impact on the FY2020 result of the Company. The Group will also continue to monitor the ongoing situation and assess the impact of the outbreak on the Group's operations in the immediate future.

In response to the COVID-19, we have equipped our employees with protective equipment such as masks, sanitizer, protective clothing, and goggles. Through reasonable deployment of operating personnel, closed production and operation management, and the transfer of employees to and from work by dedicated vehicles, we have effectively reduced the risk of cross-contamination. Other measures including strict body temperature measurements for personnel entering the factory area, reducing nonessential on-site work shifts, cleaning and disinfecting production areas and public areas at regular intervals every day have also been adopted.

**Question 2:**

Does the company have a fixed dividend policy?

**Response to Question 2:**

Although the Group does not have a fixed dividend policy, but the Group has been consecutively declaring dividend in the past three years and will make necessary arrangements depending on the situation.

**Question 3:**

The group had invested RMB 3.3millions in quoted equity shares.

- (i) Are these shares in the water industry?
- (ii) Where are they listed on?
- (iii) Any plan to hold on for long term or will dispose them off when there is a good price?

**Response to Question 3:**

- (i) The quoted equity, Giti Tire Corporation is not in the water industry.
- (ii) It is listed on Shanghai Stock Exchange, Stock Code: 600182.
- (iii) The investment is managed under Longjiang Environmental Protection Group Co., Ltd. and belongs to a short-term investment instrument and the Group will dispose them off when there is an opportunity arose.

**Question 4:**

The group interest in associates have been loss making so far.

Any plan from the management look into selling off the stake? If not, will the management look to turn the business around?

**Response to Question 4:**

The management has been continuously monitoring and evaluating the performance of the Group's respective associates and will be making the necessary arrangements either through selling off the stake or polishing management.

**Question 5:**

Gearing ratio of the group stands at 1.01.

- (i) Will the group look into reducing the gearing ratio moving forward?
- (ii) Does the group have a ratio that they are comfortable with?

**Response to Question 5:**

Management has been committed to controlling and improving the Group's leverage ratio and will maintain a relatively reasonable and healthy leverage ratio in accordance with the Group's development strategy.

**Section B - Questions from SIAS:****Question 6:**

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?

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%.

- (iii) What are the main factors affecting the pace of upgrades for the existing wastewater treatment projects?

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.

- (iv) How does management ensure that water quality/discharge of all the projects meet the water quality standards?

### Response to Question 6:

- (i) As our customers are usually governments, in general we will need to acquire new projects via a public tender or competitive negotiation except those upgrading or expansion projects for some of our existing projects.
- (ii) The typical development time frame for a new wastewater treatment plant is about 1 to 2 years according to the size and water quality standards of the plant.
- (iii) The Action Plan for Water Pollution Prevention and Control issued by the State Council of China has emphasized that existing wastewater treatment facilities should be modified or upgraded according to local situations and needs to higher discharge standards by the end of 2020. Given stricter environmental requirements and robust Governmental initiatives of improving treated discharge standards, the Group is getting orders from local governments to upgrade wastewater treatment facilities with new tariffs and new commercial terms. Upgrading of existing wastewater treatment infrastructure has been remaining a key business focus of the Group for the past few years. As result of gradual completion of upgrading work, the group's average wastewater treatment tariff has been risen accordingly.
- (iv) Several ways to ensure the discharge water or water quality of each projects meet the standard such as:  
Strict internal quality control - undergo sampling and testing of water quality at each treatment stage daily  
Supervision from third party – relevant government departments will go through testing and verifying the quality of the discharge wastewater or treated water at our plant frequently.

### Question 7:

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 (“**Baoshan 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?

Currently, across the group's 8 waste incineration projects, the total capacity is 8,800 tonnes/day.

- (iii) Will the group be strategically growing its portfolio of waste incineration/waste-to-energy assets?

**Response to Question 7:**

- (i) Three Parties will utilize our respective strengths such as capital management, team building, researching and developing advanced technology, and project management experience to actively participate in the Baoshan Project. The Group determined to build a national benchmark and expected to be superior to current environmental standard of waste incineration project.
- (ii) The new project is expected to commence operation in the first half of 2022.
- (iii) Yes, the Group will be continuing to grow its portfolio of waste incineration assets.

**Question 8:**

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?

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.

- (ii) 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?

**Response to Question 8:**

- (i) The board has been closely monitoring the Group's gearing ratio. Since the Group is still under development stage and the industry which the Group operating belongs to the capital intensive industry, the board has not set a limit to the Group's gearing ratio.
- (ii) The board has been evaluating diverse sources of funding to reduce finance cost.

By Order of the Board  
**SIIC Environment Holdings Ltd.**  
**Mr. Xu Xiaobing**  
*Executive Director*

Hong Kong and Singapore, 26 June 2020

*As at the date of this announcement, the non-executive Chairman is Mr. Zhou Jun; the executive Directors are Mr. Feng Jun, Mr. Xu Xiaobing, Mr. Yang Jianwei, Mr. Huang Hanguang and Mr. Zhao Youmin; and the independent non-executive Directors are Mr. Yeo Guat Kwang, Mr. An Hongjun and Mr. Zhong Ming.*

*\* For identification purpose only*