UNITED ENVIROTECH LTD
(Incorporated in the Republic of Singapore)
(Company registration no.: 200306466G)

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(1) REPLY TO SGX-ST QUERIES REGARDING THE ANNOUNCEMENT MADE ON 29 JULY 2013 IN RELATION TO THE PROPOSED ACQUISITION OF THE BUSINESS, ASSETS AND PRINCIPAL SUBSIDIARIES OF MEMSTAR TECHNOLOGY LTD BY UNITED ENVIROTECH LTD (THE "PROPOSED ACQUISITION"); AND

(2) ELABORATION ON THE RATIONALE OF THE PROPOSED ACQUISITION SET OUT IN THE ANNOUNCEMENT MADE ON 29 JULY 2013

REPLY TO SGX-ST QUERIES REGARDING THE ANNOUNCEMENT MADE ON 29 JULY 2013 IN RELATION TO THE PROPOSED ACQUISITION

The Board of Directors (the "**Board**") of United Envirotech Ltd (the "**Company**") refers to the queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in relation to the announcement made by the Company on 29 July 2013 in relation to the Proposed Acquisition (the "**Company's July Announcement**") and wishes to respond to such queries as set out below:

Unless otherwise expressly specified, capitalised terms herein shall bear the same meanings as defined in the Company's July Announcement.

Question 1 : ***We note on 9 January 2013 that there was an announcement on the proposed acquisition of 130,000,000 ordinary shares in the capital of, and amounting to approximately 4.89% of the existing issued and paid-up share capital of Memstar Technology Ltd. ("MTL") from Dr. Ge Hailin and 220,000,000 ordinary shares in the capital of, and amounting to approximately 8.28% of the existing issued and paid-up share capital of MTL from Ms. Pan Shuhong ("January Transaction").***

Listing Rule 1005 states that "In determining whether a transaction falls into a category (a), (b), (c) or (d) of Rule 1004, the Exchange may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction. In view of this, please address the following:

(a) Please aggregate the Proposed Acquisition together with the January Transaction and present the relative figures computed on the bases under Listing Rule 1006.

(b) Please advise if there will be any change in controlling interest after the Proposed Acquisition and the basis for the Company's opinion. Please illustrate this by providing a shareholding interest table showing the shareholding interests before and after the completion of the Proposed Acquisition. In the aforementioned shareholding interest table to be provided, please include the shareholding interest information of the individual substantial shareholders as well as the Vendors.

Response to Question 1 : (a) The relative figures in relation to the Proposed Acquisition and the January Transaction computed on the applicable bases set out in Rule 1006 of the Listing Manual ("Rule 1006") are as follows:

Rule 1006	**Bases**	**Relative Figures (%)**
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable to an acquisition of assets
(b)	Net profits [1] of S$19,537,200 [2] in aggregate which are attributable to the assets [3] to be acquired or acquired pursuant to the Proposed Acquisition and the January Transaction, compared with the Group's net profits of S$39,139,000 for the financial year ended 31 March 2013 ("**FY 2013**") [4]	49.92
	Net profits of S$3,307,000 [5] in aggregate which are attributable to the assets to be acquired or acquired pursuant to the Proposed Acquisition and the January Transaction, compared with the Group's net profits of S$7,503,000 for 1Q FY2014 [6]	44.08
(c)	Aggregate value of the consideration of S$328,414,807 [7] to be given or given pursuant to the Proposed Acquisition and the January Transaction, compared with the Company's market capitalisation of S$602,033,955.60 as at 26 July 2013, being the Market Day preceding the date of the S&P Agreement during which the Shares were traded [8]	54.55
(d)	Aggregate of 218,055,550 [9] equity securities to be issued or issued as consideration for the Proposed Acquisition and the January Transaction, compared with the 594,132,000 equity securities previously issued	36.70

Notes:-

(1) "Net profits" is defined as profit or loss before income tax, minority interests, and extraordinary items.

(2) Based on the aggregation of (i) net profit of S$19,043,200 (based on the Vendor's 12-month financial for year ended 30 June 2012, less 9-month financial for three quarters ended 31 March 2012 and the 9-month financial for three quarters ended 31 March 2013) attributable to the Proposed Acquisition and (ii) net profit of S$494,000 attributable to the January Transaction (the said figure of S$494,000 having been disclosed under Paragraph 8 of the Company's announcement dated 9 January 2013 in relation to the January Transaction (the "**January Announcement**")).

(3) Assets comprise (i) the Sale Shares and the Sale Assets to be acquired

pursuant to the Proposed Acquisition and (ii) the 350,000,000 shares acquired pursuant to the January Transaction (the "**January Shares**").

(4) Based on the consolidated unaudited net profits of the Group for the year ended 31 March 2013 announced on 28 May 2013, and the consolidated unaudited net profits attributed to the (i) Sale Shares and Sale Assets based on the Vendor's 12-month financial for year ended 30 June 2012, less 9-month financial for three quarters ended 31 March 2012 and the 9-month financial for three quarters ended 31 March 2013, and the (ii) January Shares based on the three-month period ended 30 September 2012.

(5) Based on the aggregation of (i) net profit of S$2,813,000 (based on the Vendor's 3-month financial for third quarter period ended 31 March 2013) attributable to the Proposed Acquisition and (ii) net profit of S$494,000 attributable to the January Transaction (the said figure of S$494,000 having been disclosed in the January Announcement).

(6) Based on the consolidated unaudited net profits of the Group for the first quarter period ended 30 June 2013 announced on 5 August 2013, and the consolidated unaudited net profits attributed to the (i) Sale Shares and Sale Assets based on the Vendor's 3-month financial for third quarter period ended 31 March 2013 announced on 14 May 2013, and the (ii) January Shares based on the three-month period ended 30 September 2012.

For the purposes of footnote (6) above, the Company notes that the Vendor has yet to announce its financial results for its fourth quarter period ended 30 June 2013. As and when the Vendor announces its financial results for such fourth quarter period, the Company may make the appropriate disclosure to compare the Vendor's financial results for its fourth quarter period against the Company's financial results for the same period ended 30 June 2013.

(7) Based on the aggregation of the value of purchase consideration of (i) S$293,414,807 attributable to the Proposed Acquisition and (ii) S$35,000,000 attributable to the January Transaction.

(8) The market capitalisation is calculated based on S$1.0133 per Share, being the volume weighted average price of the Shares traded on 26 July 2013.

(9) Based on the aggregation of equity securities to be issued as consideration of (i) 200,055,550 ordinary Shares pursuant to the Proposed Acquisition and (ii) 18,000,000 ordinary Shares pursuant to the January Transaction.

(b) On completion of the Proposed Acquisition, the Vendor will hold more than 15% of the shares in the capital of the Company (based on an enlarged share capital of the Company of 794,187,550 shares, following the issuance by the Company of 200,055,550 Consideration Shares). However, as disclosed in the Vendor's announcement released on the SGX-ST on 29 July 2013 (the "**Vendor's Announcement**"), the Vendor intends to distribute the Consideration Shares to its shareholders via the Proposed Distribution or the Voluntary Liquidation (each term as defined in the Vendor's Announcement). On the basis that all the Consideration Shares are distributed by the Vendor to its shareholders, Ge Hailin and Pan Shuhong (both shareholders of the Vendor) will hold in aggregate (in addition to their existing shares in the capital of the Company) 1.69% (assuming his existing options under the ESOS have been fully exercised) and 10.78% of the enlarged share capital of the Company, respectively. Accordingly, following such distribution by the Vendor, none of the shareholders of the Vendor will hold 15% or more of the enlarged share capital of the Company and become controlling shareholders of the Company as a result.

Assuming all the Company's Convertible Bonds are duly converted, KKR China Water Investment Holdings Limited ("**KKR**") would be the single largest shareholder of the Company, both before and after the Proposed Acquisition.

Before the Proposed Acquisition, KKR will hold 403,536,007 Shares, representing 41.48% of the Shares in the capital of the Company (assuming full conversion of the Convertible Bonds and full exercise of existing options under the ESOS, resulting in the enlarged share capital of 972,832,007 Shares).

After completion of the Proposed Acquisition, KKR will hold 403,536,007 Shares, representing 34.41% of the Shares in the capital of the Company (assuming full conversion of the Convertible Bonds and full exercise of existing options under the ESOS, resulting in the enlarged share capital of 1,172,887,557 Shares).

Please refer to Appendix 1 for further information on the relevant shareholding interests in the Company before and after the completion of the Proposed Acquisition.

Question 2 : ***Please disclose if any independent valuation has been done for the Sale Assets. If a valuation has been done, please disclose the information required under Listing Rule 1010(5). If no valuation has been done, please explain why.***

Response to Question 2 : No independent valuation has been done for the Sale Assets.

In arriving at the Purchase Consideration, the Company has considered several factors, including but not limited to the following:

(i) In-house demand for membranes

The Company has been an active user of membranes and is expecting such in-house demand to increase. In assessing the Purchase Consideration, it has considered its in-house demand of membranes which will come from its (a) upcoming EPC projects; (b) replacement membranes for its water and wastewater treatment plants; and (c) intended continued acquisition of water and wastewater treatment plants which may require membranes to operate;

(ii) the international sales and growth potential of the membrane business;

(iii) the benefits of potential vertical integration and ability to provide one-stop solutions to its customers; and

(iv) an assessment of the product quality of the membranes, through conducting interviews with customers and suppliers and consulting with industry experts.

Please read the above in conjunction with the second part of this announcement, which elaborates on the rationale of the Proposed Acquisition as set out in the Company's July Announcement.

Question 3 : ***Please disclose the introducer/ arranger involved in this Proposed Acquisition and the amount and type of fees (whether it is by cash, shares or a combination of both) involved, if any.***

Response to : The deal was brought to the Company by Stirling Coleman, which has

Question 3		been appointed by the Vendor as its arranger. The Company has not appointed Stirling Coleman or any other person as its arranger for the Proposed Acquisition.
Question 4	:	***(a) Please disclose the factors that were taken into account to arrive at the Purchase Consideration of S$293,414,807 as required under Listing Rule 1010(3).*** ***(b) Please provide how much of the existing and enlarged share capital of the Company does the issuance of 200,055,550 new ordinary shares represent.***
Response to Question 4	:	(a) Please refer to Response to Question 2 above. (b) Based on the Issue Price of S$1.10 per Consideration Share, an aggregate number of up to 200,055,550 Consideration Shares will be issued to the Vendor, representing approximately 25.19% of the enlarged share capital of the Company (assuming the 200,055,550 Consideration Shares have been fully issued), and approximately 17.06% of the enlarged fully-diluted share capital of the Company (assuming (i) the 200,055,550 Consideration Shares have been fully issued, (ii) the Company's existing Convertible Bonds have been fully converted and (iii) the Company's existing options under the ESOS have been fully exercised).
Question 5	:	***Please provide how much of the existing and enlarged share capital of the Company does the issuance of 26,250,000 Consideration Shares represent.***
Response to Question 5	:	This represents approximately 3.31% of the enlarged share capital of the Company (assuming the 200,055,550 Consideration Shares have been fully issued), and approximately 2.24% of the enlarged fully-diluted share capital of the Company (assuming (i) the 200,055,550 Consideration Shares have been fully issued, (ii) the Company's existing Convertible Bonds have been fully converted and (iii) the Company's existing options under the ESOS have been fully exercised).
Question 6	:	***Please disclose Ge Hailin and Pan Shuhong's roles in MTL.***
Response to Question 6	:	Ge Hailin is the Chief Executive Officer of MTL. His current responsibilities include day-to-day operations in relation to the membrane business. Pan Shuhong is the Executive Chairman of MTL. Her current responsibilities include business strategy formulation and corporate directions in relation to the membrane business.
Question 7	:	***The NTA of 41.64 cents per share before the transaction appears to be different from that in the full year results and annual report. Please clarify if the NTA presented in the Announcement is correct and also provide the source that the NTA figure of S$247,376,000 and number of shares of 594,132,000 is gotten from.***

Response to Question 7 : Under Section 8.2, Page 7 of the Company's July Announcement, the Company has treated the convertible bond reserve of S$22,520,000 in equity as liabilities when calculating NTA before the Proposed Acquisition. This is to reflect the fact that the number of shares of 594,132,000 before the Proposed Acquisition assumes no conversion of any Convertible Bonds, as such, the Company has treated the Convertible Bonds as liabilities when calculating NTA.

Without the aforementioned treatment, before the Proposed Acquisition the NTA should read as S$269,896,000 and NTA per Share should read as 45.43 cents. After the completion of the Proposed Acquisition, under Scenario 2 (assuming no conversion of any Convertible Bonds and no exercise of any Outstanding Options), the NTA should read as S$304,851,898 and the NTA per share should read as 38.39 cents.

Question 8 : ***(a) Please explain why the net profits of S$19,043,200 under Listing Rule 1006(b) is different from the net profits of S$14,733,000 under Para 9.2.***

(b) Please confirm that the Company had complied with the requirements under Listing Rule 1003 when calculating the relative figures under Listing Rule 1006(c).

Response to Question 8 : (a) Net profits of S$19,043,200 as disclosed under Listing Rule 1006(b) is defined as profit before income tax, minority interests, and extraordinary items, based on the period commencing on 1 April 2012 and ended 31 March 2013.

Conversely, net profits of S$14,733,000 as disclosed under Para 9.2 is computed on the basis of profit after income tax, minority interests, and extraordinary items, based on the period commencing on 1 April 2012 and ended on 31 March 2013.

(b) The value of the 200,055,550 Consideration Shares to be issued by the Company (as part consideration out of the aggregate Purchase Consideration of S$293,414,807 given), at the issue price of S$1.10 each, is greater than:

(i) the market value of such Consideration Shares, being S$1.0133 per Share, based on the volume weighted average price of the Shares traded on 26 July 2013; and

(ii) the net asset value represented by such Consideration Shares, being S$0.4710[1] per Share.

Accordingly, the Company confirms that it has complied with Listing Rule 1003 in calculating the relative figures under Listing Rule 1006(c).

Note:-

(1) Based on net asset value per Share as at 30 June 2013.

Question 9 : ***Please disclose if any agreement has been entered into regarding the appointment of any persons as director of the Company after the Proposed Acquisition and if any service***

contract will be entered into between the Company and any person after the Proposed Acquisition.

Response to Question 9	:	No person is proposed to be appointed as Director of the Company in connection with the Proposed Acquisition. Ge Hailin shall sign a five (5)-year service contract to serve as vice president and chief technology officer of the Company, upon the terms and conditions to be agreed between him and the Company, which shall be on such terms and conditions no more favourable than those under his existing service agreement with the Vendor. Pan Shuhong shall sign a five (5)-year service contract to serve as vice president and chief investment officer of the Company, upon the terms and conditions to be agreed between her and the Company, which shall be on such terms and conditions no more favourable than those under her existing service agreement with the Vendor.

ELABORATION ON THE RATIONALE OF THE PROPOSED ACQUISITION SET OUT IN THE ANNOUNCEMENT MADE ON 29 JULY 2013

The Board refers to the Company's July Announcement and wishes to provide the following elaboration in relation to the rationale of the Proposed Acquisition.

The Board is of the view that the Proposed Acquisition is in the interest of the Company, after having considered the following factors:

(a) The Proposed Acquisition will transform the Company into a vertically integrated water solutions provider with the ability to offer one-stop solutions to its customers, and gives it a competitive edge in the industry.

Membrane is a critical aspect of the Company's water and wastewater treatment plants projects. Given the intense competition in the industry, the Company's competitiveness may be impacted if it does not offer one-stop solutions to its customers, or have in-house research and development capabilities to ensure the membranes suit its customers' needs and be able to provide technical advice and after sales services to its customers. By offering one-stop solutions to its customers, the Company expects to be able to compete and procure more and bigger projects. The Company's customers are also likely to have greater confidence in it should it acquire in-house R&D capabilities and technical expertise in membrane. It will give the Company a competitive edge when bidding for projects.

Further, the Company focuses on industrial applications in industries such as petrochemical, chemical and textile and dye stuff industries, which typically require high level membrane expertise and technology, as compared to municipal water and wastewater treatment projects. By having a membrane business division, the Company will be able to continually improve and adapt the membranes for various diverse applications and respond to its customers' needs within a quicker response time.

(b) The Company has strong in-house demand and recurring purchases for membranes.

The Company has been an active user of membranes in its Engineering Procurement and Construction ("**EPC**") projects and its water and wastewater treatment plants, which it operates on a Build-Operate-Transfer/Transfer-Operate-Transfer basis. These projects require membranes when they are first built and will need membrane replacement periodically. Going forward, the Company expects its in-house demand for membranes and the recurring replacement demand to increase from (i) its upcoming EPC projects; (ii) replacement membranes for its water and wastewater treatment plants, as well as prior EPC customers; and (iii) it intends to continue the acquisition of water and wastewater treatment plants which may require membranes to operate.

(c) Good international membrane sales prospect

MTL's products have received recognition by international customers from Asia and the United States. As a testimony to its product quality, it has been manufacturing and supplying membrane products for Hydranautics since 2012. Hydranautics is a wholly-owned subsidiary of Nitto Denko and is a global leader in the manufacturing and supply of reverse osmosis and ultrafiltration membranes for desalination, wastewater treatment and water reuse. As a combined group, the Company expects the sales of membrane to increase, as it will be able to cross-sell the membrane products through its sales network and extensive customers base both in China and globally.

BY ORDER OF THE BOARD

Dr. Lin Yucheng
Chairman and Chief Executive Officer
7 August 2013

APPENDIX 1

SHAREHOLDING INTERESTS IN THE COMPANY BEFORE AND AFTER THE COMPLETION OF THE PROPOSED ACQUISITION AS AT 29 JULY 2013

	Before the Completion of the Proposed Acquisition (3)				**After the Completion of the Proposed Acquisition** (3)			
	Number of Shares				Number of Shares			
Directors	Direct Interest	Deemed Interest	Total Interest	% (1)	Direct Interest	Deemed Interest	Total Interest	% (2)
Dr. Lin Yucheng	71,761,000	-	71,761,000	12.08	71,761,000	-	71,761,000	9.04
Wang Ning	3,307,200	-	3,307,200	0.56	3,307,200	-	3,307,200	0.42
Lee Suan Hiang	3,000	400,000	403,000	0.07	3,000	400,000	403,000	0.05
Controlling / Substantial Shareholders								
KKR China Water Investment Holdings Limited	98,536,000	-	98,536,000	16.58	98,536,000	-	98,536,000	12.41
Goh Ching Wah	70,695,000	-	70,695,000	11.90	70,695,000	-	70,695,000	8.90
Directors of the Vendor								
Dr Ge Hailin	2,000,000	-	2,000,000	0.34	13,461,329	-	13,461,329 (4) (5)	1.69
Pan Shuhong	24,034,800	-	24,034,800	4.05	85,593,384	-	85,593,384 (5)	10.78

Notes:-

(1) As a percentage of the issued share capital of the Company before the Completion of the Proposed Acquisition, comprising 594,132,000 Shares.

(2) As a percentage of the issued share capital of the Company after the Completion of the Proposed Acquisition, comprising 794,187,550 Shares.

(3) Assuming no conversion of any Convertible Bonds and no exercise of any existing options under the ESOS.

(4) Assuming existing options under the ESOS have been fully exercised.

(5) Assuming that the Vendor distributes the Consideration Shares to its shareholders via the Proposed Distribution or the Voluntary Liquidation, as disclosed in the Vendor's Announcement.