

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

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**PROPOSED ACQUISITION OF THE BUSINESS, ASSETS AND PRINCIPAL SUBSIDIARIES  
OF MEMSTAR TECHNOLOGY LTD BY UNITED ENVIROTECH LTD. (THE “TRANSACTION”)**

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**1. THE TRANSACTION**

- 1.1 The Board of Directors (the “**Board**”) of United Envirotech Ltd. (the “**Company**”) is pleased to announce that the Company has on 29 July 2013 entered into a conditional sale and purchase agreement (the “**S&P Agreement**”) with Memstar Technology Ltd. (the “**Vendor**” or “**MTL**”), in relation to (i) the proposed acquisition of 100% of the existing issued and paid-up share capital of MTL’s principal and wholly-owned subsidiary, Memstar Pte. Ltd (the “**Target Company**”), comprising 1,670,383 issued ordinary shares (the “**Sale Shares**”) and (ii) the proposed transfer and/or novation of MTL’s Sale Assets (as defined below) to the Company or the Target Company, as the case may be, on the terms and subject to the conditions of the S&P Agreement, for an aggregate consideration of S\$293,414,807 (the “**Purchase Consideration**”).
- 1.2 Additional details of the defined terms for the purpose of this Announcement are set out under paragraph 15 (Definitions) of this Announcement below.

**2. INFORMATION ON THE VENDOR AND THE TARGET GROUP**

The Vendor is a public company incorporated in Singapore whose shares are listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

The Target Company, the wholly-owned subsidiary of the Vendor, is a private company limited by shares incorporated in Singapore.

The Target Company, together with its subsidiaries (the “**Target Group**”), is principally engaged in the business of manufacturing and supplying of membrane, membrane products and integrated membrane system, and operation of water plants (the “**Target Group Business**”).

**3. THE PURCHASE CONSIDERATION**

- 3.1. 25% of the Purchase Consideration will be satisfied in cash in the sum of S\$73,353,702 (the “**Cash Consideration**”), and the balance 75% of the Purchase Consideration in the sum of S\$220,061,105 will be satisfied by way of allotment and issuance of 200,055,550 new ordinary shares in the share capital of the Company (the “**Consideration Shares**”) by the Company to MTL at an issue price of S\$1.10 per Consideration Share.
- 3.2 The Purchase Consideration shall be payable in two tranches as follows:

- (a) **First Tranche Payment:** On Completion, the Company shall pay to the Vendor the sum of S\$63,728,702 in cash, and allot and issue to the Vendor 173,805,550 Consideration Shares at S\$1.10 each, representing a value of S\$191,186,105. This represents approximately 22.6% of the enlarged share capital of the Company (assuming the Consideration Shares under the First Tranche Payment have been fully issued), and approximately 15.2% of the enlarged share capital of the Company (assuming the Company's existing Convertible Bonds have been fully converted and its existing options under the ESOS have been fully exercised).
- (b) **Second Tranche Payment:** On a date no later than 2 months after Completion, the Company shall pay to the Vendor S\$9,625,000 in cash, and shall allot and issue 26,250,000 Consideration Shares at S\$1.10 each, representing a value of S\$28,875,000. By virtue of the Company's current shareholdings of 350 million Shares in the Vendor, representing 13.18% of the Vendor's existing share capital, it is proposed that this Second Tranche Payment be set off against the Company's proportionate entitlement in the event of a distribution of shares and/or cash by the Vendor. Such proposed set-off arrangement will be subject to the approval of the SGX-ST.

3.3. The Consideration Shares shall, on allotment and issuance to the Vendor on Completion, (i) be free from all encumbrances to be freely dealt with by the Vendor, (ii) rank *pari passu* with all then existing shares of the Company, (iii) be duly admitted to the official list of the SGX-ST and be freely listed, quoted and tradeable without limitation or restriction on the SGX-ST (save as set out in the listing rules of the SGX-ST), and (iv) not be subject to any moratorium on disposal placed by the Company (save in relation to the Moratorium Undertakings, as defined below) or the SGX-ST or by contractual undertaking or otherwise or under any restrictions by any government authority or regulatory authority restricting the sale and transfer of the Consideration Shares.

3.4. Following the allotment and issuance of the Consideration Shares, the Vendor or its shareholders may as a result hold odd lots of Shares (ie. lots other than board lots of 1,000 Shares). The Parties agree that, upon Completion, the Company will apply to the SGX-ST, at its cost and expense, for the establishment of a temporary counter for a period of one (1) calendar month.

## 4. CONDITIONS

### 4.1. Conditions Precedent for the Completion

The agreement to sell and purchase the Sale Shares and to transfer and/or novate the Sale Assets is conditional upon, and completion shall not take place until, the following conditions have been fulfilled on or prior to the date of completion (the "**Completion Date**") of the S&P Agreement (the "**Completion**"):

- 4.1.1 all licenses, consents, approvals, waivers, authorisations or other orders of and all notices, registrations, submissions or filings as may be necessary with any third party, governmental or regulatory body or relevant competent authority for the entry into and completion of the S&P Agreement by the Parties, being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked, but excluding any requisite approvals from the SGX-ST as may be required or contemplated in respect of any distribution of shares and/or cash by the Vendor and/or the proposed set-off arrangement;

- 4.1.2 approval in-principle being granted by the SGX-ST for the listing of and quotation for the Consideration Shares on the SGX-ST, and such approval not having been revoked or amended;
- 4.1.3 all warranties provided by the Parties (as the case may be) under the S&P Agreement being complied with, and being true, accurate and correct in all material respects as at the date of the S&P Agreement and each day up to and including the Completion Date with reference to the circumstances then existing;
- 4.1.4 the execution and performance of the S&P Agreement by the Parties hereto not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority;
- 4.1.5 no proceedings, applications, petitions or summons having been started or threatened, nor any steps taken thereto by any person with a view to the winding-up of the Company, the Vendor or any company in the Target Group or for the appointment of a receiver, trustee or similar officer over any of them or their respective undertakings, properties or assets; and
- 4.1.6 the satisfactory compliance by the Parties with all provisions of the S&P Agreement.

#### **4.2. Company's Conditions Precedent**

The obligations of the Company under the S&P Agreement are further conditional upon the following matters being fulfilled or done (or waived in writing by the Company):

- 4.2.1 the approval of the shareholders of the Vendor for the Transaction having been obtained, but excluding any requisite approvals from the shareholders of the Vendor as may be required or contemplated in respect of any distribution of shares and/or cash and/or the proposed set-off arrangement;
- 4.2.2 no material adverse change in the prospects, operations or financial conditions of the Target Group occurring on or before the Completion Date;
- 4.2.3 the Company being satisfied, in its reasonable discretion, that the Target Group Business has been carried on in a satisfactory manner, and all approvals and consents required for the Target Group Business have been obtained, and are and shall remain valid and effective on Completion and not withdrawn or amended;
- 4.2.4 the completion of the transfer from the Vendor to the Target Company of all rights, title and interest in and to the Patent in all relevant jurisdictions;
- 4.2.5 the valid and enforceable novation of the Customer Contract from the Vendor to the Target Company;
- 4.2.6 the valid and enforceable novation of the Concession Arrangement Contract from the Vendor to the Target Company;
- 4.2.7 the valid and enforceable transfer of the Hire-purchase Vehicle from the Vendor to the Target Company;
- 4.2.8 the valid and enforceable assignment of the Net Receivables from the Vendor to the Company;

4.2.9 the Vendor shall procure that each of **Ge Hailin** (NRIC No. S2609847E) and **Pan Shuhong** (NRIC No. S6881522C) to sign a five (5)-year service contract with the Company in accordance with the provisions of the S&P Agreement; and

4.2.10 due execution of the Moratorium Undertakings (as defined below).

#### **4.3. Vendor's Conditions Precedent**

The obligations of the Vendor under the S&P Agreement are further conditional upon the following matter being fulfilled or done (or waived in writing by the Vendor):

4.3.1 the approval of the shareholders of the Company for the transactions contemplated under the S&P Agreement, including the allotment and issuance of the Consideration Shares, upon the terms and conditions set out in the S&P Agreement (or upon such other terms and conditions as may be mutually agreed between the Parties) having been obtained; and

4.3.2 the Vendor's liabilities under all the Existing Guarantees being fully and finally discharged on Completion.

#### **4.4. Vendor's Undertakings**

4.4.1 The Vendor undertakes to the Company to procure, *inter alia*, that pending Completion:

(a) **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, provided always that such terms and conditions shall be no more favourable than those under his service agreement with the Vendor;

(b) **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, provided always that such terms and conditions shall be no more favourable than those under her service agreement with the Vendor;

- (c) each of **Ge Hailin** and **Pan Shuhong** shall sign undertakings, pursuant to which they shall undertake to the Company that, save for their respective existing shareholdings in the Company of 0.34% (representing 2,000,000 Shares) and 4.05% (representing 24,034,800 Shares) as at the date of the S&P Agreement, commencing from Completion and (aa) for so long as KKR China Water Investment Holdings Limited continues to be a convertible bond holder and/or shareholder of the Company and its total shareholding (including its convertible bonds on a fully converted basis) does not fall below five per cent (5%) of the total number of issued shares in the Company or (bb) until the date falling five (5) calendar years from Completion, whichever is earlier, each of them will not, directly or indirectly (i) offer, (ii) sell, transfer, give or otherwise dispose of, (iii) grant any option, right or warrant to purchase in respect of, (iv) charge, mortgage, pledge or otherwise create any encumbrance over or (v) enter into any swap or other arrangement that transfer to another, in whole or in part, any of the legal, beneficial or economic consequences of ownership of or any interest in an aggregate of seventy five per cent (75%) of the shares in the Company received by each of them respectively pursuant to any distribution of shares or enter into any agreement with a view to effecting any of the foregoing (the “**Moratorium Undertakings**”).

- 4.4.2 The Vendor undertakes to the Company that it shall effect a change of its name upon Completion, and shall not use the trademark of “Memstar” in any manner whatsoever after such change of name.

## **5. EFFECT OF NON-FULFILMENT OF CONDITIONS PRECEDENT**

The Parties undertake to use all reasonable endeavours to ensure the satisfaction of the conditions specified in paragraphs 4.1, 4.2 and 4.3 above to be fulfilled by each of them as may be relevant.

In the event that any of the conditions precedent set out in the S&P Agreement is not fulfilled by the relevant Party or is not waived by the other Party by the date falling six (6) months from the date of the S&P Agreement (or such other date as may be agreed in writing between the Parties), the S&P Agreement shall *ipso facto* cease and determine and none of the Parties shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by a Party against the other arising from antecedent breaches of the terms hereof and save that the Parties' obligation in relation to confidentiality shall survive the termination of the S&P Agreement.

## **6. IRREVOCABLE UNDERTAKINGS**

The major shareholders of the Company, Dr Lin Yucheng and KKR China Water Investment Holdings Limited, who in aggregate own 28.66% of UEL, have each undertaken to vote or procure their nominees/proxies to vote all their Shares in favour of the Transaction at the extraordinary general meeting to be convened by the Company.

The major shareholders of MTL, Ms Pan Shuhong and Dr Ge Hailin, who in aggregate own 36.47% of MTL, have each undertaken to vote or procure their nominees/proxies to vote all their shares in the MTL in favour of the Transaction at the extraordinary general meeting to be convened by MTL.

## 7. RATIONALE FOR THE TRANSACTION

One of the current core businesses of the Company and its subsidiaries (the “Group”) is providing engineering services which involve the design, fabrication, installation and commission of membrane based water and wastewater treatment system using advanced membrane technology. As such, the stable supply of membrane products is critical for the Group’s business. For the 9 months ended 31 March 2013, more than 50% of the Group’s membrane products were supplied by the Target Group.

In addition, the Target Group is a leading manufacturer and supplier of PVDF hollow fibre membrane and membrane products, and one of the few manufacturers of high performance PVDF hollow fibre membranes in the world today.

In view of the above, the Company has decided to proceed with the Transaction which will:

- (i) secure upstream membrane manufactory capability and become vertically integrated water treatment solution provider ;
- (ii) allow the Group to benefit from the growth of the Target Group’s strong membrane technologies and research and development capacities, which will in turn strengthen the Group’s value proposition to attract and retain new clientele.

## 8. FINANCIAL EFFECTS OF THE TRANSACTION

The financial effects of the Transaction below are for illustrative purposes only and may not reflect the actual future financial situation of the Company after the Completion of the Transaction. The financial effects are based on the audited financial statements of the Company for FY 2013 and assuming that:

- (a) for the purpose of computing the EPS of the Company after the Transaction, the Transaction was completed on 1 April 2012;
- (b) for the purpose of computing the net asset value per share after the Transaction, the Transaction was completed on 31 March 2013; and
- (c) for the purposes of computing the financial effects, the exchange rate of S\$1: RMB5 (as at 31 March 2013) was used.

### 8.1. Share capital

The effect of the Completion of the Transaction on the share capital of the Company is illustrated as follows:

	Number of issued Shares	
	Scenario 1 (ie. assuming full conversion of the Convertible Bonds and full exercise of the	Scenario 2 (ie. assuming no conversion of any Convertible Bonds and no exercise of any Outstanding Options)

	Outstanding Options)	
Issued and paid up share capital as at 31 March 2013 (number of Shares)	972,832,007	594,132,000
Number of Consideration Shares	200,055,550	200,055,550
Enlarged share capital after the Transaction (number of Shares)	1,172,887,557	794,187,550
Consideration Shares/ existing issued share capital (%)	20.56	33.67
Consideration Shares/ enlarged issued share capital (%)	17.06	25.19

## 8.2. Net tangible assets (“NTA”)

The effect of the Completion of the Transaction on the on the NTA of the Company is illustrated as follows:

	Before the Transaction	After the Completion of the Transaction:-	
<b>As at 31 March 2013</b>		Scenario 1 (ie. assuming full conversion of the Convertible Bonds and full exercise of the Outstanding Options)	Scenario 2 (ie. assuming no conversion of any Convertible Bonds and no exercise of any Outstanding Options)
NTA (S\$)	247,376,000	461,332,648	282,331,898
Number of Shares	594,132,000	1,172,887,557	794,187,550
NTA per Share (cents)	41.64	39.33	35.55

## 8.3. Earnings per Share (“EPS”)

The effect of the Completion of the Transaction on the EPS of the Company is illustrated as follows:

	Before the Transaction		After the Completion of the Transaction:-	
FY 2013	Scenario 1 (ie. assuming full	Scenario 2 (ie. assuming no conversion of	Scenario 1 (ie. assuming full conversion of	Scenario 2 (ie. assuming no conversion

	conversion of the Convertible Bonds and full exercise of the Outstanding Options)	any Convertible Bonds and no exercise of any Outstanding Options)	the Convertible Bonds and full exercise of the Outstanding Options)	of any Convertible Bonds and no exercise of any Outstanding Options)
Net profit after tax (S\$)	40,548,000	29,515,000	55,281,000	44,248,000
Weighted average number of Shares	860,483,007	481,783,000	1,060,538,557	681,838,550
EPS per Share (cents)	4.71	6.13	5.21	6.49

## 9. VALUE OF THE SALE SHARES AND THE SALE ASSETS

### 9.1. NTA Value

The unaudited net tangible asset value attributable to the Sale Shares and the Sale Assets as at 31 March 2013 was S\$108,309,600 <sup>(1)</sup>.

### 9.2. Net Profits

The unaudited net profits attributable to the Sale Shares and the Sale Assets for the period commencing on 1 April 2012 and ended on 31 March 2013 was S\$14,733,000 <sup>(1)</sup>.

Note:-

(1) For the purposes of computing the net tangible asset value and the net profits, the exchange rate of S\$1: RMB5 (as at 31 March 2013) was used.

## 10. THE APPROVAL OF SHAREHOLDERS FOR ALLOTMENT AND ISSUANCE OF CONSIDERATION SHARES

A mandate was given by Shareholders at the annual general meeting of the Company on 29 July 2013 (the "**Mandate**"), whereby the directors of the Company (the "**Directors**") were authorised and empowered to issue Shares, provided that the aggregate number of new Shares to be issued pursuant to such authority shall not exceed 50% of issued Shares excluding treasury shares and that the aggregate number of new Shares to be issued other than on a pro-rata basis to existing Shareholders shall not exceed 20% of the total number of issued Shares excluding treasury shares.

As the number of Consideration Shares pursuant to the Transaction will exceed the Mandate, the Company intends to seek approval of Shareholders for the allotment and issuance of Consideration Shares at an extraordinary general meeting. Further details in relation to the Transaction will be disclosed in the Shareholders' Circular.

## 11. CHAPTER 10 OF THE LISTING MANUAL OF THE SGX-ST



The relative figures in relation to the 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 of S\$19,043,200 attributable to the assets <sup>(1)</sup> acquired compared with the Group’s net profits of S\$39,139,000 for FY 2013 <sup>(2)</sup>	48.66
(c)	Aggregate value of the Purchase Consideration of S\$293,414,807 given or received, 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 <sup>(3)</sup>	48.74
(d)	200,055,550 equity securities to be issued as consideration for the acquisition, compared with the 594,132,000 equity securities previously issued <sup>(4)</sup>	33.67

Notes:-

- (1) Assets comprise of the Sale Shares and the Sale Assets.
- (2) “Net profits” is defined as profit or loss before income tax, minority interests, and extraordinary items. 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 Sale Shares and the 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 three quarters financial ended 31 March 2013.
- (3) 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.
- (4) Based upon the 200,055,550 Consideration Shares to be issued as at the date of the S&P Agreement.

As the relative figure under Rule 1006 (b), (c), and (d) exceeds 20 percent, the Transaction constitutes a major transaction for the Company as defined in Chapter 10 of the Listing Manual. Accordingly, the Transaction is subject to the approval of Shareholders.

## 12. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

### 12.1. Interests

The Company has set out below the interest of the Directors and controlling shareholders of the Company (the “**Controlling Shareholders**”) in the capital of the Company as at the date of this Announcement.

After the Completion of the Transaction	Scenario 1 (ie. assuming full conversion of the Convertible Bonds and full exercise of the Outstanding Options)				Scenario 2 (ie. assuming no conversion of any Convertible Bonds and no exercise of any Outstanding Options)			
	Number of Shares				Number of Shares			
<b>Directors</b>	Direct Interest	Deemed Interest	Total Interest	% <sup>(1)</sup>	Direct Interest	Deemed Interest	Total Interest	% <sup>(2)</sup>
Dr. Lin Yucheng	86,761,000	-	86,761,000	7.40	71,761,000	-	71,761,000	9.04
Wang Ning	10,307,200	-	10,307,200	0.88	3,307,200	-	3,307,200	-
Yeung Koon Sang alias David Yeung	600,000	-	600,000	0.05	-	-	-	-
Dr. Chong Weng Chew	2,250,000	-	2,250,000	0.19	-	-	-	-
Tay Beng Chuan	550,000	-	550,000	0.05	-	-	-	-
Lee Suan Hiang	353,000	400,000	753,000	0.06	3,000	400,000	403,000	0.05
David Haifeng Liu	-	-	-	-	-	-	-	-
Dr. Li Yan	-	-	-	-	-	-	-	-
Zhao Fu	-	-	-	-	-	-	-	-
<b>Controlling Shareholders</b>								
KKR China Water Investment Holdings Limited	403,536,007	-	403,536,007	34.41	98,536,000	-	98,536,000	12.41

Notes:-

- (1) As a percentage of the issued share capital of the Company, comprising 1,172,887,557 Shares assuming Scenario 1.
- (2) As a percentage of the issued share capital of the Company, comprising 794,187,550 Shares assuming Scenario 2.

The Company has set out below the interest of the Directors and the Controlling Shareholders in the capital of the Vendor as at the date of this Announcement.

Directors	Number of MTL shares			
	Direct Interest	Deemed Interest	Total Interest	% <sup>(1)</sup>
Dr. Lin Yucheng	-	24,404,335 <sup>(2)</sup>	24,404,335	0.9189
Wang Ning	-	-	-	-
Yeung Koon Sang alias David Yeung	-	-	-	-
Dr. Chong Weng Chiew	-	-	-	-
Tay Beng Chuan	5,000,000	-	5,000,000	0.1883
Lee Suan Hiang	100,000	-	100,000	0.0038
David Haifeng Liu	-	-	-	-
Dr. Li Yan	-	-	-	-
Zhao Fu	-	-	-	-
<b>Controlling Shareholder (other than the Directors)</b>				
None	-	-	-	-

Notes:-

- (1) As a percentage of the issued share capital of the Vendor, comprising 2,655,807,337 shares as at the date of this Announcement.
- (2) Dr. Lin Yucheng has a deemed interest in the 24,404,335 MTL shares, which is registered under Greenlake Resources Inc, a company incorporated in the British Virgin Islands and 100% held by Mdm. Liao Jian Qin, the spouse of Dr. Lin Yucheng.

In addition, Mr. Lee Suan Hiang, being the independent director of the Company as at the date of this Announcement, is also an independent director of the Vendor, and has abstained from deliberating and voting in relation to the board resolutions approving the Transaction.

Save as disclosed in this Announcement, none of the Directors or any Controlling Shareholders has any interests, direct or indirect (other than through their shareholdings in the Company), in the Transaction.

## 12.2. Directors' Service Contracts

No person is proposed to be appointed as Director of the Company in connection with the Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any person.

## 13. SHAREHOLDERS' CIRCULAR AND DOCUMENTS FOR INSPECTION

The Shareholders' Circular containing, *inter alia*, further details of the Transaction and enclosing the notice of the EGM will be despatched to the Shareholders in due course.

The S&P Agreement will be made available for inspection during normal business hours at the Company's registered office at 80 Robinson Road, #02-00, Singapore 068898, for a period of three (3) months from the date of this Announcement.

#### 14. CAUTIONARY STATEMENT

The Board would like to advise Shareholders that, although the S&P Agreement has been entered into, completion of the Transaction is subject to conditions precedent being fulfilled and there is no assurance that completion of any or all of the Transaction will take place. Accordingly, Shareholders are advised to exercise caution in dealings in the Shares. Shareholders are advised to read this announcement and any further update announcement(s) released by the Company in relation to the Transaction carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

#### 15. DEFINITIONS

For the purpose of this Announcement, the following defined terms shall have the corresponding meanings ascribed:

**"Concession Arrangement Contract"** means the contract between the Vendor and the Tangshan government, as further described in the S&P Agreement;

**"Convertible Bonds"** means the convertible bonds of US\$113.8 million in aggregate principal amount due in October 2016 held by KKR China Water Investment Holdings Limited, which upon full conversion will result in a maximum number of 305,000,007 new Shares being allotted and issued;

**"Customer Contract"** means the contract between the Vendor and Hydranautics, as further described in the S&P Agreement;

**"Existing Guarantees"** means (a) the bankers guarantee issued by DBS Bank Ltd to the Controller of Immigration in respect of the employment of a foreign worker by the Vendor; (b) the bankers guarantee issued by DBS Bank Ltd to Boustead Salcon Water Solutions Pte Ltd in order to secure the payment of trade creditors of the Vendor; and (c) the corporate guarantee granted by the Vendor to Standard Chartered Bank ("**SCB**") in order to secure facilities extended by SCB to Max Rise Water Services Holdings Limited, and "**Existing Guarantee**" shall mean any of them;

**"ESOS"** means the employee share option scheme approved by the shareholders of the Company at an extraordinary general meeting of the Company held on 2 February 2010 and subsequently amended on 14 February 2013;

**"Hire-purchase Vehicle"** means the motor vehicle (Land Rover Range Rover Evoque) of the Vendor under hire-purchase from DBS Bank Ltd, as further described in the S&P Agreement;

**“Long Stop Date”** means a date falling six (6) months from the date of the S&P Agreement, or such other date as may be mutually agreed in writing between the Parties;

**“Moratorium Undertakings”** shall have the meaning ascribed to it in Paragraph 4.4.1(c);

**“Net Receivables”** means the net receivables between the Target Group and the Vendor as at the date of Completion, as further described in the S&P Agreement

**“Outstanding Options”** means options under the ESOS and as at the date of this Announcement, the total number of Shares that may be issued upon exercise of all the outstanding options is 73,700,000;

**“Parties”** means the Company and the Vendor, and **“Party”** means any of them;

**“Patent”** means Patent No.: ZL 2009 1 0140114.5, “Met hod and equipment for interenerating drinking water and the relevant water softener” of the Vendor, as further described in the S&P Agreement;

**“S\$”** or **“Singapore Dollars”** means the lawful currency of Singapore;

**“Sale Assets”** means the (i) Customer Contract; (ii) Concession Arrangement Contract; (iii) Patent; (iv) Hire-purchase Vehicle and (v) Net Receivables of the Vendor, which are to be transferred and/or novated by the Vendor to the Target Company or the Company (as case may be) on the terms and subject to the conditions in the S&P Agreement;

**“Shares”** means the ordinary shares in the share capital of the Company;

**“Scenario 1”** shall mean full conversion of the US\$ 113.8 million in aggregate principal amount of the Convertible Bonds before the Completion of the Transaction, and full exercise of the Outstanding Options before the Completion of the Transaction;

**“Scenario 2”** shall mean no conversion of the US\$ 113.8 million in aggregate principal amount of the Convertible Bonds before the Completion of Transaction, and no exercise of any of the Outstanding Options before the Completion of the Transaction.

## **BY ORDER OF THE BOARD**

Dr. Lin Yucheng  
Chairman and Chief Executive Officer  
29 July 2013